

**South West College**  
**Annual Report and Financial Statements**  
**Year Ended 31 July 2016**

*The Accounting Officer authorised these  
financial statements for issue*

*on*

*16 November 2016*

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

*on*

*12 December 2016*

**SOUTH WEST COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 July 2016**  
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**SOUTH WEST COLLEGE  
STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

**NATURE, OBJECTIVES AND STRATEGIES**

The South West College provides education and training opportunities to a wide range of learners in counties Tyrone and Fermanagh. This includes pupils engaging from local schools in the 14-19 Entitlement Framework, through full and part time vocational educational programmes and contracted training, to an expanding higher education delivery including a number of undergraduate programmes and some degree provision. The College supports the Lifelong Learning agenda in the context of skills development, while recognising the need for social inclusion and cohesion in its curriculum and service planning. The South West College is pioneering economic engagement work in the further education sector through its InnoTech Centre which aims to provide 'city type' innovation and technical transfer services to a rural region.

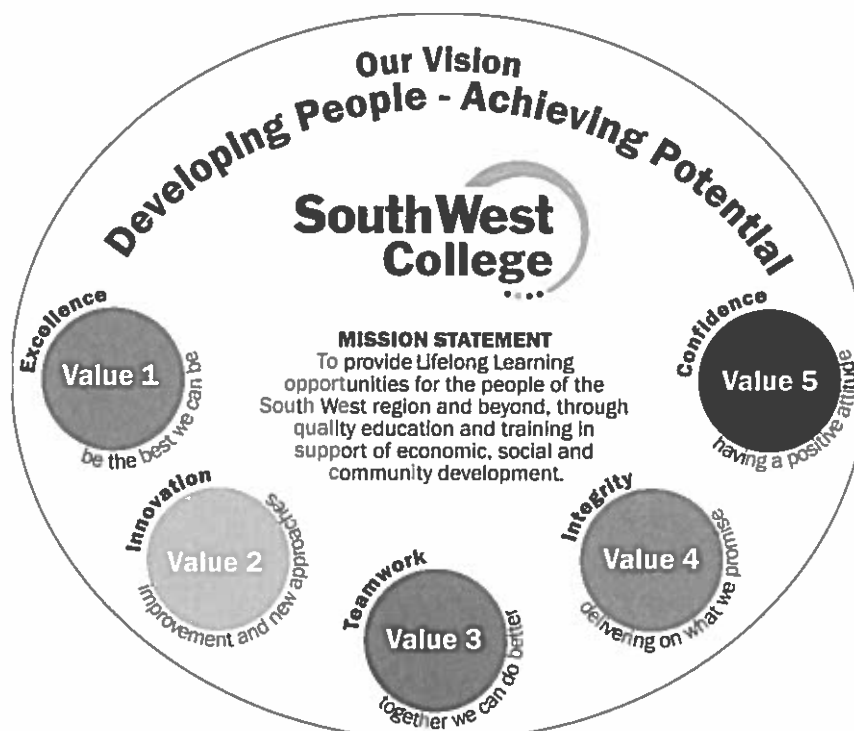
**Legal Status**

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 Statement**

The College's Mission, Vision and Values are set out in the Diagram below:



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**Implementation of Strategic Plan**

<b>Implementation of Strategic Plan</b>	
<b>Strategic Objective</b>	<b>Progress</b>
<p><b>Curriculum</b></p> <ul style="list-style-type: none"> <li>To develop and expand quality provision for further and higher education and training, including the Entitlement Framework, in line with the needs of the South West region and beyond, in support of the regional economy.</li> <li>To develop and embed the use of information and learning technologies through the whole curriculum and the development of Centres of Excellence, thereby enhancing and enriching the learning experience.</li> <li>To place students at the centre of any strategic quality improvement and marketing initiatives.</li> </ul>	<p><b>Curriculum</b></p> <p>The college has over the previous two years engaged with the HLA pilots and the CDST initiative delivering a 'sector leading' 10 HLAs, 1 level 3 pilot &amp; 1 level 2 pilot; to be expanded in 16/17.</p> <p>The College's Virtual Services team have developed and embedded the concept of a Virtual Academy which is impacting on FE, HE, and Training curriculum in SWC across all levels.</p> <p>SWC's QIP places students at the centre of its annual action plan.</p>
<p><b>Economic Development</b></p> <ul style="list-style-type: none"> <li>To improve the knowledge and skills levels of the current and potential workforce through a range of flexible, industry relevant education and training programmes.</li> <li>To work in collaboration with external stakeholders to develop high level technology and innovation support for Small and Medium Enterprises (SMEs) in the South West region and beyond.</li> </ul>	<p><b>Economic Development</b></p> <p>Significant progress has been made this year with the implementation and expansion of 'Skills Focus' delivering a 50% growth in activity.</p> <p>A range of support has been provided to SMEs across the region through various initiatives incl. 'Connected' (£82k), 'Fusion' (£66k), KTP (£65k), Innovation Vouchers (£117k) &amp; Other EU programmes (£520k).</p>
<p><b>People &amp; Organisation Development</b></p> <ul style="list-style-type: none"> <li>To support excellent organisational performance through ongoing recruitment, development and deployment of a highly skilled workforce.</li> <li>To actively promote a culture and working environment that will empower staff to consistently achieve their potential and encourage innovation for the benefit of all stakeholders.</li> </ul>	<p><b>People &amp; Organisation Development</b></p> <p>The SWC Management Development Programme 'LLP2' is on-going and mid-way evaluations are very positive. The SWC Strategic projects Initiative has been launched and a range of middle managers have been empowered to scope, pitch and deliver strategically important college-wide projects.</p>
<p><b>Partnership</b></p> <ul style="list-style-type: none"> <li>To partner with appropriate public, private and voluntary organisations to respond to the educational, economic and social needs of the region and beyond.</li> </ul>	<p><b>Partnership</b></p> <p>SWC has partnered with a range of organisations to bid for and deliver benefits for the region including the 2 local super-councils, 2 NI universities and several ROI, EU bid-partners</p>
<p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>To secure and use College funds to effectively and efficiently resource the delivery of all College services through sound financial management</li> </ul>	<p><b>Financial Sustainability</b></p> <p>SMART Reporting introduced during 2015/16 to support budget management across all departments and improve reporting of financial performance during the year.</p>

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<p><b>International Links</b></p> <ul style="list-style-type: none"> <li>To create an outward and forward looking College by building on a range of international links supporting staff, students and knowledge exchange</li> </ul>	<p><b>International Links</b></p> <p>SWC continues to explore opportunities for international collaboration and is the only organisation in the UK to have the Erasmus VET Charter and the HE Charter whilst leading on KA1, KA2 and KA3 projects.</p>
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**Financial objectives**

The College's high level financial aim was to achieve good financial performance through income generation and efficient operation, to support and facilitate the service provision. This aim is established to achieve the strategic objective No. 5 (above) – **FINANCIAL SUSTAINABILITY**. This was supported by specific financial objectives, which include:

- Generating sufficient levels of income to support the asset base of the College;
- Pursuing 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;
- Maintaining and improving the College's short term liquidity;
- Utilising College reserves to enhance facilities, curriculum and service provision;
- Funding continued capital investment;
- Further development of monitoring, reporting, budgetary control and financial management to enhance performance reporting;
- Development and implementation of robust financial control systems and procedures to ensure accountability and control of resources;
- Ensuring robust financial planning and risk management;
- Utilising and developing skills and experience to support financial performance.

In order to achieve these objectives, the College sought, and was granted approval to operate a planned deficit for the year. This deficit incorporated expenditure in accordance with an approved exceptional Investment Plan for the year. Cognisant of the external financial climate, to inform future strategy and objectives, the College also engaged in financial efficiency scenario planning during the year.

A series of performance indicators have been agreed in areas such as liquidity, budget management and prompt payment in order to monitor the successful implementation of the policies. These key performance indicators were measured against target ranges set by DfE and reported at monthly management meetings throughout the year, with favourable outcomes reported on a consistent basis.

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**Performance Indicators**

A new College Development Plan has been prepared for period 2015-2018 and this sets out the strategic challenge, targets and milestones for 2016/17 and beyond such as the following:

<b>Strategic Project</b>	<b>Rationale</b>
The curriculum challenge	Achieve a future-proofed curriculum that is modern, relevant and governed effectively.
The staff and students challenge	Provide a staff and student development plan to ensure maximum potential is achieved.
The economic development challenge	Provide economic development support to innovative industries of the future.
The internationalisation challenge	Encourage an international outlook and awareness so that students and staff have the confidence to operate in a global environment.
The entrepreneurship challenge	Create an entrepreneurship framework so that the College is recognised as entrepreneurial in actions and thoughts.
The resource management challenge	Ensure resource management provides effective and efficient uses of resources and creates an environment conducive to good stewardship.

The Development Plan is linked to local and regional strategies of Fermanagh and Omagh District Council and Mid-Ulster District Council and also cross border programmes and projects.

**FINANCIAL POSITION**

**Financial Results**

The South West College generated a deficit on continuing operations of £1.169M in the year (2014/15 – deficit £1.728M). The College recognised an exceptional gain of £659k as a result of an insurance rebate from BES Limited after a benchmarking exercise. The College also reported an exceptional cost of £780k as a result of the Voluntary Exit Scheme, but this is covered by DfE funding which negates the cost.

The College's turnover decreased by £1.921M (4.66%) to £39.289M as a result the wind-down of the Steps to Work Programme. There is £891k income, related to capital grant received from DfE, on purchase of land at new Erne site development, now recognised in 2015 as a result of accounting policy changes due to transition to FRS 102. Staff costs have decreased by £819k (3.7%) to £21.174M as a result of Voluntary Exit Scheme savings being recognised. Other operating expenses have decreased by £1.982M (13.5%) and this is largely due the Steps to Work Programme expenditure being reduced significantly and also to a reduction in planned maintenance expenditure.

The South West College has significant reliance on DEL for its principal funding source, largely from recurrent grants. In 2015/16, DEL provided 43.72% of the College's total income through allocated recurrent grant. This represented 11.87% of the total recurrent grant available to the sector.

The South West College is involved with various educational partnerships and joint ventures. None of these are considered to be material, nor do they have any significant assets or liabilities not already reflected in the financial statements.

## **SOUTH WEST COLLEGE STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2016**

The interest charges of £3.223M relate to the notional interest calculated in respect of the PFI contracts (£2.929M) and a finance charge of £294k in relation to accounting for pensions.

### **Reserves**

The South West College has accumulated reserves of £37.818M, including a property revaluation reserve of £43.481M. There was an indexed linked revaluation adjustment made at 31<sup>st</sup> July 2016 which resulted in an increase in the revaluation reserve of £4.8M. The South West College has cash balances of £5.499M and a general income and expenditure reserve of £3.394M.

The reported income and expenditure reserve position represents 8.6% of College income for the year and this falls within the target range of 5-10% set within the Financial Memorandum. The College considers that its liquidity is sound and the cash balances represent 59 days of College operations which is in excess of the target of 25-35 days. The College Development Plan 2016-18 provides detailed information on resource allocation plans which assist in:

- ensuring liquidity and planning to have adequate cash balances to meet normal operational commitments and manage working capital requirements; and
- ensuring efficient and effective use of resources to maintain cost effectiveness;
- facilitating and enabling continued investment in planned capital developments.

The revaluation reserve of £43.481M has accumulated through revaluation of land and buildings over the cost, capitalised value or in respect of assets inherited at no cost from another party.

### **Treasury policies and objectives**

#### **Treasury Management**

Treasury management is the management of the College's cash flows, its banking and investment transactions and the effective control of the risks associated and pursuit of optimum performance consistent with those risks. The South West College has an investment policy which establishes investment objectives as follows:

- Investment suitability – in recognition of the College's primary educational mission, its role as a custodian of public funds and its unique budgetary and cash flow cycles;
- Preservation and safety of principal – to ensure that potential capital losses are avoided;
- Liquidity – by structuring maturities to enable the College to meet all cash requirements which might reasonably be anticipated;
- Diversification – to avoid incurring unreasonable and avoidable risks regarding types of investment or concentrations within individual financial institutions; and
- Yield – to attain the best rate of return on investment funds.

The College regularly reviews its investment strategy in the context of these objectives, projected cash flows and market conditions.

Short term borrowing for temporary revenue purposes is authorised by the Governing Body. Such arrangements are restricted by limits in the Financial Memorandum. All other borrowing requires the authorisation of the Department and shall comply with the requirements of the Financial Memorandum.

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**Cash flows**

The operating cash flow for the College for the year was stable, reflected in the movement of net funds in the Cash Flow Statement. During the year the College had significant working capital requirements as it funded the minor works projects and contractual commitments on a short-term basis. The College had no borrowings at the year end or during the year.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Student Numbers**

The South West College's student establishment reduced by 14.57% during the year, giving a total establishment of 4,777 full time equivalent (FTE) students (2014/15 – 5,592). This comprised of further and higher education FTE students funded by DfE/DEL and FTE students who are separately funded through training, cost recovery or other programme arrangements. The FLU target was 242 less in 2015/16 compared to 2014/15 which meant less enrolments were necessary. Also there was no Steps to Work or Learning Access and Engagement enrolments which equates to approximately 500 students.

**Student achievements**

The College's retention rate for 2015/16 was 94% (2014/15– 92.17%) and the overall achievement rate for students in 2015/16 was 82.88% (2014/15 – 84.4%).

**Curriculum Developments**

The 2015-16 year has been very successful at the College with staff continuing to deliver outstanding performance across its business areas.

Higher Education continues to display significant growth in demand and the Maximum Student Numbers (MaSN) allocation from DEL was filled and remains above target at the end of the academic year. The milestone of 565 full-time HE students was surpassed this year and that figure was supplemented by approximately 975 part-time HE students. Furthermore the College recruited 65 Higher Level Apprentices (HLA's) alongside this Higher Education offer across 9 areas.

The College has continued to plan for further development to the Rural University (Project 10 – delivering Higher Education to the rural community) and the new academic year will see a further 2 Level 6 cohorts recruited under the banner of 'Project 10' in areas of Computing and Sustainable Construction (UU validated) alongside the existing Level 6 BSc honours degree in Energy, Environment and Sustainability (QUB validated).

There was significant success at a range of international competitions with SWC students excelling in most disciplines and the SWC representation on SkillBuild teams continues to be strong.

Virtual learning has been developed significantly in SWC in the last academic year with all learners having access to online modules supporting their learning through the Virtual Academy. This platform was also used to successfully deliver a Level 5 programme internationally. There have been increased numbers of referrals from Invest NI for international curriculum delivery.

The Confucius Hub had another successful year, with in excess of 1500 students in 45 schools undertaking a Chinese Mandarin qualification through the four area learning communities which the College supports. This Mandarin Chinese provision was supported by ten tutors funded by Hanban. Expansion of this programme to 1800 students taught by 15 tutors is planned to 2016-17. Provision of Business Mandarin modules will be a feature of the provision going forward and the preparations for that and new foundation degrees with Chinese language content have been put in place.



## **SOUTH WEST COLLEGE STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2016**

SWC staff participated in the sectoral Curriculum reform project in the 2015-16 academic year and while this project has been stood down the curriculum reform agenda remains a high priority in SWC with 9 level 2 and 3 level 3 traineeships and apprenticeship approved for recruitment / re-enrolment.

Planning and collaboration discussions for the ambitious new Erne site are at an advanced stage. Curriculum teams have reviewed all accommodation requirements in line with future plans to deliver teaching and learning in new and innovative ways in this new build.

### **Further Education Reclassification**

In October 2010, the Office of National Statistics reclassified Further Education Colleges from Non-Profit Institutions Serving Households to Central Government, which is from private to the public sector. From 1 April 2012 it was confirmed that for Northern Ireland, the Further Education Colleges would be brought within the budgetary responsibility of the Department for Employment and Learning (and required to accord with the same budgeting and reporting disciplines as other Non-Departmental Public Bodies).

### **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 year from 1 August 2015 to 31 July 2016, the College paid 90% (2015 - 89%) of its invoices within 30 days, and 60% within 10 days. The College incurred no interest charges in respect of late payment for the year.

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

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

### **Post Balance Sheet Events**

In the period between the end of the reporting year (31<sup>st</sup> July 2016) and the date when the financial statements are authorised for issue (28<sup>th</sup> November 2016), the College has identified a contingent liability. The contingent liability is disclosed in Note 24 and refers to a funding claim made to the European Commission by the Department for the Economy relating to Programme Led Apprenticeships in the financial years 2011, 2012 and 2013.

The post balance sheet event is a disclosure and has not required an adjustment in the financial statements.

### **Going Concern**

The College is satisfied that the organisation is a going concern on the basis that there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming to meet the College's liabilities as they fall due. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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**Future Developments**

The South West College is committed to acting as a key driver of local and regional economic development and as a promoter of lifelong learning. The College will foster partnership activity and innovation to support development, locally and regionally. The College will seek to achieve all developments in an environment of good governance, with internal control and accountability at all levels to ensure that it operates in an effective manner.

The Governing Body is satisfied that the South West College is a going concern on the basis that it has a reasonable expectation that the South West College will continue in operation for the foreseeable future. Consideration has been given to the Sharman Inquiry when coming to this conclusion.

**Resources**

The South West College has various resources that it can deploy in pursuit of its strategic objectives.

Estate

The South West College's estate includes:	Cookstown Campus	£2,899,379
	Dungannon Campus	£31,489,510
	Enniskillen Campus	£9,034,325
	Skills Centre Campus	£14,236,427
	Omagh Campus	£33,424,011
	Erne Site Development	£905,659

Financial

Net assets at 31 July 2016 were £37.709M (including £9.057M pension liability) and the South West College has long term debt of £37.789M.

People

The South West College employs 595 people (expressed as full time equivalents), of whom 315 are teaching staff.

The average number of days lost to sickness absence by all staff in 2015/16 was 7.22 days (2014/15 – 6.4 days) which compares favourably against benchmarks for the sector (sector average was 8.53 days for 2015/16).

Reputation

The College has a good reputation locally and nationally and maintaining a quality brand is essential for the College's success at attracting students and external relationships.

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**PRINCIPAL RISKS AND UNCERTAINTIES**

The College has undertaken significant work during the year to develop and embed systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

The South West College has set out the following commitment on risk management:

*'The College is committed to fostering an environment where the uncertainties of downside risks (hazard) are minimised and the rewards of pursuing upside risks (entrepreneurial opportunities) are realised commensurate with its academic, financial and other objectives. To assist in the achievement of this goal, the College will:*

- *Identify, analyse and control those risks which might inhibit the South West College from achieving its strategic and/or operational, academic and financial objectives;*
- *Raise awareness of and integrate risk management into the processes of managing the College; and*
- *Promote an understanding of the importance of risk management and encourage staff to be more proactive in achieving these objectives.'*

Risk registers have been prepared both at College level and at Departmental / Sectional level internally and these registers are reviewed by the Audit Committee at least annually and more frequently where necessary.

The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This activity has also been supported by training to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College as detailed in the Risk Register. It should be noted that not all the factors are within the College's control and that factors besides those listed may also adversely affect the College.

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**PRINCIPAL RISKS AND UNCERTAINTIES (CONT'D)**

	<b>Risk Factor</b>	<b>Commentary</b>
1.	Impact of BREXIT and Changes to Government/DfE	The College benefits directly and indirectly from EU funding streams. Uncertainty over availability and access to EU funding or alternative funding. Impact of being a border College with students from ROI and the future mobility of students and staff.
2.	Impact of Voluntary Exit Scheme (VES)	Further loss of staff following implementation of Year 2 of VES. Impact of loss of staff and skills to be managed. Reduction in College wage bill required under the terms of the scheme.
3.	Financial Constraints/Viability and implications of budget cuts	Ongoing potential of public sector funding cuts and savings to be made from payroll due to exits under VES, together with longer term implications stemming from BREXIT. Additional external factors also having an impact through curriculum development, sector pay increases, changes to NICs contributions rules etc.
4.	Estates Strategy – Enniskillen Development Project	Erne site project is progressing with planning application submitted and procurement documentation being prepared for the appointment of contractors. Capital funding not yet confirmed however the College continues to liaise with DfE to secure ring fenced funding commitment.
5.	Strategic Planning and Corporate Governance	Embedding of a newly aligned structure following an organisational review. Implementation of the CDP for the 2015-2018 period. The Annual Operating Plan for 2016/17 has been prepared and disseminated to enable Team Operating Plans to be implemented. Strategic Projects have been identified and are being progressed.
6.	Workforce Resource, Planning and Development, including Staff Management	Impact of VES on staffing and resourcing continues to be monitored. Recruitment exercises ongoing for some posts. LLP, HEPD and Job Enrichment schemes are available to eligible staff. IIP silver accreditation awarded in June 2016.
7.	Implementation of the CDST Project and impact from the introduction of new Level 2 and level 3 qualifications	DfE has recently confirmed timescales for CDST project have been revised with further, initial groundwork to be undertaken. Qualifications to be mapped and further engagement with industry required.

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	<b>Risk Factor</b>	<b>Commentary</b>
8.	Not achieving student related targets	Impact of loss of key staff through VES. Up-skilling of staff and staff development for people in new roles or undertaking new responsibilities. Impact from review of curriculum including implementation of pilots. Increasing competition from schools.
9.	Implementation of changes to internal technology systems and ongoing management of cyber risks	STS Project groups established to look at replacement of LMS. Project progressing with representation across the sector and specialist input. IT security framework developed. Risk management of potential IT issues including cyber security, data management security and privacy to College systems and / or data ongoing.
10.	Accountability issues associated to management and delivery of externally funded projects (Target: Employer Support Programme, SUSE+, MOVESMART)	Significant impact from BREXIT in the medium to longer term. Ongoing uncertainty over existing funding and applications moving forward. Conditions for timescales and delivery and administration of projects remain onerous. Increasing accountability and compliance requirements.
11.	Internationalisation of the South West College	Further engagement with external stakeholders to explore potential opportunities in the international market. Alternative funding streams being explored in light of BREXIT.

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**STAKEHOLDER RELATIONSHIPS**

In line with other Colleges and with Universities, the South West College has many stakeholders. These include students; DEL; staff; local employers (with specific links); local councils; Government Offices/ Regional Development Agencies; the local community; other Further Education Colleges and training organisations; awarding bodies; trade unions; and professional bodies.

The South West College recognises the importance of these relationships and engages in regular communication with them through a variety of methods, in line with its communication strategy. The South West 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.

**Equal Opportunities and employment of disabled persons**

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

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

Without prejudice to its obligations above, the South West 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 South West College has included the promotion of good relations as part of the corporate planning process.

The South West College is committed to the fulfilment of its Section 75 obligations in all parts of its organisation. The South West 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**

South West College, as an employer and a provider of further/ higher education, is committed to the provision of equal opportunities for all. The Disability Policy sets out the College's commitment to both potential and existing employees and students. The College seeks to encourage employees and students to disclose a disability and to ensure that employees and students with a disability are protected from discrimination and have equal access to the full range of the College's facilities. The College will treat all employees and students with respect and dignity, and seek to provide a positive working environment.

The College recognises its obligations under the Disability Discrimination Act (DDA) 1995, Special Educational Needs Disability (Northern Ireland) and its statutory obligations not to discriminate against any existing employees and students and to make reasonable adjustments to seek to overcome any arrangements or physical features that make it difficult to access employment and learning.

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**Disclosure of Information to Auditors**

These accounts are subject to audit 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 South West 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 South West College's auditors are aware of that information.

**Personal Data Related Incidents**

The college had no personal data related incidents reported during the year.

**Charitable and Taxation Status**

The South West College has charitable status with HM Revenue and Customs and is not liable to corporation tax.

**Charitable/Political Donations**

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

**Professional Advisers**

<b>External Auditors:</b>	Northern Ireland Audit Office
<b>Name and address</b>	106 University Street, Belfast, BT7 1EU
<b>Internal Auditors:</b>	KPMG
<b>Name and address</b>	Stokes House, 17-25 College Square East, Belfast, BT1 6DH
<b>Bankers:</b>	First Trust Bank
<b>Name and address</b>	High Street, Omagh, Co. Tyrone, BT78 1BH

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**Members**

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

GOVERNOR	DATE OF APPOINTMENT	TERM OF OFFICE	DATE OF RESIGNATION	STATUS OF APPOINTMENT	COMMITTEES SERVED
Mr Joseph Martin	1 September 2010	1 September 2010 – 31 August 2018	N/A	Chair	<ul style="list-style-type: none"> <li>Staffing Committee</li> </ul>
Mr Thomas Bradley	22 November 2011	22 November 2011 – 21 November 2015	N/A	Staff Member	<ul style="list-style-type: none"> <li>Education, Quality &amp; Performance Committee</li> <li>Finance &amp; General Purposes Committee</li> </ul>
Miss Tamara Schofield	20 October 2014	20 October 2014 – 30 September 2015	N/A	Student Member	<ul style="list-style-type: none"> <li>Education, Quality &amp; Performance Committee</li> </ul>
Mr Aquinas Devlin	22 November 2011	22 November 2011 – 21 November 2015	N/A	Staff Member	<ul style="list-style-type: none"> <li>Education, Quality &amp; Performance Committee</li> <li>Audit &amp; Risk Committee</li> </ul>
Mrs Margaret Martin	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>Staffing Committee (until 13/01/2016)</li> <li>Education, Quality &amp; Performance Committee (Chair)</li> </ul>
Mr Wilson Matthews	10 June 2010	10 June 2010 – 9 June 2018	N/A	Co-optee	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes Committee</li> <li>Education, Quality &amp; Performance Committee</li> </ul>
Mr Wilbert Mayne	25 October 2010	25 October 2010 – 24 October 2018	N/A	Education & Library Board Nominee	<ul style="list-style-type: none"> <li>Audit &amp; Risk Committee</li> </ul>
Mr Malachy McAleer	28 September 2009	When leaves Chief Executive's post	N/A	Chief Executive	<ul style="list-style-type: none"> <li>Education, Quality &amp; Performance Committee</li> <li>Finance &amp; General Purposes Committee</li> <li>Staffing Committee</li> </ul>
Mrs Monica McGeary	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>Audit &amp; Risk Committee</li> <li>Staffing Committee (Chair)</li> </ul>
Mr Gerard O'Hanlon	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes Committee</li> </ul>
Councillor Thomas O'Reilly	21 July 2008	21 July 2008 – 20 July 2016	N/A	Education & Library Board Nominee	<ul style="list-style-type: none"> <li>Education, Quality &amp; Performance Committee</li> <li>Finance &amp; General Purposes Committee</li> </ul>



**SOUTH WEST COLLEGE  
STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

GOVERNOR	DATE OF APPOINTMENT	TERM OF OFFICE	DATE OF RESIGNATION	STATUS OF APPOINTMENT	COMMITTEES SERVED
Mr Michael Skuce	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee</li> <li>• Staffing Committee</li> </ul>
Mr Derek Weir	1 August 2011	1 August 2011 – 31 Jul 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Staffing Committee</li> </ul>
Mr Peter Archdale	1 August 2012	1 August 2012 – 31 Jul 2020	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Education, Quality &amp; Performance Committee</li> </ul>
Mrs Patricia McCaffrey	28 May 2014	28 May 2014 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee (Chair)</li> <li>• Staffing Committee</li> </ul>
Mr Mick McGuckin	1 August 2015	1 August 2015 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Finance &amp; General Purposes Committee (Chair)</li> </ul>
Mr Seamus McCaffrey	1 August 2015	1 August 2015 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> <li>• Finance &amp; General Purposes Committee</li> </ul>
Mr Michael McCullagh	1 October 2015	1 October 2015 – 30 September 2016	N/A	Student Member	<ul style="list-style-type: none"> <li>• Education, Quality &amp; Performance Committee</li> </ul>
Mr Stephen Moss	22 November 2015	22 November 2015 – 21 November 2019	N/A	Staff Member	<ul style="list-style-type: none"> <li>• Education, Quality &amp; Performance Committee</li> <li>• Finance &amp; General Purposes Committee</li> </ul>
Ms Sharon Pritchard	22 November 2015	22 November 2015 – 21 November 2019	N/A	Staff Member	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee</li> <li>• Education, Quality &amp; Performance Committee</li> </ul>

Attendance records for Governing Body members are disclosed on page 30.

For and on behalf of the members of the Governing Body:

Chairman Joseph Marki Date 16-11-2016

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

**Members of the Governing Body**

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

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

The remuneration of Governing Body members (excluding staff members) was first introduced by the Department from 1<sup>st</sup> January 2016. There are no arrangements in place for the payment of a bonus.

No member of the Governing Body including the Chairman receives a pension contribution from the College or DfE. The College also reimburses governing body members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

The remuneration of the Chairman and Board members is as follows:

	2015-16				2014-15			
	Salary & allowances	Benefits in Kind	Pension benefits	Total	Salary & allowances	Benefits in Kind	Pension benefits	Total
	£'000s	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Joseph Martin (Chairman)	10-15	-	-	10-15	N/A	N/A	N/A	N/A
Derek Weir	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Margaret Martin	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Michael McCullagh	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Michael McGuckin	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Michael Skuce	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Monica McGeary	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Patricia McCaffrey	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Peter Archdale	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Seamus McCaffrey	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Wilbert Mayne	0-5	-	-	0-5	N/A	N/A	N/A	N/A
Wilson Mathews	0-5	-	-	0-5	N/A	N/A	N/A	N/A

Staff and Student members of the Governing Body receive no remuneration. Staff members get time in lieu instead of remuneration.

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

**The Chief Executive and Senior Management Team**

The Chief Executive 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 Chief Executive 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 Chief Executives 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 Chief Executives 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 Chief Executives. If the College increases in size a Deputy Chief Executive will automatically move to the new relevant salary scale.

**Performance Pay**

There is no performance pay or related scheme for the Chief Executive or any Deputy Chief Executive.

**Total reward package**

Senior staff within Colleges 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 12 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.

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

**Salary and pension entitlements (Audited)**

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

	2015-2016		2014-2015	
	Salary (audited) £'000	Pension Benefits £'000*	Salary (audited) £'000	Pension Benefits £'000*
<b>Malachy McAleer – Chief Executive</b>	105-110	17	95-100	20
<b>Michael McAlister – Deputy Chief Executive</b>	75-80	12	75-80	17
<b>Celine McCartan – on secondment to DfE</b>	75-80	17	75-80	25

	2015-16 £'000	2014-15 £'000
<b>Bank of highest paid directors total remuneration</b>	105-110	95-100
<b>Median total remuneration</b>	30,067	28,952
<b>Ratio</b>	3.5	3.4

\*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Celine McCartan began a secondment with DfE/DEL on 1<sup>st</sup> November 2015 for two years (with a possible extension) but remains as Head of Corporate and Support Services. Interim arrangements are in place to cover the function of the Head of Corporate and Support Services as a result of a management reorganisation which took place during the 2015/16 year.

**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 HM Revenue and Customs as a taxable emolument. No senior officials received any benefits in kind. The salary and pension entitlements of the most senior staff members of the College for the year ended 31 July 2016 are detailed below.

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REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2016**

**Audited Pension Entitlements**

	<b>Accrued pension at pension age as at 31/07/2016 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/07/2016</b>	<b>CETV at 31/07/2015</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Malachy McAleer</b>	25-30 90-95	0-2.5 2.5-5	679	669	10
<b>Michael McAlister</b>	25-30 80-85	0-2.5 2.5-5	580	529	51
<b>Celine McCartan</b>	30-35 0	0-2.5 0	350	322	28

**Pension arrangements**

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

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

The assets of the NILGOSC scheme are measured using closing market values. NILGOSC liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

**Cash Equivalent Transfer Values**

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

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
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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.

Chairman Joseph Martin  
Date 16/11/16

Chief Executive Shelagh O'Shea  
Date 16/11/16

**SOUTH WEST COLLEGE  
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY  
FOR THE YEAR ENDED 31 JULY 2016**

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

Within the terms and conditions of the Financial Memorandum agreed between DEL and the Governing Body of the South West College, the Governing Body through its Chairman, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the South West 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 South West 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 South West 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 South West 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 South West 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 DEL are used only in accordance with the Financial Memorandum agreed with DEL and other conditions which DEL 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 South West College's resources and expenditure, so that the benefits that should be derived from the application of public funds by DEL are not put at risk.

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

Chairman Joseph Martin

Date 16/11/16

# **SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2016**

## **Introduction**

The Governance Statement has been prepared in line with guidance issued by the Department of Finance and Personnel (DAO (DFP) 10/12) and contained within Annex 3.1 of Managing Public Money Northern Ireland (MPMNI).

As Accounting Officer for South West College, I am responsible for maintaining a sound system of risk management and internal control that supports the achievements of the college's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in by MPMNI.

This Governance Statement sets out how these duties have been carried out during the financial year ended 31 July 2016. It includes an assessment of the corporate governance and risk management systems in place within South West College that have ensured the governance responsibilities have been met.

## **The Governance Framework 2015/2016**

South West College is a non-departmental public body, within the budgetary responsibility of the Department for the Economy (DfE). South West College is also a self-governing incorporated body established under the Further Education (NI) Order 1997.

A Financial Memorandum is in place within the Department, which sets out certain aspects of the financial framework within which South West College is required to operate, in accordance with MPMNI. South West College complied with the conditions and requirements in this Financial Memorandum during the financial year ended 31<sup>st</sup> July 2016.

The Governing Body's assessment of its compliance with the Corporate Governance Code is that it complies fully with the principles of the Code with no departures during the year ended 31<sup>st</sup> July 2016.

## **Summary of the South West College's Structure of Corporate Governance**

### **Governing Body**

The South West College's Governing Body comprises lay and academic persons appointed under the articles of the South West College, the majority of whom are non-executive. The role of the Chairman of the Governing Body is separate from the role of the South West College Director as Chief Executive. The Governing Body is responsible for the ongoing strategic direction of the South West College whilst the Executive Officers are responsible for the operational management of the College. The Governing Body approves all major developments and receives regular reports on the activities of the South West College. The Governing Body met six times during the 2015/16 year and has four committees – an Audit & Risk Committee, an Education, Quality & Performance Committee, a Finance and General Purposes Committee and a Staffing Committee. All of these committees are formally constituted with terms of reference and comprise members of the Governing Body.

Minutes of Governing Body meetings are available from the Secretary of the Governing Body or on the College website. The Secretary to the Governing Body maintains a register of financial and personal interests of the Governing Body members and this is also available for inspection. Formal agendas, papers and reports are supplied to the Governing Body members in a timely manner, the quality of which is to a high standard as it enables the Governing Body to effectively discharge its duties by appropriate updates and items for discussion as necessary.



## **SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2016**

### **Audit & Risk Committee**

The Audit & Risk Committee of the South West College operates in accordance with the Code of Guidance on Audit for the Governing Bodies of Further Education Colleges ('The Audit Code') issued in July 2008 (amended August 2012). A new Audit Code has been issued with effect from February 2016.

The Audit & Risk Committee is responsible for reviewing the effectiveness of the South West College's accounting procedures and systems of internal control. It provides a channel of communication from the College's auditors, which is not controlled by College Management. It also must satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness.

The Committee met four times during the 2015/16 year to discuss reports from the external and internal auditors and the relevant responses. It also receives and considers reports from DfE. It reviews the college's annual report and financial statements to ensure compliance with legislation and accounting standards.

The Audit & Risk Committee provides a forum for the scrutiny of South West College's corporate governance, risk and internal control systems and promotes a climate of robust financial discipline and control. It has formally agreed terms of reference, which are reviewed on an annual basis. The Audit & Risk Committee comprises nominated Governing Body members, at least one of whom had recent and relevant experience in finance, accounting or auditing. Meetings are held at least four times per year and are normally attended by internal and external audit as well as a DfE representative. Whilst executive officers and other officials attend meetings of the Audit & Risk Committee as necessary, they are not members of the committee. The committee held independent meetings with the auditors in advance of each scheduled meeting. This provided an opportunity for discussions between the parties where the executive was not present.

The minutes of the Audit & Risk Committee are circulated to all members of the Governing Body and the Committee Chair provides a verbal report to the Governing Body in support of the minutes.

The Audit & Risk Committee has access to all internal audit reports, risk registers and management reports and considers all external financial and governance reporting, which informs me, as Accounting Officer, on its accuracy and appropriateness prior to release. Agenda items considered by the Audit & Risk Committee include:

- Internal Audit Reports
- External Audit Reports
- Corporate Risk Register
- Departmental Risk Registers
- Annual Report and Financial Statements
- Assurance Statements
- Policy Reviews
- Reports on Procurement, Freedom of Information and Data Protection
- Fraud

The Audit & Risk Committee undertakes an annual review of its effectiveness, in line with best practice issued by the National Audit Office. The review undertaken for 2015/16 demonstrated that the Audit & Risk Committee had been effective in ensuring that South West College had functioned in accordance with good

**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

governance and accounting and auditing standards and had adopted appropriate risk management during the 2015/16 academic year. This review informs the Annual Report of the committee to the Governing Body which is prepared in accordance with the format provided in the Audit Code.

**Education, Quality & Performance Committee**

The Education, Quality & Performance Committee is responsible for overseeing the curricular provision of the College, especially the nature, quality and performance of the provision and the extent to which it meets the needs of the community the College seeks to serve.

The committee contributes to the development of strategic objectives, through the College Development Plan process, for meeting local and regional education and skills needs in accordance with DfE objectives and targets. It also contributes to the setting of curriculum governance key performance indicators with a particular emphasis on student recruitment, retention and achievement and performance is monitored on an ongoing basis against the College Development Plan. The Education, Quality & Performance Committee monitor the standard of education provision by reviewing the whole college self-evaluation and quality improvement plans, Education and Training Inspectorate reports and other internal monitoring and external inspection reports. Committee members offer guidance and support to encourage, promote and facilitate the development of strategic partnerships which are beneficial to the development and image of the College and also help identify models of best practice locally, nationally and internationally in the provision of further and higher education and training.

The Education, Quality & Performance Committee has formally agreed Terms of Reference, which are reviewed on an annual basis. Membership of the committee comprises at least seven members of the Governing Body including the Director, the academic staff member and the student member. The Committee invites other college personnel or third parties to attend any meeting of the committee where their knowledge or experience could contribute to the business of a particular meeting.

The minutes of the Education, Quality & Performance Committee are circulated to all members of the Governing Body and the Committee Chair provides a verbal report to the Governing Body in support of the minutes.

The committee meets five times per academic. Agenda items considered by the Education, Quality & Performance Committee include:

- Excellence in Teaching and Learning
- Higher Education
- 14 – 19 Agenda
- Training Provision
- Economic Engagement
- Virtualisation
- Internationalisation (Curriculum)
- Externally Funded Projects

**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

- KPI Progress Reports
- College Development Plan and Annual Operating Plans Progress Reports
- FE College Health Check Reports
- Marketing Reports
- Student Services Reports
- Safeguarding of Children and Vulnerable Adults
- Quality Unit Reports
- Student Related Policy Reviews
- Freedom of Information and Data Protection Reports
- Departmental Performance and Strategic Plan Reports

The Education, Quality & Performance Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2015/16 demonstrated that the Education, Quality & Performance Committee had been effective in advising and informing the Governing Body on all of the above items and all other areas of education, quality & performance activity as appropriate.

**Finance & General Purposes Committee**

The Finance & General Purposes Committee inter alia supervises matters relating to the finance of the South West College, including estimates of budgets and presentation of accounts and any other relevant matters.

The Finance & General Purposes Committee has formally agreed Terms of Reference, which are reviewed on an annual basis. Membership of the committee comprises at least five members of the Governing Body including the Chief Executive. At least two members are from the business and industry category and at least one member has recent and relevant experience in accounting and finance.

The minutes of the Finance & General Purposes Committee are circulated to all members of the Governing Body and the Committee Chair provides a verbal report to the Governing Body in support of the minutes.

The Committee meets five times per academic year. Agenda items considered by the Finance & General Purposes Committee include:

- Annual Reports and Financial Statements
- Financial Management Reports
- NDPB Status Monthly Financial Returns
- Provisions and Liabilities
- Cash Flow Projections
- FE College Health Check Reports

**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

- DEL Accountability Returns Timetable
- Estates Issues
- Budgetary Management Processes
- Debtors and Creditors Reports
- Fixed Assets and Capital Expenditure
- Investments Strategy & Plan
- Student Finance
- Externally Funded Projects
- Policy Reviews
- Departmental Financial Performance Reports
- Consultancy Expenditure Reports
- Actuarial Valuation Reports
- Treasury Management
- Financial Projections
- Remuneration

The Finance & General Purposes Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2015/16 demonstrated that the Finance & General Purposes Committee had been effective in advising and informing the Governing Body on all areas of finance and general purposes activity as appropriate.

### **Staffing Committee**

The Staffing Committee is responsible for developing and reviewing human resources and equality policy and strategy which underpins the College's strategic objectives for people and organisation development. The committee reviews all health, safety and wellbeing policy and strategy for the management of workplace health, safety and wellbeing. It is also responsible for reviewing arrangements for the recruitment, selection and promotion of staff, other than senior staff as defined within the Articles of Government.

The Staffing Committee has formally agreed Terms of Reference, which are reviewed on an annual basis. Membership of the committee comprises at least five members of the Governing Body including the Chief Executive. The Committee invites other college personnel or third parties to attend any meeting of the Committee where their knowledge or experience could contribute to the business of a particular meeting.

The minutes of the Staffing Committee are circulated to all members of the Governing Body and the Committee Chair provides a verbal report to the Governing Body in support of the minutes.

The Committee meets five times per academic year. Agenda items considered by the Staffing Committee include:

## **SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2016**

- Health, Safety & Wellbeing
- Equality & Diversity Matters
- Staff Resources including appointments, staff requests, resignations, retirements, redundancies and fixed term contracts
- Monthly Sickness Absence Management
- Employee Relations Issues
- Sectoral Issues
- Policy Reviews
- Workforce Planning & Development
- Departmental Resource Planning and Workforce Development reports

The Staffing Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2015/16 demonstrated that the Staffing Committee had been effective in advising and informing the Governing Body on all relevant staffing matters including current and projected staffing needs, redundancy matters and the development and review of all staffing related strategies, policies and procedures.

### **College Development Plan**

The South West College has a 3 year Development Plan covering the period 2015-18 which sets out objectives over that period together with appropriate targets and key performance measures. This 3 year plan is supported by an Annual Operating Plan which sets out strategic challenges, key commitments and milestones/outputs for 2015/16.

The Management Team of the College regularly reviews performance and progress against objectives and key performance measures and this is reported to the Governing Body.

### **Responsibilities of the Governing Body**

The responsibilities of the Governing Body are set out in detail in the 'Statement of Governing Body Responsibilities' detailed on page 23 of this report.

### **Governing Body Performance**

DfE require an annual assessment of the performance of each member of the Governing Body as well as the Governing Body as a whole. A key feature of this process is a self-assessment questionnaire, which identifies areas of performance that are strongest and those that need improvement and to inform priority areas for the Governing Body to focus on and to ensure improved effectiveness over the next few years.

The outcome of the 2015/16 evaluation demonstrated that the Governing Body operates effectively and that effective processes are in place to ensure robust monitoring of South West College and its performance.

A schedule of membership and attendance for the 2015/16 financial year is shown in the table overleaf:

**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

**Governing Body Performance**

**Governor's attendance at Governing Body and Committee Meetings 2015/16**

<b>No of meetings held in 2015/16</b>	<b>Governing Body</b>	<b>Audit &amp; Risk Committee</b>	<b>Education, Quality &amp; Performance Committee</b>	<b>Finance &amp; General Purposes Committee</b>	<b>Staffing Committee</b>
<b>Governor</b>	<b>6 meetings</b>	<b>4 meetings</b>	<b>5 meetings</b>	<b>5 meetings</b>	<b>5 meetings</b>
<b>Peter Archdale</b>	5	-	5	-	-
<b>Thomas Bradley</b>	2	1	1	-	-
<b>Aquinas Devlin</b>	2	1	0	-	-
<b>Joseph Martin</b>	6	-	-	-	5
<b>Margaret Martin</b>	4	-	5	-	2
<b>Wilson Matthews</b>	6	-	4	5	-
<b>Wilbert Mayne</b>	6	2	-	-	-
<b>Malachy McAleer</b>	6	-	5	5	5
<b>Patricia McCaffrey</b>	6	4	-	-	4
<b>Seamus McCaffrey</b>	6	-	-	3	-
<b>Michael McCullagh</b>	3	-	4	-	-
<b>Monica McGeary</b>	5	4	-	-	5
<b>Mick McGuckin</b>	5	-	-	5	-
<b>Stephen Moss</b>	2	-	2	2	-
<b>Gerard O'Hanlon</b>	5	-	-	1	-
<b>Thomas O'Reilly</b>	0	-	4	2	-
<b>Sharon Pritchard</b>	1	0	1	-	-
<b>Michael Skuce</b>	5	2	-	-	5
<b>Derek Weir</b>	6	-	-	-	4

**Average attendance recorded at Governing Body meetings for 2015/2016 was 78%**

## **SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2016**

### **Risk Management and Internal Control**

The system of internal control within the South West College is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South West College's 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. A robust system of internal control has been in place in South West College for the year ended 31 July 2016 and up to the date of approval of the annual report and accords with DFP guidance.

South West College is committed to a risk management strategy which is aimed at assisting us to deliver our objectives, whilst protecting the interests of stakeholders. We have well established risk management, control and governance arrangements. The College's Risk Management Policy sets out the College's framework for risk control and risk appetite. The College recognises that risks also have the potential to impede the achievement of strategic and operational objectives. The College employs risk management strategies which aim to prioritise risks and decision making processes to minimise the adverse effects of risks. South West College recognises that risk management is not about eliminating risk, but rather involves thought out strategy formulation, proactive controls/measures and business continuity planning to minimise the impact of any risk.

As part of our risk management process, risk registers have been developed for key departments within the College. A Statutory Risk and Compliance Committee has been established which meets monthly and is attended by senior managers and key personnel. Risk Management is monitored regularly and high level risks reported at the Committee meeting and also to the Audit & Risk Committee. The main overall corporate risks formulate the basis of the quarterly risk register review report which is discussed and updated at the Risk and Compliance Committee meetings and provided to the Audit & Risk Committee. The effectiveness of the system of internal controls in place is reviewed at least annually. In May 2016, the corporate risk register was reviewed in depth and summarised in the Annual Corporate Risk Register report.

Risk assessments are carried out by the risk owners in the relevant department and these risk assessments include actions undertaken / mitigating factors in managing the related risk. Each department and strategic area attends the Audit & Risk Committee meeting on an annual basis and gives a presentation of the main risks and the management of those risks in their particular area.

South West College also participates in the National fraud Initiative's (NFI) data matching exercise for the purpose of the prevention and detection of fraud. Data matching involves comparing sets of data of a body against records held by the same or other participating bodies, for the purpose of allowing potential fraudulent claims to be identified. During 2015/16, the Audit & Risk Committee was kept informed of progress.

The security of personal data is of utmost importance to South West College. Acceptable use is part of all staff induction. Staff also undertake training in the form of a mandatory online module on Data Protection. An interim IT Disaster Recovery Plan is in place as are technical safeguards and procedures to protect the security of information and cyber risks.

The South West College has developed a Governance and Risk Framework which details key elements in terms of structures, policies, processes and reporting that contributes to effective governance and risk management in the College.

In the coming year the South West College plans to:

- regularly review and update the record of risks facing the organisation;
- maintain the system of key performance and risk indicators;

**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

- maintain the organisation-wide risk register;
- arrange for regular reports from the Heads of Departments on risk managements and internal control activities; and
- review and test business continuity plans.

The South West College has an internal audit service, the work of which concentrates on activities determined by an analysis of the areas of greatest risk and in accordance with the annual internal audit plan approved by the Governing Body. The internal auditors report to the Accounting Officer and to the Audit Committee on a regular basis and have direct access to the Governing Body and to the Chair of the Audit Committee. The Head of Internal Audit has issued an Assurance Statement to me which provides his opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon.

During the 2015/16 year, the internal audit programme was carried out in the South West College according to plan. The assurance rating by area reviewed is set out below:

<u>Key Process</u>	<u>Assurance Rating</u>
Review of Management of Voluntary Exit Scheme	Substantial
Review of Core Financial Processes – Income & Debtors	Substantial
Review of Core Financial Processes – Bank & Treasury	Substantial
Review of Corporate Governance	Substantial
Review of Risk Management	Substantial
Review of Complaints Handling	Satisfactory
Review of Financial Planning & Budgetary Control	Satisfactory
Review of Procurement	Substantial

In their Annual Assurance Statement, the Internal Auditors have provided an overall 'Substantial' level of assurance over the control environment of the College.

**Fraud Reporting**

The College has a detailed Anti-Fraud Policy and Fraud Response Plan which is revised and updated on a regular basis. The Anti-Fraud Policy and Fraud Response Plan 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 the Economy in line with Appendix D (Section 3) of the 'Financial Memorandum between the Department for Employment and Learning and the Further Education Colleges'. During 2015-16 the College had no instances of detected fraud.

**Pay Remit**

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

The FE Sector continues to work with Colleges NI, DfE and DFP to establish an effective and efficient process for the payment of contract pay progression increments.



**SOUTH WEST COLLEGE  
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2016**

**Significant Governance Issues**

No other significant governance or internal control issues were identified from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31<sup>st</sup> July 2016 that require reporting in this Statement.

**Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the South West College who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Governing Body, the Audit & Risk Committee and the Statutory Risk and Compliance Committee and a plan to address any weaknesses identified and ensure continuous improvement of the system is in place.

**Assurance Summary**

South West College aims to adhere to the highest standards of governance when conducting its business, to ensure that the organisation is run effectively and that decisions are taken in the best interest of its stakeholders.

The review of the effectiveness of the systems and processes that comprise the governance framework for 2015/2016 demonstrate that key systems are operating soundly and that there are no significant weaknesses or areas for undue concern.

Accounting Officer 

Date 16/11/16

## **SOUTH WEST 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 South West College for the year ended 31 July 2016 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. The financial statements comprise: the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Governing Body and auditor**

As explained more fully in the Statement of Responsibilities of the Governing Body, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 West College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South West 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 West College's affairs as at 31 July 2016 and of its deficit 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 the Economy (formerly 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 the Economy (formerly 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 Strategic Report 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 Statement of Corporate Governance and Internal Control does not reflect compliance with Department of Finance's (formerly Department of Finance and Personnel) guidance.

### **Report**

I have no observations to make on these financial statements.

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

21 November 2016

**SOUTH WEST COLLEGE  
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 JULY 2016**

	Note	2016 £'000	2015 £'000
<b>Income</b>			
Department for the Economy/Department for Employment and Learning Grants	1	27,393	27,232
Education Contracts	2	8,027	9,191
Tuition Fees and Charges	3	2,273	2,243
Other Grant Income	4	960	2,132
Other Operating Income	5	599	376
Investment Income	6	37	36
<b>Total Income</b>		<b>39,289</b>	<b>41,210</b>
<b>Expenditure</b>			
Staff costs	7	21,174	21,993
Other operating expenses	9	12,733	14,715
Interest and other finance costs	10	3,223	3,168
Depreciation	12	3,328	3,062
<b>Total expenditure before exceptional items</b>		<b>40,458</b>	<b>42,938</b>
<b>Deficit on continuing operations after depreciation of assets at valuation and before tax and before exceptional items</b>		<b>(1,169)</b>	<b>(1,728)</b>
<b>Exceptional items</b>			
Exceptional costs - staff	7	(780)	(2,196)
Exceptional gain – non staff	9	659	346
Exceptional gain – staff	7	780	2,083
<b>Deficit before tax</b>		<b>(510)</b>	<b>(1,495)</b>
Taxation		-	-
<b>Deficit on continuing operations after depreciation of assets at valuation and tax</b>		<b>(510)</b>	<b>(1,495)</b>
<b>Unrealised surplus on revaluation of land and buildings</b>		<b>4,800</b>	<b>5,239</b>
Actuarial (loss)/gain in respect of pension scheme		(3,886)	2,249
<b>Total comprehensive income for the year</b>		<b>404</b>	<b>5,993</b>
<b>Represented by:</b>			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		404	5,993
		<b>404</b>	<b>5,993</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.*

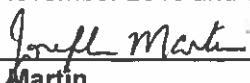
**SOUTH WEST COLLEGE  
STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 JULY 2016**


COLLEGE AND GROUP	Income and expenditure account		Revaluation reserve	Total reserves
	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014</b>	-	(4,294)	35,713	31,419
Deficit from income and expenditure statement	-	(1,495)	-	(1,495)
Other comprehensive income	-	2,249	5,239	7,488
Transfers between revaluation and income and expenditure account	-	1,037	(1,037)	-
Release of restricted funds spent in year	-	-	-	-
<b>Balance at 1 August 2015</b>	-	<b>(2,503)</b>	<b>39,915</b>	<b>37,412</b>
Deficit from income and expenditure statement	-	(510)	-	(510)
Other comprehensive (expense)/income	-	(3,884)	4,800	916
Transfers between revaluation and income and expenditure account	-	1,234	(1,234)	-
Release of restricted funds spent in year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>(3,160)</b>	<b>3,566</b>	<b>406</b>
<b>Balance at 31 July 2016</b>	-	<b>(5,663)</b>	<b>43,481</b>	<b>37,818</b>

**SOUTH WEST COLLEGE  
BALANCE SHEET  
AS AT 31 JULY 2016**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	12	94,402	92,058
<b>Total fixed assets</b>		94,402	92,058
<b>Current assets</b>			
Trade and other receivables	15	4,174	6,355
Cash at bank and in hand		5,499	4,687
<b>Total current assets</b>		9,673	11,042
Less: Creditors – amounts falling due within one year	16	(6,203)	(8,227)
<b>Net current assets</b>		3,470	2,815
<b>Total assets less current liabilities</b>		97,872	94,873
Less: Creditors – amounts falling due after more than one year	17	(50,982)	(52,657)
<b>Provisions:</b>			
Pension provisions	19	(9,057)	(4,793)
Other provisions	18	(15)	(11)
<b>Net assets including pension liability</b>		37,818	37,412
<b>Unrestricted Reserves</b>			
Pension reserve		(9,057)	(4,793)
Income and expenditure account unrestricted reserves		3,394	2,290
Revaluation reserve		43,481	39,915
<b>Total reserves</b>		37,818	37,412
<b>TOTAL</b>		37,818	37,412

The financial statements on pages 36 to 75 were approved by the Governing Body of the South West College on 16<sup>th</sup> November 2016 and were signed on its behalf on that date by:

  
 \_\_\_\_\_  
 Joseph Martin  
 Chairman of Governing Body – South West College

  
 \_\_\_\_\_  
 Malachy McAleer  
 Chief Executive - South West College

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

**SOUTH WEST COLLEGE  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2016**

	Note	2016 £'000	2015 £'000
<b>Cash inflow/(outflow) from operating activities</b>			
Deficit for the year		(510)	(1,495)
<b>Adjustment for non-cash items</b>			
Depreciation	12	3,328	3,062
Decrease/(increase) in debtors	15	2,181	(1,280)
(Decrease)/increase in creditors	16	(3,423)	538
Pension cost	19	84	418
Increase in other provisions	18	4	-
Capital grants released to income		(1,184)	(1,854)
Investment income	6	(37)	(36)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>443</b>	<b>(647)</b>
<b>Cash flows from investing activities</b>			
Capital grants received		910	3,869
Investment income	6	37	36
Payments made to acquire fixed assets	12	(872)	(3,581)
<b>Cash inflows from financing activities</b>			
Pension finance cost	10	294	182
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	19	<b>812</b>	<b>(141)</b>
Net funds at 1 August		<u>4,687</u>	<u>4,828</u>
Net funds at 31 July		<u><b>5,499</b></u>	<u><b>4,687</b></u>

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

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

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**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 2015 and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit entity requirements of FRS 102.

The financial statements are prepared in accordance with the historical cost convention except that certain freehold properties are shown at their revalued amounts.

They also conform to the Accounts Direction issued by the Department for the Economy (DfE).

**Transition to the 2015 FE HE SORP**

This is the first year that the accounts have been prepared under the 2015 SORP and FRS 102. Some of the FRS 102 recognition, management, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. Details of changes arising due to the transition are included at note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period.

**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 South West College, together with factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College is satisfied that the organisation is a going concern on the basis that there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming to meet the College's liabilities as they fall due. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.



**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**Recognition of Income**

The recurrent grant and other revenue grants received from DfE/DEL are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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 non-government grants, controls 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 Statement of Comprehensive Income in the year in which it is earned.

Non recurrent grants from DfE/DEL and other bodies received in respect of the acquisition of fixed assets are recognised in income over the expected useful life of the asset.

**Pension Scheme**

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

The NITPS is an unfunded contributory, voluntary membership scheme administered by the Department of Education. The current regulations under which the scheme operates are the *Teachers' Superannuation Regulations (NI) 1998 (as amended)*. The NITPS is a multi-employer scheme and the South West College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The NITPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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 South West College benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The difference between the fair value of the assets held in the South West 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 South West 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 South West 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 South West College are charged to the Statement of Comprehensive Income and Expenditure.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**Tangible Fixed Assets**

- **Land and buildings**

Land and buildings (including those inherited from the Education and Library Board) are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic costs 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 and buildings under Private Finance Initiative (PFI) contract are depreciated over their expected useful economic life to the South West College. Where land and buildings are acquired with the aid of specific grants, these are accounted for in accordance with the revenue recognition policies above.

Valuations are obtained on a regular basis, with a full professional valuation being undertaken by Land and Property Services (LPS) every five years, with revaluation using indices provided by LPS in intervening years and an interim valuation being carried out after three years. An interim valuation was carried by LPS at 31 July 2015 and there will be a full valuation carried out at 31 July 2017.

- **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 2016. They are not depreciated until they are brought into use.

- **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 and 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:	three years
Motor vehicles:	four years
Plant and equipment:	five years
Fixtures and fittings included in PFI assets:	fifteen years
Fixtures and fittings not included in PFI assets:	five years

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

## **SOUTH WEST COLLEGE STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 JULY 2016**

### **Private Finance Initiative**

The South West College has two buildings subject to PFI contracts - at Circular Road, Dungannon and Mountjoy Road, Omagh.

Where it is concluded that the South West 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 building and accompanying fixtures and fittings is recognised as an asset in the financial statements, together with a corresponding finance lease obligation. Subsequently, the asset is depreciated over its useful economic life and is subject to annual revaluation on the same basis as similar asset classes. The unitary payments made under the PFI contracts are allocated between the service and property elements. The elements of the unitary payment relating to services are charged to the Statement of Comprehensive Income and Expenditure as incurred. The element of the unitary payment relating to property is credited against the finance lease obligation. A notional interest charge is imputed in relation to the outstanding liability on the basis that this charge is a constant percentage of the outstanding lease obligation. This notional interest is recorded against the loan and is also charged against the Statement of Comprehensive Income and Expenditure for the year. Under an agreement with DfE, the College receives an annual contribution to cover the various specified elements of the unitary payment, relating to the property costs.

The effect of this treatment is that in the initial years the charges in relation to depreciation, service provision and imputed interest will be significantly more than the relevant cash flows, with a small amount of the liability being discharged, with the corresponding situation arising in the later years of the 30 year contract.

### **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.

### **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**

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

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is 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 costs 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.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**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 South West College acts as an agent in the collection and payment of Support Funds and adult learning grants (Care to Learn). Related payments of Support Funds received from DfE/DEL and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and Expenditure Account and are shown separately in Note 25.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**1. DEPARTMENT FOR THE ECONOMY/DEPARTMENT FOR EMPLOYMENT AND  
LEARNING GRANTS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grant in Aid received from DfE/DEL</b>		
Recurrent grant	17,120	17,385
Additional Support Funds	234	312
Learner Access and Engagement	-	74
Employer Support Programme (ESP)	260	334
Private Finance Initiative (PFI)	6,132	6,241
Students with learning difficulties and disabilities (SLDD)	264	182
Release of deferred capital grants	1,117	917
Capital Grant (land purchase Erne Site)	-	891
Other	2,246	874
<b>Total</b>	<b>27,373</b>	<b>27,210</b>
<b>Non-Grant in Aid received from DfE/ DEL</b>		
Education Maintenance Allowance administration	20	22
Non-grant in aid items	20	22
<b>Total DfE/DEL income</b>	<b>27,393</b>	<b>27,232</b>

**2. EDUCATION CONTRACTS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Entitlement framework	1,072	1,181
Training for Success	6,828	6,501
Steps to Work	127	1,507
Training – other	-	2
<b>Total</b>	<b>8,027</b>	<b>9,191</b>

*\*TfS income is currently treated as revenue due to the commercial nature of the award of contracts.*

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**3. TUITION FEES AND CHARGES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Higher Education (HE) income	1,638	1,526
Home and other European Union	635	717
<b>Total</b>	<b>2,273</b>	<b>2,243</b>

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £41k (2015: £64k)

**4. OTHER GRANT INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
European funds	867	2,050
Other funds	93	82
<b>Total</b>	<b>960</b>	<b>2,132</b>

**5. OTHER OPERATING INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residence operations	78	83
Other income generating activities	164	84
Other income	357	209
<b>Total</b>	<b>599</b>	<b>376</b>

**6. INVESTMENT INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	37	36
<b>Total</b>	<b>37</b>	<b>36</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**7. STAFF COSTS**

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

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Governing Body	-	-
Teaching	315	337
Support	113	118
Administration	148	147
Premises	19	19
<b>Total</b>	<b>595</b>	<b>621</b>

**Staff costs for the above persons**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>
Governing Body	33	-
Teaching	13,274	13,792
Support	2,659	2,583
Administration	4,697	4,791
Premises	427	409
Non Teaching Pension charge	84	418
	<b>21,174</b>	<b>21,993</b>
Exceptional staff costs - VES	780	2,083
Exceptional staff costs - other	-	113
	<b>780</b>	<b>2,196</b>
<b>Total</b>	<b>21,954</b>	<b>24,189</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**7. STAFF COSTS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	17,271	18,050
Social security costs	1,217	1,058
Movement in Pension	84	418
Other pension costs	2,602	2,467
	<u>21,174</u>	<u>21,993</u>
Exceptional staff costs (VES/redundancy/retirement)	780	2,196
<b>Total</b>	<u><b>21,954</b></u>	<u><b>24,189</b></u>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	-	-	11	11
£70,001 to £80,000	-	-	4	4
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	2	-	-
£100,001 to £110,000	2	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	1	-	-
£130,001 to £140,000	1	-	-	-
	<u>3</u>	<u>3</u>	<u>15</u>	<u>15</u>



**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**8. KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the college Governing Body and the Chief Executive/Deputy Chief Executive.

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including the Chief Executive was:	<u>3</u>	<u>3</u>

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	296	283
Pension contributions	<u>47</u>	<u>38</u>
<b>Total emoluments</b>	<u><b>343</b></u>	<u><b>321</b></u>

The above emoluments include amounts payable to the Chief Executive (who is also the highest paid senior post holder) of South West College.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	<u>118</u>	<u>111</u>
	118	111
Pension contributions	<u>19</u>	<u>15</u>
<b>Total</b>	<u><b>137</b></u>	<u><b>126</b></u>

The above emoluments were all paid to the Chief Executive during the year ended 31 July 2016.

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

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**9. OTHER OPERATING EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Direct Teaching	965	917
Direct Support	4,569	6,232
Administration	1,584	2,209
Premises	1,735	1,563
Unitary payments under PFI contract	3,860	3,794
	<b>12,713</b>	<b>14,715</b>
Exceptional – PFI Insurance Rebate	<b>(659)</b>	<b>(346)</b>
	<b>12,054</b>	<b>14,369</b>

<b>Other operating expenses include:</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit (includes £21k in respect of the college – 2014/15 £21k)	21	21
Internal audit (includes £18k in respect of the college – 2014/15 £25k)	18	25
Other services provided by the financial statements Auditors	-	-
Other services provided by the internal auditors	1	1
Hire of other assets – operating leases	56	56

Care to Learn 2016 is £37,319 (2015 £69,251)

The College has 30 year PFI agreements in respect of the provision of facilities and associated services at Omagh and Dungannon campuses. The terms of these agreements provide for benchmarking of insurance costs to compare actual costs with costs provided at the outset in the financial model. The exceptional gain of £659k represents the 2016 share of the £734k monies owed for the 18 months to 31<sup>st</sup> July 2016 in respect of a rebate of insurance costs in accordance with the provisions of the contract.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**10. INTEREST AND OTHER FINANCE COSTS**

	2016 £'000	2015 £'000
Net charge on pension scheme	294	182
On finance leases	2,929	2,986
<b>Total</b>	<b>3,223</b>	<b>3,168</b>

**11. TAXATION**

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

**12. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £'000	PFI Assets £'000	Plant and Equipment £'000	Computers £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>							
At 1 August 2015	27,887	61,888	4,035	3,995	859	407	99,071
Additions	517	-	157	195	3	-	872
Revaluation	1,336	3,464	-	-	-	-	4,800
<b>At 31 July 2016</b>	<b>29,740</b>	<b>65,352</b>	<b>4,192</b>	<b>4,190</b>	<b>862</b>	<b>407</b>	<b>104,743</b>
<b>Depreciation</b>							
At 1 August 2015	-	-	2,674	3,331	770	238	7,013
Revaluation	-	-	-	-	-	-	-
Charge for the year	883	1,652	384	307	33	69	3,328
<b>At 31 July 2016</b>	<b>883</b>	<b>1,652</b>	<b>3,058</b>	<b>3,638</b>	<b>803</b>	<b>307</b>	<b>10,341</b>
<b>Net book value at 31 July 2016</b>	<b>28,857</b>	<b>63,700</b>	<b>1,134</b>	<b>552</b>	<b>59</b>	<b>100</b>	<b>94,402</b>
Net book value at 31 July 2015	27,887	61,888	1,361	664	89	169	92,058
<b>Asset Financing</b>							
Owned	28,857	-	1,134	552	59	100	30,702
PFI contracts	-	63,700	-	-	-	-	63,700
<b>Net Book Value at 31 July 2016</b>	<b>28,857</b>	<b>63,700</b>	<b>1,134</b>	<b>552</b>	<b>59</b>	<b>100</b>	<b>94,402</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**12. TANGIBLE FIXED ASSETS**

Land and buildings were last subject to a full revaluation at 31<sup>st</sup> 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 the Land and Property Service to provide valuations as at 31<sup>st</sup> July 2013 and 31<sup>st</sup> July 2014. An interim revaluation has been carried out by Land and Property Services in August 2016 providing the valuation as at 31<sup>st</sup> July 2016. These revaluations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
If inherited land and buildings had not been revalued they would have been included at the following mounts:		
Cost	8,018	8,018
Aggregate depreciation based on cost	<u>(2,691)</u>	<u>(2,468)</u>
<b>Net book value based on cost</b>	<b><u>5,327</u></b>	<b><u>5,550</u></b>

All depreciation relates to owned assets, with the exception of £1,652,189 which relates to depreciation on PFI assets.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
If PFI assets had not been revalued they would have been included at the following amounts:		
Cost	43,101	43,101
Aggregate depreciation based on cost	<u>(13,157)</u>	<u>(12,079)</u>
<b>Net book value based on cost</b>	<b><u>29,944</u></b>	<b><u>31,022</u></b>

**13. INTANGIBLE FIXED ASSETS**

No intangible fixed assets have been identified

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**14. SERVICE CONCESSION ARRANGEMENTS**

The College has two on balance sheet arrangements where service delivery has commenced.

**Movement in service concession arrangement assets**

The asset value of the service concession included in the balance sheet as at 31 July 2016 is £63.700M (2015: £61.888M) The increase of £1.812M is due to a valuation increase of £3.464M and depreciation of £1.652M.

**Movement in service concession liabilities**

The total liabilities relating to the service concession included in the balance sheet as at 31 July 2016 were £38.674M (2015: £39.559M). The sum of £885k was repaid during the year.

**Future Commitments**

The following table analyses the College's future commitments in relation to service concession arrangements.

	Payable in 1 year	Payable 2-5 years	Payable 6-10 years	Total
	£'000	£'000	£'000	£'000
Liability repayments	1,373	2,465	7,380	11,218
Finance charge	2,837	10,611	11,744	25,192
Service charge	3,567	19,279	23,430	46,276
	<b>7,777</b>	<b>32,355</b>	<b>42,554</b>	<b>82,686</b>

**15. TRADE AND OTHER RECEIVABLES**

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	231	461
Deposits and advances	0	0
Prepayments and accrued income	1,621	2,155
Other receivables - DfE	2,322	3,739
<b>Total debtors</b>	<b>4,174</b>	<b>6,355</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**16. CREDITORS: AMOUNTS FALLING DUE IN WITHIN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases in respect of PFI contracts	1,373	885
Trade payables	1	62
Taxation and social security	546	518
Deferred Capital Grants	1,190	1,162
Amounts owed to the Department	318	376
Other creditors and accruals	2,775	5,224
<b>Total creditors less than one year</b>	<b>6,203</b>	<b>8,227</b>

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases in respect of PFI contracts	37,301	38,674
Deferred capital grants	13,681	13,983
<b>Total</b>	<b>50,982</b>	<b>52,657</b>

Finance lease obligations are secured on the assets to which they relate.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Litigation £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2015	-	11	11
Movement in Provision	-	10	10
Released to the income and expenditure account	-	(6)	(6)
<b>At 31 July 2016</b>	<b>-</b>	<b>15</b>	<b>15</b>

The provision comprises Insurance excess of £15k

**19. CASH AND CASH EQUIVALENTS**

	<b>At 1 August 2015 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 July 2016 £'000</b>
Cash and Cash equivalents	4,687	812	5,499
<b>At 31 July</b>	<b>4,687</b>	<b>812</b>	<b>5,499</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**20. PENSIONS AND SIMILAR OBLIGATIONS**

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

<b>Total pension cost for the year</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
NITPS: contributions paid	1,857	1,676
NILGOSC: contributions paid	829	791
NILGOSC: FRS 102 charge	84	418
NILGOSC: charge to the Statement of Comprehensive income and expenditure (staff costs)	2,770	2,885
Enhanced pension charge to the Statement of Comprehensive income and expenditure (staff costs)	-	-
<b>Total pension cost for the year</b>	<b>2,770</b>	<b>2,885</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITPS was 31 March 2008 and NILGOSC was 31 March 2013.

**NITPS**

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

Further information about the scheme is given in the explanatory booklet dated November 2007, 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 rates was 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	7.2%
£26,000 to £31,999	8.3%
£32,000 to £39,999	9.5%
£40,000 to £44,999	9.9%



**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**20. PENSION AND SIMILAR OBLIGATIONS**

£45,000 to £74,999	11.0%
£75,000 to £99,999	11.6%
£100,000 and above	12.4%

The employer contribution rate increased to 17.7% from 1 April 2015.

On 1 April 2015 the salary bands applicable to member contributions for the NITPS changed. The method of determining which salary band a member falls into also changed. The appropriate contribution rates to be applied are now based on a members' annual salary rate (actual earnings) as opposed to their full-time equivalent (FTE) salary.

Up to £25,999	7.4%
£26,000 to £34,999	8.6%
£35,000 to £41,499	9.6%
£41,500 to £54,999	10.2%
£55,000 to £74,999	11.3%
£75,000 and above	11.7%

The NITPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme, and therefore, as required by FRS 102 (28), accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. The college has set out above the information available on the scheme and the implications for the college in terms of the anticipated contributions rates.

**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.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2016 by a qualified actuary.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**20. PENSION AND SIMILAR OBLIGATIONS**

**Principal actuarial assumptions**

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

	At 31 July 2016 % pa	At 31 July 2015 % pa	At 31 July 2014 % pa
Rate of increase in salaries	3.3	3.6	4.2
Rate of increase for pensions in payment/inflation	1.8	2.1	2.7
Discount rate for liabilities	2.4	3.6	4.0
Expected return on assets	n/a	n/a	5.9

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

	At 31 July 2016	At 31 July 2015
<b>Retiring today</b>		
Males	22.3	22.2 years
Females	24.8	24.7 years
<b>Retiring in 20 years</b>		
Males	24.5	24.4 years
Females	27.2	27.0 years

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

	Value at 31 July 2016 £'000	Value at 31 July 2015 £'000	Value at 31 July 2014 £'000
Equities	15,115	13,162	11,268
Bonds	2,579	2,025	1,827
Property	2,474	2,167	1,827
Cash	796	408	305
<b>Total market value of assets</b>	<b>20,964</b>	<b>17,762</b>	<b>15,227</b>
Present value of scheme liabilities	(30,021)	(22,555)	(21,669)
<b>(Deficit) in the scheme</b>	<b>(9,057)</b>	<b>(4,793)</b>	<b>(6,442)</b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**20. PENSION AND SIMILAR OBLIGATIONS**

The amounts recognised in the balance sheet are as follows:

	At 31 July 2016 £'000	At 31 July 2015 £'000
Scheme Assets	20,964	17,762
Scheme Liabilities	(30,021)	(22,555)
Deficit in the Scheme (net pension liability recorded within pension provisions)	<u>(9,057)</u>	<u>(4,793)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

	2016 £'000	2015 £'000
<b>Amounts included on staff costs</b>		
Employer service cost (net of employee contributions)	1,049	1,221
Interest cost	155	239
Losses on curtailments and settlements	139	8
<b>Total operating charge</b>	<u>1,343</u>	<u>1,468</u>

Analysis of pension finance income / (costs):

	2016 £'000	2015 £'000
Expected return on pension scheme assets	657	909
Interest on pension liabilities	(812)	(888)
<b>Pension finance (costs)</b>	<u>(155)</u>	<u>21</u>
Actual return on plan assets	<u>2,256</u>	<u>1,757</u>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**20. PENSION AND SIMILAR OBLIGATIONS**

<b>Analysis of Other Comprehensive Income for pensions</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Actuarial gains on pension scheme assets	1,599	1,132
Actuarial (gains)/losses on scheme liabilities	<u>(5,485)</u>	<u>1,117</u>
<b>Total Other Comprehensive Income</b>	<b><u>(3,886)</u></b>	<b><u>2,249</u></b>
<b>Asset and liability reconciliation:</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Reconciliation of liabilities</b>		
<b>Liabilities at start of year</b>	<b>22,555</b>	<b>21,669</b>
Service cost	1,049	1,185
Interest cost	812	888
Employee contributions	255	248
Actuarial loss/(gain)	5,485	(1,182)
Benefits paid	(274)	(261)
Curtailments	139	8
<b>Liabilities at end of year</b>	<b><u>30,021</u></b>	<b><u>22,555</u></b>
<b>Reconciliation of assets</b>		
<b>Assets at start of year</b>	<b>17,762</b>	<b>15,227</b>
Expected return on assets	657	909
Actuarial gain	1,599	836
Employer contributions	965	803
Employee contributions	255	248
Benefits paid	(274)	(261)
<b>Assets at end of year</b>	<b><u>20,964</u></b>	<b><u>17,762</u></b>

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**21. POST BALANCE SHEET EVENTS**

In the period between the end of the reporting year (31<sup>st</sup> July 2016) and the date when the financial statements are authorised for issue (28<sup>th</sup> November 2016), the College has identified a contingent liability. The contingent liability is disclosed in Note 24 and refers to a funding claim made to the European Commission by the Department for the Economy relating to Programme Led Apprenticeships in the financial years 2011, 2012 and 2013.

The post balance sheet event is a disclosure and has not required an adjustment in the financial statements.

**22. CAPITAL COMMITMENTS**

	2016 £'000	2015 £'000
Commitments contracted for at 31 July 2016	<u>-</u>	<u>-</u>

**23. COMMITMENTS UNDER PFI CONTRACT**

The project is the development of new Further Education facilities at Dungannon and at Omagh.

The Omagh development was completed in January 2006 and the operational phase of the scheme is for 30 years to October 2035.

The Dungannon project was a three stage development. The contract started in November 2004 and was completed in September 2006. The operational phase of this scheme is also for 30 years and ends in October 2034.

The substance of the contract is that the College has a finance lease and payments comprise four elements: imputed finance lease charges, service charges, overheads and lifecycle charges.

**SOUTH WEST COLLEGE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 JULY 2016**

**23. COMMITMENTS UNDER PFI CONTRACT**

	<b>South West College</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Rentals due within one year	7,776	7,651
Rentals due within two to five years	32,355	31,183
Rentals due thereafter	135,174	119,890
	<u>175,305</u>	<u>158,724</u>
Less interest element	35,763	38,692
<b>Imputed finance lease obligations</b>	<b><u>139,542</u></b>	<b><u>120,032</u></b>

The total amount charged in the Statement of Comprehensive Income and Expenditure in respect of the service charges, overheads and lifecycle charges element PFI of on-balance sheet transactions was £3.86 million (year ended 31 July 2015 £3.795 million).

**24. CONTINGENT LIABILITY**

The Department for Employment and Learning (now the Department for the Economy) competitively awarded the College a contract to deliver Programme Led Apprenticeships (PLA) in the financial years 2011, 2012 and 2013. The contract was one of a number of PLA contracts with the other contractors being Colleges within the Northern Ireland Further Education sector and private training providers.

The Department has now included the funding that was provided to the contractors (for delivery of the PLA's) within a funding claim made by the Department for the Economy to the European Commission. A resultant Article 16 inspection from the European Commission is in progress with the Department.

Information to date indicates that, as a result of the initial findings of the inspection, the College may have a possible obligation that may result in an outflow of economic benefits. The inspection is not complete, therefore the transfer of economic benefits is not settled nor can a value of the obligation be estimated reliably.

The College has obtained EU grant funding in recent years to deliver a wide range of projects. There is the potential for the claw back of certain grants in the event of the conditions of offer not being complied with. The College does not believe that any such claw back would be significant.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT**

Owing to the nature of the South West College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the South West College's financial regulations and normal procurement procedures.

Governor/ Senior Manager	Company	Amount Paid 2015 £	Amount Paid 2016 £	Amount received 2015 £	Amount received 2016 £	Amount outstanding at 31 July 2015 £	Amount outstanding at 31 July 2016 £	Nature of Transactions
Mr Malachy McAleer (Staff Member/Governor)	Fellow of the Institute of Innovation and Knowledge Exchange & Member of the Editorial Board	-	-	-	-	-	-	
	CEO – South West College Member – Colleges NI Member – DFPNI Environmental Working Group Member of the New Engineering Foundation	8,025	100,349	-	42,349	-	-	
Mr Joseph Martin (Governor)	Director/Member – GB St Angela's College, Sligo	-	-	-	-	-	-	
Mr Gerard O'Hanlon (Governor)	Employed by Northern Health & Social Care Trust Project Manager for Change Member – Omagh Chamber of Commerce	160	160	-	-	-	-	Membership Fee

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

<b>25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT</b>									
<b>Governor/ Senior Manager</b>	<b>Company</b>	<b>Amount Paid 2015 £</b>	<b>Amount Paid 2016 £</b>	<b>Amount received 2015 £</b>	<b>Amount received 2016 £</b>	<b>Amount outstanding at 31 July 2015 £</b>	<b>Amount outstanding at 31 July 2016 £</b>	<b>Nature of Transactions</b>	
Mr Michael Skuce (Governor)	Self Employed Consultant Asst. Treasurer – Inishmacsaint Parish Church Honorary Secretary – Clogher Diocese Social Fund Member – Derrygonnelly & District Community Partnership	- - - -	- - - -	- - - -	- - - -	- - - -	- - - -		
Mr Michael McGuckin (Governor)	Director of Cookstown Enterprise Centre Director of Lissan House Trust Director of Malton Technology Ltd	- - -	20 - -	- - -	- - -	- - -	- - -	Tax Credit Seminar – SWC employee attended	
Mr Seamus McCaffrey (Governor)	Director of S P McCaffrey & Co Farmer	- -	- -	- -	- -	- -	- -		
Mr Aquinas Devlin (Staff Member/Governor)	Employee South West College	-	-	-	-	-	-		
Mr Michael McCullagh (Governor)	Member of the National Society of Apprentices Further Education Committee	-	-	-	-	-	-		
Mr Tom Bradley (Staff Member/Governor)	Equality Officer - South West College Governor - Omagh Academy Governor - Sion Mills Primary School	- 280 -	- - -	- 16,397 -	- 14,710 -	- - -	- - -	Exam Fees & Entitlement Framework	



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

<b>25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT</b>									
<b>Governor/ Senior Manager</b>	<b>Company</b>	<b>Amount Paid 2015 £</b>	<b>Amount Paid 2016 £</b>	<b>Amount received 2015 £</b>	<b>Amount received 2016 £</b>	<b>Amount outstanding at 31 July 2015 £</b>	<b>Amount outstanding at 31 July 2016 £</b>	<b>Nature of Transactions</b>	
Mr Peter Archdale (Governor)	Chair - Camphill Community Trust (NI) Chair – Loughs Agency Advisory Forum Director – Ulster Wildlife Director – Strule Tributaries & Rivers Trust Forestry Business (Partnership with wife)	-	-	-	-	-	-		
Cllr Thomas O' Reilly (Governor)	Member – Fermanagh and Omagh District Council Member – Clones Erne East Partnership Member – Erne East Partnership Governor – St Marys PS, Newtownbutler Governor – St Comhghalls, Lisnaskea Governor – Bunscoil an Traonaigh, Lisnaskea Director – Newtownbutler Playschool Employee South West College	3,469	20,115	-	-	-	-	Hire of facilities	
Ms Sharon Pritchard (Staff Member/Governor)		1,100	-	-	-	-	-		

SOUTH WEST COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 JULY 2016

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

Governor/ Senior Manager	Company	Amount Paid 2015 £	Amount Paid 2016 £	Amount received 2015 £	Amount received 2016 £	Amount outstanding at 31 July 2015 £	Amount outstanding at 31 July 2016 £	Nature of Transactions
Mr Stephen Moss (Staff Member/Governor) (Memberships commenced 22 November 2015)	Employee South West College NI Construction Skills Network Observatory Committee	- -	- -	- -	- -	- -	- -	
Mr Wilbert Mayne (Governor)	Self Employed Farmer Member-Agriculture Wages Board Member – SWARD Local Action Group Governor – Orritor Primary School Governor – Donaghey Primary School Board Member – Ulster Farmers Union Member – NI Rural Development Programme Monitoring Board Chair – Shop Mobility, Cookstown/Dungannon Chair – Cookstown Rural Community Transport Vice Chair – Ulster Farmers Union Environment Committee Trustee – Agri-Search	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - -	

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

<b>25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT</b>									
<b>Governor/ Senior Manager</b>	<b>Company</b>	<b>Amount Paid 2015 £</b>	<b>Amount Paid 2016 £</b>	<b>Amount received 2015 £</b>	<b>Amount received 2016 £</b>	<b>Amount outstanding at 31 July 2015 £</b>	<b>Amount outstanding at 31 July 2016 £</b>	<b>Nature of Transactions</b>	
Mr Wilson Matthews (Governor)	Member – Pharmacy National Appeals Panel	-	-	-	-	-	-		
Mr Derek Weir (Governor)	Head of Legal Administration – Queens University Belfast Governor – Cookstown High School Member – Molesworth Presbyterian Church Committee	17,550	6,168	21,532	19,706	-	-	Validation Fees & Marketing Seminar Entitlement Framework	
Mrs Margaret Martin (Governor)	Executive – Network of Sacred Heart Schools, Ireland/Scotland Chair – Mount Anville Education Trust (Ireland) Trustee – Gaelscoil Aodh Rua, Dungannon Consultancy Work: Gaelcholaiste Dhoire (short Contract)	-	-	-	-	-	-		

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

<b>25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT</b>										
<b>Governor/ Senior Manager</b>	<b>Company</b>	<b>Amount Paid 2015 £</b>	<b>Amount Paid 2016 £</b>	<b>Amount received 2015 £</b>	<b>Amount received 2016 £</b>	<b>Amount outstanding at 31 July 2015 £</b>	<b>Amount outstanding at 31 July 2016 £</b>	<b>Nature of Transactions</b>		
Mrs Patricia McCaffrey (Governor)	Employed by Waterways Ireland Member – Audit Committee of the Ulster Scots Agency Asst. Treasurer – Irvinestown Credit Union	-	-	-	-	-	-			
Mrs Monica McGeary (Governor)	Self Employed Sales & Marketing Consultant Director/Company Secretary – PMG Sales Ltd Parent Support Group – Edendork Primary School	-	-	-	-	-	-			
Mr Dermot Kennedy (Staff Member)	Member – Dungannon Regeneration Partnership	-	-	-	-	-	-			
Mr Tom McBride (Staff Member)	Board – Governing Body Special School Director – Fermanagh Community Transport	-	-	-	-	-	-			
Mrs Susanne Workman (Staff Member)	Chair – Professional Association of Catering Education NI	-	-	-	-	-	-			

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

<b>25. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT</b>									
<b>Governor/ Senior Manager</b>	<b>Company</b>	<b>Amount Paid 2015 £</b>	<b>Amount Paid 2016 £</b>	<b>Amount received 2015 £</b>	<b>Amount received 2016 £</b>	<b>Amount outstanding at 31 July 2015 £</b>	<b>Amount outstanding at 31 July 2016 £</b>	<b>Nature of Transactions</b>	
Mrs Celine McCartan (Staff Member)	Employer's representative on board of NILGOSC Member – Cappagh Parish Finance Committee Voluntary Advisor for Rainbow Gateway Club and Friendly Care Group, Termonmaguirc Member of Ulster Society of Chartered Accountants Member of Association Accounting Technicians Ireland Dept Education Representative to the Board of Governors of Loreto Grammar School Omagh Board of Governors Omagh North Nursery School Husband employed by Bank of Ireland	791,181	828,831	-	185	-	-	Pension Scheme Contribution & Charges / Employer Training	
		-	-	-	-	-	-	Training	
		-	15	-	-	-	-	Licence Fees / Room Hire for IATI exams	
		1,663	1,662	-	2,914	-	-	Entitlement Framework	
		-	-	-	3,915	-	-	Interest received by SWC on deposit accounts / Room Hire & Catering	
		-	-	-	-	-	-		
		-	-	8,334	8,370	-	-		

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**26. AMOUNTS DISBURSED AS AGENT: SUPPORT FUNDS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
DfE/DEL Grants	352	287
	<u>352</u>	<u>287</u>
Disbursed to students	(352)	(287)
<b>Balance unspent at 31 July 2016</b>	<u>-</u>	<u>-</u>

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

**27. LOSSES AND SPECIAL PAYMENTS**

	<b>2016</b>
	<b>£</b>
Bad debts written off:	
4 cases exceeding £1,000	5,972
60 cases under £1,000	21,543
	<u>27,515</u>

The College sought to recover this debt initially and subsequently on advice has now written off these balances. Appropriate approval has been granted.

**28. TRANSITION TO FRS 102 AND THE 2015 SORP**

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out on pages 39 to 43 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102 SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**28. TRANSITION TO FRS 102 AND THE 2015 SORP**

**FINANCIAL POSITION**

	<b>1 August 2014 College</b>	<b>31 July 2015 College</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total reserves under 2007 SORP</b>	31,806	36,899
Holiday Pay Accrual	(387)	(378)
Grant received on land purchase	-	891
	<hr/>	<hr/>
<b>Total effect of transition to FRS 102</b>	<b>(387)</b>	<b>513</b>
<b>Total reserves under 2015 SORP</b>	<b>31,419</b>	<b>37,412</b>

**FINANCIAL PERFORMANCE**

	<b>Year ended 31 July 2015 College</b>
	<b>£'000</b>
<b>Deficit for the year under 2007 SORP</b>	<b>(2,099)</b>
Grant received on land purchase	891
Care to learn grant	(69)
Movement in Holiday Pay Accrual	9
Pension charge (NILGOSC)	(36)
Care to Learn expenses	69
Pension Interest cost	(260)
Unrealised surplus on revaluation of land and buildings	5,239
Actuarial gain in respect of pension scheme	2,249
	<hr/>
<b>Total effect of transition to FRS 102</b>	<b>8,092</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>5,993</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**28. TRANSITION TO FRS 102 AND THE 2015 SORP**

	2007 SORP	1 August 2014 Effect of transition	2015 SORP	2007 SORP	31 July 2015 Effect of transition	2015 SORP
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non Current Assets</b>						
Tangible fixed assets	86,299	-	86,299	92,058	-	92,058
	<u>86,299</u>	<u>-</u>	<u>86,299</u>	<u>92,058</u>	<u>-</u>	<u>92,058</u>
<b>Current assets</b>						
Trade and other receivables	5,075	-	5,075	6,355	-	6,355
Cash and cash equivalents	4,828	-	4,828	4,687	-	4,687
<b>Total current assets</b>	<b>9,903</b>	<b>-</b>	<b>9,903</b>	<b>11,042</b>	<b>-</b>	<b>11,042</b>
Less: Creditors – amounts falling due within one year	(5,253)	(1,091)	(6,344)	(6,687)	(1,540)	(8,227)
<b>Net current assets</b>	<b>4,650</b>	<b>(1,091)</b>	<b>3,559</b>	<b>4,355</b>	<b>(1,540)</b>	<b>2,815</b>
<b>Total assets less current liabilities</b>						
	90,949	(1,091)	89,858	96,413	(1,540)	94,873
Less: Creditors – amounts falling due after more than one year	(39,559)	(12,427)	(51,986)	(38,674)	(13,983)	(52,657)
<b>Provisions:</b>						
Provisions for liabilities	(11)	-	(11)	(11)	-	(11)
Pension provisions	(6,442)	-	(6,442)	(4,793)	-	(4,793)
<b>Net assets</b>	<b>44,937</b>	<b>(13,518)</b>	<b>31,419</b>	<b>52,935</b>	<b>(15,523)</b>	<b>37,412</b>
<b>Deferred capital grants</b>	<b>13,131</b>	<b>(13,131)</b>	<b>-</b>	<b>16,036</b>	<b>(16,036)</b>	<b>-</b>
<b>Restricted Reserves</b>						
Income and expenditure account –restricted reserve	-	-	-	-	-	-
<b>Unrestricted Reserves</b>						
Income and expenditure –unrestricted reserves	(3,907)	(387)	(4,294)	(3,016)	513	(2,503)
Revaluation reserve	35,713	-	35,713	39,915	-	39,915
<b>Total reserves</b>	<b>31,806</b>	<b>(387)</b>	<b>31,419</b>	<b>36,899</b>	<b>513</b>	<b>37,412</b>
<b>Total</b>	<b>44,937</b>	<b>(13,518)</b>	<b>31,419</b>	<b>52,935</b>	<b>(15,523)</b>	<b>37,412</b>



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**28. TRANSITION TO FRS 102 AND THE 2015 SORP**

	2007 SORP	STRGL items*	Effect of transition	2015 SORP
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Department for the Economy/ Department for Employment and Learning grants	26,410	-	822	27,232
Education contracts	9,191	-	-	9,191
Tuition fees and charges	2,243	-	-	2,243
Other grant income	2,132	-	-	2,132
Other operating income	376	-	-	376
Investment income	36	-	-	36
<b>Total income</b>	<b>40,388</b>	<b>-</b>	<b>822</b>	<b>41,210</b>
<b>EXPENDITURE</b>				
Staff costs	21,966	-	27	21,993
Other operating expenses	14,784	-	(69)	14,715
Depreciation	3,062	-	-	3,062
Interest and other finance costs	2,908	-	260	3,168
<b>Total expenditure</b>	<b>42,720</b>	<b>-</b>	<b>218</b>	<b>42,938</b>
<b>(Deficit) before other gains/losses and share of operating surplus/deficit of joint ventures and associates</b>	<b>(2,332)</b>	<b>-</b>	<b>604</b>	<b>(1,728)</b>
Gain/(loss) on disposal of assets	-	-	-	-
(Loss)/gain on investments	-	-	-	-
Share of operating surplus/(deficit) in joint venture	-	-	-	-
Share of operating surplus/(deficit) in associate	-	-	-	-
<b>Deficit before tax and exceptional items</b>	<b>(2,332)</b>	<b>-</b>	<b>604</b>	<b>(1,728)</b>
Taxation	0	-	-	-
<b>Deficit for the year before exceptional items</b>	<b>(2,332)</b>	<b>-</b>	<b>604</b>	<b>(1,728)</b>
<b>Exceptional items</b>				
Exceptional costs - staff	(2,196)	-	-	(2,196)
Exceptional gain – non staff	346	-	-	346
Exceptional gain –staff	2,083	-	-	2,083
Unrealised surplus on revaluation of land and buildings	0	5,239	0	5,239
Actuarial gain in respect of pension scheme	0	1,953	296	2,249
Change in fair value of hedging financial instruments	-	-	-	-
<b>Total comprehensive (expense)/income for the year</b>	<b>(2,099)</b>	<b>7,192</b>	<b>900</b>	<b>5,993</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI). This column should not include recognition of valuation changes arising from the adoption of the SORP 2015. These are included within the effect of transition to 2015 SORP column.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**29. ADDITIONAL DISCLOSURES TO COMPLY WITH FINANCIAL REPORTING MANUAL**

Financial Reporting Manual (FRm) requires Non-Departmental Public Bodies to regard grant-in-aid received as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence accounted for as financing i.e. by crediting them to the income and expenditure reserve.

	Notes	2016 £'000	2015 £'000
<b>INCOME</b>			
DEL income (non grant-in-aid items)	1	20	22
Education contracts		8,027	9,191
Tuition fees and charges		2,273	2,243
Other grant income		960	2,132
Other operating income		599	376
Investment income		37	36
<b>Total incoming resources</b>		<b>11,916</b>	<b>14,000</b>
<b>EXPENDITURE</b>			
Staff costs		21,174	21,993
Other operating expenses		12,733	14,715
Interest and other finance costs		3,223	3,168
<b>Total resources expended</b>		<b>40,458</b>	<b>42,938</b>
<b>Net deficit for the year</b>		<b>(28,542)</b>	<b>(28,938)</b>
Unrealised surplus on revaluation of land and buildings		4,800	5,239
Actuarial (loss)/gain in respect of pension scheme		(3,886)	2,249
<b>Exceptional items</b>			
Exceptional costs – staff		(780)	(2,196)
Exceptional gain – non staff		659	346
Exceptional gain – staff		780	2,083
<b>Amount transferred to reserves</b>		<b>(23,641)</b>	<b>(18,155)</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2016**

**Analysis of reserves prepared under FReM**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	37,412	31,419
Grant-in-aid received in year	2 27,373	27,210
Net operating cost for year	<u>(26,967)</u>	<u>(21,217)</u>
<b>Balance at 31 July</b>	<b><u>37,818</u></b>	<b><u>37,412</u></b>

<b>Note 1</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>DEL income (Non-Grant in Aid items)</b>		
EMA	20	22
Care to Learn	-	-
LAE	<u>-</u>	<u>-</u>
<b>Balance at 31 July</b>	<b><u>20</u></b>	<b><u>22</u></b>

<b>Note 2</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Amount Transferred to Reserves and Grant In Aid</b>		
Amount transferred to reserves	23,641	18,155
Add back: Depreciation	3,328	3,062
Unrestricted comprehensive income	<u>404</u>	<u>5,993</u>
<b>Grant-in-aid received in year</b>	<b><u>27,373</u></b>	<b><u>27,210</u></b>