

South West College
Annual Report and Financial Statements
Year Ended 31 July 2017

*The Accounting Officer authorised these
financial statements for issue*

on

15th November 2017

*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

8th December 2017

SOUTH WEST COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 July 2017

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**SOUTH WEST COLLEGE
STRATEGIC REPORT
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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.

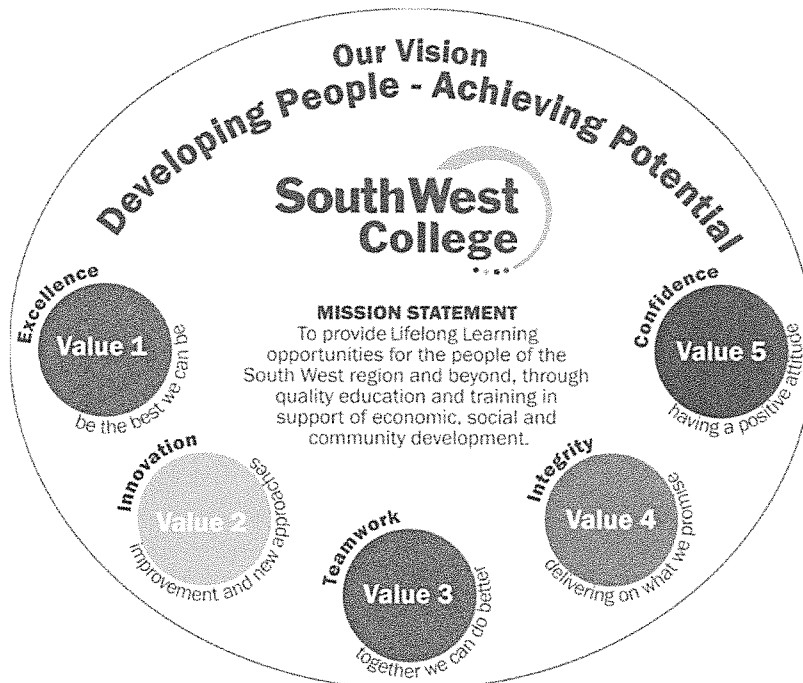
Legal Status

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

Implementation of Strategic Plan	
Strategic Objective	Progress
<p>Curriculum</p> <ul style="list-style-type: none"> 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. 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. To place students at the centre of any strategic quality improvement and marketing initiatives. 	<p>Curriculum</p> <p>In the 16/17 academic year the College continued to develop and expand quality provision through the Entitlement Framework, Further Education (as a result of curriculum development pilots now in 7 academic areas), “sector leading” HLA’s in 7 areas as well as continued growth in Higher Education (over 600 enrolments in HE FT). This provision is to be continued and expanded where possible in 17/18.</p> <p>The College’s Virtual Services team have expanded the Virtual Academy project with even greater impact 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>Economic Development</p> <ul style="list-style-type: none"> To improve the knowledge and skills levels of the current and potential workforce through a range of flexible, industry relevant education and training programmes. 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. 	<p>Economic Development</p> <p>Significant progress with the implementation and expansion of ‘Skills Focus’ delivering a 50% growth in activity.</p> <p>Range of support has been provided to 170 SMEs across the region through various initiatives incl. Connected, Fusion, KTP , Innovation Vouchers Strategic EU projects developed in the area of R&D and innovation with university and industry stakeholders incl. Renewable Engine (£ 5,308,696), DEFMA (£322,322), EuroSTEAM (£ 305,900)</p>
<p>People & Organisation Development</p> <ul style="list-style-type: none"> To support excellent organisational performance through ongoing recruitment, development and deployment of a highly skilled workforce. 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. 	<p>People & Organisation Development</p> <p>The College successfully implemented Year 2 of the Leadership and management programme. The College is the first organisation in Northern Ireland to achieve the Investors in Innovation Award in January 2017. The Strategic Projects, designed to develop leaders of the future, is proving to be a highly successful programme. The project board reviewed the projects in June 17 and acknowledged the excellent work achieved in the first year of the projects. The CIT/PGCE proposal to support 10 part-time tutors to complete teaching qualifications has been very well received. All 10 staff will commence this programme of study in</p>

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Strategic Objective	Progress
	September 2017, full funded via HEPD programme. The Collaboration between UU and SWC continues to build with a series of workshops and seminars for HE staff commencing this academic year.
Partnership <ul style="list-style-type: none"> To partner with appropriate public, private and voluntary organisations to respond to the educational, economic and social needs of the region and beyond. 	Partnership 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
Financial Sustainability <ul style="list-style-type: none"> To secure and use College funds to effectively and efficiently resource the delivery of all College services through sound financial management 	Financial Sustainability SMART Reporting has been embedded during 2016/17 to support financial reporting. The level of engagement with budget holders has increased significantly which has improved the budget management process.
International Links <ul style="list-style-type: none"> To create an outward and forward looking College by building on a range of international links supporting staff, students and knowledge exchange. 	International Links 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. Funding secured for international student and staff training placements through Erasmus+ (£ 566,227)

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;

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- 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 College Development Plan (CDP) has been prepared for period 2015-2018 and this sets out the strategic challenge, targets and milestones for 2017/18 (final year of CDP) and beyond such as the following:

Strategic Project	Rationale
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 £4.413M in the year (2015/16 – deficit £1.169M). The College recognised an exceptional gain of £406k as a result of an insurance rebate from BES Limited after a benchmarking exercise. The College also reported an exceptional cost of £24k as a result of the Voluntary Exit Scheme, but this is covered by DfE funding which negates the cost.

The College’s turnover increased by £808K (2.05%) to £40.096M as a result of an increase in the number of EU funded projects. Staff costs have increased by £1.248M (5.9%) to £22.422M as a result of an increase in headcount in Administration roles of £747K, and an increase of £470K in relation to the service charge of the NILGOSC pension scheme. Other operating expenses have increased by £872K (6.8%). This is largely due an increase in the Payments to Partners costs attributed to external projects, but this is offset by the increase in project income.

The South West College has significant reliance on DfE for its principal funding source, largely from recurrent grants. In 2016/17, DfE provided 41.7% of the College’s total income through allocated recurrent grant. This represented 11.82% 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.

The interest charges of £3.115M relate to the notional interest calculated in respect of the PFI contracts (£2.837M) and a finance charge of £278k in relation to accounting for pensions.

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Reserves

The South West College has accumulated reserves of £41.532M, including a property revaluation reserve of £44.655M. The South West College has cash balances of £3.833M and a general income and expenditure reserve of £3.463M.

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 36 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 £44.655M 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.

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

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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 during the year increased by 2.3%, giving a total establishment of 4,887 full time equivalent (FTE) students (2015/16 – 4,777). This comprised of further and higher education FTE students funded by DfE and FTE students who are separately funded through training, cost recovery or other programme arrangements.

Student achievements

The College's retention rate for 2016/17 was 92.4% (2015/16– 94%) and the overall achievement rate for students in 2016/17 was 74.8% (2015/16 – 82.9%).

Curriculum Developments

The 2016-17 year has been very successful at the College with staff maintaining excellent performance across business areas.

Further Education enrolments remained strong and achieved 2.05% over target in year. Alongside the FLU funded enrolments, a broader curriculum development project embraced more academic areas in pilot traineeships and apprenticeships (seven areas, four at Level 2 and three at Level 3). This work augmented the 21st Century Skills strategic project and was scrutinised in depth by ETI in March 2017 as part of a sectoral analysis. Overall the College was commended for many aspects of its work in this development phase.

Higher Education continues to display significant growth in demand and the Maximum Student Numbers (MaSN) allocation from DEL was filled and remained 6.55% above target at the end of the academic year. The HE full-time target was supplemented by approximately 808 part-time HE students. Furthermore the College recruited and retained 115 Higher Level Apprentices (HLA's) alongside this Higher Education offer across 8 subject areas.

The College has continued to plan for further development to the Rural University (Project 10 – delivering Higher Education to the rural community). The 2017/18 academic year saw 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). In total this brought the College offering of Level 6 provision to 8 programmes and 206 students.

There was significant success at a range of competitions with SWC students excelling in many disciplines at local, regional, national and international level. Medals were awarded to 55 students and other notable achievements will now be recorded on the Roll of Honour.

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. Circa 12,500 digital badges have been awarded and almost 7.5% of full-time FE curriculum was delivered virtually. Some of the students who completed the Level 5 programme in Zambia attended the College Graduation In December 2016.

The Confucius Hub had another successful year, with in excess of 2,700 students in 49 schools undertaking a Mandarin Chinese qualification through the four area learning communities which the College supports. This Mandarin Chinese provision was supported by twelve tutors funded by Hanban. Provision of Business Mandarin modules will be a feature of the provision going forward. Furthermore contacts established via the Confucius Hub have led to the signing of an inter- institutional agreement with a Vocational & Technical College in Xiangyang. We anticipate that reciprocal visits will take place in the next academic year.

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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 modern 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 2016 to 31 July 2017, the College paid 94% (2016 - 90%) 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

No post balance sheet events have been identified.

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.

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.

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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	£2,978,091
	Dungannon Campus	£31,369,585
	Enniskillen Campus	£6,021,482
	Skills Centre Campus	£14,330,263
	Omagh Campus	£33,451,570
	Erne Site Development	£706,229

Financial

Net assets at 31 July 2017 were £43.429M (including £6.586M pension liability) and the South West College has long term debt of £36.026M.

People

The South West College employs 580 people (expressed as full time equivalents), of whom 279 are teaching staff.

The average number of days lost to sickness absence by all staff in 2016/17 was 7.63 days or 3.0% (2015/16 7.22 days) which compares favourably against benchmarks for the sector (sector average was 3.15% for 2016/17).

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.

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;*

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- *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)

Risk Factor	Commentary
Impact of BREXIT and Changes to Government/DfE.	Potential impact of BREXIT to the College includes loss of cross border student mobility, loss of European funding (including projects relating to social inclusion, sustainability, enterprise, and widening access) as well as funding for training through apprenticeship and staff development via DfE. Preparation for the eventual UK exit from the EU has commenced. The College has been successful in securing funding for new projects including ERASMUS + (all key actions). Ongoing uncertainty surrounding the timing of a return of devolved government.
Impact of the STS Project and risks associated with unsupported LMS, Payroll/HR and Agresso Business World systems	The STS Project is a sector collaboration project to identify, procure and implement a new management information and information learning technology solution that will meet the needs of the 6 regional FE colleges. Support contracts for the current contract expire in June 2018. Project delayed due to lack of an NI Assembly. Business Case was submitted to the Minister in October 2016 but only signed off in July.
Financial Constraints / Viability within an increasingly uncertain economic and political environment	The on-going impact on the College's budget due to the implementation of the VES and corresponding reduction in wage bill, with our baseline budget being reduced accordingly. Approximately £1.5 million of savings need to be made. Internal measures have been implemented in order to address these and other government budget cuts.
Renewable Engine Project - Strategic Research, Technology Development and Innovation in Renewable Energy sector	The Renewable Engine Project is the creation of a cross-border Research & Innovation 'super-cluster' involving internationally recognised partners in the area of renewable energy and advanced manufacturing technologies. SWC will be responsible for the overall quality control of the project and will provide guidelines regarding the roles of different members of the project and their responsibilities, the information exchange procedures among partners.
Estates Strategy – Enniskillen Development Project	The planning application for the proposed new development at the Erne Site has been granted and funding was confirmed in June. The Project Team and Project Board continue to meet regularly to review progress on the project against the programme. Integrated Supply Team tender being finalised prior to issue via CPD.
Impact of Voluntary Exit Scheme (VES)	Tranche two of Year 2 the VES completed. Year 2 included a condition whereby there will be no reemployment of any leavers under VES in any role

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Risk Factor	Commentary
	within the FE sector in NI for a period of 2 years. Aside from this the scheme ran in a similar manner to Year 1. Potential for former employees re-applying for similar/different posts within the College at the expiration of the initial exclusion period (September 2017). Limited trawl launched for Year 3 in May.
Strategic Planning and Corporate Governance.	Strategic direction of the College recently reviewed by Senior Management Team. Looking at key strands in the Government's revised Draft Programme for Government, aligned to the College's CDP including innovation, social deprivation and engaging with industry. Internal consideration to be given to the government commitment to extend shared services under Public Sector Shared Services Programme. Succession planning underway in terms of retiring CEO.
Implementation of changes to internal technology systems and ongoing management of cyber risks	Solution installed to increase security and performance of wireless network given the increase of BYOD across all campuses installed. Increased skills and knowledge required due to the complexity and array of services being supported by the Technical Services team. Resourcing issues being reviewed. Further testing to be undertaken on back-up replacement.
Internationalisation of the South West College	The College has annual allocation for international students through CAS Licence from UK Visa & Immigration Service (CAS).The College seeking to appoint agent(s) in order to recruit students for the 17/18 academic year. Looking at development of online curriculum. MOU recently signed with Chinese university.
Workforce Resource, Planning and Development including Staff Management	The College management team continually monitors key impacts from VES as part of key workforce planning issues. Twelve members of staff currently undertaking Educational Innovation modules as part of HEPD. Implementation of action plans stemming from HSENI recommendation.
Monitoring student related targets to ensure these are met particularly with regard to new projects and qualifications	FT FE targets met but impacted by withdrawals and transfers. FE PT enrolments down. Strategy being devised to turn PT enrolments around. Curriculum delivery and business needs will be reviewed further in line with the FE Strategy. Active student engagement to be promoted.

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STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with Universities, the South West College has many stakeholders. These include students; DfE; 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

External Auditors:
Name and address Northern Ireland Audit Office
106 University Street, Belfast, BT7 1EU

Internal Auditors:
Name and address KPMG
Stokes House, 17-25 College Square East, Belfast, BT1 6DH

Bankers:
Name and address First Trust Bank
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 Peter Archdale	1 August 2012	1 August 2012 – 31 Jul 2020	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Education, Quality & Performance Committee
Mr Samuel Hodson	27 February 2017	27 February 2017 - 30 September 2017	N/A	Student Member	<ul style="list-style-type: none"> • Education, Quality & Performance Committee
Councillor Robert Irvine	21 July 2016	21 July 2016 – 31 March 2017	N/A	Education & Library Board Nominee	<ul style="list-style-type: none"> • Education, Quality & Performance Committee • Finance & General Purposes Committee
Mrs Joanne Lucas	28 October 2016	28 October 2016 – 27 October 2020	N/A	Staff Member	<ul style="list-style-type: none"> • Audit & Risk Committee • Education, Quality & Performance Committee
Mr Joseph Martin	1 September 2010	1 September 2010 – 31 August 2018	N/A	Chair	<ul style="list-style-type: none"> • Staffing Committee
Mrs Margaret Martin	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Education, Quality & Performance Committee (Chair)
Mr Wilson Matthews	10 June 2010	10 June 2010 – 9 June 2018	N/A	Co-optee	<ul style="list-style-type: none"> • Finance & General Purposes Committee • Education, Quality & Performance Committee
Mr Wilbert Mayne	25 October 2010	25 October 2010 – 24 October 2018	N/A	Education & Library Board Nominee	<ul style="list-style-type: none"> • Audit & Risk Committee

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GOVERNOR	DATE OF APPOINTMENT	TERM OF OFFICE	DATE OF RESIGNATION	STATUS OF APPOINTMENT	COMMITTEES SERVED
Mr Malachy McAleer	28 September 2009	When leaves Chief Executive's post	N/A	Chief Executive	<ul style="list-style-type: none"> • Education, Quality & Performance Committee • Finance & General Purposes Committee • Staffing Committee
Mrs Patricia McCaffrey	28 May 2014	28 May 2014 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Audit & Risk Committee (Chair) • Staffing Committee
Mr Seamus McCaffrey	1 August 2015	1 August 2015 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Finance & General Purposes Committee
Mrs Monica McGeary	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Audit & Risk Committee • Staffing Committee (Chair)
Mr Mick McGuckin	1 August 2015	1 August 2015 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Finance & General Purposes Committee (Chair)
Mr Stephen Moss	22 November 2015	22 November 2015 – 21 November 2019	N/A	Staff Member	<ul style="list-style-type: none"> • Education, Quality & Performance Committee • Finance & General Purposes Committee
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"> • Finance & General Purposes Committee
Mr Michael Skuce	1 August 2011	1 August 2011 – 31 July 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Audit & Risk Committee • Staffing Committee
Mr Derek Weir	1 August 2011	1 August 2011 – 31 Jul 2019	N/A	Business, Industry & Professional Member	<ul style="list-style-type: none"> • Staffing Committee

**SOUTH WEST COLLEGE
STRATEGIC REPORT
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Attendance records for Governing Body members are disclosed on page 27.

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

Chairman Jeff Mauth **Date** 15.11.17

**SOUTH WEST COLLEGE
REMUNERATION REPORT
FOR THE YEAR ENDED 31 JULY 2017**

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 1st 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:

	2016-2017				2015-2016			
	Salary & Allowances £'000s	Benefits in Kind £'000s	Pension Benefits £'000s	Total £'000s	Salary & Allowances £'000s	Benefits in Kind £'000s	Pension Benefits £'000s	Total £'000s
Joseph Martin (Chairman)	15-20	-	-	15-20	10-15	-	-	10-15
Derek Weir	0-5	-	-	0-5	0-5	-	-	0-5
Margaret Martin	0-5	-	-	0-5	0-5	-	-	0-5
Michael McCullagh	-	-	-	-	0-5	-	-	0-5
Michael McGuckin	0-5	-	-	0-5	0-5	-	-	0-5
Michael Skuce	5-10	-	-	5-10	0-5	-	-	0-5
Monica McGeary	0-5	-	-	0-5	0-5	-	-	0-5
Patricia McCaffrey	0-5	-	-	0-5	0-5	-	-	0-5
Peter Archdale	0-5	-	-	0-5	0-5	-	-	0-5
Seamus McCaffrey	0-5	-	-	0-5	0-5	-	-	0-5
Wilbert Mayne	0-5	-	-	0-5	0-5	-	-	0-5
Gerard O'Hanlon	0-5	-	-	0-5	-	-	-	-
Robert Irvine	0-5	-	-	0-5	-	-	-	-
Samuel Hodson	0-5	-	-	0-5	-	-	-	-
Wilson Mathews	0-5	-	-	0-5	0-5	-	-	0-5

The Student Governor does receive remuneration, however the staff governors do not receive remuneration or time off in lieu.

**SOUTH WEST COLLEGE
REMUNERATION REPORT
FOR THE YEAR ENDED 31 JULY 2017**

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 2017**

Salary and Pension Entitlements (Audited)

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

	2016-2017		2015-2016	
	Salary (Audited) £'000	Pension Benefits £'000*	Salary (audited) £'000	Pension Benefits £'000*
Malachy McAleer – Chief Executive	100-105	21	105-110	17
Michael McAlister – Deputy Chief Executive	75-80	31	75-80	12
Celine McCartan – resigned	-	-	75-80	17

	2016-2017	2015-2016
	£'000	£'000
Bank of highest paid directors total remuneration	100-105	105-110
Median total remuneration	30,195	30,067
Ratio	3.4	3.5

*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.

Mr Malachy McAleer retired as Chief Executive on 31st August 2017 and was replaced by Mr Michael McAlister.

Mrs Celine McCartan, former Deputy Director and Head of Corporate and Support Services, resigned from the College on 6th February 2017. Mrs McCartan had previously been on secondment with DfE since 1st November 2015 and henceforth had no control over college activities during the 2016/17 year.

As two key members of the Senior Management Team left the College in 2016/17, there will be a restructuring of this team during the 2017/18 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.

**SOUTH WEST COLLEGE
REMUNERATION REPORT
FOR THE YEAR ENDED 31 JULY 2017**

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 2017 are detailed below.

Audited Pension Entitlements

	Accrued pension at pension age as at 31/07/2017 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/07/2017	CETV at 31/07/2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Malachy McAleer	30-35 90-95	0-2.5 2.5-5	697	679	18
Michael McAlister	25-30 85-90	0-2.5 5-7.5	617	580	37
Celine McCartan (resigned 6th February 2017)	-	-	-	350	-

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.

**SOUTH WEST COLLEGE
REMUNERATION REPORT
FOR THE YEAR ENDED 31 JULY 2017**

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 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 Mairi

Date

15.11.17

Chief Executive

[Signature]

Date

15-11-17

**SOUTH WEST COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2017**

The Governing Body of 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 DfE and the Governing Body of 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 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 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 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 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 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 DfE are used only in accordance with the Financial Memorandum agreed with DfE and other conditions which DfE 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 South West College's resources and expenditure, so that the benefits that should be derived from the application of public funds by DfE are not put at risk.

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

Chairman 

Date 15-11-17

SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2017

INTRODUCTION

This Governance Statement sets out the governance structures, risk management systems and internal control procedures that operated within South West College during the financial year ended 31 July 2017 and up to the date of approval of the Annual Report & Financial Statements.

It has been prepared in accordance with guidance issued by the Department of Finance and Personnel, now named the Department of Finance, and contained within Annex 3.1 of the Managing Public Money in Northern Ireland document, and is aimed at supporting better governance and driving more consistent, coherent and transparent reporting.

SCOPE OF RESPONSIBILITY

As Accounting Officer of South West College, I am responsible for maintaining a sound system of risk management and internal control that supports the achievement of the College's aims and objectives set by the Governing Body, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me in the Managing Public Money Northern Ireland document and the Management Statement and Financial Memorandum between the Department of the Economy (DfE) and South West College.

SOUTH WEST COLLEGE GOVERNANCE FRAMEWORK

South West College is a Non-Departmental Public Body within the budgetary responsibility of DfE and is an incorporated body established under the Further Education (Northern Ireland) Order 1997. The College operates within a strong framework of regulation and has in place Articles of Government and an Instrument of Government, which establish the governance framework, as well as a Management Statement & Financial Memorandum with DfE, which sets out the financial framework within which the College is required to operate. Further information on the key elements of the governance structure is provided below.

Governing Body

South West College's Governing Body comprises members appointed by the Minister for the Economy (formerly the Minister for Employment and Learning) under the public appointments process, members nominated by the Education Authority or its predecessors, members elected by staff and students of the College, the College's Chief Executive and a member co-opted by the Governing Body. Eligible governors receive remuneration for their attendance at meetings and other events associated with their role as governors in line with DfE guidance on the remuneration of Governing Body members and chairs.

The role of the Chair of the Governing Body is separate and distinct from the role of the Chief Executive who is the College's designated Accounting Officer. The Governing Body is responsible for the ongoing strategic direction of South West College whilst the Chief Executive and the Management Team are responsible for the operational management of the College. The Governing Body approves all major developments and receives regular reports on the College's activities.

The Governing Body met seven times during the 2016/17 year. Formal agendas, papers and reports are supplied to governors in a timely manner to facilitate appropriate review and scrutiny. Minutes of meetings are approved by the Governing Body and are then published on the College website and made available from the Secretary to the Governing Body.

DfE facilitate an assessment of the performance of each member of the Governing Body as well as the Governing Body as a whole on an annual basis and this process is ongoing for the 2016/17 financial year. 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.

The Governing Body undertakes an annual review of its performance against the Key Performance Indicators agreed at the beginning of each year. The review undertaken for 2016/17 demonstrated that the Governing

**SOUTH WEST COLLEGE
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL
FOR THE YEAR ENDED 31 JULY 2017**

Body has achieved all the Key Performance Indicators set. Average attendance at Governing Body and committee meetings during the 2016/17 year was 87%. A schedule of membership and attendance for the 2016/17 year is provided in the table below:

Governor Attendance at Governing Body and Committee Meetings 2016/17

	Governing Body	Audit & Risk Committee	Education, Quality & Performance Committee	Finance & General Purposes Committee	Staffing Committee
No. of meetings held:	7	4	5	5	5
Peter Archdale	6/7		4/5		
Samuel Hodson	3/3		2/2		
Robert Irvine	4/4		4/4	3/3	
Joanne Lucas	4/4	2/3	3/3		
Joseph Martin	7/7				5/5
Margaret Martin	4/7		5/5		
Wilson Matthews	6/7		3/5	5/5	
Wilbert Mayne	7/7	4/4			
Malachy McAleer	6/6	3/4	5/5	5/5	4/5
Patricia McCaffrey	7/7	3/4			5/5
Seamus McCaffrey	5/7			4/5	
Monica McGeary	7/7	4/4			5/5
Michael McGuckin	7/7			5/5	
Stephen Moss	3/6		2/5	3/5	
Gerard O'Hanlon	6/7			3/5	
Michael Skuce	7/7	4/4			5/5
Derek Weir	6/7				3/5

The average attendance at Governing Body meetings in 2016/17 was 87%.

The Governing Body is supported by four committees; an Audit & Risk Committee, an Education, Quality & Performance Committee, a Finance & General Purposes Committee and a Staffing Committee. All of these committees are formally constituted with approved terms of reference and comprise members of the Governing Body.

Audit & Risk Committee

South West College's Audit & Risk Committee operates in accordance with the Audit Code for Governing Bodies (and Audit Committees) of Further Education Colleges issued in January 2016.

It is responsible for scrutinising the effectiveness of the College's accounting procedures, risk management arrangements and systems of internal control and provides a channel of communication from the College's auditors, which is independent of college management. It promotes a climate of robust financial discipline and control and must satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness.

It has formally agreed terms of reference, which are reviewed on an annual basis.

**SOUTH WEST COLLEGE
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL
FOR THE YEAR ENDED 31 JULY 2017**

The Audit & Risk Committee comprises at least four members nominated by the Governing Body, at least one of whom is required to have recent and relevant experience in finance, accounting or auditing.

Meetings are held at least four times per year and are normally attended by representatives of internal and external audit as well as by a DfE representative. The Committee holds independent meetings with the auditors in advance of each scheduled meeting which provides an opportunity for discussions between the parties where the executive is not present. Whilst executive officers and other officials attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee.

The Chair of the Audit & Risk Committee provides a verbal report of committee meetings to the Governing Body in support of the minutes, which are formally adopted by the Governing Body and subsequently published on the College's website.

The Committee met four times during the 2016/17 year during which it reviewed reports from the external and internal auditors and associated management responses as well as the College's Annual Report and Financial Statements to ensure compliance with legislation and accounting standards. It also reviewed corporate and departmental risk registers, assurance statements to DfE, new and revised college policies and reports on fraud, complaints, data matching, procurement, freedom of information and data protection as well as reports from the Northern Ireland Audit Office (NIAO) and DfE.

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 2016/17 demonstrated that the Audit & Risk Committee had been effective in ensuring that South West College had had adopted appropriate risk management procedures during the 2016/17 academic year and had functioned in accordance with accounting and auditing standards as well as good governance standards. 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. It 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. Performance against the College Development Plan and associated key performance indicators is monitored on an ongoing basis. The Committee also monitors 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 to 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 Chief Executive, 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 Chair of the Education, Quality & Performance Committee provides a verbal report of committee meetings to the Governing Body in support of the minutes, which are formally adopted by the Governing Body and subsequently published on the College's website.

The Committee met five times during the 2016/17 year during which it received reports on Excellence in Teaching and Learning, Higher Education, the 14 – 19 Agenda, Training Provision, Economic Engagement, Virtualisation, Internationalisation, Externally Funded Projects, Student Services Provision, Marketing,

SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2017

Safeguarding, Student Related Policies and Freedom of Information and Data Protection Activity in addition to the monitoring reports noted above. It also received presentations on departmental performance and strategic plans and discussed other matters of strategic relevance.

The Education, Quality & Performance Committee undertakes an annual review of its effectiveness. The review undertaken for 2016/17 demonstrated that the Committee had been effective in discharging its responsibilities in line with its Terms of Reference and the Annual Programme of Business agreed at the beginning of the year.

Finance & General Purposes Committee

The Finance & General Purposes Committee is responsible for overseeing matters relating to the College's finances, accounts and estates. It develops and monitors financial and estates strategy and policy to underpin the College Development Plan and advises the Governing Body on budgetary management, financial projections and reporting, treasury management, credit control and debt management, student finances and estates matters. It also reviews the draft Annual Report and Financial Statements prior to their submission to the Audit & Risk Committee and the Governing Body.

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 Chair of the Finance & General Purposes Committee provides a verbal report of committee meetings to the Governing Body in support of the minutes, which are formally adopted by the Governing Body and subsequently published on the College's website.

The Committee met five times during the 2016/17 year during which it reviewed the Annual Report and Financial Statements, Financial Management Reports, Financial Returns to DfE, Provisions and Liabilities, Financial Projections, FE College Health Check Reports, Estates Issues, Budgetary Management Processes, Debtors and Creditors Reports, Fixed Assets and Capital Expenditure, Investments, Student Finance Matters, Externally Funded Projects, Financial and Estates Policies, Consultancy Expenditure Reports, and Treasury Management Matters. It also received presentations on departmental financial performance and discussed other matters of strategic relevance.

The Finance & General Purposes Committee undertakes an annual review of its effectiveness. The review undertaken for 2016/17 demonstrated that Committee had been effective in discharging its responsibilities in line with its Terms of Reference and the Annual Programme of Business agreed at the beginning of the year.

Staffing Committee

The Staffing Committee is responsible for overseeing matters relating to staffing requirements and the recruitment, appointment, promotion and grading of all staff, other than senior staff as defined within the Articles of Government. It develops and monitors human resources, workforce development, equality and health, safety & wellbeing policy and strategy which underpins the College's strategic objectives for people and organisation development.

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 Chair of the Staffing Committee provides a verbal report of committee meetings to the Governing Body in support of the minutes, which are formally adopted by the Governing Body and subsequently published on the College's website.

SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2017

The Committee met five times during the 2016/17 academic year during which it considered matters relating to Health, Safety & Wellbeing, Equality & Diversity, Staff Resources, Workforce Planning & Development, Absence Management, Employee Relations and Sectoral Issues as well as related strategy and policy. It also received presentations on departmental resourcing and workforce development and discussed other matters of strategic relevance.

The Staffing Committee undertakes an annual review of its effectiveness. The review undertaken for 2016/17 demonstrated that the Committee had been effective in discharging its responsibilities in line with its Terms of Reference and the Annual Programme of Business agreed at the beginning of the year.

Erne Campus Project Board

The planned construction of a replacement for the Fairview campus in Enniskillen has necessitated the establishment of a temporary committee to oversee the development. It is the responsibility of this Project Board to ensure the delivery of the project on time and to budget.

The Erne Campus Project Board is chaired by the Chief Executive and comprises two governors and a member of the Senior Management Team as well as a representative from DfE, and has in attendance advisors from the Central Procurement Directorate, the Strategic Investment Board and Fermanagh & Omagh District Council.

The Project Board is supported by a Project Team and advisory committees and is overseen by a Steering Group chaired by the Permanent Secretary of DfE. It met seven times during the 2016/17 year and to date has progressed the project to the stage of procurement of the Integrated Supply Team.

Senior Management Team

The Senior Management Team meets once a month. The Chief Executive Officer attends all Governing Body meetings and sub-committee meetings. The Head of Finance attends all Audit & Risk Committee and Finance & General Purposes Committee meetings. The Head of Services attends all Finance & General Purposes Committee meetings. The Legal & Compliance Officer attends all Audit & Risk Committee meetings. The Head of HR attends all Staffing Committee meetings. The Head of Curriculum attends all Education, Quality & Performance Committee meetings.

The Governing Body are satisfied with the quality and content of the curriculum, financial, staffing and risk information provided by management to the various Governing Body sub-committees. The information provided enables the Governing Body to exercise strategic and operational oversight on the College by means of clear lines of accountability.

Management of Interests

The Secretary to the Governing Body compiles a register of financial and personal interests of Governing Body members annually. This is presented to the Governing Body at its first meeting of the academic year and members are invited to declare any subsequent amendments to be made to this register. In accordance with good governance, the declaration of any conflicts of interest is included as an agenda item at each and every Governing Body and committee meeting and members are requested to declare any actual, potential, or perceived conflict of interest and withdraw from the meeting during consideration of the subject matter in which the interest has been declared.

The Register of Governors' and Senior Staff member's Interests are available for inspection from the Secretary to the Governing Body and is presented on pages 62-66 of this report.

SOUTH WEST COLLEGE STATEMENT OF GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2017

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 2017 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 2017, 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 2016/17, 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;
- maintain the organisation-wide risk register;

**SOUTH WEST COLLEGE
STATEMENT OF GOVERNANCE AND INTERNAL CONTROL
FOR THE YEAR ENDED 31 JULY 2017**

- 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 2016/17 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 Fixed Assets	Satisfactory
Review of Core Financial Processes – Payments to Creditors	Satisfactory
Review of Core Financial Processes – Month End Close Procedures	Satisfactory
Review of IT General Controls	Satisfactory
Review of Curriculum Planning	Satisfactory
Review of Business Continuity & Disaster Recovery	Satisfactory
Review of Employer Support Programme (Innovate Us)	Satisfactory
Review of Procurement	Satisfactory
Review of Strategic Planning/Monitoring & Attainment of Corporate Objectives	Satisfactory

In their Annual Assurance Statement, the Internal Auditors have provided an overall 'Satisfactory' 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 2016-17 the College had no instances of detected fraud.

Pay Remit

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

The FE Sector continues to work with Colleges NI, DfE and DoF 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 2017**

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 31st July 2017 that require reporting in this Statement.

Review of effectiveness

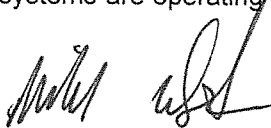
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the South West College who have responsibility 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 2016/17 demonstrate that key systems are operating soundly and that there are no significant weaknesses or areas for undue concern.

Accounting Officer



Date 15-11-17

SOUTH WEST COLLEGE

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

Opinion on financial statements

I certify that I have audited the financial statements of the South West College for the year ended 31 July 2017 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 Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows 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.

In my opinion the financial statements:

- give a true and fair view of the state of the South West College's affairs as at 31 July 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); and
- have been 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 directions issued thereunder.

Opinion on regularity

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.

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.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). My responsibility under those standards are further described in the Auditor's responsibility for the audit of the financial statements section of this certificate. Me and my staff are independent of the South West College in accordance with the ethical requirements of the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the South West College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information in the annual report and accounts

The Governing Body is responsible for the other information reported in the annual report and accounts. The other information comprises the information included in the annual report and accounts other than the financial statements, the part of the Remuneration Report to be audited and my certificate thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department for the Economy 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 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 guidance.

Responsibilities of the Governing Body

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 being satisfied that they give a true and fair view, and for such internal control as the Governing Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the South West College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements

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.

This requires me to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that

includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

28th November 2017

**SOUTH WEST COLLEGE
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2017**

	Note	2017 £'000	2016 £'000
Income			
Department for the Economy Income	1	27,815	27,393
Education Contracts	2	7,322	8,027
Tuition Fees and Charges	3	2,533	2,273
Other Grant Income	4	1,679	960
Other Operating Income	5	713	599
Investment Income	6	34	37
Total Income		40,096	39,289
Expenditure			
Staff costs	7	22,422	21,174
Other operating expenses	9	13,605	12,733
Interest and other finance costs	10	3,115	3,223
Depreciation	12	5,367	3,328
Total expenditure before exceptional items		44,509	40,458
Deficit on continuing operations after depreciation of assets at valuation and before tax and before exceptional items		(4,413)	(1,169)
Exceptional items			
Exceptional costs - staff	7	(24)	(780)
Exceptional gain – non staff	9	406	659
Exceptional gain – staff	7	24	780
Deficit before tax		(4,007)	(510)
Taxation		-	-
Deficit on continuing operations after depreciation of assets at valuation and tax		(4,007)	(510)
Unrealised surplus on revaluation of land and buildings		4,419	4,800
Actuarial (loss)/gain in respect of pension scheme		3,302	(3,886)
Total comprehensive income for the year		3,714	404
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		3,714	404
		3,714	404

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 2017**

COLLEGE	Income and Expenditure Account		Revaluation Reserve	Total Reserves
	Restricted	Unrestricted		
	£'000	£'000		
Balance at 1 August 2015	-	(2,503)	39,915	37,412
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	-	-	-	-
Total comprehensive income for the year	-	(3,160)	3,566	406
Balance at 31 July 2016		(5,663)	43,481	37,818
Balance at 1 August 2016	-	(5,663)	43,481	37,818
Deficit from income and expenditure statement	-	(4,007)	-	(4,007)
Other comprehensive (expense)/income	-	3,302	4,419	7,721
Transfers between revaluation and income and expenditure account	-	3,245	(3,245)	-
Release of restricted funds spent in year	-	-	-	-
Total comprehensive income for the year	-	2,540	1,174	3,714
Balance at 31 July 2017	-	(3,123)	44,655	41,532

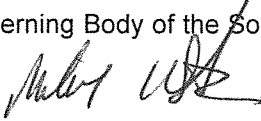
**SOUTH WEST COLLEGE
BALANCE SHEET
AS AT 31 JULY 2017**

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	12	96,924	94,402
Total fixed assets		96,924	94,402
Current assets			
Trade and other receivables	15	5,415	4,174
Cash at bank and in hand		3,833	5,499
Total current assets		9,248	9,673
Less: Creditors – amounts falling due within one year	16	(6,805)	(6,203)
Net current assets		2,443	3,470
Total assets less current liabilities		99,367	97,872
Less: Creditors – amounts falling due after more than one year	17	(51,234)	(50,982)
Provisions:			
Pension provisions	20	(6,586)	(9,057)
Other provisions	18	(15)	(15)
Net assets including pension liability		41,532	37,818
Unrestricted Reserves			
Pension reserve		(6,586)	(9,057)
Income and expenditure account unrestricted reserves		3,463	3,394
Revaluation reserve		44,655	43,481
Total reserves		41,532	37,818
TOTAL		41,532	37,818

The financial statements on pages 37 to 69 were approved by the Governing Body of the South West College on 15th November 2017 and were signed on its behalf on that date by:



Joseph Martin
 Chairman of Governing Body – South West College



Michael McAlister
 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 2017**

	Note	2017 £'000	2016 £'000
Cash inflow/(outflow) from operating activities			
Deficit for the year		(4,007)	(510)
Adjustment for non-cash items			
Depreciation	12	5,367	3,328
Decrease/(increase) in debtors	15	(1,241)	2,181
(Decrease)/increase in creditors	16	(1,297)	(3,423)
Pension cost	20	554	84
Increase in other provisions	18	-	4
Capital grants released to income		(1,403)	(1,184)
Investment income	6	(34)	(37)
Net cash inflow/(outflow) from operating activities		(2,061)	443
Cash flows from investing activities			
Capital grants received		3,552	910
Investment income	6	34	37
Payments made to acquire fixed assets	12	(3,469)	(872)
Cash inflows from financing activities			
Pension finance cost	10	278	294
Increase/(decrease) in cash and cash equivalents in the year	19	(1,666)	812
Net funds at 1 August		5,499	4,687
Net funds at 31 July		3,833	5,499

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 2017**

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).

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 assembly 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.

Recognition of Income

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

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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.

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. A full valuation was carried by LPS at 31 July 2017.

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

The College intends to vacate the Fairview Campus in Enniskillen in January 2020 and move to the new Erne Campus. The Fairview Campus will then be sold. The market value of Fairview is considerably less than the valuation provided by LPS at 31st July 2017, which is based on depreciated replacement cost. The remaining useful economic life of Fairview has been reduced to four years and the depreciation charge has been accelerated accordingly.

- **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 2017. 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:	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.

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.

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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.

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 and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and Expenditure Account and are shown separately in Note 26.

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

1. DEPARTMENT FOR THE ECONOMY INCOME

	2017	2016
	£'000	£'000
Grant in Aid received from DfE		
Recurrent grant	16,754	17,120
Additional Support Funds	210	234
Employer Support Programme (ESP)	350	260
Private Finance Initiative (PFI)	6,168	6,132
Students with learning difficulties and disabilities (SLDD)	250	264
Release of deferred capital grants	1,334	1,117
Skills Focus (included in 'other' in 2016)	138	-
Other	1,334	2,246
	<hr/>	<hr/>
Total	26,538	27,373
	<hr/>	<hr/>
Non-Grant in Aid received from DfE		
Higher Level Apprenticeships		
Education Maintenance Allowance administration	19	20
Level 2/3 Apprenticeships	477	-
Higher Level Apprenticeships	781	-
	<hr/>	<hr/>
Non-grant in aid items	1,277	20
	<hr/>	<hr/>
Total DfE income	27,815	27,393
	<hr/>	<hr/>

Higher Level Apprenticeship and Pilot Apprenticeship income was classified as Grant In Aid in 2015/16, with £581K included in Grant in Aid Other Income. In 2016/17 Higher Level Apprenticeship income of £477K and £781K was re-classified to Non Grant in Aid.

2. EDUCATION CONTRACTS

	2017	2016
	£'000	£'000
Entitlement framework	989	1,072
Training for Success	6,321	6,828
Steps to Work	12	127
Training – other	-	-
	<hr/>	<hr/>
Total	7,322	8,027
	<hr/>	<hr/>

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

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

3. TUITION FEES AND CHARGES

	2017 £'000	2016 £'000
Higher Education (HE) income	1,939	1,638
Home and other European Union	594	635
Total	2,533	2,273

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £84k (2016: £41k)

4. OTHER GRANT INCOME

	2017 £'000	2016 £'000
European funds	1,456	867
Other funds	223	93
Total	1,679	960

5. OTHER OPERATING INCOME

	2017 £'000	2016 £'000
Catering and residence operations	81	78
Other income generating activities	381	164
Other income	251	357
Total	713	599

6. INVESTMENT INCOME

	2017 £'000	2016 £'000
Other interest receivable	34	37
Total	34	37

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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:

	2017	2016
	No.	No.
Governing Body	-	-
Teaching	279	315
Support	109	113
Administration	174	148
Premises	18	19
Total	580	595
	2017	2016
	£'000	£'000
Governing Body	70	33
Teaching	13,366	13,274
Support	2,523	2,659
Administration	5,444	4,697
Premises	424	427
Apprenticeship Levy	41	-
Non Teaching Pension charge	554	84
	22,422	21,174
Exceptional staff costs - VES	24	780
Exceptional staff costs - other	-	-
	24	780
Total	22,446	21,954

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

7. STAFF COSTS

	2017 £'000	2016 £'000
Wages and salaries	18,116	17,271
Social security costs	1,448	1,217
Movement in Pension	554	84
Other pension costs	2,304	2,602
	<u>22,422</u>	<u>21,174</u>
Exceptional staff costs (VES/redundancy/retirement)	24	780
	<u>22,446</u>	<u>21,954</u>
Total	22,446	21,954

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

	Senior post-holders		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	-	-	10	11
£70,001 to £80,000	-	-	6	4
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	2	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	1	-	-
	<u>2</u>	<u>3</u>	<u>16</u>	<u>15</u>

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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.

	2017	2016
	No.	No.
The number of senior post-holders including the Chief Executive was:	<u>2</u>	<u>3</u>

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

	2017	2016
	£'000	£'000
Salaries	203	296
Pension contributions	<u>32</u>	<u>47</u>
Total emoluments	<u>235</u>	<u>343</u>

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

	2017	2016
	£'000	£'000
Salaries	<u>115</u>	<u>118</u>
	115	118
Pension contributions	<u>18</u>	<u>19</u>
Total	<u>133</u>	<u>137</u>

The above emoluments were all paid to the Chief Executive during the year ended 31 July 2017.

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

9. OTHER OPERATING EXPENSES

	2017	2016
	£'000	£'000
Direct Teaching	914	965
Direct Support	4,643	4,589
Administration	2,526	1,584
Premises	1,996	1,735
Unitary payments under PFI contract	3,526	3,860
	13,605	12,733
Exceptional – PFI Insurance Rebate	(406)	(659)
	13,199	12,074

Administration costs include £607k relates to Payments to Project Partners (2015/16 £13K)

Other operating expenses include:	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (includes £28k in respect of the college – 2015/16 £21k)	28	21
Internal audit (includes £21k in respect of the college – 2015/16 £18k)	21	18
Other services provided by the financial statements Auditors	-	-
Other services provided by the internal auditors	-	1
Hire of other assets – operating leases	56	56

Care to Learn 2017 is £27,630 (2016 £37,319)

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 £406k represents the 2017 share of the £1.140M monies owed for the period to 31 July 2017 in respect of a rebate of insurance costs in accordance with the provisions of the contract.

10. INTEREST AND OTHER FINANCE COSTS

	2017	2016
	£'000	£'000
Net charge on pension scheme	278	294
On finance leases	2,837	2,929
Total	3,115	3,223

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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	Assets under construction £'000	PFI Assets £'000	Plant and Equipment £'000	Computers £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation								
At 1 August 2016	29,740	-	65,352	4,192	4,190	862	407	104,743
Additions	4	454	-	1,415	1,015	228	353	3,469
Transfers	(328)	252	76	-	-	-	-	-
Disposals	-	-	-	(593)	(1,924)	(291)	(24)	(2,832)
Surplus/(deficit) on Revaluation	524	-	(606)	-	-	-	-	(82)
At 31 July 2017	29,940	706	64,822	5,014	3,281	799	736	105,298
Depreciation								
At 1 August 2016	883	-	1,652	3,058	3,638	803	307	10,341
Charge for the year	2,611	-	1,634	482	504	37	98	5,367
Revaluation	(1,212)	-	(3,289)	-	-	-	-	(4,501)
Transfers	(3)	-	3	-	-	-	-	-
Elimination in respect of disposals	-	-	-	(593)	(1,924)	(292)	(23)	(2,832)
At 31 July 2017	2,279	-	-	2,947	2,218	548	382	8,374
Net book value at 31 July 2017	27,661	706	64,822	2,067	1,063	251	354	96,924
Net book value at 31 July 2016	28,857	-	63,700	1,134	552	59	100	94,402
Asset Financing								
Owned	27,661	706	-	2,067	1,063	251	354	32,102
PFI contracts	-	-	64,822	-	-	-	-	64,822
Net Book Value at 31 July 2017	27,661	706	64,822	2,067	1,063	251	354	96,924

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

12. TANGIBLE FIXED ASSETS

Land and buildings were subject to a full revaluation at 31st July 2017 on a depreciated replacement cost basis. The valuations were performed independently by the Land and Property Service in accordance with Department specifications. These revaluations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

	2017 £'000	2016 £'000
If inherited land and buildings had not been revalued they would have been included at the following amounts:		
Cost	8,018	8,018
Aggregate depreciation based on cost	<u>(2,914)</u>	<u>(2,691)</u>
Net book value based on cost	<u>5,104</u>	<u>5,327</u>

All depreciation relates to owned assets, with the exception of £1,637,303 which relates to depreciation on PFI assets.

	2017 £'000	2016 £'000
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>(14,235)</u>	<u>(13,157)</u>
Net book value based on cost	<u>28,866</u>	<u>29,944</u>

13. INTANGIBLE FIXED ASSETS

No intangible fixed assets have been identified

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 2017 is £64.82M (2016: £63.7M). The increase of £1.12M is due to a valuation increase of £2.76M and depreciation of £1.637M.

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

Movement in service concession liabilities

The total liabilities relating to the service concession included in the balance sheet as at 31 July 2017 were £37.301M (2016: £38.674M). The sum of £1.373M 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 £'000	Payable 2-5 years £'000	Payable 6-10 years £'000	Total £'000
Liability repayments	1,275	2,037	8,810	12,122
Finance charge	2,738	10,444	11,139	24,321
Service charge	3,862	20,270	23,040	47,172
	7,875	32,751	42,989	83,615

15. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	381	231
Deposits and advances	-	-
Prepayments and accrued income	2,588	1,621
Other receivables - DfE	2,446	2,322
Total debtors	5,415	4,174

16. CREDITORS: AMOUNTS FALLING DUE IN WITHIN ONE YEAR

	2017 £'000	2016 £'000
Obligations under finance leases in respect of PFI contracts	1,275	1,373
Trade payables	-	1
Taxation and social security	493	546
Deferred Capital Grants	1,814	1,190
Amounts owed to the Department	65	318
Other creditors and accruals	3,158	2,775
Total creditors less than one year	6,805	6,203

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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

	2017 £'000	2016 £'000
Obligations under finance leases in respect of PFI contracts	36,026	37,301
Deferred capital grants	15,208	13,681
Total	51,234	50,982

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

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Litigation £'000	Other £'000	Total £'000
At 1 August 2016	-	15	15
Movement in Provision	-	-	-
Released to the income and expenditure account	-	-	-
At 31 July 2017	-	15	15

The provision comprises Insurance excess of £15k

19. CASH AND CASH EQUIVALENTS

	At 1 August 2016 £'000	Cash Flows £'000	At 31 July 2017 £'000
Cash and Cash equivalents	5,499	(1,666)	3,833
At 31 July	5,499	(1,666)	3,833

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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.

Total pension cost for the year	2017	2016
	£'000	£'000
NITPS: contributions paid	1,932	1,857
NILGOSC: contributions paid	926	829
NILGOSC: FRS 102 charge	554	84
NILGOSC: charge to the Statement of Comprehensive income and expenditure (staff costs)	3,412	2,770
Enhanced pension charge to the Statement of Comprehensive income and expenditure (staff costs)	-	-
Total pension cost for the year	3,412	2,770

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITPS and NILGOSC was 31 March 2016.

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.

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 2017 the employers' contribution rates was 18% 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 £14,000	5.5%
£14,001 to £21,300	5.8%
£21,301 to £35,600	6.5%
£35,601 to £43,000	6.8%
£43,001 to £85,000	8.5%
£85,001 and above	10.5%

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

20. PENSION AND SIMILAR OBLIGATIONS

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

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 2017 updated to 31 July 2017 by a qualified actuary.

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

20. PENSION AND SIMILAR OBLIGATIONS

Principal actuarial assumptions

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

	At 31 July 2017 % pa	At 31 July 2016 % pa	At 31 July 2015 % pa
Rate of increase in salaries	3.5	3.3	3.6
Rate of increase for pensions in payment/inflation	2.0	1.8	2.1
Discount rate for liabilities	2.6	2.4	3.6
Expected return on assets	n/a	n/a	n/a

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 2017	At 31 July 2016
Retiring today		
Males	23.2 years	22.3 years
Females	25.8 years	24.8 years
Retiring in 20 years		
Males	25.4 years	24.5 years
Females	28.1 years	27.2 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 2017 £'000	Value at 31 July 2016 £'000	Value at 31 July 2015 £'000
Equities	17,752	15,115	13,162
Bonds	2,656	2,579	2,025
Property	2,368	2,474	2,167
Cash	1,148	796	408
Total market value of assets	23,924	20,964	17,762
Present value of scheme liabilities	(30,510)	(30,021)	(22,555)
(Deficit) in the scheme	(6,586)	(9,057)	(4,793)

SOUTH WEST COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 JULY 2017

20. PENSION AND SIMILAR OBLIGATIONS

The amounts recognised in the balance sheet are as follows:

	At 31 July 2017 £'000	At 31 July 2016 £'000
Scheme Assets	23,924	20,964
Scheme Liabilities	(30,510)	(30,021)
Deficit in the Scheme (net pension liability recorded within pension provisions)	<u>(6,586)</u>	<u>(9,057)</u>

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

	2017 £'000	2016 £'000
Amounts included on staff costs		
Employer service cost (net of employee contributions)	1,614	1,049
Interest cost	206	155
Losses on curtailments and settlements	5	139
Total operating charge	<u>1,825</u>	<u>1,343</u>

Analysis of pension finance income / (costs):

	2017 £'000	2016 £'000
Expected return on pension scheme assets	513	657
Interest on pension liabilities	(721)	(812)
Pension finance (costs)	<u>(208)</u>	<u>(155)</u>
Actual return on plan assets	<u>2,139</u>	<u>2,256</u>

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

20. PENSION AND SIMILAR OBLIGATIONS

Analysis of Other Comprehensive Income for pensions

	2017 £'000	2016 £'000
Actuarial gains on pension scheme assets	1,626	1,599
Actuarial (gains)/losses on scheme liabilities	1,677	(5,485)
Total Other Comprehensive Income	3,303	(3,886)

Asset and liability reconciliation:

	2017 £'000	2016 £'000
--	-----------------------	-----------------------

Reconciliation of liabilities

Liabilities at start of year	30,021	22,555
Service cost	1,614	1,049
Interest cost	721	812
Employee contributions	295	255
Actuarial loss/(gain)	(1,681)	5,485
Benefits paid	(465)	(274)
Curtailments	5	139
Liabilities at end of year	30,510	30,021

Reconciliation of assets

Assets at start of year	20,964	17,762
Expected return on assets	513	657
Actuarial gain	1,626	1,599
Employer contributions	991	965
Employee contributions	295	255
Benefits paid	(465)	(274)
Assets at end of year	23,924	20,964

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

21. POST BALANCE SHEET EVENTS

In the period between the end of the reporting year (31st July 2017) and the date when the financial statements are authorised for issue, the College has no Post Balance Sheet Events to report.

22. CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Commitments contracted for at 31 July 2017	-	-

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	
	2017 £'000	2016 £'000
Rentals due within one year	7,875	7,776
Rentals due within two to five years	32,751	32,355
Rentals due thereafter	126,677	135,174
	<u>167,303</u>	<u>175,305</u>
Less interest element	32,926	35,763
Imputed finance lease obligations	<u>134,377</u>	<u>139,542</u>

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 £3.53 million (year ended 31 July 2016 £3.86 million).

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

24. CONTINGENT LIABILITY

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 2017**

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 2016 £	Amount Paid 2017 £	Amount received 2016 £	Amount received 2017 £	Amount outstanding at 31 July 2016 £	Amount outstanding at 31 July 2017 £	Nature of Transactions
Mr Malachy McAleer (Staff Member/Governor)	Fellow - Institute of Innovation and Knowledge Exchange and member of the Editorial Board	-	-	-	-	-	-	
	CEO – South West College	-	-	-	-	-	-	
	Member – Colleges NI	100,349	165,874	42,349	1,380	-	-	Subscriptions/Exhibition costs/JISC Charges/In-Hance costs
	Member – DFPNI Environmental Working Group	-	-	-	-	-	-	
	Member - New Engineering Foundation Member – Mid Ulster Planning Community Steering Group	-	-	-	-	-	-	
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	-	-	-	-	-	-	

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

Governor/ Senior Manager	Company	Amount Paid 2016		Amount received 2016		Amount received 2017		Amount outstanding at 31 July 2016		Amount outstanding at 31 July 2017		Nature of Transactions
		£	£	£	£	£	£	£	£			
Mr Michael McGuckin (Governor)	Director - Cookstown Enterprise Centre Director - Lissan House Trust Director - Mallon Technology Ltd	20	-	-	-	-	-	-	-	-	-	
Mr Seamus McCaffrey (Governor)	Director – S P McCaffrey & Co Farmer Trustee - Agri Search Member – Ulster Farmers Union	-	-	-	-	-	-	-	-	-	-	
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)	-	-	-	-	-	-	-	-	-	-	
Mr Samuel Hodson (Student Governor) (Commenced 27 February 2017)	None	-	-	-	-	-	-	-	-	-	-	
Mr Stephen Moss (Staff Member/Governor)	Employee South West College Member - NI Construction Skills Network Observatory Committee	-	-	-	-	-	-	-	-	-	-	
Mrs Joanne Lucas (Governor/Staff Member) (Membership commenced 28 October 2016)	Employee of South West College	-	-	-	-	-	-	-	-	-	-	
Mr Wilson Matthews (Governor)	Member – Pharmacy National Appeals Panel	-	-	-	-	-	-	-	-	-	-	

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

Governor/ Senior Manager	Company	Amount Paid 2016 £	Amount Paid 2017 £	Amount received 2016 £	Amount received 2017 £	Amount outstanding at 31 July 2016 £	Amount outstanding at 31 July 2017 £	Nature of Transactions
Cllr Robert Irvine (Governor) (Membership ceased 31 March 2017)	Member – Northern Ireland Fire and Rescue Service	-	-	-	-	-	-	
	Member – Western Local Commissioning Group	-	-	-	-	-	-	
	Member – BASC	-	-	-	-	-	-	
	Member – Devenish Wildfowl and Conservation Club	-	-	-	-	-	-	
	Member – Fermanagh and Omagh District Council	-	13,749	-	32,493	-	-	Hire of facilities
	RJ Irvine (QS and PM Consultancy)	-	-	-	-	-	-	-
Mr Wilbert Mayne (Governor)	Self Employed Farmer	-	-	-	-	-	-	
	Member - Agricultural Wages Board	-	-	-	-	-	-	
	Member – SWARD Local Action Group	-	-	-	-	-	-	
	Chair of Governors – Orritor Primary School	-	-	-	-	-	-	
	Governor – Donaghey Primary School	-	-	-	-	-	-	
	Chair – Shop Mobility Mid Ulster	-	-	-	-	-	-	
	Chair – Cookstown Rural Community Transport	-	-	-	-	-	-	
	Vice Chair – Ulster Farmers Union Environment Committee	-	-	-	-	-	-	
	Trustee – Agri-Search	-	-	-	-	-	-	
	Chair – Professional Association of Catering Education NI Member of Spinnaker Group	-	-	-	-	-	-	
Mrs Susanne Workman (Staff Member)								

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

Governor/ Senior Manager	Company	Amount Paid 2016 £	Amount Paid 2017 £	Amount received 2016 £	Amount received 2017 £	Amount outstanding at 31 July 2016 £	Amount outstanding at 31 July 2017 £	Nature of Transactions
Mrs Margaret Martin (Governor)	Executive – Network of Sacred Heart Schools, Ireland/Scotland Chair – Mount Anville Education Trust (Ireland) Trustee – Gaelscoil Aodh Rua, Dungannon	- - -	- - -	- - -	- - -	- - -	- - -	
Mrs Patricia McCaffrey (Governor)	Employed by Waterways Ireland Member – Audit & Risk 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	- - -	- - -	- - -	- - -	- - -	- - -	
Ms Jill Cush (Staff Member)	Member of Matrix – Northern Ireland Science Industry Panel	-	-	-	-	-	-	
Mr Sean O'Donnell (Staff Member)	Fellow of Chartered Certified Accountants (ACCA) Membership Secretary of Omagh Lawn Tennis Club	-	2,150	-	-	-	-	Examination/Licence Fees
Ms Elizabeth Shackels (Staff Member)	Member of Association of Educational Assessors ETI Associate Assessor Chief Examiner for Pearson Level 2/3	- - -	- - 209,491	- - -	- - -	- - -	- - -	Examination Fees

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Governor/ Senior Manager	Company	Amount Paid 2016 £	Amount Paid 2017 £	Amount received 2016 £	Amount received 2017 £	Amount outstanding at 31 July 2016 £	Amount outstanding at 31 July 2017 £	Nature of Transactions
Mr Michael Skuce (Governor)	Private consultancy	-	-	-	-	-	-	
	Working with franchise developer – The Cleaning Doctor	-	-	-	-	-	-	
	Hon Treasurer Inishmacsaint parish Church	-	-	-	-	-	-	
	Vice Chair – Derrygonnelly & District Community Partnership	-	-	-	-	-	-	
	Secretary – Clogher Diocese Social Fund	-	-	-	-	-	-	
	Head of Legal Administration – The Queen's University of Belfast	6,168	7,108	19,706	-	-	-	Validation Charges / External sponsorship
Mr Derek Weir (Governor)	Governor – Cookstown High School	-	-	-	-	-	-	
	Member – Molesworth Presbyterian Church Committee	-	-	-	-	-	-	

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

26. AMOUNTS DISBURSED AS AGENT: SUPPORT FUNDS

	2017	2016
	£'000	£'000
DfE Grants	310	352
	<u>310</u>	<u>352</u>
Disbursed to students	(310)	(352)
	<u>(310)</u>	<u>(352)</u>
Balance unspent at 31 July 2017	<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

	2017
	£
Bad debts written off:	387
2 cases under £1,000	
	<u>387</u>

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

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

28. ADDITIONAL DISCLOSURES TO COMPLY WITH FINANCIAL REPORTING MANUAL

Financial Reporting Manual (FReM) 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	2017 £'000	2016 £'000
INCOME			
DfE income (non grant-in-aid items)	1	1,277	20
Education contracts		7,322	8,027
Tuition fees and charges		2,533	2,273
Other grant income		1,679	960
Other operating income		713	599
Investment income		34	37
Total incoming resources		13,558	11,916
EXPENDITURE			
Staff costs		22,422	21,174
Other operating expenses		13,605	12,733
Interest and other finance costs		3,115	3,223
Depreciation		5,367	3,328
Total resources expended		44,509	40,458
Net deficit for the year		(30,951)	(28,542)
Unrealised surplus on revaluation of land and buildings		4,419	4,800
Actuarial (loss)/gain in respect of pension scheme		3,302	(3,886)
Exceptional items			
Exceptional costs – staff		(24)	(780)
Exceptional gain – non staff		406	659
Exceptional gain – staff		24	780
Amount transferred to reserves		(22,824)	(26,969)

**SOUTH WEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

Analysis of reserves prepared under FReM

	2017	2016
	£'000	£'000
Balance at 1 August	37,818	37,412
Grant-in-aid received in year	2 26,538	27,373
Net operating cost for year	(22,824)	(26,967)
Balance at 31 July	41,532	37,818

Note 1	2017	2016
	£'000	£'000

DfE income (Non-Grant in Aid items)

EMA	19	20
Level 2/3 Apprenticeships	477	-
Higher Level Apprenticeships	781	-
Balance at 31 July	1,277	20

Higher Level Apprenticeship and Pilot Apprenticeship income was classified as Grant In Aid in 2015/16, with £581K included in Grant in Aid Other Income. In 2016/17 Higher Level Apprenticeship income of £477K and £781K was re-classified to Non Grant in Aid.

Note 2	2017	2016
	£'000	£'000

Reconciliation of Amount Transferred to Reserves and Grant In Aid

Amount transferred to reserves	22,824	26,969
Unrestricted comprehensive income	3,714	404
Grant-in-aid received in year	26,538	27,373