

**South West College**  
**Annual Report and Financial Statements**  
**Year Ended 31 July 2014**

*The Accounting Officer authorised these  
financial statements for issue*

*on*

1 December 2014

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

*on*

11 December 2014

**SOUTH WEST COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2014**

**INDEX**

	<b><u>Page</u></b> <b><u>No</u></b>
Operating and Financial Review	3
Remuneration Report	17
Statement of the Responsibilities of the Governing Body	21
Governance Statement	22
Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly	32
Income and Expenditure Account	34
Statement of Historic Cost Surpluses and Deficits	35
Statement of Total Recognised Gains and Losses	36
Balance Sheet	37
Cash Flow Statement	38
Notes to the Financial Statements	39-69

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**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 new InnoTech Centre which aims to provide 'city type' innovation and technical transfer services to a rural region.

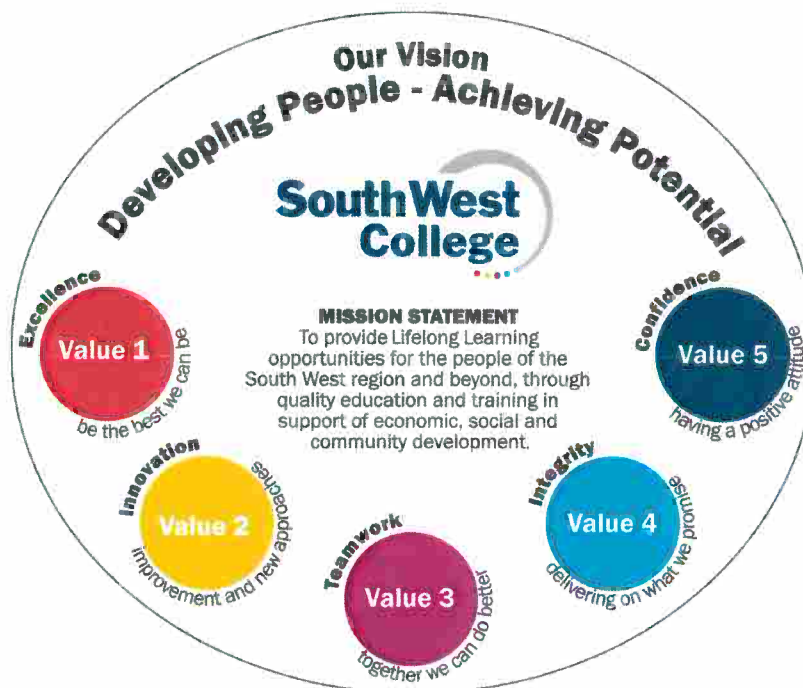
**Legal Status**

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:



**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Implementation of Strategic Plan**

The Strategic Objectives of the College are as follows:

**1. CURRICULUM**

- *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.*

**2. ECONOMIC DEVELOPMENT**

- *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.*

**3. PEOPLE AND ORGANISATION DEVELOPMENT**

- *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.*

**4. PARTNERSHIP**

- *To partner with appropriate public, private and voluntary organisations to respond to the educational, economic and social needs of the region and beyond.*

**5. FINANCIAL SUSTAINABILITY**

- *To secure and use College funds to effectively and efficiently resource the delivery of all College services through sound financial management.*

**6. INTERNATIONAL LINKS**

- *To create an outward and forward looking College by building on a range of international links supporting staff, students and knowledge exchange.*

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Financial objectives**

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

- Generating sufficient levels of income to support the asset base of the College;
- Pursuing alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances;
- Maintaining and improving the College's short term liquidity;
- Utilising College reserves to enhance facilities, curriculum and service provision;
- Funding continued capital investment;
- Further development of monitoring, reporting, budgetary control and financial management to enhance performance reporting;
- Development and implementation of robust financial control systems and procedures to ensure accountability and control of resources;
- Ensuring robust financial planning and risk management;
- Utilising and developing skills and experience to support financial performance.

In order to achieve these objectives, the College sought, and was granted approval to operate a planned deficit for the period. 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 to monitor the successful implementation of the policies.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Performance Indicators**

In Spring 2012, the College adopted a development plan for the 2012-2015 period. This College Development Plan has adopted a project based model which addresses the strategic context through a number of specifically measurable projects. These include:

<b>Strategic Project</b>	<b>Rationale</b>
The curriculum challenge	Formulate and deliver an expanding range of excellent curriculum for Further and Higher Education, Training, and Entitlement Framework, in line with the needs of the South West region and beyond, in supporting our regional economy.
The supporting staff and students challenge	Support excellent organisational performance through ongoing recruitment, development and deployment of a highly skilled workforce.
The economic development challenge	Improve the knowledge and skills levels of current and potential workforce through a range of flexible, industry relevant education and training programmes.
The internationalisation challenge	Create an outward and forward looking College by building on a range of international activities that will support staff, students and knowledge exchange, thereby supporting the development of our people and region in the global market.
The entrepreneurship challenge	To develop creativity and confidence as touchstones of entrepreneurship among our staff and students.
The resource management challenge	Secure and use College funds to effectively and efficiently resource the delivery of all College services through sound financial management.

The development plan sets out milestones/outputs for 2014-15 which will be used in order to achieve the challenges set out above. These will be monitored throughout the year. The Development Plan is linked to key Department of Employment and Learning (DEL) objectives and targets as well as reflecting local labour market issues and College internal issues. The College is now in Year 3 of a 3 year strategic plan.

**FINANCIAL POSITION**

**Financial Results**

The South West College generated a surplus on continuing operations of £666k in the year (2012/13 – deficit £928k). This surplus was achieved after recognising an exceptional gain of £2.127M as a result of an insurance rebate from BES Limited after a benchmarking exercise. The South West College reported an historic cost surplus of £1.516M (2012/13 – deficit £183k).

The College's turnover increased by £264k (0.64%) to £41.4 million as a result of European grant funded programmes. Staff costs have increased by £1.901M (9.82%) to £21.254M. The increased pension cost as a result of auto-enrolment to pension schemes represents £545k of this increase, but there was also an increase in cost of delivery staff, support staff and administration staff. Other operating expenses have decreased by £832k (4.93%) and this is largely due to a reduction in planned maintenance expenditure.

## **SOUTH WEST COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014**

The South West College has significant reliance on DEL for its principal funding source, largely from recurrent grants. In 2013/14, DEL provided 40.69% of the College's total income through allocated recurrent grant. This represented 11.39% 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 £2.931M relate to the notional interest calculated in respect of the PFI contracts and a small finance credit in relation to accounting for pensions under FRS17.

### **Reserves**

The South West College has accumulated reserves of £31.806M, including a property revaluation reserve of £35.713M. There was an index linked revaluation adjustment of 12.66% upwards applied to Buildings at 31<sup>st</sup> July 2014 which resulted in an increase in the revaluation reserve of £9.121M. The South West College has cash balances of £4.828M and a general income and expenditure reserve of £2.535M.

The reported general reserve position represents 6.12% 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 44 days of College operations which is in excess of the target of 25-35 days. The College Development Plan 2012-15 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 £35.713M 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.

### **Finances and Going Concern**

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

The College generated an operating cash inflow in the period of £31k and has cash reserves in place at the year-end of £4.828M. The College recognises the uncertainty surrounding reductions in public funding and the fact that as a largely publically funded body, this will impact directly on core funding and also potentially on training contracts. The economic climate has had limited impact on other income streams such as tuition fees and other operating income and there are some suggestions of gradual improvement. Nevertheless, budgets are in place up to 2017 and they show that there are sufficient resources in place to meet the requirements of the college. The College has to date demonstrated that it has appropriate financial management processes in place and is capable of meeting financial targets set in its budgets agreed with DEL and this is expected to continue going forward. The continued support of the DEL gives further comfort in relation to the Colleges ability to continue as a going concern.

The Financial Statements are therefore prepared on the going concern basis.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**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 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 increased by 5.17% during the year, giving a total establishment of 5,061 full time equivalent (FTE) students (2012/13 – 4,812). This comprised of 3,569 further and higher education FTE students funded by DEL and 1,492 FTE students who are separately funded through training, cost recovery or other programme arrangements.

**Student achievements**

The College's retention rate for 2013/14 was 91.77% (2012/13 – 92.46%) and the overall achievement rate for students in 2013/14 was 85.67% (2012/13 – 85.53%).



**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Curriculum Developments**

2013-14 has been a momentous year with the achievement of a grade 1 'Outstanding' at the end of the ETI Whole College Inspection. Both Further Education and Work Based Learning were graded as outstanding and the contributory components of Leadership and Management and Quality of Provision were also graded as outstanding.

Overall Effectiveness	Further Education and Work-Based Learning Provision	Further Education	Work-Based Learning
	Outstanding	Outstanding	Outstanding

Growth in Higher education has continued and an additional MaSN allocation from DEL was filled with ease, signifying the demand for higher education provision across the South West Region. 530 full time students were recruited and the part time numbers exceeded 1,000. The college also had an extremely successful QAA Review of its higher education and has effectively been given a comprehensive endorsement of its provision and procedures.

Planning for 'Project 10', a pilot project from the Higher Education Strategy, aimed at developing a Rural University base, has continued at pace with the appointment of software developers to *virtualise* the curriculum. When Project 10 is fully implemented (2014-2015 academic year) it will enable the college to extend its reach and follow through on its widening participation agenda, bringing additional up skilling opportunities to the region at level 6.

The college was again successful at a range of international competitions with SWC students excelling in most disciplines, and SWC representation on SkillBuild teams continues to be strong.

The CREST Centre development has advanced significantly and a range of new programmes were validated in 2013-14, in preparation for the launch of the CREST Centre. This will give a new focus as we enter the second half of the decade and next generation skills will become increasingly in demand, including SMART building techniques and support for entrepreneurs engaged in product development.

The Confucius Hub was a very successful this year, with in excess of 1,000 students undertaking a Chinese Mandarin qualification through the four Area Learning Communities which the college supports. This mandarin Chinese provision will be expanded further with additional tutors being appointed for 2014-15. Provision of Business Mandarin modules will be a feature of the provision going forward and the preparations for that and new foundation degrees with Chinese language content were put in place during 2013-14.

**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). To date the Department of Finance and Personnel have confirmed that this position is in place at least until 31 March 2015. The College is currently working with the Department for Employment and Learning to determine the future impacts and implications of the change.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the accounting period 1 August 2013 to 31 July 2014, the College paid 89% (2013 - 68%) of its invoices within 30 days, and 60% within 10 days. The College incurred no interest charges in respect of late payment for this period. An action plan has been developed to target improvement in the College's prompt payment performance.

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**

There are no post balance sheet events which materially affect College activities or the reported results.

**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.

**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	£2,790,000
	Dungannon Campus	£29,900,000
	Enniskillen Campus	£7,956,000
	Skills Centre Campus	£11,793,000
	Omagh Campus	£28,670,000

Financial

Net assets at 31 July 2014 were £44.937M (including £6.442 pension liability) and the South West College has long term debt of £39.559M.

People

The South West College employs 604 people (expressed as full time equivalents), of whom 324 are teaching staff.

The average number of days lost to sickness absence by all staff in 2013/14 was 7.9 days (2012/13 – 5.03 days) which compares favourably against benchmarks for the sector.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

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;*
- *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.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

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

	<b>Risk Factor</b>	<b>Commentary</b>
1.	Uncertainty around future funding related to current public finance pressures in NI.	Impact on financial security and viability in medium-long term.
2.	Achievement of student related targets of recruitment, retention, achievement and progression.	Recruitment cycle for 2014/15 ongoing; Sound data monitoring processes established.
3.	Post-tender management phase of the replacement of Steps to Work with the Steps 2 Success.	Communication with staff ongoing; New youth programme (pilot) to be resourced to partially address loss of income.
4.	Changes to DEL/Government policy.	College strategy impacted directly by government priorities, including higher level apprenticeship development, shared services agenda and Rural University proposals.
5.	Enniskillen accommodation development project and associated Estates Strategy.	Updated business case submitted and awaiting approval. Ongoing liaison with other partners incl. Council, WHSCT and SIB to progress project. CREST construction project at an advanced stage.
6.	Internationalisation projects.	Development work ongoing in relation to potential areas of interest in Malaysia and Saudi Arabia – focus on quality assurance. International student framework in place and ongoing liaison with British council and Home Office.
7.	Workforce planning and development.	Employee Assistance programme launched September 2014 as part of Health and wellbeing Strategy. Resourcing issues may impact and require significant change.
8.	Project funding and accountability.	Some project funding stream secured to March 2015 with bidding for new streams being sought. Economic Development Steering Committee established to oversee related processes.
9.	Implementation of technological changes, information assurance and management of cyber risk.	'Bring Your Own Device' (BYOD) project in pilot phase. Recent capital project to improve firewalls and web filters – to be evaluated. Ongoing developments on information assurance and security.
10.	Quality, impacted by significant change of new assessment standards (Level 2).	Ongoing interface between course teams and quality assurance team on effectiveness and improvement processes to maintain 'outstanding' performance.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**STAKEHOLDER RELATIONSHIPS**

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

The South West College recognises the importance of these relationships and engages in regular communication with them through a variety of methods, in line with its communication strategy. The South West College considers good communication with its staff to be very important and regular meetings are held. The College encourages staff and student involvement through membership of the Governing Body.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**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.

**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.

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

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

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

**Bankers:** First Trust Bank  
**Name and address** High Street, Omagh, Co. Tyrone, BT78 1BH

**Solicitors** Campbell Fitzpatrick  
**Name and address** 6 Castle Street, Londonderry, BT48 6HQ

**SOUTH WEST COLLEGE  
OPERATING AND FINANCIAL REVIEW  
FOR THE YEAR ENDED 31 JULY 2014**

**Members**

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

GOVERNOR	DATE OF APPOINTMENT	TERM OF OFFICE	DATE OF RESIGNATION	STATUS OF APPOINTMENT	COMMITTEES SERVED
Mr Joseph Martin	1 September 2010	1 September 2010 – 31 August 2018	N/A	Chair	• Staffing Committee
Mr Brendan Corr	11 January 2010	11 January 2010 – October 2013	8 October 2013	Co-optee	• Audit Committee
Mr Thomas Bradley	22 November 2011	22 November 2011 – 21 November 2015	N/A	Staff Member	• Education, Quality & Performance Committee
Miss Ashley Clarke	17 November 2011	17 November 2011 – 30 September 2013	N/A	Student Member	• Education, Quality & Performance Committee
Mr Kiruben Permaul	17 October 2013	17 October 2013 – 30 September 2014			•
Mr Aquinas Devlin	22 November 2011	22 November 2011 – 21 November 2015	N/A	Staff Member	• Education, Quality & Performance Committee
Dr Mark Kelly	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Education, Quality & Performance Committee • Staffing Committee
Mrs Margaret Martin	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Staffing Committee
Mr Wilson Matthews	10 June 2010	10 June 2010 – 9 June 2018	N/A	Co-optee	• Finance & General Purposes Committee (Chair)
Mr Wilbert Mayne	25 October 2010	25 October 2010 – 24 October 2018	N/A	Education & Library Board Nominee	• Audit Committee
Mr Malachy McAleer	28 September 2009	When leaves Director's post	N/A	Director	• Education, Quality & Performance Committee • Finance & General Purposes Committee • Staffing Committee
Mrs Monica McGeary	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Audit Committee • Staffing Committee
Mr Gerard O'Hanlon	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Education, Quality & Performance Committee • Finance & General Purposes Committee
Dr Nicholas O Shiel	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Education, Quality & Performance Committee (Chair) • Finance & General Purposes Committee
Councillor Thomas O'Reilly	21 July 2008	21 July 2008 – 20 July 2016	N/A	Education & Library Board Nominee	• Education, Quality & Performance Committee • Finance & General Purposes Committee
Mr Michael Skuce	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Audit Committee • Staffing Committee (Chair)
Mrs Diane Stevenson	1 August 2007	1 August 2007 – 31 July 2015	N/A	Business, Industry & Professional Member	• Audit Committee (Chair) • Staffing Committee
Mr Derek Weir	1 August 2011	1 August 2011 – 31 July 2015	N/A	Business, Industry & Professional Member	• Finance & General Purposes Committee
Mr Peter Archdale	1 August 2012	31 July 2016	N/A	Business, Industry & Professional Member	• Education, Quality & Performance Committee
Mrs Patricia McCaffrey	28 May 2014	28 May 2014 – 27 May 2018	N/A	Co-Optee	• Audit Committee

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

Chairman Joseph Martin

Date 19.11.14



## **SOUTH WEST COLLEGE REMUNERATION REPORT FOR THE YEAR ENDED 31 JULY 2014**

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

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

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

The posts of Members of the Governing Body and the Chairman carry no remuneration or payment of bonus.

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

### **The Director and Senior Management Team**

The Director and the Senior Management Team appointments are made in accordance with the College's recruitment policy. The policy requires appointments to be made on merit on the basis of fair and open competition.

The Director and Senior Management Team hold permanent appointments. The normal retiring age is 65, although staff may retire at any time after age 60 with no diminution of earned pension benefits. 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 Directors as they are paid on a one-point scale according to College size. However, if the College size changes they will automatically move to that new salary point.

At initial appointment, Deputy Directors are normally placed on the bottom point of the four-point scale relevant to the size of their College. Thereafter, there is annual incremental progression up the scale until the maximum of the scale is reached. A common incremental date of September is used for all Deputy Directors. If the College increases in size a Deputy Director will automatically move to the new relevant salary scale.

### **Performance Pay**

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

### **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.

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2014**

**Service contracts**

College appointments are made on merit on the basis of fair and open competition. Unless otherwise stated, the officials covered by this report hold appointments, which are open ended. Early termination, other than for misconduct, would result in the individual being entitled to receive compensation.

**Salary and pension entitlements (Audited)**

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

	2013-14		2012-13	
	Salary (audited) £'000	Benefits in kind £	Salary (audited) £'000	Benefits in kind £
<b>M McAleer – Director</b>	95-100	-	95-100	-
<b>C McCartan – Deputy Director</b>	70-75	-	70-75	-
<b>L Murphy – Deputy Director</b>	70-75	-	70-75	-
<b>M McAlister – Deputy Director</b>	70-75	-	70-75	-

	2013-14 £'000	2012-13 £'000
<b>Bank of highest paid directors total remuneration</b>	95-100	95-100
<b>Median total remuneration</b>	29,533	27,724
<b>Ratio</b>	3.3	3.5

Leo Murphy, Deputy Director for Strategy and International Development, resigned from South West College on 31<sup>st</sup> July 2014.

**Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No senior officials received any benefits in kind. The salary and pension entitlements of the most senior staff members of the College for the year ended 31 July 2014 are detailed below.

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2014**

**Pension entitlements**

	Accrued pension at retirement age as at 31/7/14 and related lump sum	Real increase in pension and related lump sum at retirement age	CETV at 31/7/14	CETV at 31/7/13	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>M McAleer</b>	28 83	2 2	647	609	11
<b>C McCartan</b>	29 0	1 0	290	264	11
<b>L Murphy (resigned 31<sup>st</sup> July 2014)</b>	23 69	1 3	441	402	20
<b>M McAlister</b>	25 76	1 2	483	443	21

**Pension arrangements**

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

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

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

**Cash Equivalent Transfer Values**

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

**SOUTH WEST COLLEGE  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 JULY 2014**

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.

Joseph Mait  
Chairman

19.11.14  
Date

M. J. Moor  
Director

19.11.14  
Date

**SOUTH WEST COLLEGE  
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY  
FOR THE YEAR ENDED 31 JULY 2014**

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

Within the terms and conditions of the Financial Memorandum agreed between DEL and the Governing Body of the South West College, the Governing Body through its Chairman, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the South West College and the result for that year.

In preparing the financial statements, the Governing Body is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the South West College will continue in operation.

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

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the South West College and enable it to ensure that the financial statements are prepared in accordance with the relevant legislation and other relevant accounting standards. It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the South West College and to prevent and detect fraud and other irregularities.

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

The Governing Body is responsible for ensuring that funds from DEL are used only in accordance with the Financial Memorandum agreed with DEL and other conditions which DEL may from time to time prescribe. The Governing Body must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, the Governing Body is responsible for securing the economic, efficient and effective management of the South West College's resources and expenditure, so that the benefits that should be derived from the application of public funds by DEL are not put at risk.

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

Chairman Joseph Mant

Date 19-11-14

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**Introduction**

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

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

This Governance Statement sets out how these duties have been carried out during the financial year ended 31 July 2014. It includes an assessment of the corporate governance and risk management systems in place within South West College that have ensured the governance responsibilities have been met.

**The Governance Framework 2013/14**

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

A Financial Memorandum is in place within the Department, which sets out certain aspects of the financial framework within which South West College is required to operate, in accordance with MPMNI. South West College complied with the conditions and requirements in this Financial Memorandum during the financial year ended 31<sup>st</sup> July 2014.

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

**Governing Body**

The South West College's Governing Body comprises lay and academic persons appointed under the articles of the South West College, the majority of whom are non-executive. The role of the Chairman of the Governing Body is separate from the role of the South West College Director as Chief Executive. The Governing Body is responsible for the ongoing strategic direction of the South West College whilst the Executive Officers are responsible for the operational management of the College. The Governing Body approves all major developments and receives regular reports on the activities of the South West College. The Governing Body met six times during the 2013/14 year and has several committees, including Finance and General Purposes Committee, Audit Committee, Staffing Committee and Education, Quality & Performance Committee. All of these committees are formally constituted with terms of reference and comprise mainly members of the Governing Body.

Full minutes of Governing Body meetings are available from the Secretary of the Governing Body or on the College website. The Secretary to the Governing Body maintains a register of financial and personal interests of the Governing Body members and this is also available for inspection. Formal agendas, papers and reports are supplied to the Governing Body members in a timely manner.

**Audit Committee**

The Audit Committee of the South West College operates in accordance with the Code of Guidance on Audit for the Governing Bodies of Further Education Colleges ('The Audit Code') issued in July 2008 (amended August 2012).

The Audit Committee is responsible for reviewing the effectiveness of the South West College's accounting procedures and systems of internal control. It provides a channel of communication from the College's

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**Audit Committee (cont'd)**

auditors', which is not controlled by College Management. It also must satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness.

The Committee met four times during the 2013/14 year to discuss reports from the External and Internal Auditors and the relevant responses. It also receives and considers reports from DEL. It reviews the South West College's annual Financial Statements to ensure compliance with legislation and accounting standards.

The Audit Committee provides a forum for the scrutiny of South West College's corporate governance, risk and internal control systems and promotes a climate of robust financial discipline and control. It has formally agreed Terms of Reference, which are reviewed on an annual basis. The Audit Committee comprises nominated Governing Body members, 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 attended by Internal and External Audit as well as a Departmental representative. Whilst Executive Officers and other officials attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee held independent meetings with the auditors in advance of each scheduled meeting. This provided an opportunity for discussions between the parties where the Executive were not present.

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

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

- Internal Audit Reports
- Corporate Risk Register Review
- Departmental Risk Register Reviews
- Annual Report and Financial Statements
- Complaints Summary
- External Audit Reports
- Policy Reviews
- Reports on Procurement, Freedom of Information and Data Protection
- National Fraud Initiative Data Matching Report
- Assurance Statements

The Audit Committee undertakes an annual review of its effectiveness, in line with best practice issued by the National Audit Office. The review undertaken for 2013/14 demonstrated that, overall, the Audit Committee had been effective in ensuring that South West College had functioned according to good governance and accounting and auditing standards and had adopted appropriate risk managements during the 2013/14 academic year. This review informs the Annual Report of the Committee to the Governing Body which is prepared in accordance with the format provided in the Audit Code.

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**Finance and General Purposes Committee**

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

The Finance and 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 Director. At least two members are from the business and industry category and at least one member shall have recent and relevant experience in accounting and finance.

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

The Committee meets five times per academic year and some of the standing agenda items for consideration by the Finance and General Purposes Committee include:

- Annual Reports and Financial Statements
- Financial Management Reports
- NDPB Status Monthly Financial Returns
- Review of Provisions and Liabilities
- Cashflow Projections
- FE College Health Check Reports
- DEL accountability Returns Timetable
- Estates Issues
- Budgetary Management Processes
- Debtors and Creditors Reports
- Fixed Assets and Capital Expenditure
- Investments Strategy & Plan
- Student Finance
- Externally Funded Projects
- Relevant Policy Reviews
- Departmental Financial Performance Reports
- Consultancy Expenditure Reports
- Actuarial Valuation Reports
- Treasury Management
- Financial Projections



**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

The Finance and General Purposes Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2013/14 demonstrated that, overall, the Finance & General Purposes Committee had been effective in advising and informing the Governing Body on all areas of finance and general purposes activity generally as appropriate.

**Staffing Committee**

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

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

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

The Committee meets five times per academic year and some of the standing agenda items for consideration by the Staffing Committee include:

- Health, Safety & Wellbeing
- Equality & Diversity Matters
- Staff Resources; Appointments; Staff Requests; Resignations; Retirements; Redundancies; Fixed Term Contracts
- Monthly Sickness Absence Management
- Employee Relations Issues
- Sectoral Issues
- Policy Reviews
- Workforce Planning & Development
- Departmental Resource Planning and Workforce Development reports

The Staffing Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2013/14 demonstrated that, overall, the Staffing Committee had been effective in advising and informing the Governing Body on all relevant staffing matters including current and projected staffing needs, redundancy matters and the development and review of all staffing related strategies, policies and procedures.

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**Education, Quality & Performance Committee**

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

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

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

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

The Committee meets five times per academic year and some of the standing agenda items for consideration by the Education, Quality & Performance Committee include:

- Excellence in Teaching and Learning
- Higher Education
- 14 – 19 Agenda
- Training Provision
- Economic Engagement
- Virtualisation
- Internationalisation (Curriculum)
- Externally Funded Projects
- KPI Progress Reports
- College Development Plan and Annual Operating Plans Progress Reports
- FE College Health Check Reports
- Marketing Report
- Student Services Report

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

- Safeguarding of Children and Vulnerable Adults
- Quality Unit Annual Report
- Student Related Policy Reviews
- Freedom of Information and Data Protection Report
- Departmental Performance and Strategic Plan Reports

The Education, Quality & Performance Committee undertakes an annual review of its effectiveness, in line with the committee Terms of Reference and the Annual Programme of Business agreed at the beginning of the year. The review undertaken for 2013/14 demonstrated that, overall, the Education, Quality & Performance Committee had been effective in advising and informing the Governing Body on all of the above items and all other areas of education, quality & performance activity as appropriate.

### **College Development Plan**

The South West College has a 3 year Development Plan covering the period 2012-15 which sets out objectives over that period together with appropriate targets and key performance measures. This 3 year plan is supported by an Annual Operating Plan which sets out strategic challenges, key commitments and milestones/outputs for 2013/14.

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

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

The responsibilities of the Governing Body are set out in detail in the 'Statement of Governing Body Responsibilities' detailed on page 21 of this report.

### **Governing Body Performance**

It is a requirement of the DEL to assess 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 2013/14 financial year. A key feature of this process is a self-assessment questionnaire, which identifies areas of performance that are strongest and those that need improvement and to inform priority areas for the Governing Body to focus on and to ensure improved effectiveness over the next few years.

The outcome of the 2012/13 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.

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**Governing Body Performance (cont'd)**

A schedule of membership and attendance for the 2013/14 financial year is shown in the following table:

**Governor's attendance at Governing Body & Committee Meetings for the year 2013/14**

<b>Number of meetings held 2013/14</b>	<b>Governing Body</b>	<b>Audit Committee</b>	<b>Education, Quality &amp; Performance Committee</b>	<b>Finance &amp; General Purposes Committee</b>	<b>Staffing Committee</b>
<b>Governor</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
Peter Archdale	5/6	-	3/5	-	-
Tom Bradley	6/6	-	4/5	-	-
Brendan Gorr (resigned 08/10/2013)	0/1	0/1	-	-	-
Aquinas Devlin	6/6	1 / 1 (joined Audit Committee 30 April 2014)	4/5	-	-
Mark Kelly (inactive in 2013/14)	-	-	-	-	-
Malachy McAleer	6/6	4/4	5/5	5/5	3/5
Patricia McCaffrey (appointed 28/05/2014)	1/1	-	-	-	-
Monica McGeary	6/6	4/4	-	-	4/5
Joseph Martin	6/6	-	-	-	4/5
Margaret Martin	3/6	-	-	-	3/5
Wilson Matthews	6/6	-	-	5/5	-
Wilbert Mayne	5/6	¾	-	-	-
Gerard O'Hanlon	1/6	-	3/5	2/5	-
Thomas O'Reilly	3/6	-	1/5	4/5	-
Nicholas O'Shield	6/6	-	5/5	5/5	-
Kiruben Permaul (appointed 17/10/2013)	5/5	-	4/4	-	-
Michael Skuce	3/6	4/4	-	-	5/5
Diane Stevenson	3/6	4/4	-	-	1/1
Derek Weir	3/6	-	-	5/5	-

Average attendance recorded at Governing Body meetings for 2013/14 was 73%

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

**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 2014 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 of 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 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 Committee. The effectiveness of the system of internal controls in place is reviewed at least annually. In June 2014, 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 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 2013/14, the Audit Committee was kept informed of progress. South West College is currently reviewing the data and working with the sector to determine a strategy for investigation.

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. A robust IT Disaster Recovery Plan, technical safeguards and procedures are in place to protect the security of information and cyber risks.

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

In the coming year the South West College plans to:

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

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

- maintain the organisation-wide risk register;
- arrange for regular reports from the Heads of Departments on risk managements and internal control activities; and
- review 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 2013/14 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 core finance controls	Substantial
Review of procurement	Satisfactory
Review of compliance with legislation	Substantial
Review of IT general controls	Satisfactory
Review of Data Integrity (Key funding streams/returns)	Substantial
Review of Employer Support Programme	Substantial

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

### **Fraud Reporting**

The College has a detailed Anti-Fraud Policy and Fraud Response Plan which is revised and updated on a regular basis. The Anti-Fraud Policy and Fraud Response Plan sets out the definition of fraud, details the responsibilities regarding the prevention of fraud and highlights the procedures to be followed in the event of a fraud being detected or suspected. The Anti-Fraud Policy is included as mandatory training for all staff.

The College reports all suspected or detected frauds to the Department for Employment and Learning in line with Appendix D (Section 3) of the 'Financial Memorandum between the Department for Employment and Learning and the Further Education Colleges'. During 2013-14 the College had two instances of detected fraud.

### **Pay Remit**

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

During 2012-13, it was identified that pay progression increments had been made to staff without receiving the required approval from DFP. Despite the payments being made in line with contractual obligations, the absence of DFP approval represented a breach of controls and has resulted in the payments being deemed irregular. Approval was subsequently sought and this was acknowledged as approved with effect from November 2013. DFP provided approval for the 2013-14 (April 2013 – March 2014) non-teaching staff pay

**SOUTH WEST COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

remit on 21 February 2014, however DFP supply considers a portion of the progression payment for 2013-14, which was paid prior to the submission to DFP, to be irregular spend.

The value of the payments in the current year that were paid before approval was £175,647. This issue affects all six Colleges in the FE Sector.

The College now withholds progression increments until DFP approval is received.

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

**Significant Governance Issues**

No other significant governance or internal control issues were identified from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31<sup>st</sup> July 2014 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 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 2013/14 demonstrate that key systems are operating soundly and that there are no significant weaknesses or areas for undue concern.

  
Accounting Officer

19.11.14  
Date

## **SOUTH WEST COLLEGE**

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

I certify that I have audited the financial statements of the South West College for the year ended 31 July 2014 under the Further Education (Northern Ireland) Order 1997 as amended by the Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008. These comprise the Income and Expenditure Account, Balance Sheet, Cash Flow Statement, Statement of Historical Surpluses and Deficits, Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Responsibilities of the Governing Body, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the South West College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South West College and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

#### **Opinion on regularity**

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

#### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the South West College's affairs as at 31 July 2014 and of its surplus, cash flows and total recognised gains and losses for the year then ended; and
- the financial statements have been properly prepared in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Institutions of Further Education (Public Sector



Audit) Order (Northern Ireland) 2008 and the Department for Employment and Learning directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department for Employment and Learning directions made under the Further Education (Northern Ireland) Order 1997 as amended by the Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008; and
- the information given in the Operating and Financial review and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

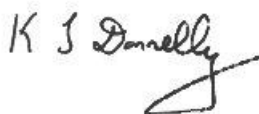
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

### **Report**

#### **Contractual salary increments paid to staff without prior DFP approval**

In 2012-13, I qualified my opinion on regularity of the South West College's financial statements on the basis of contractual salary increments that were paid to staff without having received the required approval from DFP. This issue affected all six colleges in the Further Education sector in Northern Ireland. The appropriate approvals have now been obtained from DFP but a residual irregular amount is included in the 2013-14 financial statements of £175,647. I have not qualified my opinion on regularity in 2013-14 in respect of this residual figure.



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

*26<sup>th</sup> November 2014*

**SOUTH WEST COLLEGE  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £'000	2013 £'000
			<b>Restated</b>
<b>Income</b>			
Department for Employment and Learning Grants	2	25,135	25,133
Education Contracts	3	11,611	12,373
Tuition Fees and Charges	4	2,021	1,940
Other Grant Income	5	2,144	1,149
Other Operating Income	6	449	412
Investment Income	7	74	163
<b>Total Income</b>		<b>41,434</b>	<b>41,170</b>
<b>Expenditure</b>			
Staff costs	8	21,254	19,353
Other operating expenses	10	16,042	16,874
Interest payable	11	2,931	3,170
Depreciation	14	2,664	2,624
<b>Total expenditure before exceptional items</b>		<b>42,891</b>	<b>42,021</b>
<b>(Deficit) on continuing operations after depreciation of assets at valuation and before tax and before exceptional items</b>		<b>(1,457)</b>	<b>(851)</b>
<b>Exceptional items</b>			
Exceptional costs - staff	8	(4)	(117)
Exceptional gain – non staff	10	2,127	40
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and before tax</b>		<b>666</b>	<b>(928)</b>
Taxation		-	-
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax</b>		<b>666</b>	<b>(928)</b>

All amounts above relate to the continuing operations of the College.  
*The accompanying accounting policies and notes form an integral part of these financial statements.*

**SOUTH WEST COLLEGE  
STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £'000	2013 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax		666	(928)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	850	745
		<hr/>	<hr/>
<b>Historical cost Surplus/(Deficit) for the year</b>		<b>1,516</b>	<b>(183)</b>
		<hr/>	<hr/>

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

**SOUTH WEST COLLEGE  
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £'000	2013 £'000
			Restated
<b>Surplus/Deficit on continuing operations after depreciation of assets at valuation and tax</b>		666	(928)
Unrealised gain on revaluation of fixed assets	20	9,121	3,331
Actuarial (loss)/gain in respect of pension scheme	21	(5,045)	1,517
Prior Period Adjustment		<u>(962)</u>	<u>(8,204)</u>
<b>Total recognised gains since last report</b>		<u>3,780</u>	<u>(4,284)</u>
<b>Reconciliation</b>			
Opening reserves – as previously stated		28,026	31,348
Total recognised gains/(losses) for the year		<u>3,780</u>	<u>(4,284)</u>
<b>Closing reserves</b>		<u>31,806</u>	<u>27,064</u>


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

**SOUTH WEST COLLEGE  
BALANCE SHEET  
AS AT 31 JULY 2014**

	Notes	2014 £'000	2013 £'000 Restated
<b>Fixed assets</b>			
Tangible assets	14	86,299	77,853
<b>Total fixed assets</b>		86,299	77,853
<b>Current assets</b>			
Debtors	15	5,075	3,167
Cash at bank and in hand		4,828	6,264
<b>Total current assets</b>		9,903	9,431
Less: Creditors – amounts falling due within one year	16	(5,253)	(4,978)
<b>Net current assets</b>		4,650	4,453
<b>Total assets less current liabilities</b>		90,949	82,306
Less: Creditors – amounts falling due after more than one year	17	(39,559)	(40,408)
Less: Provisions for liabilities	18	(11)	(46)
<b>Net assets excluding pension liability</b>		51,379	41,852
Net pension liability	22	(6,442)	(1,343)
<b>Net assets including pension liability</b>		44,937	40,509
<b>Deferred capital grants</b>	19	13,131	13,445
Income and expenditure account excluding pension deficit	21	2,535	965
Pension deficit	22	(6,442)	(1,343)
Income and expenditure account including pension deficit	21	(3,907)	(378)
Revaluation reserve	20	35,713	27,442
<b>Total reserves</b>		31,806	27,064
<b>TOTAL</b>		44,937	40,509

The financial statements on pages 34 to 69 were approved by the Governing Body of the South West College on 19<sup>th</sup> November 2014 and were signed on its behalf on that date by:

  
Joseph Martin  
Chairman of Governing Body – South West College

  
Malachy McAleer  
Director - 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 2014**

	Notes	2014 £'000	2013 £'000
Cash inflow(outflow) from operating activities	23	31	(470)
Returns on investments and servicing of finance	24	74	163
Capital expenditure and financial investment	25	(1,541)	(771)
<b>Net cash inflow before financing</b>		<b>(1,436)</b>	<b>(1,078)</b>
Financing		-	-
<b>(Decrease)/Increase in cash in the year</b>		<b>(1,436)</b>	<b>(1,078)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/Increase in cash in the period		(1,436)	(1,078)
Movement in net funds in the period		(1,436)	(1,078)
Net funds at 1 August 2013		6,264	7,342
<b>Net funds at 31 July 2014</b>	26	<b>4,828</b>	<b>6,264</b>

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

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

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**1. ACCOUNTING POLICIES**

**Statement of Accounting Policies**

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

**Basis of Preparation**

These financial statements have been prepared on the going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards under the historical cost convention except that certain freehold properties are shown at their revalued amounts. They also conform to the Accounts Direction issued by the Department for Employment and Learning (DEL).

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards.

**Prior Period Adjustment**

A prior period adjustment has been implemented to restate the 2013 financial statements.

This relates to a reduction in the valuation of freehold land and buildings as a result of the removal of the historic cost of several contract additions in Omagh and Dungannon that were not part of the the original PFI buildings. These additions should have been reduced to nil after the full professional valuation that was undertaken in 2012.

The comparative figures in the primary statements have been restated accordingly and the effect is summarised below:

	<b>2013</b>
	<b>£'000</b>
Income and Expenditure Account	
Depreciation	(40)
Reduction in Deficit for year	(40)
	<b>2013</b>
	<b>£'000</b>
Balance Sheet	
Fixed Assets	(962)
Reduction in Net Assets	(962)

**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 Operating and Financial Review. The financial position of the College, its cash flow and liquidity are described in the financial statements and accompanying notes.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

Accordingly the South West College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis for the preparation of its financial statements.

**Recognition of Income**

The recurrent grant from DEL represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Non recurrent grants from DEL and other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, 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 income and expenditure account in the year in which it is earned.

**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. Accordingly, the South West College avails of the exemption available under FRS 17 in respect of multi-employer schemes. 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 income & expenditure account or the statement of total recognised gains and losses, in accordance with FRS 17.



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**Tangible Fixed Assets**

- **Land and buildings**

Land and buildings (including those inherited from the Education and Library Board) are stated in the balance sheet at valuation on the basis of depreciated replacement cost including irrecoverable VAT, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic 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, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

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 at 31 July 2012.

- **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 2014. They are not depreciated until they are brought into use.

- **Assets other than land and buildings**

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets other than land and buildings inherited from the Education and Library Board are included in the balance sheet at valuation. All other assets are capitalised at cost.

These assets are depreciated over their useful economic lives as follows:

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

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

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**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 Income and Expenditure Account 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 Income and Expenditure Account for the year. Under an agreement with DEL, the College receives an annual contribution to cover the various specified elements of the unitary payment, relating to the property costs.

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

**Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

**Investments**

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

**Foreign Currency Translation**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the Income and Expenditure Account in the period in which they arise.

**Taxation**

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 considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

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 input is included in the costs of such inputs and added to costs of tangible fixed assets as appropriate.

**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. Related payments received from DEL and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 33.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

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

	2014 £'000	2013 £'000
Recurrent grant	16,860	16,232
Additional Support Funds	263	248
Educational Maintenance Allowance administration	23	26
Learner Access and Engagement	24	2
Care to Learn	1	33
Employer Support Programme (ESP)	453	1,349
Private Finance Initiative (PFI)	5,969	5,969
Students with learning difficulties and disabilities (SLDD)	191	182
Release of deferred capital grants	758	705
Other	593	387
<b>Total</b>	<b>25,135</b>	<b>25,133</b>

The College was the lead partner in relation to the Innovation Fund Programme project funded through the Department, detailed as 'Employer Support Programme(ESP)' above. The income of £453,000 shown above includes that earned by the College in its capacity both as provider and as the consortium lead. The College ceased to be lead partner in this project at the end of August 2013, which is why the figures disclosed below are much lower compared to the prior year comparative. All other income claimed from the Department and payable to consortium partners has been excluded from these accounts. Income claimed in the year under this arrangement and related payments to partners were as follows:

	2014 £'000	2013 £'000
Income claimed in respect of payments to College partners	113	982
<b>Net income</b>	<b>113</b>	<b>982</b>

**3. EDUCATION CONTRACTS**

	2014 £'000	2013 £'000
Entitlement framework	1,098	1,090
Jobskills and Training for Success	6,957	7,500
Steps to Work	3,544	3,670
Training – other	12	113
<b>Total</b>	<b>11,611</b>	<b>12,373</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**4. TUITION FEES AND CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Higher education income	1,429	1,293
Home and other European Union	592	647
<b>Total</b>	<b>2,021</b>	<b>1,940</b>

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £63k (2013: £133k)

**5. OTHER GRANT INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
European funds	2,114	1,060
Other funds	30	89
<b>Total</b>	<b>2,144</b>	<b>1,149</b>

**6. OTHER OPERATING INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residence operations	76	77
Other income generating activities	205	135
Other income	168	200
<b>Total</b>	<b>449</b>	<b>412</b>

**7. INVESTMENT INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	74	163
<b>Total</b>	<b>74</b>	<b>163</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**8. STAFF COSTS**

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Teaching	324	325
Support	111	100
Administration	154	126
Premises	15	19
<b>Total</b>	<b>604</b>	<b>570</b>

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs for the above persons</b>		
Teaching	13,267	12,355
Support	2,479	2,157
Administration	4,963	4,407
Premises	363	333
Non teaching - FRS 17 pension charge/(gain)	182	101
	<b>21,254</b>	<b>19,353</b>
Staff redundancy/retirement costs	4	117
<b>Total</b>	<b>21,258</b>	<b>19,470</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**8. STAFF COSTS (CONT'D)**

	2014 £'000	2013 £'000
Wages and salaries	17,778	16,449
Social security costs	1,108	1,084
Other pension costs (including FRS 17 adjustments of £101,000; (2012/3: £27,000))	2,368	1,820
	<u>21,254</u>	<u>19,353</u>
Exceptional staff costs (redundancy/retirement)	4	117
<b>Total</b>	<u>21,258</u>	<u>19,470</u>

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

	Senior post-holders		Other staff	
	2014 No.	2013 No.	2014 No.	2013 No.
£60,001 to £70,000	-	-	6	8
£70,001 to £80,000	-	-	4	5
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	3	3	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	<u>4</u>	<u>4</u>	<u>10</u>	<u>13</u>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**9. SENIOR POST-HOLDERS' EMOLUMENTS**

Senior post-holders are defined as the Director and holders of the other senior posts whom the Governing Body has selected for the purposes of the Articles of Government of the South West College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including the Director was:	4	4
Senior post-holders' emoluments are made up as follows:		
	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Salaries	358	353
Benefits in kind	-	-
Pension contributions	44	44
<b>Total emoluments</b>	<b>402</b>	<b>397</b>

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Salaries	109	109
Benefits in kind	-	-
	109	109
Pension contributions	13	13
<b>Total</b>	<b>122</b>	<b>122</b>

The above emoluments were all paid to the Director during the year ended 31 July 2014.

The pension contributions in respect of the Director and senior post-holders are in respect of employer's contributions to the Teachers' Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Governing Body of the South West College other than the Director and the staff members did not receive any payment from the South West College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**Overseas activities**

Members of South West College staff and students participated in a number of European Programmes which involved specific overseas activity. The Director and some senior post holders made trips overseas in pursuance of the on-going work of the College.



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**10. OTHER OPERATING EXPENSES**

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Direct Teaching	976	875
Direct Support	6,397	6,754
Administration	2,791	2,989
Premises	2,368	2,242
Planned maintenance	135	716
Service charge element of PFI contracts	3,375	3,298
Other miscellaneous expenses	-	-
	<u>16,042</u>	<u>16,874</u>
Exceptional gain – release of legal provision	-	(40)
– PFI Insurance Rebate	<u>(2,127)</u>	<u>-</u>
	<u>13,915</u>	<u>16,834</u>

**Other operating expenses include:**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	21	19
Internal audit	19	15
Other services provided by the internal auditors - KPMG	27	11
Operating Lease	42	47

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 agreement provide for benchmarking of insurance costs to compare actual costs with costs provided at the outset in the financial model. There has been ongoing negotiations around this sum which was disclosed in the 2012/13 annual report as a contingent gain. The exceptional gain of £2.127 million represents monies received to date and due up to 31<sup>st</sup> July 2014 in respect of a rebate of insurance costs in accordance with the provisions of the contract.

**11. INTEREST PAYABLE**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Pension finance (credit)/costs (note 23)	(128)	11
Notional interest charged imputed on PFI/PPP contracts	3,059	3,159
<b>Total</b>	<u>2,931</u>	<u>3,170</u>

**12. TAXATION**

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

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**13. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR**

<b>2014</b>	<b>2013</b>
<b>£'000</b>	<b>£'000</b>

The surplus/(deficit) on continuing operations for the year is made up as follows:

South West College's surplus/( deficit) for the year	<u>666</u>	<u>(928)</u>
--	------------	--------------

**14. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	PFI assets £'000	Plant and Equipment £'000	Computers £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>							
At 1 August 2013 - As restated	24,064	54,657	2,783	3,156	789	180	85,629
Additions	1,369	-	174	221	4	221	1,989
Revaluation	2,539	6,582	-	-	-	-	9,121
<b>At 31 July 2014</b>	<b>27,972</b>	<b>61,239</b>	<b>2,957</b>	<b>3,377</b>	<b>793</b>	<b>401</b>	<b>96,739</b>
<b>Depreciation</b>							
At 1 August 2013 - As Restated	696	1,303	2,147	2,861	651	118	7,776
Charge for the year	738	1,366	242	199	67	52	2,664
<b>At 31 July 2014</b>	<b>1,434</b>	<b>2,669</b>	<b>2,389</b>	<b>3,060</b>	<b>718</b>	<b>170</b>	<b>10,440</b>
<b>Net book value at 31 July 2014</b>	<b>26,538</b>	<b>58,570</b>	<b>568</b>	<b>317</b>	<b>75</b>	<b>231</b>	<b>86,299</b>
Net book value at 31 July 2013	23,368	53,354	636	295	138	62	77,853
<b>Asset Financing</b>							
Owned	26,538	-	568	317	75	231	27,729
PFI contracts	-	58,570	-	-	-	-	58,570
<b>Net Book Value at 31 July 2014</b>	<b>26,538</b>	<b>58,570</b>	<b>568</b>	<b>317</b>	<b>75</b>	<b>231</b>	<b>86,299</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**14. TANGIBLE FIXED ASSETS (CONT'D)**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
If inherited land and buildings had not been revalued they would have been included at the following mounts:		
Cost	7,808	7,808
Aggregate depreciation based on cost	<u>(2,245)</u>	<u>(2,029)</u>
<b>Net book value based on cost</b>	<b><u>5,563</u></b>	<b><u>5,779</u></b>

All depreciation relates to owned assets, with the exception of £1,366,420 which relates to depreciation on PFI assets.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
If PFI assets had not been revalued they would have been included at the following amounts:		
Cost	43,101	43,101
Aggregate depreciation based on cost	<u>(11,001)</u>	<u>(9,923)</u>
<b>Net book value based on cost</b>	<b><u>32,100</u></b>	<b><u>33,178</u></b>

**15a. DEBTORS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	348	334
Prepayments and accrued income	2,792	873
Amounts due from the Department	1,935	1,960
<b>Total debtors</b>	<b><u>5,075</u></b>	<b><u>3,167</u></b>

**15b. DEBTORS INTRA-GOVERNMENT BALANCES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Balances with central government bodies	1,935	1,960
<b>Sub-total: intra-government balances</b>	<b><u>1,935</u></b>	<b><u>1,960</u></b>
Balances with bodies external to Government	3,140	1,207
<b>Total debtors</b>	<b><u>5,075</u></b>	<b><u>3,167</u></b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**16a. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR**

	2014 £'000	2013 £'000
		<b>Restated</b>
Obligations under finance leases in respect of PFI contracts	849	1,116
Payments received in advance	32	13
Trade creditors	612	954
Taxation and social security	477	471
Other creditors and accruals	3,283	2,424
<b>Total creditors less than one year</b>	<b>5,253</b>	<b>4,978</b>

**16b. CREDITORS: INTRA-GOVERNMENT BALANCES**

	2014 £'000	2013 £'000
Balances with Central Government bodies	477	471
Sub-total intra-government balances	477	471
Balances with bodies external to Government	4,776	4,507
<b>Total creditors less than one year</b>	<b>5,253</b>	<b>4,978</b>

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

	2014 £'000	2013 £'000
Obligations under finance leases in respect of PFI contracts	39,559	40,408
<b>Total</b>	<b>39,559</b>	<b>40,408</b>
Obligations under finance leases fall due as follows:		
Between one and two years	885	849
Between two and five years	3,570	3,533
In more than five years	35,104	36,026
<b>Total</b>	<b>39,559</b>	<b>40,408</b>

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

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	Litigation £'000	Other £'000	Total £'000
At 1 August 2013	-	46	46
Movement in Provision			
Released to the income and expenditure account	-	(35)	(35)
<b>At 31 July 2014</b>	<b>-</b>	<b>11</b>	<b>11</b>

**19. DEFERRED CAPITAL GRANTS**

	DEL grants £'000	Other grants £'000	Total £'000
At 1 August 2013			
Land and buildings	13,041	101	13,142
Other assets	303	-	303
	<b>13,344</b>	<b>101</b>	<b>13,445</b>
Received during year			
Land and buildings	424	-	424
Other assets	-	25	25
	<b>424</b>	<b>25</b>	<b>449</b>
Released to income and expenditure account			
Land and buildings	590	5	595
Other assets	168	-	168
<b>Total</b>	<b>758</b>	<b>5</b>	<b>763</b>
At 31 July 2014			
Land and buildings	12,875	96	12,971
Other assets	135	25	160
<b>Total</b>	<b>13,010</b>	<b>121</b>	<b>13,131</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**20. REVALUATION RESERVE**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>
At 1 August 2013 – As previously stated	28,444	33,570
Prior Period Adjustment	<u>(1,002)</u>	<u>(8,714)</u>
	<u>27,442</u>	<u>24,856</u>
<b>Revaluations in the period</b>		
Cost	9,121	3,331
Accumulated Depreciation	-	-
	<u>9,121</u>	<u>3,331</u>
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	<u>(850)</u>	<u>(745)</u>
<b>At 31 July 2014</b>	<u><b>35,713</b></u>	<u><b>27,442</b></u>

**21. MOVEMENT ON GENERAL RESERVE INCLUDING PENSION RESERVE**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income and Expenditure account reserve</b>		
At 1 August 2013 – As previously stated	(418)	(1,220)
Prior Period Adjustment	40	(492)
	<u>(378)</u>	<u>(1,712)</u>
Surplus/(Deficit) retained for the year as previously reported	666	(928)
Transfer from revaluation reserve	850	745
Actuarial (loss)/gain in respect of pension scheme	<u>(5,045)</u>	<u>1,517</u>
<b>At 31 July 2014</b>	<u><b>(3,907)</b></u>	<u><b>(378)</b></u>
Balance represented by:		
Pension deficit	(6,442)	(1,343)
Income and expenditure reserve excluding pension deficit	<u>2,535</u>	<u>965</u>
<b>At 31 July 2014</b>	<u><b>(3,907)</b></u>	<u><b>(378)</b></u>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**22. PENSIONS AND SIMILAR OBLIGATIONS**

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

<b>Total pension cost for the year</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
NITPS: contributions paid	1,405	1,184
NILGOSC: contributions paid	778	535
NILGOSC: FRS 17 charge	182	101
NILGOSC: charge to the income and expenditure account (staff costs)	960	636
Enhanced pension charge to the income and expenditure account (staff costs)	-	-
<b>Total pension cost for the year</b>	<b>2,365</b>	<b>1,820</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITPS was 31 March 2008 and NILGOSC was 31 March 2013. The FRS 17 charge in the year is due to changes in the actuarial assumptions used regarding inflation, pension increases and salary increases.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**22. PENSION AND SIMILAR OBLIGATIONS (CONT'D)**

**NITPS**

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

Further information about the scheme is given in the explanatory booklet dated November 2007, and on the Department of Education's website at [www.deni.gov.uk](http://www.deni.gov.uk).

The Government Actuary's Department values the scheme every 4 years with an interim valuation in the intervening 2-year period using the projected accrued benefit method.

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

Below £15,000	6.4%
£15,000 to £25,999	7.0%
£26,000 to £31,199	7.3%
£32,000 to £39,999	7.6%
£40,000 to £74,999	8.0%
£75,000 to £111,999	8.4%
£112,000 and above	8.8%

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the NITPS is a multi-employer pension scheme. The South West College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the South West College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The South West College has set out above the information available on the scheme and the implications for the South West College in terms of the anticipated contribution 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.

**FRS 17**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified actuary.



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**22. PENSION AND SIMILAR OBLIGATIONS (CONT'D)**

**Principal actuarial assumptions**

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

	At 31 July 2014 % pa	At 31 July 2013 % pa	At 31 July 2012 % pa
Rate of increase in salaries	4.2	5.1	4.5
Rate of increase for pensions in payment/inflation	2.7	2.8	2.2
Discount rate for liabilities	4.0	4.6	4.1
Expected return on assets	5.9	5.8	4.9

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

	At 31 July 2014	At 31 July 2013
<b>Retiring today</b>		
Males	22.0 years	22.9 years
Females	24.5 years	25.7 years
<b>Retiring in 20 years</b>		
Males	24.2 years	24.9 years
Females	27.7 years	27.7 years

The South West College's share of the assets and liabilities in the scheme (estimated to be 0.27% of the total scheme) and the expected rates of return were:

	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000
Equities	6.6%	11,268	6.4%	12,008	5.5%	9,314
Bonds	3.3%	1,827	4.0%	1,896	3.5%	1,659
Property	4.7%	1,827	4.6%	1,264	3.7%	1,148
Cash	3.6%	305	3.4%	632	2.8%	638
<b>Total market value of assets</b>		<b>15,227</b>		<b>15,800</b>		<b>12,759</b>
<b>Present value of scheme liabilities</b>		<b>(21,669)</b>		<b>(17,143)</b>		<b>(15,507)</b>
<b>(Deficit) in the scheme</b>		<b>(6,442)</b>		<b>(1,343)</b>		<b>(2,748)</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**22. PENSION AND SIMILAR OBLIGATIONS (CONT'D)**

The amounts recognised in the balance sheet are as follows:

	At 31 July 2014 £'000	At 31 July 2013 £'000
Present value of funded obligations	(21,604)	(17,075)
Fair value of plan assets	<u>15,227</u>	<u>15,800</u>
	<b>(6,377)</b>	<b>(1,275)</b>
Present value of unfunded obligations	<u>(65)</u>	<u>(68)</u>
<b>Net (Liability)</b>	<b><u>(6,442)</u></b>	<b><u>(1,343)</u></b>

Analysis of the amount charged to income and expenditure account:

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	977	637
Unfunded benefits paid	(4)	(4)
Losses on curtailments and settlements	<u>-</u>	<u>-</u>
<b>Total operating charge</b>	<b><u>973</u></b>	<b><u>633</u></b>

Analysis of pension finance income / (costs):

	2014 £'000	2013 £'000
Expected return on pension scheme assets	938	636
Interest on pension liabilities	<u>(810)</u>	<u>(647)</u>
<b>Pension finance (costs)</b>	<b><u>128</u></b>	<b><u>(11)</u></b>
Actual return on plan assets	<u>1,397</u>	<u>2,594</u>

Amount recognised in the statement of total recognised gains and losses (STRGL):

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(2,304)	1,955
Experience gains and losses arising on the scheme liabilities	<u>(2,741)</u>	<u>(438)</u>
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b><u>(5,045)</u></b>	<b><u>1,517</u></b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**22. PENSION AND SIMILAR OBLIGATIONS (CONT'D)**

**Asset and liability reconciliation:**

	2014 £'000	2013 £'000
<b>Reconciliation of liabilities</b>		
<b>Liabilities at start of period</b>	<b>17,144</b>	<b>15,507</b>
Service cost	977	637
Interest cost	810	647
Employee contributions	247	174
Actuarial loss	2,741	438
Benefits paid	(250)	(259)
<b>Liabilities at end of period</b>	<b>21,669</b>	<b>17,144</b>
<b>Reconciliation of assets</b>		
<b>Assets at start of period</b>	<b>15,800</b>	<b>12,759</b>
Expected return on assets	938	636
Actuarial gain/(loss)	(2,303)	1,955
Employer contributions	795	535
Employee contributions	247	174
Benefits paid	(250)	(259)
<b>Assets at end of period</b>	<b>15,227</b>	<b>15,800</b>

**History of experience gains and losses**

	2014	2013	2012	2011	2010
<b>Difference between the expected and actual return on assets</b>					
Amount £'000	(2,304)	1,955	(438)	1,916	921
<b>Experience gains and losses on scheme liabilities</b>					
Amount £'000	(2,583)	(4)	(145)	2,539	2
<b>Total amount recognised in STRGL</b>					
Amount £'000	(5,045)	1,517	(2,267)	4,434	(154)

The estimated value of employer contributions for the year ended 31 July 2015 is £795,000.

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**23. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2014 £'000	2013 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	666	(928)
Depreciation (note 14)	2,664	2,624
Deferred capital grants released to income (note 20)	(763)	(760)
Interest receivable (note 7)	(74)	(163)
FRS 17 pension cost less contributions payable (note 23)	182	101
Decrease/(increase) in debtors	(1,908)	(56)
(Decrease)/increase in creditors	(573)	(1,279)
Decrease in provisions	(35)	(20)
Pension finance cost	(128)	11
<b>Net cash inflow/(outflow) from operating activities</b>	<b>31</b>	<b>(470)</b>

**24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2014 £'000	2013 £'000
Bank interest received	74	163
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>74</b>	<b>163</b>

**25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(1,989)	(1,416)
Deferred capital grants received	448	645
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,541)</b>	<b>(771)</b>

**26. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2013 £'000	Cash flows £'000	At 31 July 2014 £'000
Cash at bank and in hand	6,264	(1,436)	4,828
<b>Total</b>	<b>6,264</b>	<b>(1,436)</b>	<b>4,828</b>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**27. POST BALANCE SHEET EVENTS**

Details of post balance sheet events are given in the report of the Members of the Governing Body.

**28. CAPITAL COMMITMENTS**

	2014 £'000	2013 £'000
Commitments contracted for at 31 July 2014	-	-

**29. 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.

Under FRS 5, the assets are treated as assets of the College. 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	
	2014 £'000	2013 £'000
Rentals due within one year	6,500	5,893
Rentals due within two to five years	25,783	24,038
Rentals due thereafter	110,018	117,196
	<u>142,301</u>	<u>147,127</u>
Less interest element	41,678	44,738
<b>Imputed finance lease obligations</b>	<u><b>100,623</b></u>	<u><b>102,389</b></u>

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**29. COMMITMENTS UNDER PFI CONTRACT (CONT'D)**

The total amount charged in the Income and Expenditure Account in respect of the service charges, overheads and lifecycle charges element PFI of on-balance sheet transactions was £3.298 million (year ended 31 July 2013 £2.899 million); and the payments to which the South West College is committed during year ended 31 July 2013, analysed by the period during which the commitment expires, is as follows:

	2014 £'000	2013 £'000
Expiring within one year	3,514	3,094
Expiring within two and five years inclusive	14,623	14,025
Expiring within six and ten years inclusive	22,680	22,825
Expiring within eleven and fifteen years inclusive	22,116	21,560
Expiring within sixteen and twenty years inclusive	26,407	24,800
Expiring within twenty-one and twenty-five years inclusive	11,283	17,412
	<u>100,623</u>	<u>103,716</u>

**30. 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 2014**

**31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT (CONT'D)**

Governor/ Senior Manager	Company	Amount Paid 2013 £	Amount Paid 2014 £	Amount received 2013 £	Amount received 2014 £	Amount outstanding at 31 July 2013 £	Amount outstanding at 31 July 2014 £	Nature of Transactions
Mr Gerard O'Hanlon	Director and Senior Consultant - Stredia (to March 2014) Member – Omagh Chamber of Commerce & Industry Member – NI Chamber of Commerce & Industry (to September 2013) Northern Health & Social Care Trust Project Manager	160	160	-	-	-	-	Membership Fee
Mr Michael Skuce	Treasurer – Inishmacsaint Parish Church Chair – Derrygonnelly & District Community Partnership	-	-	-	-	-	-	
Miss Ashley Clarke	Paid Employment – Greenpark Nursing Home Student – SWC	-	-	-	-	-	-	
Mr Aquinas Devlin	Full Time Lecturer - South West College, Omagh Campus	-	-	-	-	-	-	
Dr Mark Kelly	CEO – Lamhroe Ltd	-	-	-	-	-	-	
Mr Tom Bradley	Equality Officer - South West College Governor - Omagh Academy Governor - Ston Mills Primary School	-	-	-	13,950	-	-	



**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT (CONT'D)**

Governor/ Senior Manager	Company	Amount Paid 2013	Governor/ Senior Manager	Company	Amount Paid 2013	Governor/ Senior Manager	Company	Amount Paid 2013
Mr Peter Archdale	Director - Joint Nature Conservation Committee Support Company Vice Chair - Council for Nature Conservation and the Countryside Member - Joint Nature Conservation Committee Member - Interreg IV Programme Monitoring Committee Member - Interreg IVA (Priority 1&2) Steering Committee Member - Peace III Monitoring Committee Member - Competitiveness & Employment Monitoring Committee Chair - Environmental Working Group Member - NI Rural Development Programme Chair - NIRDP Environmental Monitoring Working Group Member - Consultative Partnership Group on Future European Structural Funds Programmes post 2013 Member - NI Biodiversity Group Director - Camphill Community Trust (NI) Member - Stakeholder Consultative Group on NI Rural Development Programme 2014-2020 Chair - Loughs Agency Advisory Forum Chair - Working Group for Interreg / C&E / Peace Programmes Monitoring Committee Director - Ulster Wildlife Director - Strule Tributaries & Rivers Trust Forestry Business (Partnership with wife)	-	-	-	-	-	-	-

SOUTH WEST COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 JULY 2014

31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT (CONT'D)

Governor/ Senior Manager	Company	Amount Paid 2013 £	Amount Paid 2014 £	Amount received 2013 £	Amount received 2014 £	Amount outstanding at 31 July 2013 £	Amount outstanding at 31 July 2014 £	Nature of Transactions
Cllr Thomas O'Reilly	Member - Fermanagh District Council	2,558	1,048	5,480	6,206	-	-	Hire of facilities/Waste services/Shared Services Facility Contribution 3D Model Animation Entitlement Framework/ Classroom support
	Member – Fermanagh and Omagh District Council	-	-	-	-	-	-	
	Member – Clones Erne East Partnership	-	-	-	-	-	-	
	Member – Erne East Partnership	-	-	-	-	-	-	
	Governor – St Marys PS, Newtownbutler	-	-	6,892	6,670	-	-	
	Governor – St Comghalls, Lisnaskea	-	-	-	-	-	-	
Governor – Bunscoil an Traonaigh, Lisnaskea	Director – Newtownbutler Playschool	-	-	-	-	-	-	
Mr Wilbert Mayne	Self Employed Farmer	-	-	-	-	-	-	Hire of Facilities
	Member-Agriculture Wages Board	-	-	160	-	-	-	
	Member – SWARD Local Action Group	-	-	-	-	-	-	
	Governor – Orritor Primary School	-	-	-	-	-	-	
	Governor – Donaghey Primary School	-	-	-	-	-	-	
	Board Member – Ulster Farmers Union	-	-	-	-	-	-	
	Member – NI Rural Development Programme Monitoring Board	-	-	-	-	-	-	
	Chair – Shop Mobility, Cookstown/Dungannon	-	-	-	-	-	-	
	Chair – Cookstown Rural Community Transport	232	-	-	-	-	-	
	Vice Chair – Ulsters Farmers Union Environment Committee	-	-	-	-	-	-	
Dr Nicholas O'Shiel	Trustee – Agri-Search	39,163	41,053	-	350	-	-	STW sub- contractor Mentoring Programme Membership Fee
	Chief Executive – Omagh Enterprise Group	-	-	-	-	-	-	
	Member – Omagh Chamber of Commerce	160	160	-	-	-	-	
	Member – SIF Western Zone Steering Group	-	-	-	-	-	-	

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT (CONT'D)**

Governor/ Senior Manager	Company	Amount Paid 2013 £	Amount Paid 2014 £	Amount received 2013 £	Amount received 2014 £	Amount outstanding at 31 July 2013 £	Amount outstanding at 31 July 2014 £	Nature of Transactions
Mr Wilson Matthews	Commissioner – Legal Services Commission (retired 31 <sup>st</sup> August 2013) Member – Pharmacy National Appeals Panel	-	-	-	-	-	-	
Mr Derek Weir	Head of International Office – Queens University Belfast Governor – Cookstown High School	15,861	-	35,782	22,305	(1,128)	-	Sponsored Tuition & Validation Fees. Training/Marketing Entitlement Framework fees
Mrs Diane Stevenson	Assistant Director - NI Environment Agency Governor – Enniskillen Collegiate Grammar Elder – Enniskillen Presbyterian Church	-	-	19,892	23,500	-	-	Entitlement Framework
Mrs Margaret Martin	Executive – Network of Sacred Heart Schools, Ireland/Scotland Chair – Mount Anville Education Trust (Ireland) Trustee – Gaelscoil Aodh Rua, Dungannon	-	-	-	-	-	-	
Mrs Patricia McCaffrey	Paid employment with Waterways Ireland Member – Audit Committee of the Ulster Scots Agency Director – Irvinestown Credit Union	-	-	-	-	-	-	
Mrs Monica McGeary	Sales & Marketing Consultant – Self employed Director/Company Secretary – PMG Sales Ltd Parent Support Group – Edendork Primary School	-	-	-	-	-	-	

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT (CONT'D)**

Governor/ Senior Manager	Company	Amount Paid 2013 £	Amount Paid 2014 £	Amount received 2013 £	Amount received 2014 £	Amount outstanding at 31 July 2013 £	Amount outstanding at 31 July 2014 £	Nature of Transactions
Mr Brendan Corr	Partner – Corr and Corr Director – Ambition Property Director – taxbackrefund.com Treasurer – Sperrin Harriers Running Club Auditor – Coaisland Training Services	- - - - 34,582	- - - - 27,834	- - - - -	- - - - -	- - - - -	- - - - -	Steps to Work Training Programme (subcontractor payment)
Jill Cush	Director – Dungannon and Cookstown Business Education Partnership							
Maria Hackett	Director – Dungannon and Cookstown Business Education Partnership							
Mr Michael McAlister	Chair – RSCM Advisory Board, NI							
Mr Tom McBride	Board – Governing Body Special School Director – Fermanagh Community Transport							
Mr Kiruben Permaul	Directorship – Medical Consultancy Ltd Paid employment – Liberty Insurance							

**SOUTH WEST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

**32. SUPPORT FUNDS**

	2014 £'000	2013 £'000
DEL Grants	293	216
	<u>293</u>	<u>216</u>
Disbursed to students	(293)	(216)
Audit fees	-	-
	<u>-</u>	<u>-</u>
<b>Balance unspent at 31 July 2014</b>	<u>-</u>	<u>-</u>

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

**33. LOSSES AND SPECIAL PAYMENTS**

	£
Bad debts written off:	
1 cases exceeding £1,000	2,105
24 cases under £1,000	4,620
	<u>6,725</u>

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

