

Stranmillis University College

A College of Queen's University Belfast.

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

ADVISORS

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GOVERNORS

The members of the Governing Body and its Committees during the year are set out in the table below.

Name	Appointed From Date	Term of Office	Status of Appointment	Committees Served
Professor Sir Desmond Rea OBE MSc(ECON) MBA PHD	13 May 2013	31 December 2018	Chair of the Governing Body	Member of HR and Remuneration Committee
E Jardine CB, MSc, BSc	1 August 2014	31 December 2018	Vice-Chair of the Governing Body	Chair of the Finance and General Purposes Committee; Member of the HR and Remuneration Committee
Dr A Heaslett BA MA D.Phil MSc FRSA	1 August 2007	For period of appointment	Principal and Chief Executive	None
Mrs C Moore BA, FCA	1 August 2014	31 December 2018	Member	Chair of the Audit and Risk Assurance Committee
K Nelson BA, MBA, MSC, MIC, FCMI, CMGR	29 March 2013	31 December 2018	Member	Member of the Audit and Risk Assurance Committee
R Thompson MA, BA, DASE CertED	29 March 2013	31 December 2018	Member	Member of the Finance and General Purposes Committee; Chair of the Education Committee
Dr E Birnie MA, PhD	1 August 2014	31 December 2018	Member	Member of the Finance and General Purposes Committee
W Patterson BA, MBA, FCIPD	1 August 2014	31 December 2018	Member	Member of the Finance and General Purposes Committee; Chair of the HR and Remuneration Committee
Mrs E Huddleson BEd MSc	1 August 2014	31 July 2018	Member	Member of the Education Committee
R Hanna BEd MSc PGDip MSc	1 August 2014	31 December 2018	Member	Member of the Audit and Risk Assurance Committee
A Brown BEd, MSSc, FCIEA, FCoIIT, FRSA	4 November 2014	3 November 2018	Academic Staff Representative	None
Mrs D Brown	1 April 2017	31 March 2021	Support Staff Representative	None
J Carville	1 June 2017	31 May 2018	Student Representative	None
Miss K McQuillan	1 June 2018	31 May 2019	Student Representative	None

1. Without Ministers to make new public appointments Government Departments are having to extend the tenures of current Board members and Chairs in order to allow public boards to continue to function. Reappointment for a second term, where appropriate, will be the prerogative of incoming Ministers.
2. Since his appointment, it has been the Chair's practice to attend also, the Finance and General Purposes Committee, the Education Committee and the HR and Remuneration Committee.

1. REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2018

Introduction

- 1.1 The Governing Body is pleased to present its report and the accounts of the University College for the year ended 31 July 2018.
- 1.2 Stranmillis University College is a Higher Education Institution, founded in 1922, for the purpose of providing teacher education in Northern Ireland. The principal business of the University College, which it has developed over time into a multi-professional institution, is the provision of courses in Initial Teacher Education leading to the award of the BEd (Honours) degree validated by Queen's University, Belfast (QUB). The University College also offers a BA (Early Childhood Studies), a BSc (Health, Physical Activity and Sport), a Postgraduate Certificate in Education (PGCE) in Early Years Education and a range of courses at Master's level.
- 1.3 In addition, the University College offers a range of short courses through its Lifelong Learning and Continuing Professional Development Programmes. It is currently implementing an Intergenerational Learning Strategy in response to the Learning Learners Strategy published by the Department of Education.
- 1.4 Over the years the University College has also developed an international strategy and currently works with a significant number of overseas partners. In addition, the University College is developing a vibrant culture of scholarship and research related to the field of education and is continuing to expand its research capacity; the University College achieved pleasing results in the 2014 Research Excellence Framework and is preparing for the next Research Excellence Framework exercise in 2021.
- 1.5 Stranmillis University College's vision is 'Leading innovative professional practice' and its mission is 'to sustain a vibrant, inclusive learning community, educating, shaping and enriching society through excellence in teaching, scholarship and research.' A review of the University College's Mission, Vision and Values took place during 2017-18 and will take effect from 2018-19 subject to ratification by the Governing Body.
- 1.6 The University College was created as an incorporated institution by virtue of the Colleges of Education (NI) Order 2005 which received parliamentary approval on 19th July 2005. The Order was effective from 1 October 2005.
- 1.7 Based on this legislation, the Office for National Statistics reclassified the University College as part of Central Government. This has resulted in the University College, uniquely for a Higher Education Institution within the United Kingdom, being determined as a Non-Department Public Body (NDPB) with effect from 1 April 2012. As such, the Department for the Economy (DfE) has sponsorship responsibility for the University College, the terms of which are set out in a Management Statement and Financial Memorandum (October 2015), agreed with the Department and which is published on the University College's website. The Governing Body and Senior Management within the University College are committed to fulfilling the requirements within the Management Statement and Financial Memorandum.
- 1.8 The University College was pleased to receive notification of a positive Annual Provider Review outcome from DfE in August 2018. The College is now recognised as an Established Provider. This means that, in the judgement of the Department for the Economy, the quality and standards are at the required standard. This is the highest rating possible under this system. The University College also now meets the Home Office's requirements for educational oversight for Tier 4 sponsorship. This is a significant milestone in the continuing development of the University College and is a reflection of the high-quality programmes the University College provides.

Financial Results for the Year

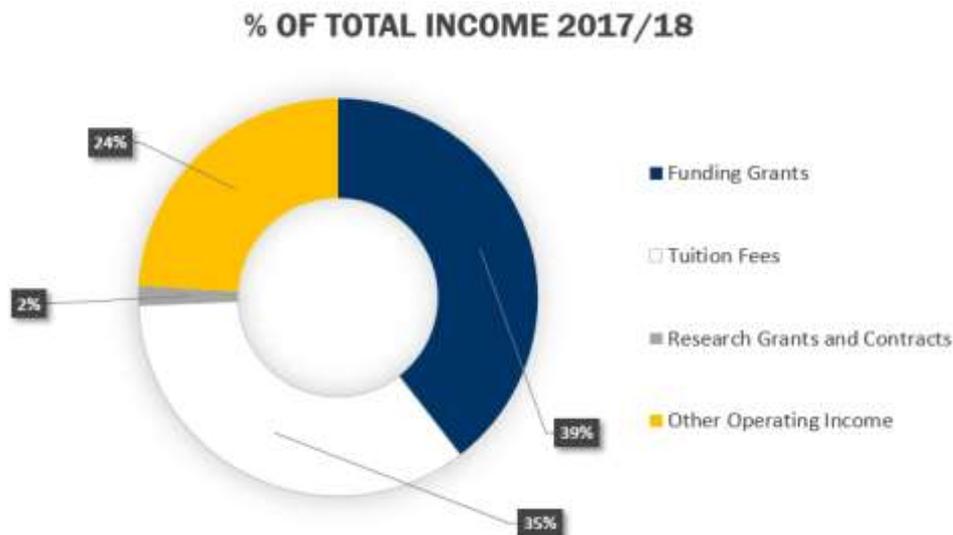
1.9 These financial statements have been prepared on the going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, Financial Reporting Standards (FRS102), the Management Statement and Financial Memorandum between the Sponsoring Department and the University College and also the Accounts Direction issued by the Sponsoring Department.

1.10 The University College's Income, Expenditure and Results for the year to 31 July 2018 are summarised below:

	2018 £'000	2017 £'000
Income (including exceptional item)	12,026	23,783
Expenditure (including exceptional item)	(12,307)	(23,812)
Operating Deficit	<u>(281)</u>	<u>(29)</u>
Actuarial Gain in respect of NILGOSC pension scheme	1,982	2,353
Total Comprehensive Income	<u>1,701</u>	<u>2,324</u>

Income

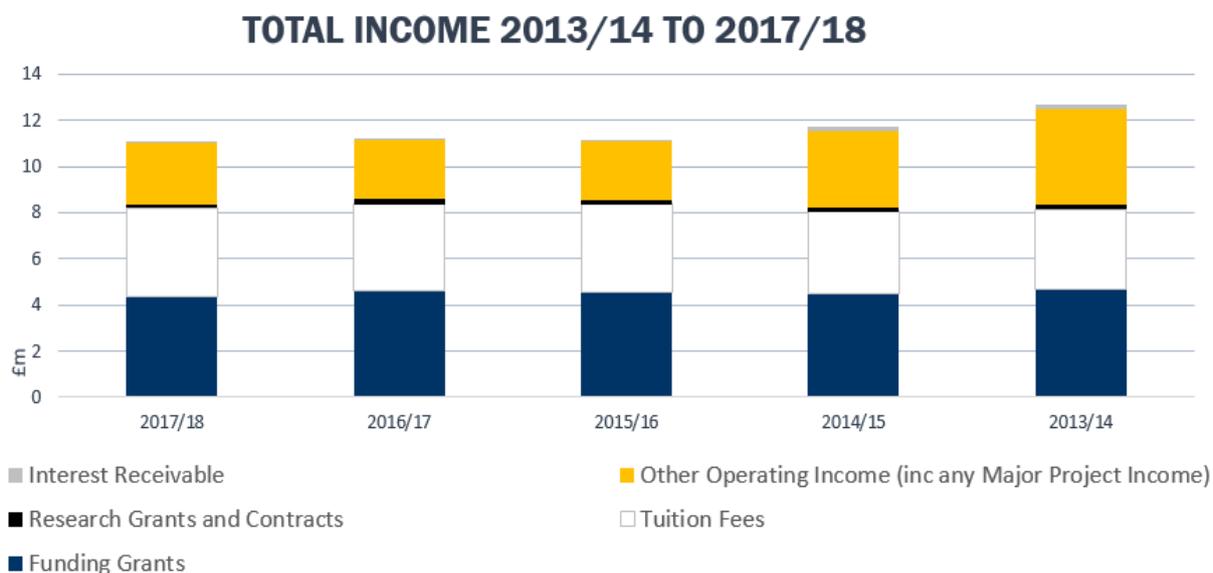
1.11 Total income for the year was £12m representing a decrease of £27k (0.2%) on prior year (excluding exceptional item). The main components of this income (excluding the deferred capital grant release) are shown in the chart below.



1.12 In interpreting income, readers should note that total Funding Grants includes £989k (2017 - £860k) of Deferred Capital Grants Released, which relates to the matching depreciation charge both on the assets which were inherited by the University College on incorporation in 2005 or which have been grant funded since incorporation. The Deferred Capital Grants Released income therefore does not represent revenue funding actually received in the year from the Sponsoring Department. The amounts released represents some 8.2% (2017 - 7.1%) of amounts recorded as income in the year. Recurrent Grant funding received from the Sponsor Department fell by £93k or 2.2% compared with the previous year

as a result of general funding cuts to the sector. Funding Grant Income also included £110k of Public Sector Transformation Funding (2017 - £255k) to progress a Voluntary Exit Scheme during the year.

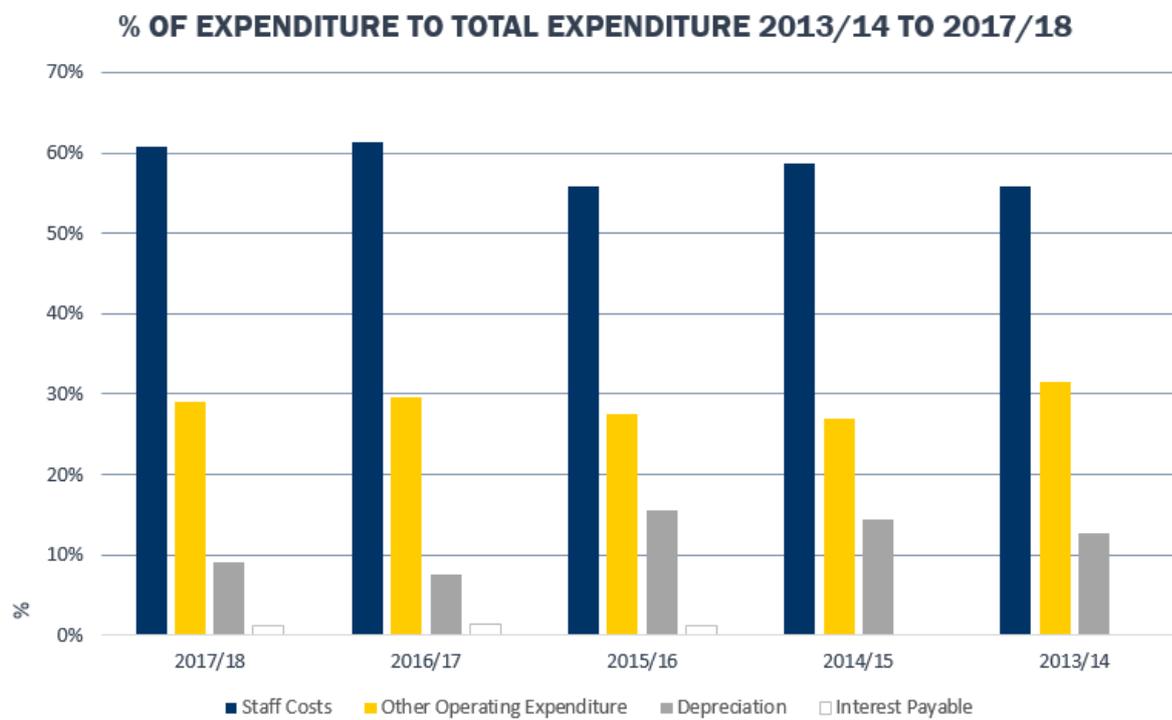
The chart below shows the trends in total income (excluding deferred capital grant release and exceptional items) over the last 5 years.



- 1.13 Tuition Fee income increased by £52k in the year (2017 – decrease of £5k) with income relating to full-time tuition fee income falling by 1.7% and part-time tuition fee income increasing by 18.7%. Total full-time equivalent student numbers have reduced by 8 to 960 (2017 – 968). Tuition Fee income contributed 31.9% (2017 – 31.4%) of Total Income.
- 1.14 Halls of Residence, Catering, Conferencing, Rental and Room Hire income, under the management of the Hospitality, Accommodation and Conferencing Services Department, contributed £2,424k or 20.2% of total income in the year (2017 - £2,325k or 19.3%), an increase of £99k. This steady performance represents a continuance of the very positive results that have been achieved in recent years despite the challenging economic climate.
- 1.15 Sundry Other Income has decreased by £54k to £227k in the year (2017 - £281k). This is as a result of decreased Lifelong Learning and Continuing Professional Development income by £63k in total in the year. Income of £49k relating to a Shared Education Project funded by the Education Authority was secured during the year (2017 - £25k).
- 1.16 Some 23.7% (2017 – 23.4%) of Total Income in the year was derived from sources other than Sponsoring Department Funding Grants and Tuition Fees. Success is therefore evident from these results of the University College’s strategy in recent years to diversify the sources of its income and therefore reducing reliance on core government funding.

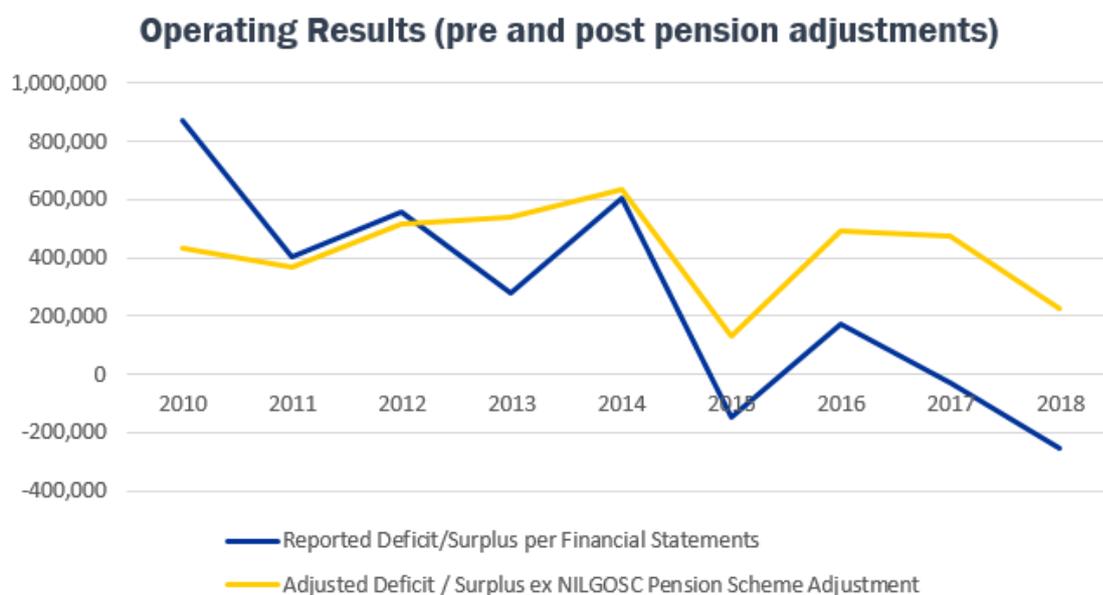
Expenditure

- 1.17 Total Expenditure for the year was £12.3m representing an increase of £225k (1.9%) on prior year. The chart below shows the percentage of total spend over the last 5 years.



- 1.18 After adjusting for the impact of FRS102 NILGOSC pension scheme actuarial valuation, staff costs increased by £63k or 0.9% (2017 - £193k). The College paid out £109,788 during the year under the 2017/2018 Public Sector Transformation Fund (PSTF) Voluntary Exit Scheme (2017 - £255,277). However, this was funded by the Sponsoring Department with the related income disclosed under Funding Grants income.
- 1.19 Other Operating Expenditure decreased by £2k or 0.1% on the previous year (2017 increased by £108k and 3.1%). The most significant increase in expenditure experienced in the year was an extra £148k or 43% increase in Energy Costs which is connected to the use of oil instead of gas fuel during the boiler replacement capital project. An additional £53k of Halls Repairs and Maintenance expenditure, including a minor redecoration project, largely explains the £70k increase in Hospitality Services Operating Expenses while system upgrade related costs have contributed to the extra £13k spend on IT Maintenance Costs. An additional £9k of training spend was incurred in areas including IT, Data Protection and Health & Safety. Increased spend was experienced also in relation to Telephones as the new and old telephone systems operated in parallel during part of the system implementation phase and Publications and Subscriptions costs are higher as a result of an accrual for charges relating to prior years not levied on the College in error. A saving of £66k was recorded in relation to Widening Participation and Bursary Costs as a result of fewer students eligible for bursaries and most students eligible for higher level bursaries now having graduated. Savings of £52k in relation to Refurbishment Maintenance and Cleaning have been achieved in relation to a lower level of maintenance requirements in the current year in some areas. Savings of £55k also achieved in Other Professional Fees reflecting fees returning to more normal levels after a year of higher than usual spend in 2016-17. Occupational Health Cost savings of £29k reflect a new service delivery model. Savings have also been achieved in relation to Travel Costs mostly as a result of the ending of the PGCE International course in 2016-17. Advertising and Recruitment, Printing and Postage and Sundry Course Costs have also experienced reduced costs in the year.

- 1.20 Depreciation represented 9.1% (2017 – 7.6%) of total expenditure.
- 1.21 Included within the Statement of Comprehensive Income and Expenditure is a charge of £477k (2017 - £505k) relating to the FRS102 accounting adjustment required as a result of annual actuarial valuation of the NILGOSC pension scheme.
- 1.22 Adjusting for the impact of the FRS102 NILGOSC pension scheme actuarial valuation, an operating surplus of £196k was achieved (2017 - £476k) which is reflected in the increase in Reserves, excluding Pension Reserve. This performance reflects the Governing Body's commitment to the generation of operating surpluses. This financial strategy supports both investment in the campus and on-going sustainability of operations, whilst the necessity to make efficiency savings has been embraced. The graph below shows the operating surpluses (before pension adjustments) compared with the reported financial deficit/surplus including the pension adjustments.



Cash Flow

- 1.23 The cash flow statement shows a net increase in cash of £432k (2017 – £382k).

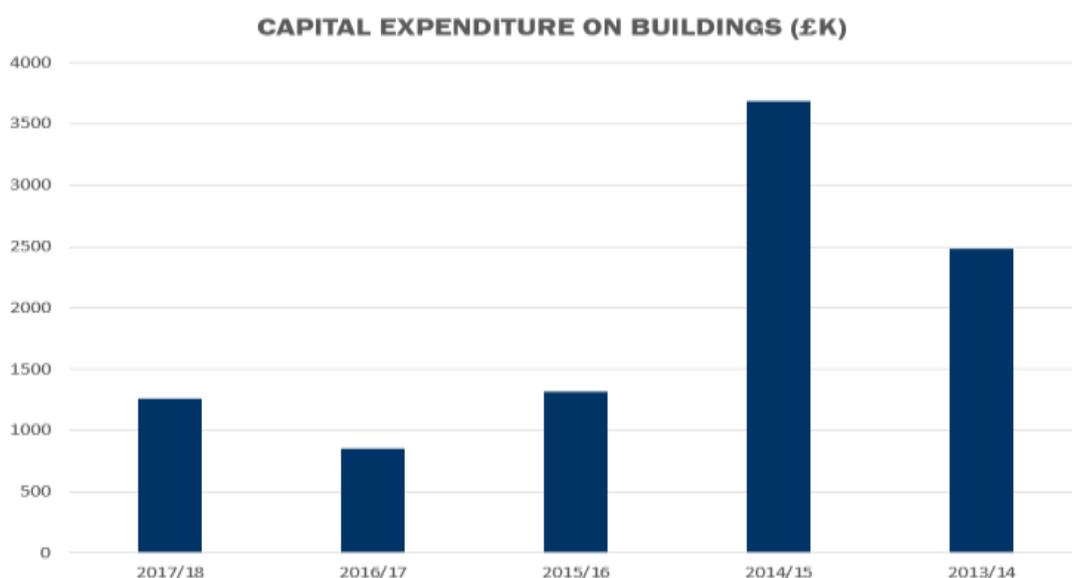
Statement of Financial Position

- 1.24 Overall the Statement of Financial Position shows a Net Asset position of £2,628k (2017 – £927k). Despite funding some further capital projects during the year, cash holdings and short term deposits also remain strong at £4m (2017 - £3.6m). It is expected, however, that cash holdings will reduce over coming years with further planned investment in infrastructure improvements in line with the College's Estates Strategy as detailed below. However, as noted above Reserves, excluding Pension Reserve, have been strengthened by £196k in the year to £7,171k (2017 - £6,975k).

Capital Investment

- 1.25 During the year the University College invested £1,261k in building works (2017 - £851k), £69k in equipment (2017 - £nil) and £36k in vehicle purchases (2017 - £nil). The main building work undertaken was the replacement of the boiler which serviced the Central Building, Stranmillis House and Main Building with individual boilers in each of these buildings (£973k) and the completion of Fire Safety and Lighting Upgrade Works carried out in the College library (£228k). Equipment purchases made during the year included the installation of a new telephone system across campus

(£25k) and the commencement of a new IT Infrastructure Upgrade Project which will make improvements including to campus Wi-Fi and enhancements to IT Security, IT Hardware, a new Learning Management System and Teaching and Learning equipment for staff and students. This project will complete during 2018/19. The University College continues to invest its Sponsoring Department's capital allocation in schemes which enhance the teaching and learning environment and improve health and safety for users of the campus. The Chart below shows the capital expenditure in land and buildings over the last 5 years.



- 1.26 In the current year the University College received Sponsoring Department capital grants of £1,235k (2017 - £976k). This equated to £1,164k (2017 - £976k) of capital grants in relation to building works and £71k (2017 - £nil) in relation to equipment purchases.

Future Developments

- 1.27 The University College has continued to receive more significant levels of recurring Sponsoring Department capital funding than was previously the case.
- 1.28 It is expected that, with the support of Sponsor Department grant funding, the University College will continue to invest in the upgrade of the campus and facilities to progress priorities identified in the most recent College Estates Strategy. Projects expected to progress in 2018-19 include a project to upgrade the University College's Sports Facilities and a project to progress a number of Health & Safety improvements. A number of other capital projects are also at the early stages of development and it is hoped that some of these works will be partially funded by the Sponsor Department in forthcoming years. However, at present there is uncertainty as to the availability and extent of future Sponsor Department capital funding.
- 1.29 The Governing Body is also committed to continue to secure the financial solvency of the University College within the context of its long-term strategy and objectives.

Prompt Payment

- 1.30 The Late Payments of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998 requires, 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 HM Treasury for payment to suppliers within 30 days is 95%.

- 1.31 During the accounting period 1 August 2017 - 31 July 2018, the University College paid 89% of its invoices within 30 days (2017: 87%). The University College incurred no interest charges in respect of late payment for this period.
- 1.32 The Northern Ireland Executive is committed to paying suppliers as quickly as possible, within 10 working days. During the accounting period 1 August 2017 - 31 July 2018, the University College paid 79% of its invoices within 10 days (2017: 67%).

Principal Risks and Uncertainties

- 1.33 Outlined in the Governance Statement in the Table at Paragraph 2.34, is a description of the principal risk factors that may impact on the achievement of the corporate objectives set out in the University College's Corporate Plan 2018-21. These embrace the Principal Risks and Uncertainties identified in the paragraphs below, principally through the additional actions being taken to manage Risks 4, 5 and 9. It should be noted in this respect that not all the factors are within the University College's control. Other factors besides those listed below may also adversely affect the University College.
- 1.34 There continues to be considerable budget constraints across NI Departments and consequential budget constraints in relation to Teacher Education; these pose further consequential challenges for the Sponsoring Department and in particular for Higher Education, including the University College in relation to the delivery of its strategic vision.
- 1.35 There is also continuing uncertainty in relation to how Brexit will be delivered and the impact on Higher Education, particularly in relation to EU funding streams for collaborative research projects and staff/student mobility between EU countries. The University College has been proactive in raising these issues with Political Parties and has informed the Department for the Economy of specific risk areas in terms of Brexit planning.
- 1.36 Forthcoming changes in the policy environment in relation to the Teaching Excellence Framework and the introduction of a new Operating Framework for Quality Assessment also mean that the University College is continuing to operate in a challenging and changing Public Policy environment.
- 1.37 As outlined in more detail in the Governance Statement, a Risk Register is maintained at Corporate level which is reviewed at meetings of the Governing Body and the Audit and Risk Assurance Committee. Risks are also considered by the Finance and General Purposes Committee, the Education Committee and the HR and Remuneration Committee. The Risk Register identifies the key risks facing the University College, the likelihood of those risks occurring, their potential impact on the University College, the controls that are in place to manage the risks, the actions being taken to further reduce and mitigate the risks and sources of assurance. Risks are prioritised using a consistent scoring system. Risk Registers are also maintained in key operational areas within the College and this is supported by the provision of Risk Management coaching and awareness. During 2017-18 for example, a Risk Awareness Workshop was held in relation to Cyber Security; an important area within today's environment. All information on risks is published internally and staff are encouraged to review the Risk Registers on a regular basis in line with the University College's Risk Management Policy.

Stakeholder Relationships

- 1.38 In line with other higher education institutions, the University College has many stakeholders. These include staff, students, the Department for the Economy and the Department of Education, other education institutions, including Queen's University, Schools and Further Education Colleges, trade unions and professional bodies as well as private sector employers and the voluntary and community sector.

1.39 The University College enjoys positive relationships with all its stakeholders and engages in regular communication with them through the University College internet site, by meetings and via representation on various external organisations' stakeholder groups, committees etc. The University College considers good communication to be very important and has developed a Communications Strategy and, during 2017-18, engaged a Marketing and Public Relations Manager to ensure continuous improvement in this area and to maximise publicity of the University College's Programmes. The University College also encourages staff and student involvement through a range of fora, including through membership of the Governing Body and Operational Committees.

Equal Opportunities and Employment of Disabled Persons

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

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

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

1.42 The University College is committed to the fulfilment of its Section 75 obligations in all parts of the organisation. The University 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.

Diversity and Equality Statement

1.43 With respect to its student body and staffing the University College is committed to developing an environment that is inclusive, fair, open and welcoming of individuals from all community backgrounds, all ethnic groups in Northern Ireland and people with disabilities. Diversity is embraced as a key value within the University College and equality is recognised, encouraged, promoted and valued at all levels of the organisation and in all its functions.

1.44 Recent years have seen significant alterations to help make the campus buildings more accessible for persons with a disability. Improvements are on-going to further improve physical access and provide additional technologies and support students with a disability including those suffering from dyslexia. The University College will ensure that every effort is made to meet the support needs of its key stakeholders. For example during 2017-18, the College enhanced its reporting to the Governing Body on Equality and continues to liaise with the Equality Commission in respect of taking equality matters forward. Following advice from the Equality Commission, the College conducted an Audit of Disability Access arrangements using the 'Every Customer Counts' Accessible Business Checklist. This indicated that the College has made good progress in ensuring the Campus is accessible to all. In addition to the University College's Disability Action Plan, a number of further actions have been proposed and these will be considered further in the context of an Audit of inequalities.

1.45 Overall, during 2017-18, the University College has continued to demonstrate its commitment to good governance and to delivering a quality experience for Students.

Professor Sir Desmond Rea

Chairman: 27th November 2018

2 GOVERNANCE STATEMENT

- 2.1 As the Governing Body of Stranmillis University College, together with the Principal as Accounting Officer, we have the responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Governing Body in the Instrument and Articles of Government and the Management Statement and Financial Memorandum agreed with the Sponsoring Department.
- 2.2 The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. This process has been in place for the period ended 31 July 2018 and up to the date of approval of the financial statements, and accords with guidance in the Orange Book, published by HM Treasury.
- 2.4 The University College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University College has applied the principles set out in the 'Corporate Governance in Central Government Departments (NI): Code of Good Practice' (the Code) issued by the Department of Finance and Personnel (DFP) (now the Department of Finance (DoF)) in 2013; and the Higher Education Code of Governance, published by the Committee of University Chairs in December 2014.
- 2.5 Throughout the period ended 31 July 2018, the University College has been in compliance with the provisions of the Code insofar as they relate to the College. The University College also substantially complies with the Higher Education Code of Governance. This was confirmed in an Internal Audit Review of Corporate Governance in the College in 2015-16, in which 'Substantial Assurance' was awarded. An Action Plan was developed following the review in 2015-16 in order to further strengthen the University College's compliance with the Higher Education Code of Governance. Good progress was made during 2017-18 to implement the Actions in the Action Plan in the area of Equality and Diversity reporting, policy screening and training. Following a further internal review in January 2018 against the Higher Education Code of Governance in respect of Governing Body's oversight of Academic Governance, an additional Action was added to the Action Plan to develop a Complaints Procedure for Student complaints which fall outside the remit of Queen's University. This was also completed during 2017-18.

Action will be taken in due course to provide further training for staff on Equality issues. An independent review of the Governing Body's effectiveness will also be considered in due course; this was delayed during 2017-18 due to the Quality Assurance Review of the University College and the emphasis on reviewing the University College's Academic Governance arrangements.

Composition of the Governing Body

- 2.6 The Governing Body normally comprises 10 lay members (during 2017-18 there was one vacancy), a student representative and two staff representatives, all of whom are appointed by the Sponsor Department. The roles of Chair and Vice-Chair of the Governing Body are separated from the role of the College's Principal and Chief Executive, who is also a member of the Governing Body. The Governing Body has indicated to the Department for the Economy that it wishes to increase its Membership so as to ensure a greater balance of skills and experience on the Governing Body. The Department has begun the process of preparing for a recruitment competition during 2018-19. However, it remains unclear whether appointments can be made in the absence of Ministers.

Allocation of Responsibilities

- 2.7 The Principal and Chief Executive, as Designated Accounting Officer for the University College has allocated responsibilities amongst the four Directors in the College, while retaining overall responsibility for propriety and regularity, prudent and economical administration of the College, avoidance of waste and extravagance, ensuring value for money, effective and efficient use of available resources, organisation, staffing and management.

Governing Body Operating Framework

- 2.8 The Governing Body has established an Operating Framework, which sets out its role and responsibilities for the ongoing strategic direction of the University College, the monitoring of an annual Business Plan, approval of major developments and the receipt of regular reports from the Principal as Chief Executive and senior management on the day-to-day operations of its business.
- 2.9 The University College subscribes to the principles of public life and has adopted a Code of Conduct for members of the Governing Body. A Register of Interests is maintained and updated on a regular basis and is published on the University College Website for the information of staff and the public. Declaration of Conflicts of Interest is a standing Agenda Item for all meetings of the Governing Body and its Committees and these are handled on a case-by-case basis as outlined in the Operating Framework and Terms of Reference for each Committee.

Governing Body Meetings and Attendance

- 2.10 During 2017-18, the Governing Body met on 6 occasions. Attendance at meetings was as follows:

Date	Number in Attendance out of 13
19 September 2017	11
28 November 2017	10
23 January 2018	11
16 April 2018	11
23 May 2018	10
12 June 2018	10

- 2.11 A broad range of business was considered by the Governing Body in keeping with the Instrument and Articles of Government for the University College and the Governing Body's Operating Framework and Annual Work Plan. This included amongst other matters:

- Consideration of a report and accompanying action plan relating to the continuous improvement of the student academic experience and student outcomes and the signing of the annual Assurance Statement for the Department.
- Academic Governance and Accountability, including the outcome of the Programme Review and Enhancement Process (PREP) and the Annual Provider Review, which confirmed that the University College is meeting requirements;
- The results of the College's performance in the National Students' Survey 2017;
- Governor Development;
- Corporate Planning, Monitoring and Reporting;

- Reports from the Audit and Risk Assurance Committee, Finance and General Purposes Committee, Education Committee and the HR and Remuneration Committee and reports from the Principal and Student President;
- Community relations;
- Visiting Professors' Reports;
- Corporate Risks and Risk Management; a review of the Governing Body's Risk Appetite was undertaken in September 2018 and work is ongoing to refine the Statement;
- Cyber Security;
- Corporate Finance monitoring and Budget and the Annual Financial Statements and Audit Findings;
- Revaluation of the University College Estate;
- Students' Union Audited Accounts;
- Staffing, including Recruitment and Promotion and Voluntary Exit arrangements;
- A range of Human Resource Procedures, for example for the conduct of a Staff Health and Wellbeing Survey and approval of Visiting Professor Titles or Honorary Fellow; and
- A range of other Policies, Procedures and Strategies, for example on Value for Money, Professional and Intergenerational Learning, Research Impact, the establishment of a Centre for Research in Underachievement, Student Complaints and Appeals, Marketing and Public Relations, Estates and Digital and Technical Services

2.12 The Governing Body also reviewed its Register of Interests and revised its Operating Framework, including the Terms of Reference of the following Committees during 2017-18:

- Education Committee;
- HR and Remuneration Committee;
- Finance and General Purposes Committee;
- Audit and Risk Assurance Committee.

2.13 All Committees comprise Non-Executive members of the Governing Body and have been established to support and advise the Governing Body on matters relating to its full range of responsibilities. The Governing Body decided during 2017-18, that given the importance of the Student voice, the Student President will become a Member of the Education Committee effective from the commencement of the 2018-19 Academic Year.

Operation of Governing Body Committees

Education Committee

2.14 During 2017-18, the Education Committee, comprising two Members, met on 3 occasions. All meetings were quorate. The Committee fulfilled its core work programme, which included consideration of:

- Statistical analysis of data;
- Reports on Teaching and Learning, Scholarship and Research, Student Support and Wellbeing and Student Recruitment and Marketing, including progress against Key Performance Indicator (KPI) targets;

- Updates on the Teaching Excellence Framework and the new Quality Code;
- The outcome of the University College's Quality Review Visit and the Programme Review and Enhancement Process;
- The annual Erasmus Report;
- Higher Education League Tables;
- Support for overseas Students;
- Student Complaints and Appeals;
- A new Professional and Intergenerational Learning Strategy;
- A paper recommending the establishment of a Centre for Research in Underachievement;
- A Research Impact Strategy;
- Student Complaints Policy and Procedures;
- The submission to Queen's University for the Annual Programme Review;
- Presentations on Shared Education, Study Abroad, Eco Campus and Outdoor Learning and a visit by Students and Staff to Uganda.

2.15 The Committee also routinely considered whether there were any risks emerging from discussions that would need to be reflected within operational/corporate Risk Registers.

HR and Remuneration Committee

2.16 The HR and Remuneration Committee met on 4 occasions during the year in line with its Terms of Reference. All meetings were quorate and were attended as follows:

Date	Number in attendance out of 4
24 October 2017	3
23 January 2018	3
6 March 2018	3

2.17 During the year the Committee considered:

- A range of staffing matters, including recruitment/promotion, review of appointments and fixed-term posts and Voluntary Exit proposals referred to it by Senior Management;
- Performance reports and key objectives and targets for Senior Management;
- The Staff Development End of Year Report;
- Senior Management Roles and Development;
- A Report on Employment, Equality and Diversity;
- Sick Absence Statistics;
- A paper on the development of a Staff Survey and a Report on the outcome of the Staff Health and Wellbeing Survey;
- Policy on Maternity and Paternity Pay;
- The Human Resources Business Plan;
- The Review of Staff IT Skills;
- The Staffing Establishment of the University College; and
- A procedure for conferment of Honorary and Visiting Titles.

2.18 The Committee also considered any risks emerging from the business discussed during the year.

Finance and General Purposes Committee

- 2.19 During 2017-18, the Finance and General Purposes Committee met on 4 occasions in line with its Terms of Reference. All meetings were quorate and attendance was as follows:

Date	Number in attendance out of 5
24 October 2017	4
21 November 2017	4
20 March 2018	3
23 May 2018	4

- 2.20 At the meetings in October 2017, March 2018 and May 2018 the Committee considered a detailed Finance and Procurement Report, an Estates Report, a Hospitality, Accommodation and Conferencing Services Report and a Health and Safety Report. At the meeting in May 2018, the Committee also considered a Digital and Technical Services Report, which will be presented to all future meetings. The November 2017 meeting focused on the Draft Financial Statements and Audit Findings in respect of the 2016-17 year, as well as the Tender Report and Post-Tender Report for the Gas Boiler Replacement Project. The Committee also considered any risks emerging from the business discussed during the year.

- 2.21 Consideration was also given during the year to:

- The Management Accounts;
- The draft Budget 2017-18;
- Value for Money Policy;
- Marketing of Student Halls accommodation;
- Halls Fees;
- Fire Safety Policy;
- A Marketing and Public Relations Strategy;
- The updated Estates Strategy;
- Information Security;

Audit and Risk Assurance Committee

- 2.22 The Audit and Risk Assurance Committee, comprising 3 Non-Executive members held 4 meetings during the year in line with its Terms of Reference. Attendance at meetings was as follows. All meetings were quorate.

Date	Number in attendance out of 3
19 October 2017	3
23 November 2017	3
29 March 2018	2
7 June 2018	3

College and Other Attendees

Meetings were also attended by the Principal (Accounting Officer), the Head of Finance, the Head of Internal Audit, the Head of External Audit and the Department's Observer during the year as set out below. The Secretary to the Governing Body also attended all meetings to provide secretarial services. In this respect, the Chair met with the Secretary before each meeting to agree the Agenda and discuss relevant issues.

Date/In Attendance	19 October 2017	23 November 2017	29 March 2018	7 June 2018
Principal/Accounting Officer	√	√	√	√
Head of Finance	√	√	√	√
Head of Internal Audit	√	√	√	√
Head of External Audit		√		√
Department for the Economy Representative	√	√	√	√

Other members of the College attended as required to deliver specific papers.

2.23 The Committee operated in accordance with the Audit and Risk Assurance Committee Handbook NI, issued by the Department of Finance and Personnel (now the Department of Finance).

2.24 The Committee considered detailed reports from senior management and the Internal and External Auditors on the University College's systems of internal control and governance and monitored progress on the implementation of recommendations for improvements in internal controls. Specific business included:

- Ratification of the continuance of Internal and External Audit Contracts for 2017-18;
- The Internal Audit Annual Assurance Report for 2016-17 and Follow-up of 2016-17 Internal Audit Actions;
- The Internal Audit Operational Plan 2017-18
- The Audit Recommendations Monitoring Schedule;
- The External Audit Strategy;
- Fraud Reports and the Fraud Action Plan;
- A whistleblowing Report;
- Reports in relation to Direct Award Contracts;
- The cost of Non-Departmental Public Body Status with an emphasis on procurement;
- Value for Money (VfM). Internal Audit considers VfM, in its Audit work for the College. Mandatory and standardised reporting arrangements for VfM remain under consideration by DfE. Notwithstanding this the College is in the process of developing a VfM Action Plan, which will be submitted to the Finance and General Purposes Committee during 2018-19.
- The draft Financial Statements and Key Issues Memorandum;
- Managing the Risk of Bribery and Corruption;
- A Lessons Learned Report in relation to Post Project Evaluations;
- Prompt payment statistics for the period 2017-18, which were considered by the Committee in October 2018;
- A Report on Freedom of Information Requests during 2017-18, which was considered by the Committee in November 2018; and

- A Report on Business Continuity Planning, including lessons learned from testing and an update on Third Party Dependencies which was considered by the Committee in October 2018.

2.25 The Committee also reviewed Reports from Internal Audit during 2017-18 as set out in the following Table:

Subject Area	Nature of Audit
Core Financial Controls (Bank and Cash, Credit Control and E Shop)	Assurance
Human Resources (Recruitment and Selection Processes)	Assurance
Data Quality	Assurance
Student Wellbeing and Support	Assurance
IT Systems	Advisory
Cyber Security Presentation	Advisory
Students' Union Presentation	Advisory
Capital Projects Management	Follow-Up
Core Financial Controls, Student Registration and Child Protection	Follow-Up
Risk Management	Follow-Up
Student Registration	Follow-Up
Child Protection	Follow-Up

- 2.26 Based on the conclusions of this work, Internal Audit has provided the College's Accounting Officer with an overall satisfactory level of assurance. Internal Audit was satisfied that sufficient Internal Audit work had been undertaken during 2017-18 to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, economy, efficiency and effectiveness arrangements i.e. Value for Money. In giving its opinion, Internal Audit noted that assurance can never be absolute. The Internal Audit Service therefore provided reasonable assurance that there are no major weaknesses in the system of internal control in the College.
- 2.27 In the Committee's annual report to the Governing Body, the Chair of the Committee concluded that based on the assurances received from Internal and External Audit in respect of 2016-17, the Committee was satisfied that the University College's arrangements for corporate governance and internal control and risk management are basically sound.

Meetings with Internal and External Audit

- 2.28 Rather than holding annual meetings with the Auditors to discuss matters of mutual interest, the Committee met in private session with the Head of Internal Audit before all the main meetings of the Committee during 2017-18. The Committee also met in private session with the Head of External Audit in November 2017 to discuss the University College's Financial and Assurance Statements, Audit Findings and Governance Statement in respect of the year 2016-17. A further meeting to discuss matters of mutual interest and to agree the audit plan for the Financial and Assurance and Governance Statements 2017-18, took place in June 2018. The Audit findings were considered by the Committee in November 2018.

Review of Effectiveness

- 2.29 The Committee conducted a review of its effectiveness on 7 June 2018; using the National Audit Office Checklist as a benchmarking tool for this year on year. In addition the Committee reviewed its current practices against the revised Audit and Risk Assurance Committee Handbook (2018), published by the Department of Finance. All outstanding items emerging from the Review, which was undertaken in 2016-17, were addressed during 2017-18 and only minor recommendations for action in 2018-19 were identified. These are:
- A copy of all Minutes from Audit and Risk Assurance Committee meetings will be sent to External Audit going forward; and
 - The Committee's Terms of Reference will be amended to include reference to the Committee's right to procure specialist advice if this is considered necessary.
- 2.30 In conclusion, the Committee was satisfied that based on the National Audit Office Checklist and the Audit and Risk Assurance Committee Handbook (2018), it is substantially compliant with the good practice therein and that there were no material issues to be considered. The Committee effectively supports the Governing Body and Accounting Officer; it reviews its performance on an annual basis; is suitably independent and objective and has the appropriate mix of skills.

Operational and Academic Governance Committees

- 2.31 The Principal as Chief Executive has established a number of operational and Academic Governance Committees to support good governance in the University College:
- **A Corporate Planning Team**, which assists the Principal as Chief Executive in developing the core corporate services and associated Business Plan to support the delivery of the University College's Mission and Vision as articulated in the Corporate Plan which has been approved by the Governing Body;
 - **A Senior Leadership Committee** which is responsible for the development of the Corporate Plan which is subject to approval by the Governing Body. This Committee is also responsible for the development, implementation and reviewing of approved strategies to support the delivery of the Corporate Plan, including financial and resource planning;
 - **An Academic Leadership Committee** to assist the Senior Leadership Committee in the planning and development of a sustainable academic portfolio to support the delivery of the College's Mission and Vision as articulated in the Corporate Plan. This Committee also considers recommendations for approval for new programmes and new partners and the suspension or discontinuation of existing programmes and partners. The Committee identifies the likely resource requirements (including potential requirements for IT, library services, time-tabling, student support, outreach and admissions) of new programmes and partnerships and promotes dialogue between academic and professional services to develop viable, market-informed programmes that are aligned with the University College's strategic plans;
 - **A Teaching & Learning Committee** which acts as a proactive and strategic body for the monitoring and enhancing of the quality and standards of learning, teaching, assessment and curricula of the University College. Its primary role is to ensure that quality assurance procedures are implemented and taking responsibility for promoting quality enhancement across the University College.

- 2.32 The Academic Governance Committees described above were approved by the Governing Body in October 2016 and are currently subject to review by an ad-hoc Committee of the Governing Body. This Committee is considering the relationship between Academic Governance and Corporate Governance. This is relevant given the developments in University Colleges and the UK Government's concern that Governing Bodies should be held to account in respect of Academic Matters in light of increasing fees and Students expecting value for money. Governing Bodies therefore need to become more involved in the oversight of Academic Governance while providing support to the institution and recognising and respecting the principle of academic freedom. For the University College this is particularly so given the Governing Body's responsibility, as set out in the Management Statement and Financial Memorandum agreed between the College and the Department for the Economy (DfE), to secure 'the provision of, suitable and efficient education to students of the University College'. Furthermore assurance must be provided to DfE "that the methodologies used as a basis to improve the student academic experience and student outcomes are, to the best of the Governing Body' knowledge, robust and appropriate and that the standards of awards for which the Governing Body of the College is responsible have been appropriately maintained." The ad-hoc Committee is due to report its findings in 2018-19.

Quality of Data

- 2.33 The Governing Body is satisfied that comprehensive arrangements are in place within the University College to ensure that quality information is received by the Governing Body to enable it to make informed decisions. Strategic issues reserved for the Governing Body's attention are scheduled in an annual work plan and a categorised agenda is drawn up for each meeting. There are internal controls to validate accuracy and completeness of information presented to the Governing Body; detailed minutes record the business carried out and action agreed. In addition, the Audit and Risk Assurance Committee provides a challenge function which helps to ensure that emerging issues are highlighted and brought to the attention of the Governing Body. Assurance on Data Quality is also provided through the work of Internal and External Audit and validation of student data for example, is provided through the submission and review of HESA returns.

College Risk Profile and Assessment of Risks

- 2.34 The Governing Body and its Committees, considered risks facing the University College at all meetings during 2017-18. The Governing Body has received assurance that all Risks, including Fraud Risks, are being managed appropriately and controlled and that further actions to manage risks to an appropriate level were continuously being considered. Those Risks which were included in the Corporate Risk Register during 2017-18 are as set out in the following table:

Risk No. & Residual Status	Summary of Risk Statements
CR1	Failure to secure sufficient student enrolment numbers, full time quota and part time, will have a major negative impact on the College's financial sustainability.
CR2	Failure to secure access to Virtual Learning Environment to replace QoL (which is being retired in August 2019) will negatively impact the delivery of high quality outcomes for Students; undermining the University College's reputation and negatively impact Income Generation.
CR 3	Failure to effectively manage and control the implementation of Teaching and Learning Strategies which are designed to put Students (including International Students) at the heart of developing practice in the University College will negatively impact the delivery of high quality outcomes for Students; undermining the University College's reputation and negatively impact Income Generation.
CR4	Failure to effectively manage and control the implementation of plans for the expansion and delivery of International Programmes will have a major negative impact on the sustainability of International Development within the University College and its contribution to Income Generation, development of wider Partnerships internationally and student experience and opportunities.
CR5	The absence of a coherent strategy for further developing the capacity of the University College to generate and control its own income will negatively impact the sustainability of the University College's current business model.
CR6	Failure to protect and guard against loss or inappropriate access to personal and sensitive information within the University College, including from the risk of Cyber-attack, could have a major impact on the University College, both reputationally and financially.
CR7	Failure to have the right people in the right place at the right time will negatively impact on the delivery of the Corporate Plan.
CR8	Failure to have a comprehensive, integrated communications platform will negatively impact communication and opportunities for teaching and learning.
CR9	Failure to effectively manage and control the implementation of the revised Research Strategy which takes account of opportunities and threats, will negatively impact on the College's Research environment, staff publications, funding income and research impact, ultimately damaging the College's Research Profile and Reputation.
CR10	Failure to have appropriate frameworks in place for managing capital projects and Minor Routine Maintenance means that the College is not able to deliver its Estates Strategy and objectives in an effective and efficient manner and ensure compliance with statutory requirements.

Data Security

- 2.35 The University College is responsible for processing and storing personal and sensitive information and is committed to ensuring that all information assets are managed lawfully and securely. A substantial body of work commenced during 2015-16 to strengthen the University College's information asset management arrangements, including the establishment of an Information Asset Register and the development of formal policies on Records Management, Information Security, and Information Security Reporting. A Best Practice Guide and Information Asset Owner Handbook for staff have also been developed and approved by the Governing Body and an Audit of Information held within the College and who is responsible for managing it has been undertaken. During 2018-19, this will be supplemented by the development of an overarching Security Strategy, which will facilitate implementation of comprehensive security arrangements across the University College. This will include the establishment of a Security Committee and assurance arrangements. There were no reports during the year of any significant data losses.

Conclusion

- 2.36 Our review of the effectiveness of the system of internal control is informed by Internal Audit, which operates in accordance with Northern Ireland Public Sector Internal Audit Standards. The Internal Auditors submit regular reports which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement. The University College achieved an overall satisfactory level of assurance as a result of the 2017-18 programme of Internal Audit reviews.
- 2.37 Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.
- 2.38 We are satisfied that the University College has an effective governance structure and is operating to a high standard of integrity and probity. In signing this Governance Statement, we have taken assurances from the Audit and Risk Assurance Committee, which will continue to monitor Audit recommendations to ensure that all issues are addressed in a timely manner.

Dr A Heaslett

Professor Sir Desmond Rea

Principal and Chief Executive
27th November 2018

Chairman
27th November 2018

3 STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY

- 3.1 The Governing Body of the University College is responsible for the administration and management of the affairs of the University College and is required to present audited financial statements for each financial year.
- 3.2 Within the terms and conditions of the Financial Memorandum agreed between the Sponsoring Department and the Governing Body of the University College, the Governing Body, through its Chair, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University College and the result for that year.
- 3.3 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 University College will continue in operation.
- 3.4 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 University College.
- 3.5 The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University 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 University College and to prevent and detect fraud and other irregularities.
- 3.6 The maintenance and integrity of the University College website is the responsibility of the Governing Body of the University 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.
- 3.7 The Governing Body has taken reasonable steps to:
- ensure that funds from the Sponsoring Department are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with the Sponsoring Department and other conditions which the Sponsoring Department may from time to time prescribe;
 - ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - safeguard the assets of the University College and prevent and detect fraud;
 - secure the economic, efficient and effective management of the University College's resources and expenditure.

Disclosure of Information to Auditors

3.8 So far as each of the members of the Governing Body is aware at the time this report is approved:

- a) there is no relevant audit information of which the auditors are unaware and
- b) that the members of the Governing Body have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved on behalf of the Governors by:

Professor Sir Desmond Rea

Chairman
27th November 2018



Independent auditor's report to the Governing Body of Stranmillis University College

Opinion

We have audited the financial statements of Stranmillis University College ('the College') for the year ended 31 July 2018, which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, the Statement of Financial Position, the Cash Flow Statement and the related notes, including the Statement of principle accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, Stranmillis University College's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the College as at 31 July 2018 and of its financial performance and cash flows for the year then ended; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Responsibilities of the Governing Body. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are requested to report by exception

We have nothing to report in respect of the following matters where the Financial Memorandum requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of senior management specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- the Governance Statement is inconsistent with our knowledge of the College.

Responsibilities of the Governing Body

The Governing Body is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102, and for such internal control as governors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, governors are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the College or to cease operations, or has no realistic alternative but to do so.

The Governing Body are responsible for overseeing the College's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by governors.
- Conclude on the appropriateness of governor's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with the Governing Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the College's governors, as a body, in accordance with the Financial Memorandum. Our audit work has been undertaken so that we might state to the College's governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's governors as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by Financial Memorandum with the Sponsoring Department

In our opinion, in all material respects:

- income from the Sponsoring Department, grants and income, for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2018 have been applied for the purpose for which they were received; and
- income during the year ended 31 July 2018 has been applied in accordance with the College's statutes and where appropriate, with the Financial Memorandum with the Sponsoring Department.

Louise Kelly
For and on behalf of
Grant Thornton (NI) LLP
Registered Auditors
Chartered Accountants
Belfast
27th November 2018

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
For the Year Ended 31 July 2018

		2018	2017
		£	£
Income	NOTE		
Funding Grants	(2)	5,344,204	5,448,109
Tuition Fees	(3)	3,834,987	3,782,712
Research Grants and Contracts	(4)	175,100	196,203
Other Operating Income	(6)	2,651,134	2,605,580
Interest Receivable		20,330	20,332
Total Income before exceptional item		<u>12,025,755</u>	<u>12,052,936</u>
Exceptional Item - Deferred Capital Grant release	(12)	-	11,730,000
Total Income after exceptional item		<u>12,025,755</u>	<u>23,782,936</u>
Expenditure			
Staff Costs	(7) & (8)	7,464,315	7,404,344
Other Operating Expenditure	(10)	3,578,731	3,580,953
Depreciation	(13)	1,114,494	922,238
Interest Payable		149,000	174,000
Total Expenditure before exceptional item		<u>12,306,540</u>	<u>12,081,535</u>
Exceptional Item – Impairment of Land	(12)	-	11,730,000
Total Expenditure after exceptional item		<u>12,306,540</u>	<u>23,811,535</u>
Operating Deficit before tax		<u>(280,785)</u>	<u>(28,599)</u>
Taxation		-	-
Operating Deficit after tax		<u>(280,785)</u>	<u>(28,599)</u>
Actuarial gain in respect of pension scheme	(20)	1,982,000	2,353,000
Total comprehensive income for the year	(20)	<u>1,701,215</u>	<u>2,324,401</u>

All amounts above relate to the continuing operations of the University College.

STATEMENT OF CHANGES IN RESERVES

Reconciliation		2018	2017
		£	£
Opening Reserves		927,083	(1,397,318)
Total Comprehensive Income for the year		1,701,215	2,324,401
Closing Reserves	(20)	<u>2,628,298</u>	<u>927,083</u>

The notes on pages 34 to 50 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 July 2018

	Note	2018 £	2017 £
Tangible Assets	(13)	41,971,790	41,720,343
Total Fixed Assets		<u>41,971,790</u>	<u>41,720,343</u>
Trade and other receivables	(14)	224,848	192,495
Cash and cash equivalents	(15)	4,027,976	3,596,091
Total Current Assets		<u>4,252,824</u>	<u>3,788,586</u>
Creditors – amounts falling within one year	(16)	(2,337,508)	(2,073,230)
Net Current Assets		<u>1,915,316</u>	<u>1,715,356</u>
Total Assets less Current Liabilities		<u>43,887,106</u>	<u>43,435,699</u>
Less: Creditors – Amounts falling due after more than one year	(17)	(36,715,808)	(36,460,616)
Less: Provisions for Liabilities and Charges	(18)	(4,543,000)	(6,048,000)
NET ASSETS		<u>2,628,298</u>	<u>927,083</u>
Reserves	(20)	7,171,298	6,975,083
Pension Reserve	(20)	(4,543,000)	(6,048,000)
TOTAL FUNDS		<u>2,628,298</u>	<u>927,083</u>

The financial statements were approved by the Governing Body on 27th November 2018 and were signed on its behalf by:

Dr A Heaslett

Professor Sir Desmond Rea

Principal and Chief Executive
27th November 2018

Chairman
27th November 2018

The notes on pages 34 to 50 form part of these financial statements.

CASH FLOW STATEMENT
For the Year Ended 31 July 2018

	2018	2017
	£	£
Note		
Comprehensive Income for the year	1,701,215	2,324,401
Adjustments for Non-Cash Items		
Depreciation	(13) 1,114,494	922,238
Impairment	(12) -	11,730,000
Increase in Debtors	(14) (32,353)	(47,223)
Increase/(Decrease) in Creditors	(16) 273,383	(224,840)
Decrease in Pension Provision	(18) (1,505,000)	(1,848,000)
Adjustments for Investing or Financing Activities		
Investment Income	(20,330)	(20,332)
Interest Payable	149,000	174,000
Capital Grant Income Released	(2) & (19) (989,322)	(859,948)
Capital Grant Income Released – Impairment of Land Exceptional item	(12) -	(11,730,000)
Net Cash Inflow From Operating Activities	691,087	420,296
Cash Flows From Investing Activities		
Investment Income	20,330	20,332
Capital Grants Received	(19) 1,235,409	976,413
Payments Made to Acquire Fixed Assets	(13) (1,365,941)	(860,813)
Cash Flows from Financing Activities		
Interest Paid	(149,000)	(174,000)
Increase in Cash and Cash Equivalents	431,885	382,228
Net Funds at 1 August	(15) 3,596,091	3,213,863
Net Funds at 31 July	4,027,976	3,596,091

The notes on pages 34 to 50 form part of these financial statements.

NOTES TO THE ACCOUNTS

For the year to 31 July 2018

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Format of Accounts

These financial statements have been prepared on the going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, Financial Reporting Standards (FRS102) and the Financial Memorandum between the Sponsoring Department and the University College (October 2015).

Basis of Accounting

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

(b) Recognition of Income

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University College are included as expenditure in Note 10.

Income from grants, contracts and other services rendered is included to 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 period in which it is earned.

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

(c) Capital Grants

Non-recurrent grants from the Sponsoring Department received in respect of the acquisition of fixed assets are recognised in income over the expected useful life of the asset.

(d) Pension Schemes

The two principal pension schemes for the college's staff are the Northern Ireland Teacher's Pension Scheme (NITPS) and the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) defined benefit schemes. Payments are made to the Northern Ireland Teachers Pension Scheme (NITPS) for academic staff and to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) for non-academic staff. These are both independently administered schemes.

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 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 employer contribution rate has continued at 17.7% from 1 April 2015 and will (as far as the College is aware) remain at this rate for the 2018 - 19 financial year. A full actuarial review of the Northern Ireland Teachers Pension Scheme is currently in progress.

NILGOSC is a defined benefit scheme which is externally funded. The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the basis of the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the college benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

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

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the college are charged to the Statement of Comprehensive Income.

The NILGOSC Fund is valued every three years by an independent actuary. The latest valuation was carried out on 31 March 2016 by the Committee's Actuary, AON Hewitt and is subject to the new regulations for the LGPS (NI) 2015 scheme. Employer's contribution rates increased from 18% to 19% during the financial year (April 2018). An additional "Deficit Recovery" standard charge has been levied by the Scheme from April 2017 onwards. The Employer Rate will rise to 20% in the forthcoming financial year (April 2019). The standard Deficit Recovery charge will also continue during this period.

(e) **Tangible Fixed Assets**

Land and Buildings

Land and buildings inherited from the Sponsoring Department on incorporation are stated in the Statement of Financial Position at valuation (less any impairment) on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Freehold land is not depreciated. Freehold buildings and major adaptations to buildings are depreciated over their expected useful economic life to the University College of between 20 and 50 years unless there is any evidence that suggests that the useful life is less than 20 years in which case the building is depreciated over the shorter period. A review of building condition and useful lives is reassessed every 3 – 5 years.

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 deferred income and are released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Equipment & Motor Vehicles

Equipment costing less than £10,000 per individual item is written off to the Statement of Comprehensive Income and Expenditure in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

- Motor vehicles and general equipment – 3 - 5 years;
- Computer equipment – 3 - 5 years;
- Furniture and fittings – 5 years.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above depreciation rates, with the related grant being credited to deferred income and released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related equipment.

(f) Maintenance of Premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period that it is incurred.

(g) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the Statement of Comprehensive Income and Expenditure in the period in which they arise.

(h) Taxation

The University College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section Part 11 of the Income and Corporation Taxes Act 2010 (CTA 2010). Accordingly, the University College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11 of CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University College receives no similar exemption in respect of Value Added Tax. The University College is exempted from levying VAT on most of the services it provides to students. For this reason the University College is partially exempt in respect of VAT, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

(i) Liquid Resources

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

(j) Provisions

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

(k) Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are required when applying accounting policies. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The University College makes estimates and assumptions concerning the future, which can involve a high degree of judgement or complexity. These resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

i. Recovery of debtors

Estimates are made in respect of the recoverable value of trade and other debtors. When assessing the level of provisions required, factors including current trading experience, historical experience and the ageing profile of debtors are considered.

ii. Defined benefit pension scheme obligations

Pension scheme obligations are an estimate of the amount required to pay the benefits that employees have earned in exchange for current and past service, assessed and discounted to present value using the assumptions shown in Note 22. The University College relies on information received from the independent actuary to determine each assumption used which reflects historical experience and current trends.

(l) Exceptional Items

The University College has adopted an accounting policy and Statement of Comprehensive Income and Expenditure format that seeks to highlight significant items of income and expenditure for the year. The University College believes that this presentation provides a more helpful analysis as it highlights one-off “exceptional” items by virtue of their scale and nature. Such items include any significant impairment of assets or significant releases from the Deferred Capital Grant.

2 FUNDING GRANTS

The total received from the Sponsoring Department comprised:

	2018 £	2017 £
Recurrent Grant	4,131,920	4,224,867
Release of deferred capital grants	989,322	859,948
Widening Participation	50,634	50,634
Research Funding	62,540	57,383
PSTF Voluntary Exit Scheme Funding	109,788	255,277
	5,344,204	5,448,109

3 TUITION FEES

Variable tuition fees were introduced with effect from 1 August 2006. The rate for 2017-18 was set at £4,030 for full-time students (2017: £3,925). No students were charged tuition fee under the pre 2006 funding regime in 2017-18.

	2018 £	2017 £
Full-time Students	3,160,118	3,213,971
Part-time Students	674,869	568,741
Total Fees paid by/on behalf of Students	3,834,987	3,782,712

4 RESEARCH GRANTS AND CONTRACTS

	2018 £	2017 £
UK Based Charities	2,917	5,207
European Commission	72,880	108,245
Other Grants and Contracts	99,303	82,751
Total	<u>175,100</u>	<u>196,203</u>

5 NUMBER OF STUDENTS

	2018	2017
BEd	523	537
PGCE	15	15
PGCE International	-	9
BA (ECS)	132	138
BSC (HPA&S)	111	114
TOTAL – FULL TIME	<u>781</u>	<u>813</u>

The University College continued to offer a range of courses at Master's and Certificate level attracting 114 students (2017: 114 students). In addition 161 students (2017: 152 students) undertook part-time undergraduate courses. This equated to 179 full time equivalent students (2017: 155 students) giving a total student population for the year of 960 (2017: 968 students).

6 OTHER OPERATING INCOME

	2018 £	2017 £
Residence and Catering Operations	2,147,718	2,085,638
Rents Receivable	88,300	69,317
Hire of Facilities	188,250	169,602
Sundry Other Income	226,866	281,023
	<u>2,651,134</u>	<u>2,605,580</u>

7 STAFF COSTS

	2018 £	2017 £
Wages and Salaries	5,585,920	5,476,405
Social Security Costs	533,748	506,897
Pension Costs	1,016,647	1,090,042
Other Pension Costs	328,000	331,000
	7,464,315	7,404,344
Staff Numbers	2018	2017
Lecturing Staff	45	45
Support Staff	138	138
	183	183

The amount paid under the 2017/2018 Public Sector Transformation Fund (PSTF) Voluntary Exit Scheme during the year amounted to £109,788 (2017: £255,277) which includes £49,828 (2017: £167,273) in relation to pension release costs incurred by the University College. The scheme was approved by the Governing Body during the course of the financial year. The total costs of £109,788 (2017: £255,277) were funded by the Sponsoring Department through the PSTF Voluntary Exit Scheme as shown in Note 2.

There were no payments to members of the Governing Body during the year other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 ANALYSIS OF STAFF COSTS BY ACTIVITY

	2018 £	2017 £
Teaching Departments	3,139,669	3,207,002
Teaching Support Services	82,304	117,711
Other Support Services	492,711	641,130
Admin and Central Support Services	1,337,815	1,210,539
Premises	896,981	771,248
Catering and Residences	931,463	907,515
Other Income Generating Activities	255,372	218,199
Other Pension Costs	328,000	331,000
	7,464,315	7,404,344

9 KEY MANAGEMENT PERSONNEL

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University College and are represented by the Senior Leadership Team which comprises the Principal and Chief Executive, four Academic Directors, Heads of Finance and Human Resources with inputs from the Head of Estates Services, Head of Hospitality, Accommodation and Conferencing Services and the Digital and Technical Services Manager.

Emoluments of Key Management Personnel (including the Principal and Chief Executive) are as follows:

	2018 No.	2018 £	2017 No.	2017 £
Salary	10	619,818	11	630,199
Pension contributions		110,270		106,649
Total Emoluments		730,088		736,848

The above emoluments include amounts payable to the Principal and Chief Executive (who is the highest paid employee) of:

	2018 £	2017 £
Salary	105,929	101,125
Pension contributions	18,749	17,899
	124,678	119,024

The pension contributions in respect of the Principal and Chief Executive are in respect of employer's contributions to the Northern Ireland Teachers Pension Scheme and are paid at the same rate as other employees who are contributors to the Scheme.

10 OTHER OPERATING EXPENSES

	2018 £	2017 £
Hospitality Services Operating Expenses	677,270	607,179
Course Consumables, Equipment & Field Trips	46,578	51,249
Purchase, Hire and Repair of Other Equipment	51,625	52,482
IT Maintenance Costs	41,732	29,124
Library Costs	97,004	99,067
Student Placements – Travel and Subsistence	2,270	423
Energy Costs	487,892	340,168
Rates and Insurance	453,764	443,385
Refurbishment, Maintenance & Cleaning	460,873	513,010
Telephone	46,029	37,695
Sundry Course Costs	55,213	86,077
Postage and Printing	71,797	83,325
Advertising and Recruitment	33,444	42,612
Validation Costs to QUB	357,985	345,581
External Examiner Costs	8,738	8,401
Auditors Remuneration in respect of:		
Internal Audit Services	13,320	13,986
External Audit Services	6,600	6,600
Other Audit Services	882	-
Other Professional Fees	66,922	122,225
Occupational Health Service	5,410	34,866
Staff Training and Development	69,612	61,062
Widening Participation & Bursary Costs	126,030	191,751
Research Project Costs	145,985	138,359
Equipment Replacement	582	2,322
Stationery	9,826	9,122
Publications & Subscriptions	98,989	64,596
Travel Costs	34,648	44,185
Other	107,711	152,101
	3,578,731	3,580,953

11 TAXATION

The University College did not incur any taxation liability during the period (2017: £Nil).

12 EXCEPTIONAL ITEMS

In the year ended 31 July 2017 an exceptional item arose as detailed in the following paragraph:

At 31 July 2017 an impairment review was carried out on the carrying value of the College Land by Land and Property Services. Upon assessment it was determined that the carrying value held within the financial statements exceeded the current market value by £11.73m resulting in an impairment charge. However, upon Incorporation in 2005 the land was transferred from the Sponsoring Department at the prevailing market value at that time and recognised within the Deferred Capital Grant. The impairment charge of £11.73m therefore results in an equal and opposite release to the Deferred Capital Grant. This exceptional charge and corresponding Deferred Capital Grant Release have been recognised within the Statement of Comprehensive Income and Expenditure as both exceptional expenditure and exceptional income. There is therefore no overall effect on the Statement of Comprehensive Income and Expenditure. This has also led to a reduction in both the carrying value of Fixed Assets and the Deferred Capital Grant liability by £11.73m. There is therefore no overall effect on the Net Assets of the College within the Statement of Financial Position.

There were no exceptional items in the year to 31 July 2018.

13 FIXED ASSETS

	Freehold Land and Buildings £	Equipment £	Vehicles £	Total £
Cost:				
At 1 August 2017	71,147,181	2,305,278	50,716	73,503,175
Additions	1,260,651	69,228	36,062	1,365,941
Disposals	-	-	-	-
At 31 July 2018	<u>72,407,832</u>	<u>2,374,506</u>	<u>86,778</u>	<u>74,869,116</u>
Depreciation and Impairment:				
At 1 August 2017	29,452,456	2,297,181	33,195	31,782,832
Charge for the year	1,081,268	15,870	17,356	1,114,494
Disposals	-	-	-	-
At 31 July 2018	<u>30,533,724</u>	<u>2,313,051</u>	<u>50,551</u>	<u>32,897,326</u>
NBV 31 July 2018	<u>41,874,108</u>	<u>61,455</u>	<u>36,227</u>	<u>41,971,790</u>
NBV 31 July 2017	<u>41,694,725</u>	<u>8,097</u>	<u>17,521</u>	<u>41,720,343</u>
Inherited	27,650,487	-	-	27,650,487
Financed by Capital Grant	11,079,208	54,953	-	11,134,161
Other	3,144,413	6,502	36,227	3,187,142
NBV 31 July 2018	<u>41,874,108</u>	<u>61,455</u>	<u>36,227</u>	<u>41,971,790</u>

A review of the value of Land and Building assets was carried out as at 31 July 2017 by Land & Property Services. As noted in Note 12 this resulted in an impairment charge in relation to the College land. No such valuation was carried out in the year ended 31 July 2018.

The book values of College Buildings at implementation have been retained. Land and buildings inherited from the Sponsoring Department at incorporation were valued at 1 October 2005 at depreciated replacement cost by Land and Property Services.

Land and buildings with a net book value of £38,784,648 (2017: £38,537,915) have been financed by exchequer funds. Prior approval is required from the Sponsoring Department if any of these assets were to be sold and the University College is required, under the terms of the Financial Memorandum with the Department, to surrender the proceeds.

14 TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Debtors	75,978	141,307
Prepayments & Accrued Income	148,870	51,188
	<u>224,848</u>	<u>192,495</u>

15 CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at Bank and in Hand	827,976	746,091
Short Term Deposits	3,200,000	2,850,000
	<u>4,027,976</u>	<u>3,596,091</u>

16 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	2018 £	2017 £
Creditors and Accruals	1,008,913	759,453
Payments Received in Advance	32,161	26,213
Deferred Income – Capital Grants – Land & Buildings	836,599	859,948
Deferred Income – Capital Grants – Equipment	14,244	-
Deferred Income – Other	186,899	165,418
Social Security and Other Tax Payable	258,692	262,198
	<u>2,337,508</u>	<u>2,073,230</u>

17 CREDITORS: AMOUNTS DUE AFTER ONE YEAR

	2018 £	2017 £
Deferred Income – Capital Grants – Land & Buildings	36,675,100	36,460,616
Deferred Income – Capital Grants – Equipment	40,708	-
	36,715,808	36,460,616

18 PROVISIONS FOR LIABILITIES AND CHARGES

	2018 £	2017 £
Net Pension Liability	4,543,000	6,048,000
	4,543,000	6,048,000

19 DEFERRED CAPITAL GRANTS

	Land & Buildings £	Equipment £	Total £
Balance as at 1 August 2017	37,320,564	-	37,320,564
Received in the year from the Sponsoring Department	1,164,188	71,221	1,235,409
Released to Statement of Comprehensive Income & Expenditure	(973,054)	(16,268)	(989,322)
Balance as at 31 July 2018	37,511,698	54,953	37,566,651

Disclosed as:

	2018 £	2017 £
Creditors: Amounts due within one year (Note 16)		
Deferred Income – Capital Grants – Land & Buildings	836,599	859,948
Deferred Income – Capital Grants – Equipment	14,244	-

Creditors: Amounts due over one year (Note 17)

Deferred Income – Capital Grants – Land & Buildings	36,675,100	36,460,616
Deferred Income – Capital Grants – Equipment	40,708	-
	37,566,651	37,320,564

20 STATEMENT OF MOVEMENT IN RESERVES

	Trust £	General £	Pension £	Total £
Balance as at 1 August 2016	2,029	6,496,653	(7,896,000)	(1,397,318)
Retained Surplus	-	2,324,401	-	2,324,401
Actuarial gain on Pension Liability	-	(2,353,000)	2,353,000	-
Pension Reserve Transfer	-	505,000	(505,000)	-
Balance as at 31 July 2017	2,029	6,973,054	(6,048,000)	927,083
Retained Surplus	-	1,701,215	-	1,701,215
Actuarial Gain on Pension Liability	-	(1,982,000)	1,982,000	-
Pension Reserve Transfer	-	477,000	(477,000)	-
Balance as at 31 July 2018	2,029	7,169,269	(4,543,000)	2,628,298

The Trust Fund represents donations, the income from which is used to provide financial support to students not eligible to access the Sponsoring Department Student Support funding. The funds are maintained in separate identifiable assets and are stated at cost.

21 POST STATEMENT OF FINANCIAL POSITION EVENTS

There were no material post Statement of Financial Position events.

22 PENSIONS

The University College's employees belong to two principal pension schemes, the Northern Ireland Teachers Pension Scheme (NITPS) and the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC). The total pension cost, excluding FRS102 entries for the period, was £1,016,647 (2017: £1,090,042). This figure includes pension release payments of £49,828 made during the year (2017: £167,273). FRS102 adjustments in the year amounted to a charge of £328,000 (2017: £331,000).

Northern Ireland Teachers Pension Scheme (NITPS)

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates.

Under the definitions set out in FRS102 NITPS is a multi-employer pension scheme. The University College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University College has accounted for its contributions as if it were a defined contribution scheme.

The total contribution made for the period ended 31 July 2018 was £666,822 (2017: £661,068) of which employer's contributions totalled £419,401 (2017: £415,804) and employees' contributions totalled £247,421 (2017: £245,264). The employer contribution rate has continued at 17.7% from 1 April 2015. Employee contributions are in a range between 7.4% and 11.7 % dependent on employee earnings.

Northern Ireland Local Government Officers Superannuation Committee (NILGOSC)

The Northern Ireland Local Government Officers Pension Scheme is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2018 was £773,675 (2017: £836,335) of which normal employer's contributions totalled £547,418 (2017: £506,965), employer pension release contributions totalled £49,828 (2017: £167,273) and employees' contributions totalled £176,429 (2017: £162,097).

The latest valuation was carried out on 31 March 2016 by the Committee's Actuary, AON Hewitt and is subject to the new regulations for the LGPS (NI) 2015 scheme. Employer's contribution rates increased from 18% to 19% during the financial year (April 2018). An additional "Deficit Recovery" standard charge has also been levied by the Scheme from April 2017 onwards. The Employer Rate will rise to 20% in the forthcoming financial year (from April 2019).

Under the definitions set out in FRS102, NILGOSC is a multi-employer pension scheme. The University College is able to identify its share of the underlying assets and liabilities of the scheme and accordingly presents the following information required by FRS102.

The principal actuarial assumptions used by the actuaries were as follows:

	2018	2017
Pension Increase Rate	2.1%	2.0%
Salary Increase Rate	3.6%	3.5%
Discount Rate	2.8%	2.6%
RPI Inflation	3.2%	3.1%
CPI Inflation	2.1%	2.0%

The post-retirement mortality assumptions used to value the benefit obligation at 31 July 2018 are based on the recent actuarial mortality experience of members within the Fund and allow for expected future mortality improvements using the Standard SAPs S2P year of birth base tables. These are summarised below:

	2018 Male years	2018 Female years	2017 Male years	2017 Female years
Current pensioners	23.3	25.9	23.2	25.8
Future pensioners	25.5	28.2	25.4	28.1

The fair value of the assets in the scheme were:

	Assets at 31 July 2018 £'000	Assets at 31 July 2017 £'000
Equities	13,372	14,555
Government Bonds	3,502	1,020
Corporate Bonds	1,510	1,157
Property	2,232	1,942
Cash	875	745
Other	394	197
Total	21,885	19,616

The above asset values as at 31 July 2018 are at bid value as required under FRS102.

The amounts recognised in the Statement of Financial Position are as follows:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Fair Value of Scheme Assets	21,885	19,616
Present Value of Scheme Liabilities	(26,428)	(25,664)
Net (Underfunding) in Funded Plan	(4,543)	(6,048)

Amount in the Statement of Financial Position

Liabilities	(4,543)	(6,048)
Assets	-	-
Net Pension Liability	(4,543)	(6,048)

The amounts charged to the Statement of Comprehensive Income and Expenditure are as follows:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Current Service Cost	879	838
Net Interest Cost	149	174
Past Service Cost	50	238
Curtailments and Settlements	-	-
Closing Balance	<u>1,078</u>	<u>1,250</u>
Actual Return on Plan Assets	2,159	1,258

Reconciliation of Defined Benefit Obligation:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Opening Defined Benefit Obligation	25,664	26,001
Current Service Cost	879	838
Past Service Costs	50	238
Interest Expense on Defined Benefit Obligation	661	593
Actuarial Gain on liabilities	(335)	(1,514)
Contributions by Members	176	163
Impact of Settlements and Curtailments	-	-
Net Benefits Paid	(667)	(655)
Closing Balance	<u>26,428</u>	<u>25,664</u>

Reconciliation of Fair Value of Employers Assets:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Opening Fair Value of Employers Assets	19,616	18,105
Interest Income on Assets	512	419
Contributions by Members	176	163
Contributions by the Employer	601	745
Contributions in Respect of Unfunded Benefits	-	-
Actuarial Gains	1,647	839
Impact of Settlements and Curtailments	-	-
Estimated Unfunded Benefits Paid	-	-
Net Benefits Paid	(667)	(655)
Closing Balance	<u>21,885</u>	<u>19,616</u>

Amounts for the current and previous four periods are as follows:

	2018	2017	2016	2015	2014
Present Value of Employers Assets	21,885	19,616	18,105	15,913	14,224
Present Value of Defined Benefit Obligation	(26,428)	(25,664)	(26,001)	(20,747)	(18,305)
Deficit on the Scheme	(4,543)	(6,048)	(7,896)	(4,834)	(4,081)

23 CAPITAL COMMITMENTS

	2018 £	2017 £
Commitments Contracted at 31 July	19,393	246,315
	<u>19,393</u>	<u>246,315</u>

The balance of monies due on the boiler decentralisation project and a new lawnmower constitute this liability at 31 July 2018.

24 CONTINGENT LIABILITY

There were no contingent liabilities at the Statement of Financial Position date.

25 RELATED PARTY TRANSACTIONS

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

26 OTHER FUNDS**Support Fund**

	Year Ended 31 July 2018 £	Year Ended 31 July 2017 £
Opening Balance	1,615	3,600
Sponsor Department Grant	35,000	36,000
Bank Interest less Charges	-	11
Disbursed to Students	(33,400)	(37,525)
Audit Fees	(471)	(471)
Balance unspent at 31 July	<u>2,744</u>	<u>1,615</u>
Amount returned to DfE	-	-
Closing Balance	<u>2,744</u>	<u>1,615</u>

In the 2017/18 financial year the Sponsor Department allocated £35,000 (2017: £36,000) to the University College to assist, on a discretionary basis, those students whose access to higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties associated with their living costs.

Stranmillis Trust

In 1986 the University College established a charitable trust which, in 1987, was incorporated under the Charities Act (NI) 1964 and named the Stranmillis College Charity Trust. The members are empowered by the deed to apply the income and such of the capital as they think fit to assist the advancement of the education and training of persons entering the University College where such persons have need of such assistance because of economic or other circumstances.

The value of the Trust as at 31 July 2018 was £32,142 (2017: £32,141). As the Trust is a separate legal entity it is not incorporated in the Statement of Financial Position of the University College.