

Stranmillis University College

A College of Queen's University Belfast.

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

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 March 2020 | Chair of the Governing Body | Member of HR and Remuneration Committee; Co-opted Member of the Education Committee |
| E Jardine CB, MSc, BSc | 1 August 2014 | 31 March 2020 | Vice-Chair of the Governing Body | Chair of the Finance and General Purposes Committee; Member of the HR and Remuneration Committee |
| Professor Anne 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 March 2020 | Member | Chair of the Audit and Risk Assurance Committee |
| Mr K Nelson MBE, BA, MBA, MSc, FCML, CMGR | 29 March 2013 | 31 March 2020 | Member | Member of the Audit and Risk Assurance Committee |
| Mr R Thompson MA, BA, DASE CertED | 29 March 2013 | 31 March 2020 | Member | Member of the Finance and General Purposes Committee; Chair of the Education Committee |
| Dr E Birnie MA, PhD | 1 August 2014 | 31 March 2020 | Member | Member of the Finance and General Purposes Committee |
| Mr W Patterson BA, MBA, FCIPD | 1 August 2014 | 31 March 2020 | Member | Member of the Finance and General Purposes Committee; Chair of the HR and Remuneration Committee |
| Mr R Hanna BEd MSc PGDip MSc | 1 August 2014 | 31 March 2020 | Member | Member of the Audit and Risk Assurance Committee |
| Dr A Brown BEd, MSSc, PhD, FCIEA, FCoIT, FRSA | 4 November 2014 | 3 November 2022 | Academic Staff Representative | None |
| Mrs D Brown | 1 April 2017 | 31 March 2021 | Support Staff Representative | None |
| Miss K McQuillan | 1 June 2018 | 31 May 2019 | Student Representative | None |
| Mr Chris Pollock | 1 June 2019 | 31 May 2020 | Student Representative | None |

- 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.
- Since his appointment, it has been the Chair's practice to attend also, the Finance and General Purposes Committee and the Education Committee. In respect to the latter, the Chair co-opted onto the Education Committee to ensure that all meetings were quorate.

1. REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2019

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 2019.
- 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). 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, a number of Foundation Degrees in collaboration with the Further Education sector and a range of courses at Master's level. All of the College's award bearing programmes are validated by Queen's University, Belfast (QUB)
- 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 Leaders 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 number of overseas partners. In addition, the University College has developed 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 The Stranmillis University College's mission is: 'transforming the lives of children, young people and communities, through excellence in teaching, scholarship and research.' Its vision is 'to be a high performing specialist higher education institution in the field of teacher education and related professions; driving and leading innovative professional practice that will:
- Shape education
 - Unlock potential
 - Build better futures for all
- 1.6 The following values shape the way the University College operates:
- The University College:
- is student-focused: nurturing, developing and maximising the potential of every student.
 - pursues excellence: demonstrating leadership in scholarship, teaching, research and professional practice.
 - champions collaboration: creating effective partnerships locally, nationally and internationally.
 - promotes social responsibility, embraces diversity and respect: listening to and working with colleagues and the wider College community; and
 - promotes entrepreneurship: delivering innovative programmes and projects, growing income generation and promoting good governance.

- 1.7 The University College pursues its mission by aiming to:
- deliver high-quality teaching and learning that is informed by scholarship and research, promotes critical enquiry and is recognised at regional, national and international level;
 - attract, develop, motivate and retain high calibre students, improving accessibility, including for those currently under-represented in Higher Education;
 - enable all learners, from entry to employment, to achieve their full potential through the provision of appropriate and timely support services;
 - focus scholarship and research to help inform teaching, shape policy, change practice and inform debate;
 - develop and sustain collaborative partnerships, locally, nationally and internationally which promote the concept of learning communities and sharing resources;
 - embed the concept of lifelong learning at all levels;
 - attract, retain and develop high calibre staff;
 - create a safe and attractive working environment to support the College community;
 - maximise income generation to ensure financial sustainability;
 - improve communication to demonstrate impact to both internal and external stakeholders.
- 1.8 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.
- 1.9 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.
- 1.10 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 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

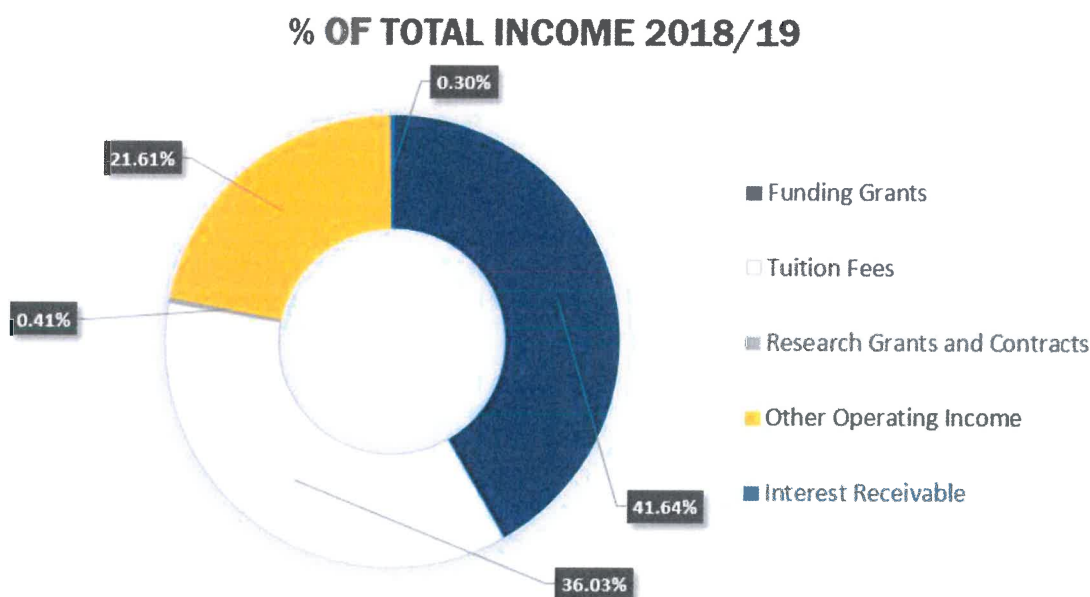
- 1.11 These financial statements have been prepared on the going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, Financial Reporting Standards (FRS102), the Management Statement and Financial Memorandum between the Sponsoring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

1.12 The University College's Income, Expenditure and Results for the year to 31 July 2019 are summarised below:

| | 2019 £'000 | 2018 £'000 |
|--|----------------|---------------|
| Income | 12,213 | 12,026 |
| Expenditure | (12,661) | (12,307) |
| Operating Deficit | <u>(448)</u> | <u>(281)</u> |
| Actuarial (Loss)/Gain in respect of NILGOSC pension scheme | (2,560) | 1,982 |
| Total Comprehensive (Expenditure) / Income | <u>(3,008)</u> | <u>1,701</u> |

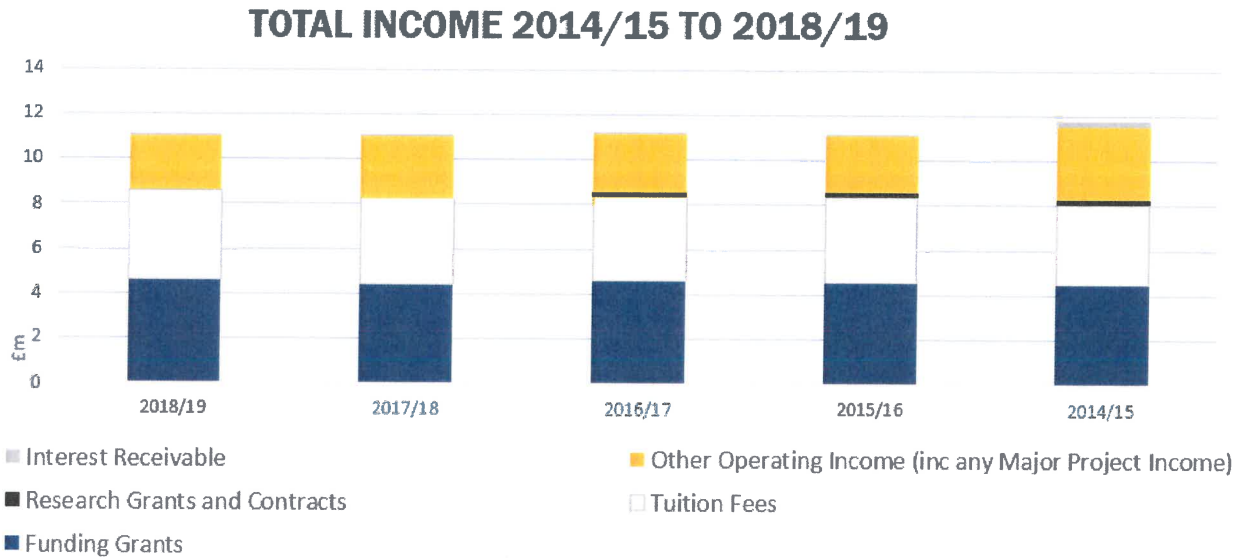
Income

1.13 Total income for the year was £12.2m representing an increase of £187k (1.6%) on the prior year. The main components of this income (excluding the deferred capital grant release) are shown in the chart below.



1.14 In interpreting income, readers should note that total Funding Grants includes £1,161k (2018 - £989k) 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 9.5% (2018 - 8.2%) of amounts recorded as income in the year. Recurrent Grant funding received from the Sponsor Department increased by £38k compared with the previous year. Additional funding was secured from April 2019 to July 2019 to contribute towards the increase in the Northern Ireland Teachers Pension Scheme Employer contribution rate. Funding Grant Income also included £263k of Public Sector Transformation Funding (2018 - £110k) 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.

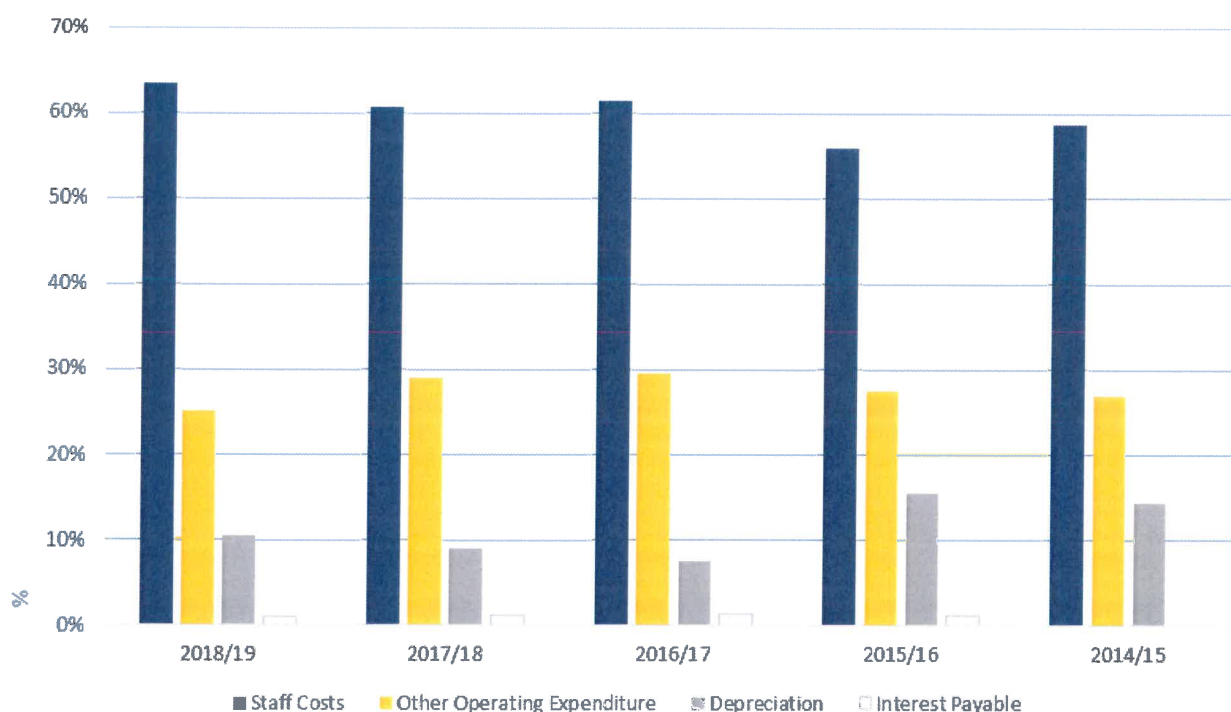


- 1.15 Tuition Fee income of £3.98m increased by £147k in the year (2018 – increase of £52k) with income relating to full-time tuition fee income increasing by 6% with part-time tuition fee income falling by 6%. Total full-time equivalent student numbers have reduced by 6 to 954 (2018 – 960). Tuition Fee income contributed 32.6% (2018 – 31.9%) of Total Income.
- 1.16 Halls of Residence, Catering, Conferencing, Rental and Room Hire income, under the management of the Hospitality, Accommodation and Conferencing Services Department, contributed £2,043k or 16.7% of total income in the year (2018 - £2,424k or 20.2%), a decrease of £381k. Halls occupancy has been adversely affected by the increased availability of a significant volume of new student residential accommodation across Belfast.
- 1.17 Sundry Other Income has increased by £29k to £256k in the year (2018 - £227k).
- 1.18 Some 20.2% (2018 – 23.2%) of Total Income in the year was derived from sources other than Sponsoring Department Funding Grants and Tuition Fees. Despite a reduction over the year, success continues to be 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

- 1.19 Total Expenditure for the year was £12.7m representing an increase of £354k (2.9%) on prior year. The chart below shows the percentage of total spend over the last 5 years.

% OF EXPENDITURE TO TOTAL EXPENDITURE 2014/15 TO 2018/19



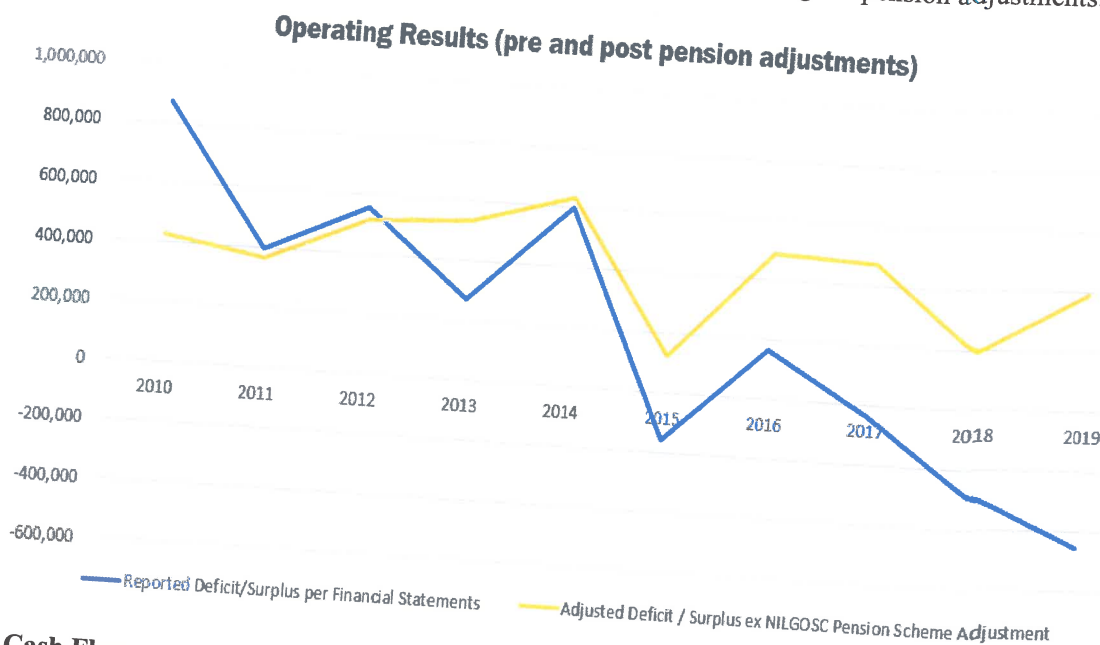
- 1.20 After adjusting for the impact of FRS102 NILGOSC pension scheme actuarial valuation, staff costs increased by £165k or 2.3%. Voluntary Exit Scheme costs during the year amounted to £266,990 (2018: £109,788) which includes £36,364 (2018: £49,828) in relation to pension release costs. Total costs of £262,680 (2018: £109,788) were funded by the Sponsoring Department through the 2018/19 Public Sector Transformation Fund Voluntary Exit Scheme disclosed under Funding Grants Income.
- 1.21 Other Operating Expenditure of £3,188k decreased by £390k or 10.9% on the previous year (2018 decreased by £2k and 0.1%). The most significant decrease in expenditure experienced in the year was a reduction in Energy costs by £119k (24.3%) due to the temporary use of oil instead of gas fuel during a significant boiler replacement project in 2018. The works were completed during the year and all boilers were returned to using more efficient gas fuel. Hospitality Services Operating Expenses have decreased by £109k (16.1%) due to reduced occupancy in Halls of Residence resulting in lower variable costs. Telephone costs have decreased by £26k (57%) due to the implementation of a new more efficient telephone system and related call charges in the 2018 giving rise to a full year of reduced costs. Advertising and Recruitment costs have increased by £31k (91%) with more activity undertaken in the year to promote both Halls of Residence and academic courses. Success in obtaining Sponsor Department capital funding for an upgrade of the Physical Activity Laboratory equipment and an associated change in accounting treatment of the related costs accounts for some of the reduction of £60k in Purchase, Hire and Repair of Other Equipment costs. A higher level of Professional Fees was incurred in the prior year in relation to estates related projects and condition surveys with a consequent £46k reduction in Other Professional Fees over the year. A reduction in the use of printed promotional materials with more emphasis on online marketing channels and lower copier rental charges in the most recent year has contributed to the £38k reduction in Printing, Postage and Stationery costs. Publications and Subscription Costs appear to have reduced by £40k. However, the College accrued significant costs in the prior year as a result of under billing by a supplier in previous years. Increased

student uptake of the RE Certificate (which is required to teach in the Maintained Sector) has been experienced in the year creating a £17k increase in Course Consumable, Equipment and Field Trip costs. The high numbers of College academic staff qualified to doctorate or PhD level is reflected in the reduced Staff Training and Development spend in the year.

1.22 Depreciation represented 10.5% (2018 – 9.1%) of total expenditure.

1.23 Included within the Statement of Comprehensive Income and Expenditure is a charge of £840k (2018 - £477k) relating to the FRS102 accounting adjustment required as a result of annual actuarial valuation of the NILGOSC pension scheme. The adjustment included two significant increases in Past Services costs due to both ‘McCloud-Sergeant’ (£372k) and Guaranteed Minimum Pension (GMP) Indexation and Equalisation (£62k) which has resulted in additional costs to the Income & Expenditure account. Further details about the College pension arrangements can be found at Note 22.

1.24 Adjusting for the impact of the FRS102 NILGOSC pension scheme actuarial valuation, an operating surplus of £392k was achieved (2018 - £196k) 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 continues to be embraced. The graph below shows the operating surpluses (before pension adjustments) generated over recent years compared with the reported financial deficit/surplus including the pension adjustments.



Cash Flow

1.25 The cash flow statement shows a net increase in cash of £77k (2018 – £432k).

Statement of Financial Position

1.26 Overall the Statement of Financial Position shows a Net Liability position of £380k (2018 – Net Assets of £2,628k) largely as a result of the increase in the pension provision. Despite funding some further capital projects during the year, cash holdings and short term deposits also remain strong at £4.1m (2018 - £4m). 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 £392k in the year to £7,563k (2018 - £7,171k), an amount equivalent to the operational

surplus generated excluding the impact of the £840k pension scheme actuarial charge adjustment required under FRS102.

Capital Investment

- 1.27 During the year the University College invested £300k in building works (2018 - £1,261k), £643k in equipment (2018 - £69k) and £17k in vehicle purchases (2018 - £36k). The most significant capital investments during the year related to campus Health & Safety improvements works (£225k) project and an IT Infrastructure Upgrade project to improve campus Wi-Fi and enhancements to IT Security, IT Hardware, a new Virtual Learning Environment and the upgrade of Teaching and Learning IT equipment (£547k). Other capital projects included the upgrade of Cycle Parking across campus (£11k), improvements to the College Physical Activity Laboratory (£35k) and the installation of a new dishwasher in the main campus kitchen (£51k). The University College continues to invest its Sponsoring Department's capital allocation in schemes which enhance the teaching and learning environment and which improve health and safety for campus.
- 1.28 In the current year the University College received Sponsoring Department capital grants of £214k in relation to building works (2018 - £1,164k) and £533k in relation to equipment purchases (2018 - £71k).

Future Developments

- 1.29 The University College has continued to receive more significant levels of recurring Sponsoring Department capital funding than was previously the case.
- 1.30 It is expected that, with the support of Sponsor Department capital 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. Estates projects expected to progress during 2019-20 include a project to upgrade the University College's outdoor Sports Facilities which is currently at the planning stage and a project to demolish a prefabricated building which is beyond the end of its useful life. A number of other Estates 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.
- 1.31 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

- 1.32 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%.
- 1.33 During the accounting period 1 August 2018 - 31 July 2019, the University College paid 96% of its invoices within 30 days (2018: 89%). The University College incurred no interest charges in respect of late payment for this period.
- 1.34 The Northern Ireland Executive is committed to paying suppliers as quickly as possible, within 10 working days. During the accounting period 1 August 2018 - 31 July 2019, the University College paid 82% of its invoices within 10 days (2018: 79%).

Principal Risks and Uncertainties

- 1.35 Outlined in the Governance Statement in the Table at Paragraph 2.33, 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 3 and 5. 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.
- 1.36 There continues to be considerable budget constraints across NI Departments and consequential budget constraints in relation to Higher 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.
- 1.37 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.
- 1.38 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 to the achievement of the University College's objectives, 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 managed by an identified individual and are prioritised using a consistent scoring system. Risk Registers are also maintained in key operational areas within the University College and this is supported by the provision of Risk Management coaching and awareness. 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, which is published on the University College's website.

Stakeholder Relationships

- 1.39 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.
- 1.40 The University College enjoys positive relationships with all its stakeholders and engages in regular communication with them through the University College website, 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. Marketing and Public Relations management also ensures continuous improvement in this area and maximises 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.

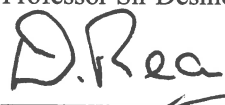
Equal Opportunities and Employment of Disabled Persons

- 1.41 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.
- 1.42 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 beliefs, political opinion or racial group. The University College has included the promotion of good relations as part of the corporate planning process.
- 1.43 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 the resources necessary 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

- 1.44 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.
- 1.45 Recent years have seen significant alterations to help make the campus 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.
- 1.46 Overall, during 2018-19, the University College has continued to deliver on its core business commitments; demonstrating its ongoing commitment to good governance and to delivering a quality experience for Students.

Professor Sir Desmond Rea



Chairman: 26th November 2019

2 GOVERNANCE STATEMENT

- 2.1 The role of the Governing Body of Stranmillis University College is to support the Principal in the day-to-day management of the Institution and to hold her to account for doing so. 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 based on the Institution's Corporate/Business Plan and 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 2019 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 and updated in 2018.
- 2.5 Throughout the period ended 31 July 2019, 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 (CUC Code 2018). An independent Review during 2018-19 of current practice in the College against the CUC Code confirms that the University College is compliant with all of the primary elements of the Code. However, a number of actions will be taken forward to further strengthen the University College's compliance with the Code with respect to the following areas:
- An audit of inequalities will be undertaken and the Equality Action Plan will be updated;
 - Progress reporting against targets set within the Disability Action Plan will be reported to the HR and Remuneration Committee and the Governing Body;
 - There will be an annual Report to the Governing Body on the implementation of the Corporate Responsibility Policy; and
 - The University College's Scheme of Delegation will be reviewed.

An Action Plan will be developed in respect to these matters and progress will be monitored by the Audit and Risk Assurance Committee in 2019-20.

The Governing Body is also committed to engaging with independent reviews of its effectiveness. An independent review of Governing Body Effectiveness in relation to the Governing Body's oversight of Academic Governance has been undertaken by the Quality Assurance Agency in the context of the recent Quality Assurance Review of the College. This is a significant aspect of the Governing Body's remit. While there were a small number of recommendations from the Review, there were no material issues relating to the Effectiveness of the Governing Body.

A review of Academic Governance arrangements in the University College was also undertaken by an Ad-Hoc Committee of the Governing Body as referred to in the 2017-18 Governance Report. The

ad-hoc Committee, comprising three Members appointed by the Governing Body, reported its findings to the Governing Body in June 2019. An Action Plan will be developed to take forward the recommendations and progress on implementation will be monitored by the Governing Body.

Furthermore, there was also an Annual Review of the remit of the Governing Body and its Committees in 2018-19, as well as an Annual Review of the Governing Body and Committee Work Plan. The Audit and Risk Assurance Committee also reviews its effectiveness annually against the National Audit Office Checklist and this is independently reviewed by the Department for the Economy.

Composition of the Governing Body

- 2.6 The Governing Body normally comprises 10 lay members; this is being increased to 12 lay members during 2019-20 due to two vacancies and an agreement with the Department for the Economy to recruit 2 additional members. A student representative and two staff representatives who are appointed by the Sponsor Department are also members, as too is the Principal as Chief Executive.

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 2018-19, the Governing Body met on 5 occasions. Attendance at meetings was as follows:

| Date | Number in Attendance out of 12 |
|-------------------|---------------------------------------|
| 25 September 2018 | 10 |
| 27 November 2018 | 10 |
| 19 March 2019 | 11 |
| 30 April 2019 | 8 |
| 18 June 2019 | 11 |

2.11 A comprehensive 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 Quality Review undertaken by the Quality Assurance Agency, the Continuous Action for Programme Enhancement (CAPE) Report, the outcome of the Education and Training Inspectorate (ETI) Report in respect to the Postgraduate Certificate in Early Years Education and the Annual Provider Review, which confirmed that the University College is meeting requirements;
- The revised Memorandum of Agreement with Queen's University (QUB);
- The results of the College's performance in the National Students' Survey 2017-18;
- Governor Development;
- Corporate Planning, including a new Corporate Plan for the period 2018-21, a Business Plan for 2018-19 and monitoring and reporting on progress against Key Performance Indicator Targets;
- 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;
- Health and Safety;
- A presentation on attainment and performance in the controlled school sector;
- Corporate Risks and Risk Management including a comprehensive review of the Governing Body's Risk Appetite and the introduction of revised arrangements for the escalation and de-escalation of Risks;
- Corporate Finance monitoring and Budget and the Annual Financial Statements and Audit Findings;
- A formal Report from the Chair of the Audit and Risk Assurance Committee on the work of the Committee throughout 2018-19;
- Students' Union Audited Accounts for 2017-18;
- Staffing, including Recruitment and Promotion and Voluntary Exit arrangements;
- Human Resource Policies on Academic Promotions and an updated Declaration of Interests Policy for staff; and
- A range of other Policies, Procedures and Strategies i.e. updated Policies on Gifts and Hospitality and Anti-Money Laundering and an updated Scholarship and Research Strategy.

2.12 The Governing Body also reviewed its Register of Interests, Standing Orders, and Code of Conduct and revised its Operating Framework, including the Terms of Reference of the following Committees during 2018-19:

- 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 Student Representative also attends the Education Committee in an Observer capacity.

Operation of Governing Body Committees

Education Committee

- 2.14 During 2018-19, the Education Committee, comprising two Members (to be increased to four Members during 2019-20), met on 3 occasions. Attendance was as follows:

| Date | Number in Attendance out of 2 |
|-----------------|-------------------------------|
| 13 October 2018 | 2 |
| 12 March 2019 | 2 |
| 11 June 2019 | 2 |

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. Key areas within these Reports included for example:
 - Summary outputs in Scholarship and Research;
 - Progress in the preparations for the 2021 Research Excellence Framework (REF) exercise;
 - Research Funding;
 - Consideration of the updated Scholarship and Research strategy;
 - Updates on the development of the Centre for Research in Educational Underachievement;
 - Study Abroad recruitment;
 - The 2018 Selection Report;
 - The Erasmus+ Assessment outcome;
 - Student Complaints and Appeals;
 - Destination of Leavers Data;
 - Degree Enhancement;
 - Updates on the new arrangements for the delivery of the Religious Education (RE) Certificate;
 - The Outcome of the Annual Provider Review and the feedback received from QUB from the Non-Faculty CAPE Review Panel and Undergraduate and Postgraduate Review Groups;
 - Updates on Quality Assurance arrangements;
 - Student Withdrawals and the Reasons for Withdrawal;
- Occupational Health Provision and Counselling Services;
- Presentations on Males into Teaching, Lifelong Learning and Continuous Professional Development (CPD), Marketing and the Study Abroad Programme.

- 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 3 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 3 |
|----------------|-------------------------------|
| 9 October 2018 | 3 |
| 12 March 2019 | 3 |
| 11 June 2019 | 3 |

2.17 During the year the Committee considered:

- A range of staffing and other matters, including ‘cover’ arrangements within the Estates Department, the extension of Visiting Professor appointments and Whistleblowing complaints;
- Performance reports and key objectives and targets for Senior Management;
- The Staff Development End of Year Report for 2017-18 and Staff Development Plan 2018-19;
- A comprehensive Staffing Report;
- A Report on Equal Pay and the Gender Pay Gap position;
- Regular updates on the development of a general Facilities Agreement;
- An Academic Promotions Policy;
- An updated Declaration of Interests Policy for staff;
- Updates on the development of a Staff Survey; and
- Progress against Key Performance Indicator Targets in the Human Resources Business Plan.

2.18 The Committee also considered progress against KPI targets and any risks emerging from the business discussed during the year.

Finance and General Purposes Committee

2.19 During 2018-19, the Finance and General Purposes Committee, which has 4 Members (to be increased to 5 Members in 2019-20) 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 4 |
|------------------|-------------------------------|
| 23 October 2018 | 3 |
| 20 November 2018 | 3 |
| 26 March 2019 | 4 |
| 28 May 2019 | 3 |

2.20 During the year the Committee considered:

- Comprehensive Finance and Procurement Reports, including Management Accounts at each meeting;
- Draft Financial Statements and Audit Findings for 2017-18;
- The draft Budget 2018-19;
- A Value for Money Action Plan;
- Comprehensive Estates Reports and the updated Estates Strategy;
- Digital and Technical Services Reports;

- Hospitality Accommodation and Conferencing Services Reports, including for example the Marketing of Student Halls accommodation, Student Survey results and Halls Fees;
- Health and Safety Reports;
- Update Policies on Treasury Management, Gifts and Hospitality and Anti-Money Laundering;
- The updated Risk Management Policy; and
- A new Business proposal;

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

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 |
|------------------|-------------------------------|
| 11 October 2018 | 3 |
| 22 November 2018 | 3 |
| 4 April 2019 | 3 |
| 10 June 2019 | 2 |

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 | 11 October 2018 | 22 November 2018 | 4 April 2019 | 10 June 2019 |
|--|-----------------|------------------|--------------|--------------|
| Principal/Accounting Officer | √ | √ | √ | √ |
| Head of Finance | √ | √ | √ | |
| Head of Internal Audit | √ | | √ | √ |
| Head of External Audit | | √ | | √ |
| Department for the Economy Representative | √ | √ | √ | √ |

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 2018-19;
- The Internal Audit Annual Assurance Report for 2017-18 and Follow-up of 2016-17 Internal Audit Actions;
- The Internal Audit Operational Plan 2018-19;
- The Audit Recommendations Monitoring Schedule;
- The Corporate Risk Register, including the Review of Risk Appetite and Escalation and De-Escalation of Risks;
- Prompt Payment Statistics for 2017-18;
- The draft Primary Financial Statements and Audit findings 2017-18;
- The External Audit Strategy;
- The 2018-19 Fraud Report;
- A whistleblowing Report;
- Reports in relation to Direct Award Contracts;
- A Lessons Learned Report in relation to Post Project Evaluations;
- An Information Security update;
- Prompt payment statistics for the period 2018-19, which were considered by the Committee in October 2019;
- A Report on Freedom of Information Requests during 2018-19, which was considered by the Committee in October 2019; 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 2019.

2.25 The Committee also reviewed Reports from Internal Audit as set out in the following Table. (Except for the Assurance Report on Core Financial Controls which was reviewed in October 2019, all other Reports were reviewed during 2018-19):

| Subject Area | Nature of Audit |
|---|-----------------|
| Core Financial Controls | Assurance |
| Governance | Assurance |
| Risk Management | Assurance |
| Marketing and Communications Strategy | Assurance |
| Health and Safety | Assurance |
| Students' Union Presentation | Advisory |
| Human Resources – Recruitment and Selection | Follow-Up |
| Core Financial Controls | Follow-Up |
| Governance | Follow-Up |
| Risk Management | 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 2018-19 to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, effectiveness, efficiency and economy, 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 that need to be reported in this Governance Statement.

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 2018-19, 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 2018-19. The Committee also met in private session with the Head of External Audit in November 2018 to discuss the University College's Financial and Assurance Statements, Audit Findings and Governance Statement in respect of the year 2017-18. A further meeting to discuss matters of mutual interest and to agree the audit plan for the Financial and Assurance and Governance Statements 2018-19, took place in June 2019. The Audit findings were considered by the Committee in November 2019.

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. The small number of minor recommendations for action in 2018-19 were implemented during 2018-19. The Committee conducted a further review of its effectiveness in October 2019
- 2.30 In conclusion, the Committee was satisfied that based on the National Audit Office Checklist, it is compliant with the good practice therein and apart from the inclusion of additional evidence to support ratings and the need to ensure annual meetings between the Chair of the Committee and the Accounting Officer, 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 Committee**, 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.
- **A Research and Scholarship Committee** which has overall responsibility for the management and implementation of approved strategies and policies with respect to scholarship and research. The College's aim is to extend its reputation and performance as a regional, national and international centre of scholarship and research in Education. This will involve creating a rich, vibrant and supportive scholarship and research environment which informs and underpins teaching and learning.

Quality of Data

- 2.32 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

- 2.33 The Governing Body and its Committees, considered risks facing the University College at all meetings during 2018-19. 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. Following a significant review of the Corporate Risk Register during 2018-19, the following Corporate Risks were identified for inclusion in the Corporate Risk Register:

| Risk No. & Residual Status | Summary of Risk Statements |
|----------------------------|---|
| 1 | Failure to retain full-time student quotas at least at the current level would damage the College's capacity to secure part-time enrolments and will have a major impact on the College's financial sustainability. |
| 2 | Failure to secure access to Virtual Learning Environment to replace QoL (which is being retired in August 2020) will negatively impact the delivery of high quality outcomes for Students; undermining the University College's reputation and negatively impact Income Generation. |
| 3 | Failure to develop and implement a coherent strategy for further developing the capability and capacity of the University College to generate its own income will negatively impact the sustainability of the University College's current business model. |
| 4 | Failure to have an approved Academic Promotion Policy which encourages the retention of high calibre academic staff will damage the University College's academic profile and standing. |
| 5 | Failure to successfully secure research monies will impact on the sustainability of the Research Office and the Centre for Research into Educational Underachievement. |

Data Security

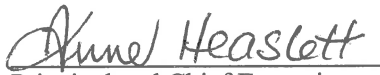
- 2.34 The University College is responsible for processing and storing personal and sensitive information and is committed to ensuring that all information assets are managed lawfully and securely. A substantial body of work commenced during 2015-16 to strengthen the University College's information 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. The College is currently developing an overarching Security Strategy, which will facilitate implementation of comprehensive security arrangements across the University College. The assurance arrangements will be monitored by the Corporate Planning Committee. However, this work will now roll forward into 2019-20 due to other competing pressures. There were no reports during the year of any significant data losses.

Conclusion

- 2.35 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 2018-19 programme of Internal Audit reviews.

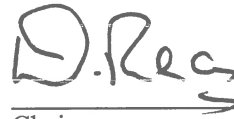
- 2.36 Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.
- 2.37 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.

Professor Anne Heaslett



Principal and Chief Executive
26th November 2019

Professor Sir Desmond Rea



Chairman
26th November 2019

3 STATEMENT OF RESPONSIBILITIES OF THE MEMBERS 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

26th November 2019



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 2019, 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 2019 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 2019 have been applied for the purpose for which they were received; and
- income during the year ended 31 July 2019 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
26th November 2019

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
For the Year Ended 31 July 2019

| | | 2019 | 2018 |
|--|-----------|--------------------|-------------------|
| | | £ | £ |
| Income | NOTE | | |
| Funding Grants | (2) | 5,763,632 | 5,400,736 |
| Tuition Fees | (3) | 3,982,065 | 3,834,987 |
| Research Grants and Contracts | (5) | 45,239 | 24,634 |
| Other Operating Income | (6) | 2,388,206 | 2,745,068 |
| Interest Receivable | | 33,518 | 20,330 |
| Total Income | | <u>12,212,660</u> | <u>12,025,755</u> |
| Expenditure | | | |
| Staff Costs | (7) & (8) | 8,022,519 | 7,464,315 |
| Other Operating Expenditure | (10) | 3,188,498 | 3,578,731 |
| Depreciation | (12) | 1,330,482 | 1,114,494 |
| Interest Payable | | 119,000 | 149,000 |
| Total Expenditure | | <u>12,660,499</u> | <u>12,306,540</u> |
| Operating Deficit before tax | | <u>(447,839)</u> | <u>(280,785)</u> |
| Taxation | | - | - |
| Operating Deficit after tax | | <u>(447,839)</u> | <u>(280,785)</u> |
| Actuarial (loss)/gain in respect of pension scheme | (19) | (2,560,000) | 1,982,000 |
| Total comprehensive (expenditure) / income for the year | (19) | <u>(3,007,839)</u> | <u>1,701,215</u> |

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

STATEMENT OF CHANGES IN RESERVES

| | | 2019 | 2018 |
|---|------|------------------|------------------|
| | | £ | £ |
| Reconciliation | | | |
| Opening Reserves | | 2,628,298 | 927,083 |
| Total Comprehensive (Expenditure) / Income for the year | | (3,007,839) | 1,701,215 |
| Closing Reserves | (19) | <u>(379,541)</u> | <u>2,628,298</u> |

The notes on pages 34 to 51 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 July 2019

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------------|--------------------------|
| Fixed Assets | (12) | 41,582,836 | 41,971,790 |
| Total Fixed Assets | | <u>41,582,836</u> | <u>41,971,790</u> |
| Trade and other receivables | (13) | 237,959 | 224,848 |
| Cash and cash equivalents | (14) | 4,104,509 | 4,027,976 |
| Total Current Assets | | <u>4,342,468</u> | <u>4,252,824</u> |
| Creditors – amounts due within one year | (15) | (2,167,545) | (2,337,508) |
| Net Current Assets | | <u>2,174,923</u> | <u>1,915,316</u> |
| Total Assets less Current Liabilities | | <u>43,757,759</u> | <u>43,887,106</u> |
| Less: Creditors – Amounts due after one year | (16) | (36,194,300) | (36,715,808) |
| Less: Provisions for Liabilities and Charges | (18) | (7,943,000) | (4,543,000) |
| NET (LIABILITIES)/ASSETS | | <u>(379,541)</u> | <u>2,628,298</u> |
| Reserves | (19) | 7,563,459 | 7,171,298 |
| Pension Reserve | (19) | (7,943,000) | (4,543,000) |
| TOTAL FUNDS | | <u>(379,541)</u> | <u>2,628,298</u> |

The financial statements were approved by the Governing Body on 26th November 2019 and were signed on its behalf by:

Professor Anne Heaslett



Principal and Chief Executive
26th November 2019

Professor Sir Desmond Rea



Chairman
26th November 2019

The notes on pages 35 to 51 form part of these financial statements.

CASH FLOW STATEMENT
For the Year Ended 31 July 2019

| | 2019 | 2018 |
|--|------------------------|------------------|
| | £ | £ |
| Note | | |
| Comprehensive (Expenditure) / Income for the year | (3,007,839) | 1,701,215 |
| Adjustments for Non-Cash Items | | |
| Depreciation | (12) 1,330,482 | 1,114,494 |
| Increase in Debtors | (13) (13,111) | (32,353) |
| (Decrease)/Increase in Creditors | (15) (277,727) | 273,383 |
| Increase/(Decrease) in Pension Provision | (18) 3,400,000 | (1,505,000) |
| Adjustments for Investing or Financing Activities | | |
| Interest Receivable | (33,518) | (20,330) |
| Interest Payable | 119,000 | 149,000 |
| Capital Grant Income Released | (2) & (17) (1,161,326) | (989,322) |
| Loss on sale of fixed assets | 19 | - |
| Net Cash Inflow From Operating Activities | 355,980 | 691,087 |
| Cash Flows From Investing Activities | | |
| Proceeds from sales of fixed assets | 18,392 | - |
| Interest Receivable | 33,518 | 20,330 |
| Capital Grants Received | (17) 747,582 | 1,235,409 |
| Payments Made to Acquire Fixed Assets | (12) (959,939) | (1,365,941) |
| Cash Flows from Financing Activities | | |
| Interest Payable | (119,000) | (149,000) |
| Increase in Cash and Cash Equivalents | 76,533 | 431,885 |
| Net Funds at 1 August | (14) 4,027,976 | 3,596,091 |
| Net Funds at 31 July | 4,104,509 | 4,027,976 |

The notes on pages 34 to 51 form part of these financial statements.

NOTES TO THE ACCOUNTS
For the year to 31 July 2019

1 STATEMENT OF PRINCIPLE ACCOUNTING POLICIES

(a) Format and basis 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), the Management Statement and Financial Memorandum between the Sponsoring Department and the University College (October 2015) and also the Accounts Direction issued by the Sponsoring Department.

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 interest received 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 University 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 University 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 University 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.

A full actuarial review of the Northern Ireland Teachers Pension Scheme was carried out during the year which resulted in the employer contribution rate increasing from 17.7% to 25.1% from the 1st April 2019. As far as the University College is aware this rate will continue for the 2019 - 20 financial year.

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 University 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 University 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 University 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 University 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 University 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 2019 by the Committee's Actuary, Aon Hewitt. Employer's contribution rates increased from 19% to 20% during the financial year (April 2019). An additional "Deficit Recovery" standard charge has been levied by the Scheme from April 2017 onwards. The University College has been advised that the employer contribution rate will likely decrease to 19.5% from April 2020 onwards and the Deficit Recovery charge will no longer apply. This is likely to continue until the fund is revalued again in March 2022.

(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 - 10 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) Going Concern

At 31 July 2019 the University College has net liabilities of £379,541. This includes an actuarial loss in respect of the NILGOSC pension scheme totalling £2.56m. This amount is discussed in detail in Note 22. The governors have a reasonable expectation that the University College will have adequate resources to continue in operational existence for the foreseeable future as they continue to maintain significant cash balances and continue to make an operational surplus before the pension scheme adjustments. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2 FUNDING GRANTS

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Recurrent Grant | 4,170,172 | 4,131,920 |
| Widening Participation | 50,634 | 50,634 |
| Research Funding | 62,288 | 62,540 |
| Diversity and Mutual Understanding (DMU) | 24,228 | 24,228 |
| International Awareness | 32,304 | 32,304 |
| Release of Deferred Capital Grants | 1,161,326 | 989,322 |
| PSTF Voluntary Exit Scheme Funding | 262,680 | 109,788 |
| | <u>5,763,632</u> | <u>5,400,736</u> |

3 TUITION FEES

Variable tuition fees were introduced with effect from 1 August 2006. The rate for 2018-19 was set at £4,160 for full-time students (2018: £4,030).

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Full-time Students | 3,348,517 | 3,160,118 |
| Part-time Students | 633,548 | 674,869 |
| Total Fees paid by/on behalf of Students | <u>3,982,065</u> | <u>3,834,987</u> |

4 NUMBER OF STUDENTS

| | 2019 | 2018 |
|-------------------|------------|------------|
| BEd | 524 | 523 |
| PGCE | 15 | 15 |
| BA (ECS) | 145 | 132 |
| BSC (HPA&S) | 115 | 111 |
| TOTAL – FULL TIME | <u>799</u> | <u>781</u> |

The University College continued to offer a range of courses at Master's and Certificate level attracting 110 students (2018: 114 students). In addition 149 students (2018: 161 students) undertook part-time undergraduate courses. This equated to 155 full time equivalent students (2018: 179 students) giving a total student population for the year of 954 (2018: 960 students).

5 RESEARCH GRANTS AND CONTRACTS

| | 2019 £ | 2018 £ |
|----------------------------|---------------|---------------|
| UK Based Charities | 7,357 | 2,917 |
| European Commission | 26,787 | 8,297 |
| Other Grants and Contracts | 11,095 | 13,420 |
| | <u>45,239</u> | <u>24,634</u> |

6 OTHER OPERATING INCOME

| | 2019 | 2018 |
|-----------------------------------|-----------|-----------|
| | £ | £ |
| Residence and Catering Operations | 1,778,334 | 2,147,718 |
| Rents Receivable | 82,346 | 88,300 |
| Hire of Facilities | 182,502 | 188,250 |
| Other Grant Income | 88,899 | 93,935 |
| Sundry Other Income | 256,125 | 226,865 |
| | 2,388,206 | 2,745,068 |

7 STAFF COSTS

| | 2019 | 2018 |
|-----------------------|-----------|-----------|
| | £ | £ |
| Wages and Salaries | 5,686,541 | 5,585,920 |
| Social Security Costs | 519,950 | 533,748 |
| Pension Costs | 1,095,028 | 1,016,647 |
| Other Pension Costs | 721,000 | 328,000 |
| | 8,022,519 | 7,464,315 |

Staff Numbers

| | 2019 | 2018 |
|-----------------|------|------|
| | No. | No. |
| Lecturing Staff | 44 | 45 |
| Support Staff | 132 | 138 |
| | 176 | 183 |

Voluntary Exit Scheme costs during the year amounted to £266,990 (2018: £109,788) as shown below:

| | 2019 | | | 2018 | | |
|---------|-----------|-----------------|---------|-----------|-----------------|---------|
| | Exit Cost | Pension Release | Total | Exit Cost | Pension Release | Total |
| PSTF | 230,626 | 32,054 | 262,680 | 59,960 | 49,828 | 109,788 |
| College | - | 4,310 | 4,310 | - | - | - |
| Total | 230,626 | 36,364 | 266,990 | 59,960 | 49,828 | 109,788 |

Total costs of £262,680 (2018: £109,788) were funded by the Sponsoring Department through the 2018/19 Public Sector Transformation Fund Voluntary Exit Scheme as shown above and in Note 2. The scheme was approved by the Governing Body during the course of the financial year.

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 which can be reviewed on the Governance page of the University College website.

8 ANALYSIS OF STAFF COSTS BY ACTIVITY

| | 2019 £ | 2018 £ |
|------------------------------------|-----------|-----------|
| Academic Departments | 2,886,464 | 2,878,904 |
| Academic Support Services | 81,815 | 82,304 |
| Other Support Services | 518,506 | 492,711 |
| Admin and Central Support Services | 1,721,770 | 1,598,580 |
| Premises | 783,641 | 896,981 |
| Catering and Residences | 960,554 | 931,463 |
| Other Income Generating Activities | 348,769 | 255,372 |
| Other Pension Costs | 721,000 | 328,000 |
| | 8,022,519 | 7,464,315 |

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 Acting 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:

| | 2019 No. | 2019 £ | 2018 No. | 2018 £ |
|-----------------------|-------------|-----------|-------------|-----------|
| Salary | 10 | 650,922 | 10 | 619,818 |
| Pension contributions | | 129,048 | | 110,270 |
| Total Emoluments | | 779,970 | | 730,088 |

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

| | 2019 £ | 2018 £ |
|-----------------------|-----------|-----------|
| Salary | 111,289 | 105,929 |
| Pension contributions | 22,443 | 18,749 |
| | 133,732 | 124,678 |

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.

The Principal and Chief Executive is the only employee with remuneration in excess of £100,000.

The Principal's salary is determined by the University College's HR and Remuneration Committee, a subcommittee of the Governing Body. The salary, which has been benchmarked against comparators, reflects the scale and complexity of the role in providing strategic leadership and accountability.

The Principal and Chief Executive's basic salary is 4.8 times the median pay of staff (£23,334), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University College to all its staff (Academic & Non-Academic). The total remuneration is 5.0 times the median total remuneration of staff (£26,875) calculated on a full-time equivalent basis. Median total remuneration is calculated by including employer's pension contributions only for staff in a pension scheme. The median pay and pay ratios derived exclude agency staff (as these are not on the University College payroll system). Where some Institutions outsource lower paid positions, for example catering staff, the University College does not subcontract these roles which impacts on the pay ratios.

10 OTHER OPERATING EXPENDITURE

| | 2019 | 2018 |
|--|------------------|------------------|
| | £ | £ |
| Hospitality Services Operating Expenses | 568,383 | 677,270 |
| Course Consumables, Equipment & Field Trips | 62,275 | 44,835 |
| Purchase, Hire and Repair of Other Equipment | 11,397 | 71,847 |
| IT Maintenance & Software Costs | 98,005 | 107,949 |
| Library Costs | 99,237 | 96,594 |
| Energy Costs | 371,066 | 490,486 |
| Rates and Insurance | 459,258 | 453,764 |
| Refurbishment, Maintenance & Cleaning | 421,034 | 448,290 |
| Telephone | 19,711 | 46,029 |
| Sundry Course Costs | 68,511 | 55,213 |
| Postage, Printing & Stationery | 50,951 | 89,171 |
| Advertising and Recruitment | 63,951 | 33,444 |
| Validation Costs to QUB | 376,117 | 357,985 |
| External Examiner Costs | 11,099 | 8,738 |
| Auditors Remuneration in respect of: | | |
| - Internal Audit Services | 11,544 | 13,320 |
| - External Audit Services | 6,600 | 6,600 |
| - Other Audit Services | 2,306 | 882 |
| Other Professional Fees | 20,601 | 66,922 |
| Occupational Health Service | 7,470 | 5,410 |
| Staff Training and Development | 31,331 | 56,742 |
| Widening Participation & Bursary Costs | 123,170 | 126,030 |
| Research & Funded Project Costs | 127,376 | 145,985 |
| Publications & Subscriptions | 60,769 | 100,285 |
| Travel Costs including student placements | 48,539 | 43,973 |
| Other | 67,797 | 30,967 |
| | <u>3,188,498</u> | <u>3,578,731</u> |

11 TAXATION

The University College did not incur any taxation liability during the period (2018: £Nil).

12 FIXED ASSETS

| | Freehold Land and Buildings £ | Equipment £ | Vehicles £ | Total £ |
|-------------------------------------|-------------------------------------|----------------|---------------|-------------------|
| Cost: | | | | |
| At 1 August 2018 | 72,407,832 | 2,374,506 | 86,778 | 74,869,116 |
| Additions | 299,594 | 642,945 | 17,400 | 959,939 |
| Disposals | - | (14,342) | (25,690) | (40,032) |
| At 31 July 2019 | 72,707,426 | 3,003,109 | 78,488 | 75,789,023 |
| Depreciation and Impairment: | | | | |
| At 1 August 2018 | 30,533,724 | 2,313,051 | 50,551 | 32,897,326 |
| Charge for the year | 1,177,062 | 140,087 | 13,333 | 1,330,482 |
| Disposals | - | (14,342) | (7,279) | (21,621) |
| At 31 July 2019 | 31,710,786 | 2,438,796 | 56,605 | 34,206,187 |
| NBV 31 July 2019 | 40,996,640 | 564,313 | 21,883 | 41,582,836 |
| NBV 31 July 2018 | 41,874,108 | 61,455 | 36,227 | 41,971,790 |
| Inherited | 27,171,038 | - | - | 27,171,038 |
| Financed by Capital Grant | 10,733,371 | 466,495 | - | 11,199,866 |
| Other | 3,092,231 | 97,818 | 21,883 | 3,211,932 |
| NBV 31 July 2019 | 40,996,640 | 564,313 | 21,883 | 41,582,836 |

The book values of University 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 £37,904,409 (2018: £38,784,648) and equipment of net book value of £466,495 (2018: £54,953) 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.

13 TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Debtors | 77,058 | 75,978 |
| Prepayments & Accrued Income | 160,901 | 148,870 |
| | <u>237,959</u> | <u>224,848</u> |

14 CASH AND CASH EQUIVALENTS

| | 2019 | 2018 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash at Bank and in Hand | 704,509 | 827,976 |
| Short Term Deposits | 3,400,000 | 3,200,000 |
| | <u>4,104,509</u> | <u>4,027,976</u> |

15 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|------------------|------------------|
| | £ | £ |
| Creditors and Accruals | 783,132 | 1,008,913 |
| Payments Received in Advance | 30,801 | 32,161 |
| Deferred Income – Capital Grants – Land & Buildings | 837,053 | 836,599 |
| Deferred Income – Capital Grants – Equipment | 121,554 | 14,244 |
| Deferred Income – Other | 127,480 | 186,899 |
| Social Security and Other Tax Payable | 267,525 | 258,692 |
| | <u>2,167,545</u> | <u>2,337,508</u> |

16 CREDITORS: AMOUNTS DUE AFTER ONE YEAR

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | £ | £ |
| Deferred Income – Capital Grants – Land & Buildings | 35,849,359 | 36,675,100 |
| Deferred Income – Capital Grants – Equipment | 344,941 | 40,708 |
| | <u>36,194,300</u> | <u>36,715,808</u> |

17 DEFERRED CAPITAL GRANTS

| | Land & Buildings £ | Equipment £ | Total £ |
|--|--------------------------|----------------|-------------------|
| Balance as at 1 August 2018 | 37,511,699 | 54,952 | 37,566,651 |
| Received in the year from the Sponsoring Department | 214,486 | 533,096 | 747,582 |
| Released to Statement of Comprehensive Income & Expenditure | (1,039,773) | (121,553) | (1,161,326) |
| Balance as at 31 July 2019 | <u>36,686,412</u> | <u>466,495</u> | <u>37,152,907</u> |

Disclosed as:

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Creditors: Amounts due within one year (Note 15) | | |
| Deferred Income – Capital Grants – Land & Buildings | 837,053 | 836,599 |
| Deferred Income – Capital Grants – Equipment | 121,554 | 14,244 |
| Creditors: Amounts due after one year (Note 16) | | |
| Deferred Income – Capital Grants – Land & Buildings | 35,849,359 | 36,675,100 |
| Deferred Income – Capital Grants – Equipment | 344,941 | 40,708 |
| | <u>37,152,907</u> | <u>37,566,651</u> |

18 PROVISIONS FOR LIABILITIES AND CHARGES

| | 2019 £ | 2018 £ |
|-----------------------|------------------|------------------|
| Net Pension Liability | 7,943,000 | 4,543,000 |
| | <u>7,943,000</u> | <u>4,543,000</u> |

19 STATEMENT OF MOVEMENT IN RESERVES

| | Trust £ | General £ | Pension £ | Total £ |
|-------------------------------------|------------|--------------|--------------|-------------|
| Balance as at 1 August 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 |
| Retained Deficit | - | (3,007,839) | - | (3,007,839) |
| Actuarial Loss on Pension Liability | - | 2,560,000 | (2,560,000) | - |
| Pension Reserve Transfer | - | 840,000 | (840,000) | - |
| Balance as at 31 July 2019 | 2,029 | 7,561,430 | (7,943,000) | (379,541) |

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.

20 EXCEPTIONAL ITEMS

There were no exceptional items in the year to 31 July 2019 or 2018.

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 £1,095,028 (2018: £1,016,647). This figure includes pension release payments of £36,364 made during the year (2018: £49,828). FRS102 adjustments in the year amounted to a charge of £721,000 (2018: £328,000).

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 2019 was £728,989 (2018: £666,822) of which employer's contributions totalled £479,791 (2018: £419,401) and employees' contributions totalled £249,198 (2018: £247,421). The employer contribution rate increased from 17.7% to 25.1% from 1 April 2019. 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 2019 was £792,905 (2018: £773,675) of which normal employer's contributions totalled £578,873 (2018: £547,418), employer pension release contributions totalled £36,364 (2018: £49,828) and employees' contributions totalled £177,668 (2018: £176,429).

The latest valuation was carried out on 31 March 2019 by the Committee's Actuary, Aon Hewitt. Employer's contribution rates increased from 19% to 20% during the financial year (April 2019). An additional "Deficit Recovery" standard charge has also been levied by the Scheme from April 2017 onwards. The University College has been advised that the employer contribution rate will likely decrease to 19.5% from April 2020 onwards and the Deficit Recovery charge will no longer apply. This is likely to continue until the fund is revalued again in March 2022.

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.

McCloud Judgement

In December 2018 the Court of Appeal ruled in the 'McCloud/Sargeant' Judgment that the transitional arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however, the Supreme Court rejected the Government's request on 27th June 2019. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation. In a Ministerial Statement dated 15th July 2019 the Government committed to extending a remedy across all public sector schemes which included similar transitional protection arrangements, which includes the Northern Ireland Local Government Officers' Superannuation Committee Scheme. The Actuary (Aon

Hewitt) has calculated a constructive obligation at 31 July 2019, in relation to a potential remedy, using an approximate method.

A constructive obligation has been calculated using the following assumptions:

- Salary Weighted average age – 46.8 years
- Salary Increase Assumption – CPI + 1.5%
- Underpin Liability (Constructive Obligation) at year end – 13.3% of annualised pensionable pay over the accounting period ended 31 July 2019
- Increase in Cost of Benefits from 1st August 2019 – 3.1% of annualised pensionable pay per annum

When these assumptions were applied it resulted in a constructive obligation of £372k in relation to Past Service Costs. This has been included within the calculation of the pension liability.

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

Following changes to the State Pension in April 2016 there was a risk that members of the LGPS who were ‘contracted out’ of the State Pension between 6th April 1978 and 6th April 1997 and who would reach their State Pension Age (SPA) after April 2016, would be worse off. This is because State Pension reforms removed the facility for the State to ‘top up’ payments to ensure their total pension was fully Inflation protected. The LGPS was only required to pay limited increases on some elements of GMP (a portion of pension accrued in the LGPS when members were contracted out of the State Scheme). In March 2016 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 April 2016 and 5 December 2018. This has previously been accounted for. In January 2018 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6th December 2018 and 5 April 2021. This has not been recognised in the accounts to date. Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5th April 2021. The Government’s view is that this solution also meets sex equalisation requirements.

The Actuary (Aon Hewitt) has calculated a constructive obligation at 31 July 2019, using an approximate method, for the Government’s commitment to pay pension increases on GMPs for members reaching SPA after 5th December 2018, which includes a liability for the Government’s commitment to compensate all members in the future from changes to the State Pension.

Based on the approximate method the Actuary has calculated a constructive obligation of 0.2% of the defined benefit obligation which amounts to an additional £62k in relation to Past Service Costs. This has been included within the calculation of the pension liability.

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

| | 2019 | 2018 |
|-----------------------|------|------|
| Pension Increase Rate | 2.3% | 2.1% |
| Salary Increase Rate | 3.8% | 3.6% |
| Discount Rate | 2.1% | 2.8% |
| RPI Inflation | 3.3% | 3.2% |
| CPI Inflation | 2.3% | 2.1% |

The post-retirement mortality assumptions used to value the benefit obligation at 31 July 2019 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:

| | 2019 Male years | 2019 Female years | 2018 Male years | 2018 Female years |
|--------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Current pensioners | 22.3 | 24.6 | 23.3 | 25.9 |
| Future pensioners | 24.0 | 26.4 | 25.5 | 28.2 |

The fair value of the assets in the scheme were:

| | Assets at 31 July 2019 £'000 | Assets at 31 July 2018 £'000 |
|------------------|------------------------------------|------------------------------------|
| Equities | 9,371 | 13,372 |
| Government Bonds | 6,830 | 3,502 |
| Corporate Bonds | 2,704 | 1,510 |
| Property | 2,518 | 2,232 |
| Cash | 1,096 | 875 |
| Other | 792 | 394 |
| Total | 23,311 | 21,885 |

The above asset values as at 31 July 2019 are at bid value as required under FRS102.

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

| | Year Ended 31 July 2019 £'000 | Year Ended 31 July 2018 £'000 |
|--|-------------------------------------|-------------------------------------|
| Fair Value of Scheme Assets | 23,311 | 21,885 |
| Present Value of Scheme Liabilities | (31,254) | (26,428) |
| Net (Underfunding) in Funded Plan | (7,943) | (4,543) |

Amount in the Statement of Financial Position

| | | |
|------------------------------|----------------|----------------|
| Liabilities | (7,943) | (4,543) |
| Assets | - | - |
| Net Pension Liability | (7,943) | (4,543) |

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

| | Year Ended 31 July 2019 £'000 | Year Ended 31 July 2018 £'000 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Current Service Cost | 864 | 879 |
| Net Interest Cost | 119 | 149 |
| Past Service Cost | 441 | 50 |
| Curtailments and Settlements | - | - |
| Closing Balance | <u>1,424</u> | <u>1,078</u> |
| Actual Return on Plan Assets | 1,354 | 2,159 |

Reconciliation of Defined Benefit Obligation:

| | Year Ended 31 July 2019 £'000 | Year Ended 31 July 2018 £'000 |
|--|-------------------------------------|-------------------------------------|
| Opening Defined Benefit Obligation | 26,428 | 25,664 |
| Current Service Cost | 864 | 879 |
| Past Service Costs | 441 | 50 |
| Interest Expense on Defined Benefit Obligation | 733 | 661 |
| Actuarial Loss/(Gain) on liabilities | 3,300 | (335) |
| Contributions by Members | 179 | 176 |
| Impact of Settlements and Curtailments | - | - |
| Net Benefits Paid | (691) | (667) |
| Closing Balance | <u>31,254</u> | <u>26,428</u> |

Reconciliation of Fair Value of Employers Assets:

| | Year Ended 31 July 2019 £'000 | Year Ended 31 July 2018 £'000 |
|---|-------------------------------------|-------------------------------------|
| Opening Fair Value of Employers Assets | 21,885 | 19,616 |
| Interest Income on Assets | 614 | 512 |
| Contributions by Members | 179 | 176 |
| Contributions by the Employer | 584 | 601 |
| Contributions in Respect of Unfunded Benefits | - | - |
| Actuarial Gains | 740 | 1,647 |
| Impact of Settlements and Curtailments | - | - |
| Estimated Unfunded Benefits Paid | - | - |
| Net Benefits Paid | (691) | (667) |
| Closing Balance | <u>23,311</u> | <u>21,885</u> |

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------|----------|----------|----------|----------|
| Present Value of Employers Assets | 23,311 | 21,885 | 19,616 | 18,105 | 15,913 |
| Present Value of Defined Benefit Obligation | (31,254) | (26,428) | (25,664) | (26,001) | (20,747) |
| Deficit on the Scheme | (7,943) | (4,543) | (6,048) | (7,896) | (4,834) |

23 CAPITAL COMMITMENTS

| | 2019 £ | 2018 £ |
|-----------------------------------|---------------|---------------|
| Commitments Contracted at 31 July | 67,379 | 19,393 |
| | <u>67,379</u> | <u>19,393</u> |

The balance of monies due on the Health & Safety Improvement works and IT Infrastructure Upgrade works constitute this liability at 31 July 2019.

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 2019 £ | Year Ended 31 July 2018 £ |
|---|---------------------------------|---------------------------------|
| Opening Balance | 2,744 | 1,615 |
| Sponsor Department Grant | 36,000 | 35,000 |
| Bank Interest less Charges | - | - |
| Disbursed to Students & Dyslexia Services | (38,000) | (33,400) |
| Audit Fees | (471) | (471) |
| Balance unspent at 31 July | <u>273</u> | <u>2,744</u> |
| Amount returned to DfE | <u>-</u> | <u>-</u> |
| Closing Balance | <u>273</u> | <u>2,744</u> |

In the 2018-19 financial year the Sponsor Department allocated £36,000 (2018: £35,000) 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 2019 was £32,142 (2018: £32,142). As the Trust is a separate legal entity it is not incorporated in the Statement of Financial Position of the University College.

27 Comparatives

Comparative information has been reclassified as necessary to conform to current financial year presentation.