

Stranmillis University College

A College of Queen's University Belfast.

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012**

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REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2012**The University College**

The University College is an institution of higher education within the university sector. Its principal business is the provision of courses in initial teacher education leading to the award of the BEd (Honours) degree of Queen's University, Belfast (QUB). The University College offers a Postgraduate Certificate in Education (PGCE) in early years education, a BA (Early Childhood Studies) a BSc (Health and Leisure Studies) and a range of courses at Master's level. The University College provides extensive exhibition, residential, catering and conferencing facilities.

Incorporation

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.

Results for the Period

The University College's Income, Expenditure and Results for the year to 31 July 2012 are summarised below:

	2012	2011
	£'000	£'000
Income	12,451	11,902
Expenditure	(11,892)	(11,499)
Operating Surplus	559	403
Transfer to Reserves	559	403

Funding

The University College derives its income mainly from the Department for Employment and Learning and tuition fees paid by or on behalf of students. The University College also receives funding from the Department in respect of specific grants for equipment and for additions and improvements to the University College campus.

A significant proportion of University College funding is also derived from other sources such as residence and catering operations and self-funding research projects, which support the core activities of the University College.

Capital Investment

The University College continues to invest in schemes to ensure that the Estate is adequate for the needs of its activities. The Department for Employment and Learning has continued to support the College through various capital projects.

In the year the College received capital grants of £495,000 from the Department relating to the refurbishment of the first floor of the Central Building. Further significant refurbishments on campus, partially funded by the Department, will continue in 2012-13.

Cash Flow

The cash flow statement shows a net increase in cash of £911,746.

Future Developments

The College continues to receive significant levels of recurring capital funding from the Department. The amount received for 2010-11 was £500,000 which was invested in the refurbishment of Science teaching space. Indications from the Department suggest that the College will receive capital funding in excess of £1.6M over the period April 2011 to March 2015.

Funds received and those secured from other sources will continue to be invested in College infrastructure particularly those priorities which enhance the student learning experience.

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.

Strategic Options

During the year ended 31 July 2009, the College prepared a Business Case to determine the future options to meet its Strategic Objectives. The Business Case examined a number of options and concluded that the preferred option on the basis of monetary and non-monetary factors is a merger with Queen's University Belfast. The Business Case was approved by the Department during the year ended 2009-10.

An Equality Impact Assessment and Public Consultation on the proposed merger were carried out during 2010-11. During 2011-12 the Minister at the Department for Employment and Learning commissioned a review of the financial stability and sustainability of the teacher training Colleges. This review is not yet complete.

At this stage there is no approval by the Northern Ireland Assembly to progress with the implementation of the proposed merger.

S O'Connell


Chairman: 6th December 2012

CORPORATE GOVERNANCE STATEMENT

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the period ended 31 July 2012, the College has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to the University College. The University College also complies with the Guide for Members of Governing Bodies of Universities and College in England and Wales that was issued by the Committee of University Chairs.

The Governing Body of the University College comprises lay members, a student and two staff representatives all of whom are appointed by the Department for Employment and Learning. The roles of Chairman and Vice-Chairman of the Governing Body are separated from the role of the College's Chief Executive, the Principal. The Governing Body holds to itself the responsibilities for the ongoing strategic direction of the College, the monitoring of an annual Business Plan, approval of major developments and the receipt of regular reports from the Officers on the day-to-day operations of its business. The College subscribes to the principles of public life and has adopted a code of conduct for members of the Governing Body.

The Executive Committee, *inter alia*, recommends to the Governing Body the University College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Audit Committee meets with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

The Principal as Chief Executive influences the development of the institutional strategy, its ethos and the identification and planning of new developments. The Vice-Principals are senior officers of the College and all contribute in various ways to these aspects of the work, but ultimate responsibility rests with the Principal.

The College maintains a Register of Interests of Members of the Governing Body and Senior Officers, which may be consulted by arrangement with the Secretary to the Governing Body. The Register is available at all meetings of the Governing Body.

Dr A Heaslett



Principal: 6th December 2012

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

Financial Memorandum

A Financial Memorandum under which the financial affairs of the College are regulated was brought into effect on 1 May 2007.

The Governing Body is responsible for (inter alia):

- ensuring that funds from the Department are used only in accordance with the Memorandum and any other conditions which the Department may from time to time make;
- ensuring that the financial, planning and other management controls (including controls against fraud and theft) are appropriate and sufficient to safeguard public funds;
- securing the efficient, economical and effective management of all the College's resources and expenditure, including: funds other than those provided by the Department; capital assets; equipment; and staff, so that the investment in public funds in the College is not put at risk;
- ensuring that financial considerations are taken into account at all stages in reaching decisions and in their execution.
- preparing, annually, a financial statement in an accrual based format, having the same audited and submitted to the Department.

- The members of the Governing Body during the period were:

S A Costello MBE BA (Chair of the Governing Body)
Mrs D Bell MA, DASE (Vice-Chair of the Governing Body)
N Bodger MBA, Dip Mod Lang (Chair of the Audit Committee)
D Capper BA, Cert Ed
Rev M Hagan Cert HE Theology M.Phil
Mrs J Harper MEd, DASE, PQH(ND)
Dr A Heaslett BA MA D.Phil MSc FRSA (*Principal and Chief Executive*)
T McGonigal FCCA, CIPD, MBA
J Harpur BEd (*Student Governor*)
C Donaghy BA MEd (*Teaching Staff Governor*)
H J Storey ACIS MSSc (*Support Staff Governor*) retired 8 December 2011
A Ramage (*Support Staff Governor*) from 23 February 2012

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

S A Costello



Chairman: 6th December 2012

Statement on Internal Control - for the Year ended 31 July 2012

As the Governing Body of Stranmillis University College, 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 and the Financial Memorandum with the DEL.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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 efficiently, effectively and economically. This process has been in place for the period ended 31 July 2012 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a) We meet at regular intervals to consider the plans and strategic direction of the institution.
- b) We receive periodic reports from the chairman of the audit committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- c) We have requested that the audit committee oversee the risk management process.
- d) The audit committee receives regular reports from internal audit, which includes an independent opinion on the adequacy and effectiveness of the University College's system of internal control, together with recommendations for improvement.
- e) A regular programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation.
- f) A programme of risk awareness training is under way.
- g) A system of key performance and risk indicators has been developed.
- h) A robust risk prioritisation methodology based on risk ranking has been established.
- i) An organisation-wide risk register is now maintained.
- j) Reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and will be reviewed for effectiveness by the HEFCE Audit Service. 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 College achieved an overall satisfactory level of assurance as a result of the 2011-12 programme of internal audit reviews.

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.

S A Costello



Chairman: 6th December 2012

Stranmillis University College

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
STRANMILLIS UNIVERSITY COLLEGE**

We have audited the financial statements of Stranmillis University College (the 'College') for the year ended 31 July 2012, which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Governing Body, as a body, in accordance with the Financial Memorandum between Stranmillis University College and the Department for Employment and Learning. Our audit work has been undertaken so that we might state to the Governing Body 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Governing Body and Auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 6, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Department for Employment and Learning.

We read the Financial Report, the Corporate Governance Statement, the Statement of Internal Control, and the Statement of Responsibilities of the Board of Governors and the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We also review the Statement of Internal Control and comment if the Statement is inconsistent with our knowledge of the College. We are not required to consider whether the Statement of Internal Control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Report, the Corporate Governance Statement in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs at 31 July 2012 and of the surplus of income over expenditure, recognised gains and losses and cash flows of the College for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and;
- have been prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters

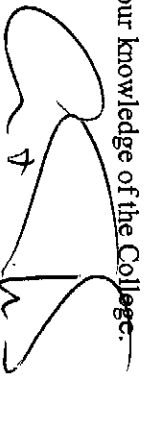
In all material respects:

- income from the Department for Employment and Learning and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2012 has been applied in accordance with the College's Scheme of Management and, where appropriate, with the requirements of the Financial Memorandum issued by the Department for Employment and Learning.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the College.



Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Belfast

6th December 2012

INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2012

	2012	2011
	£	£
Income		
Funding Grants	6,732,775	6,927,498
Tuition Fees	3,134,128	3,041,527
Research Grants and Contracts	138,359	212,507
Other Operating Income	2,347,796	1,662,426
Interest Receivable (Including FRS 17 amount)	97,641	58,100
	<u>12,450,699</u>	<u>11,902,058</u>
Expenditure		
Staff Costs	(7) & (8) 6,420,033	6,272,135
Other Operating Expenditure	(10) 3,892,762	3,519,185
Depreciation	(12) 1,579,076	1,563,672
Interest Payable (including FRS 17 amount)	-	15,000
Total Expenditure	<u>11,891,871</u>	<u>11,369,992</u>
Surplus before Exceptional Item	558,828	532,066
Taxation	-	-
Exceptional Item	(13) -	128,615
Surplus on Continuing Operations after Depreciation	(18) 558,828	403,451

The Income and Expenditure Account of the College relates wholly to continuing operations.

Statement of the Total Recognised Gains and Losses for the year ended 31 July 2012

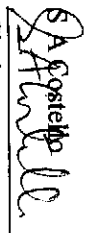
	2012	2011
	£	£
Surplus on Continuing Operations after Depreciation of Fixed Assets at Valuation and Taxation	558,828	403,451
Actuarial (Loss)/Gain in respect of Pension Scheme	(4,357,000)	733,000
Total Recognised (Losses)/Gains relating to the year	<u>(3,798,172)</u>	<u>1,136,451</u>
Reconciliation		
Opening Reserves and Endowments	2,587,300	1,450,849
Total Recognised (Losses)/Gains for the year	(3,798,172)	1,136,451
Closing Reserves	(18) <u>(1,210,872)</u>	<u>2,587,300</u>

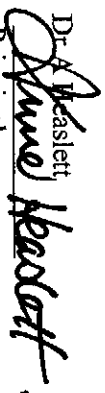
BALANCE SHEET

As at 31 July 2012

	Note	2012 £	2011 £
Tangible Assets	(12)	52,767,093	53,812,560
Total Fixed Assets		<u>52,767,093</u>	<u>53,812,560</u>
Debtors	(14)	455,343	284,339
Short Term Deposits		2,750,000	2,675,000
Cash at Bank and in Hand		743,564	-
Total Current Assets		<u>3,948,907</u>	<u>2,959,339</u>
Less: Bank Overdraft		-	(93,182)
Creditors - amounts falling due within one year	(15)	(940,254)	(353,269)
Net Current Assets		<u>3,008,653</u>	<u>2,512,888</u>
Total Assets less Current Liabilities		55,775,746	56,325,448
Less: Creditors – Amounts falling due after more than one year		-	-
Less: Provisions for Liabilities and Charges	(16)	(6,075,000)	(1,759,000)
NET ASSETS		<u>49,700,746</u>	<u>54,566,448</u>
Deferred Capital Grants	(17)	50,911,618	51,979,148
Reserves	(18)	4,864,128	4,346,300
FRS 17 Pension Reserve	(18)	(6,075,000)	(1,759,000)
Total Funds		<u>49,700,746</u>	<u>54,566,448</u>

The financial statements on pages 10 to 28 were approved by the Governing Body on 6th December 2012 and were signed on its behalf by:


Chairman


Principal

CASH FLOW STATEMENT
For the Year Ended 31 July 2012

	2012 £	2011 £
	Note	
Net Cash Inflow/(Outflow) From Operating Activities	(19) 986,173	(26,241)
Returns on Investments Servicing of Finance	72,641	58,100
Net Cash Inflow	<u>1,058,814</u>	<u>31,859</u>
Taxation	-	-
Capital Expenditure and Financial Investment	(642,068)	(613,446)
Net Cash Inflow/(Outflow) before Financing	<u>416,746</u>	<u>(581,587)</u>
Capital Grants Received	(17) 495,000	588,741
Cash Inflow before use of Liquid Resources and Financing	<u>911,746</u>	<u>7,154</u>
Increase in Cash	<u>911,746</u>	<u>7,154</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £	2011 £
Increase in Cash in the Period	<u>911,746</u>	<u>7,154</u>
Change in Net Funds	911,746	7,154
Net Funds as at 1 August 2011	2,581,818	2,574,664
Net Funds as at 31 July 2012	<u>3,493,564</u>	<u>2,581,818</u>

NOTES TO THE ACCOUNTS

For the year to 31 July 2012

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Format of Accounts

The financial statements have been prepared in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards and the Financial Memorandum between the Department for Employment and Learning and the College (May 2007).

(b) Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

(c) 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 College are included as expenditure in Note 10.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Income receivable from the Department for Employment and Learning is accounted for on an accruals basis in line with the SORP.

(d) Pension Schemes

The College has applied the amendment to Financial Reporting Standard, FRS 17 'Retirement Benefit' which is effective for accounting periods commencing on or after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit schemes.

Retirement benefits for employees of the College are provided by defined benefit schemes, which are funded by contributions from the College and employees. Payments are made to the Teachers Superannuation Scheme (TSS) for academic staff and to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) for non-academic staff. These are both independently administered schemes. Contributions are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employee's working lives with the College.

A full actuarial review of the Teachers Superannuation Scheme as at 31 March 2008 is currently in progress. From 1 April 2008 the employer contribution was 13.6%. The contribution rate will remain at this rate for the 2012 - 13 financial year.

The NILGOSC Fund is valued every 3 years by an independent actuary. The last completed valuation was at 31 March 2010. For support staff the employer's contribution was increased from 18% to 19% of pensionable salaries with effect from 1 April 2012. Employer's contribution rate will increase again by 1% to 20% from 1 April 2013.

(e) Tangible Fixed Assets**Land and Buildings**

Land and buildings inherited from the local Department for Employment and Learning and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 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 a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis 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.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were re-valued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Equipment

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account 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 - three years;
- Computer equipment - three years;
- Furniture and fittings - five years.

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

(f) Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

(g) Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

(h) 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 income and expenditure account in the period in which they arise.

(i) Taxation

The 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 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 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 College receives no similar exemption in respect of Value Added Tax.

(j) Liquid Resources

Liquid resources comprise government securities and short-term deposits with recognised banks and building societies.

(k) Provisions

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

2 FUNDING GRANTS

The total received from the Department of Employment & Learning (DEL) comprised:

	2012	2011
	£	£
Recurrent Grant	5,158,624	5,358,022
Grants Released	1,454,071	1,443,870
Widening Access	57,295	60,314
Research Funding	62,785	65,292
	<u>6,732,775</u>	<u>6,927,498</u>

3 TUITION FEES

Variable tuition fees were introduced with effect from 1 August 2006. The rate for 2011-12 was set at £3,375 for full-time students (2010/11 £3,290). No students were charged tuition fee under the pre 2006 funding regime in 2011-12.

	2012 £	2011 £
Full-time Students	2,807,070	2,711,796
Part-time Students	327,058	329,731
Total Fees paid by/on behalf of Students	<u>3,134,128</u>	<u>3,041,527</u>

4 RESEARCH GRANTS AND CONTRACTS

	2012 £	2011 £
UK Based Charities	2,133	18,278
European Commission	7,600	6,406
Other Grants and Contracts	128,626	187,823
Total	<u>138,359</u>	<u>212,507</u>

5 NUMBER OF STUDENTS

	2012	2011
BEd	532	531
PGCE	15	15
BA (ECS)	150	163
BSC (H&L)	128	120
TOTAL – FULL TIME	<u>825</u>	<u>829</u>

The College continued to offer a range of courses at Master's and Certificate level attracting 93 students. In addition 122 students undertook part-time undergraduate courses. This equated to 133 full time equivalent students giving a total student population for the year of 958.

6 OTHER OPERATING INCOME

	2012	2011
	£	£
Residence and Catering Operations	1,627,284	1,282,876
Rents Receivable	40,909	34,737
Hire of Facilities	180,021	186,070
Sundry Other Income	<u>499,582</u>	<u>158,743</u>
	<u>2,347,796</u>	<u>1,662,426</u>

7 STAFF COSTS

	2012	2011
	£	£
Wages and Salaries	5,356,738	5,222,748
Social Security Costs	397,043	409,378
Pension Costs	682,252	690,009
Other Pension Costs	(16,000)	(50,000)
	<u>6,420,033</u>	<u>6,272,135</u>

Staff Numbers	2012	2011
Lecturing Staff	51	54
Support Staff	138	131
	<u>189</u>	<u>185</u>

The amount paid under a voluntary severance scheme during the year to 31 July 2012 amounted to £213,141. 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.

8 ANALYSIS OF STAFF COSTS BY ACTIVITY

	2012 £	2011 £
Teaching Departments	3,036,156	3,104,913
Teaching Support Services	1,772,490	1,38,777
Other Support Services	566,036	533,144
Admin and Central Support Services	884,551	889,210
Premises	752,793	704,728
Catering and Residences	777,111	784,324
Other Income Generating Activities	246,896	167,039
Other Pension Costs	(16,000)	(50,000)
	<u>6,420,033</u>	<u>6,272,135</u>

9 SENIOR POST HOLDERS EMOLUMENTS

The remuneration of the highest paid employee, including employer's pension contributions:

	2012 £	2011 £
Salary	92,003	91,853
Pension contributions	12,504	12,492
	<u>104,507</u>	<u>104,345</u>

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

10 OTHER OPERATING EXPENSES

	2012 £	2011 £
Residence and Catering Operating Expenses	779,354	556,882
Course Consumables & Field Trips	162,339	87,565
Purchase, Hire and Repair of Equipment	23,689	24,017
IT Maintenance Costs	72,931	43,248
Library Costs	88,815	116,447
Student Placements – Travel and Subsistence	1,291	1,572
Heat, Light and Power	321,637	307,317
Rates and Insurance	392,018	385,767
Refurbishment, Maintenance & Cleaning	589,966	743,561
Telephone	35,534	37,052
Sundry Course Costs	93,117	47,960
Postage and Photocopying	67,593	62,606
Advertising	59,782	32,203
Validation Costs to QUB	281,413	295,026
External Examiner Costs	46,840	-
Auditors Remuneration in respect of:		
Internal Audit Services	8,791	15,800
External Audit Services	6,300	5,992
Other Audit Services	1,626	2,162
Other Professional Fees	102,633	52,651
Careers Service	43,000	43,000
Occupational Health Service	39,847	39,847
Staff Training and Development	57,750	73,224
Widening Access and Bursary Costs	306,767	277,929
Research Project Costs	110,687	146,961
Other	199,042	120,396
	<u>3,892,762</u>	<u>3,519,185</u>

11 TAXATION

The University College did not incur any taxation liability during the period. (2011: Nil)

12 FIXED ASSETS

	Freehold Land and Buildings £	Equipment £	Total £
Cost:			
1 August 2011	62,179,307	2,245,121	64,424,428
Additions	592,032	50,036	642,068
Disposals	(148,612)	-	(148,612)
31 July 2012	62,622,727	2,295,157	64,917,884
Depreciation:			
1 August 2011	8,374,898	2,236,970	10,611,868
Charge for the year	1,558,321	20,755	1,579,076
Disposals	(40,153)	-	(40,153)
31 July 2012	9,893,066	2,257,725	12,150,791
NBV 31 July 2012	52,729,661	37,432	52,767,093
NBV 31 July 2011	53,804,409	8,151	53,812,560
Inherited	44,461,301	-	44,461,301
Financed by Capital Grant	7,514,926	33,357	7,548,283
Other	753,434	4,075	757,509
NBV 31 July 2012	52,729,661	37,432	52,767,093

The rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained. Land and buildings, inherited from the Department for Employment and Learning 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 £51,976,227 have been financed by exchequer funds. Should these assets be sold, the College may be required, under the terms of the Financial Memorandum with the Department for Employment and Learning, to surrender the proceeds.

13 EXCEPTIONAL ITEM

In the year ended 31 July 2011 an exceptional item arose as detailed in the following paragraph.

The College was the lead partner in an Executive Agency (EU) funded partnership of Higher Education Institutions (HEI's) across Europe which ran from October 2004 to September 2007. The original budget was Euro 499,727 with 75% of the funding coming from the Executive Agency. Claims for expenditure totaling Euro 484,713 were submitted. However, after an independent audit was undertaken by Moore Stephens, a total of Euro 280,254 of expenditure was deemed ineligible. As a result, based on funding received and the proportionate nature of the funding, the College has refunded a total due of Euro 202,014 of the project funding received in July 2011. This amount was offset by unspent balance of funds received. The net effect of this created a charge of £128,615 which was deemed an exceptional item in the 2010-11 financial statements.

There were no exceptional items in the year to 31 July 2012.

14 DEBTORS DUE WITHIN ONE YEAR

	2012	2011
Debtors	£ 172,786	£ 193,882
Prepayments & Accrued Income	282,557	90,457
	<u>455,343</u>	<u>284,339</u>

15 CREDITORS DUE WITHIN ONE YEAR

	2012	2011
Creditors and Accruals	£ 859,501	£ 258,634
Payments Received in Advance	33,500	34,500
Deferred Income	37,436	36,958
Social Security and Other Tax Payable	9,817	23,177
	<u>940,254</u>	<u>353,269</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	2012	2011
Net Pension Liability	£ 6,075,000	£ 1,759,000
	<u>6,075,000</u>	<u>1,759,000</u>

17 DEFERRED CAPITAL GRANTS

	Department for Employment and Learning £	Total £
Balance as at 1 August 2011		
Land and Buildings	51,979,148	51,979,148
Equipment	-	-
Due for the year		
Land and Buildings	444,964	444,964
Equipment	50,036	50,036
Disposals	(108,459)	(108,459)
Released to Income & Expenditure Account		
Land and Buildings	(1,437,392)	(1,437,392)
Equipment	(16,679)	(16,679)
Balance as at 31 July 2012	<u>50,911,618</u>	<u>50,911,618</u>

18 STATEMENT OF MOVEMENT OF RESERVES

	Trust £	General £	Pension £	Capital £	Total £
Balance as at 1 August 2011	2,029	3,603,086	(1,759,000)	741,185	2,587,300
Retained Surplus	-	558,828	-	-	558,828
Actuarial Gain on Pension Liability	-	-	(4,357,000)	-	(4,357,000)
Pension Reserve Transfer	-	(41,000)	41,000	-	-
Adjustment for Depreciation of College Funded Assets	-	120,929	-	(120,929)	-
Balance as at 31 July 2012	<u>2,029</u>	<u>4,241,843</u>	<u>(6,075,000)</u>	<u>620,256</u>	<u>(1,210,872)</u>

The Trust Fund represents donations, the income from which is used for prizes for final year students. The funds are maintained in separate identifiable assets and are stated at cost.

**19 RECONCILIATION OF SURPLUS TO THE NET CASH (OUTFLOW)/INFLOW
FROM OPERATING ACTIVITIES**

	2012	2011
	£	£
Operating Surplus	558,828	403,451
Interest Receivable	(72,641)	(58,100)
FRS17 Interest (Receivable)/Payable	(25,000)	15,000
FRS17 (Decreased)/Increased Staff Costs	(16,000)	(50,000)
Depreciation	1,579,076	1,563,672
Grants Released	(1,454,071)	(1,443,870)
(Increase)/Decrease in Debtors	(171,004)	50,897
Increase/(Decrease) in Creditors	586,985	(507,291)
Net Cash Inflow/(Outflow) from Operating Activities	<u>986,173</u>	<u>(26,241)</u>

20 ANALYSIS OF CHANGES IN NET FUNDS

	31 July 2012	Cash Flow	1 August 2011
	£	£	£
Cash at Bank and in Hand	743,564	836,746	(93,182)
Short Term Deposits	2,750,000	75,000	2,675,000
	<u>3,493,564</u>	<u>911,746</u>	<u>2,581,818</u>

21 POST BALANCE SHEET EVENTS

There were no material post balance sheet events.

22 PENSIONS

The College's employees belong to two principal pension schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC). The total pension cost, excluding FRS17 entries for the period, was £682,252 (2011 - £690,009). FRS17 adjustments in the year amounted to a credit of £16,000 (2011 - a credit of £50,000).

Employer's pension contributions for the year to 31 July 2013 will be approximately £748,000.

22 PENSIONS (Continued)**Teachers Superannuation Scheme (TSS)**

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 Financial Reporting Standard 17 'Retirement Benefits', TSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

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 2012 was £492,807 of which employer's contributions totalled £363,301 and employees' contributions totalled £129,506. The employer's contribution rate is expected to increase by 1% per annum to 20% for employers from 1 April 2013 and in a range between 5.5% and 7.5% dependent on earnings for employees.

The latest valuation was carried out on 31 March 2010 by the Committee's Actuary, Hyman's Robertson and the employer's rate of contribution has increased by 1% in each of the three years from April 2010. This compares to an employer's contribution rate of 8.5% with effect from 1 April 2005. Employer's contribution rates continued to increase with effect as follows:

From	Rate
1 April 2011	18%
1 April 2012	19%
1 April 2013	20%

Under the definitions set out in Financial Reporting Standard 17 'Retirement Benefits', NILGOSC is a multi-employer pension scheme. The College is able to identify its share of the underlying assets and liabilities of the scheme and accordingly presents the following information required by FRS 17.

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

	2012	2011
Pension Increase Rate	2.2%	2.7%
Salary Increase Rate	4.5%	2.0%
Expected Return on Assets	4.9%	6.4%
Discount Rate	4.1%	5.3%

22 PENSIONS (Continued)

The post-retirement mortality assumptions used to value the benefit obligation at 31 July 2012 and 31 July 2011 are based on the PFA92 and PMA92 actuarial year of birth tables and average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.9 years	25.7 years
Future Pensioners	24.9 years	27.7 years

The fair value assets in the scheme and expected rates of return were:

	Long Term Return at 31 July 2012 % p.a.	Assets at 31 July 2012 £000	Long Term Return at 31 July 2011 % p.a.	Assets at 31 July 2011 £000
Equities	5.5%	8,059	7.0%	7,915
Bonds	3.5%	1,435	4.6%	1,604
Property	3.7%	994	5.1%	749
Cash	2.8%	552	4.0%	428
Total		11,040		10,696

The above asset values as at 31 July 2012 are at bid value as required under FRS 17

The amounts recognised in the balance sheet are as follows:

	31 July 2012 £000	31 July 2011 £000
Fair Value of Scheme Assets	11,040	10,696
Present Value of Scheme Liabilities	(17,115)	(12,455)
Net (Underfunding) in Funded Plan	(6,075)	(1,759)
Amount in the Balance Sheet		
Liabilities	(6,075)	(1,759)
Assets	-	-
Net Pension Liability	(6,075)	(1,759)

22 PENSIONS (Continued)

The amounts charged to the Income and Expenditure account are as follows:

	31 July 2012 £000	31 July 2011 £000
Current Service Cost	351	293
Interest Cost	661	635
Expected Return on Scheme Assets	(686)	(620)
Past Service Cost	-	-
Curtailments and Settlements	-	-
Total	<u>326</u>	<u>308</u>
Actual Return on Plan Assets	304	1,277

Reconciliation of Defined Benefit Obligation:

	31 July 2012 £000	31 July 2011 £000
Opening Defined Benefit Obligation	12,455	11,819
Current Service Cost	351	293
Past Service Costs	-	-
Interest Cost	661	635
Actuarial Losses/(Gains)	3,973	113
Contributions by Members	135	133
Impact of Settlements and Curtailments	-	-
Estimated Benefits Paid	(460)	(538)
Closing Defined Benefit Obligation	<u>17,115</u>	<u>12,455</u>

Reconciliation of Fair Value of Employers Assets:

	31 July 2012 £000	31 July 2011 £000
Opening Fair Value of Employers Assets	10,696	9,292
Expected Return on Assets	686	620
Contributions by Members	135	133
Contributions by the Employer	367	343
Contributions in Respect of Unfunded Benefits	-	-
Actuarial Gains	(384)	846
Impact of Settlements and Curtailments	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(460)	(538)
	<u> </u>	<u> </u>

22 PENSIONS (Continued)

Closing Fair Value of Employers Assets	11,040	10,696
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Amounts for the current and previous four periods are as follows:

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	10,696	9,292	7,670	8,201	8,770
Present Value of Defined Benefit Obligation at 31 July	(12,455)	(11,819)	(12,937)	(10,539)	(10,413)
Surplus/(Deficit) on the Scheme	(1,759)	(2,527)	(5,267)	(2,338)	(1,643)
Experience Gains/(Losses) on Assets	846	957	(1,286)	(1,219)	310
Experience (Losses)/Gains on Liabilities	(227)	-	-	106	(1)

23 CAPITAL COMMITMENTS

	2012	2011
	£	£
Commitments Contracted for at 31 July 2012	354,884	13,080
	354,884	13,080

The balance of monies due on refurbishment contracts relating to the first floor of the Central Building and the upgrade of facilities with Dunseverick Halls of Residence constitute this liability.

24 CONTINGENT LIABILITY

There were no contingent liabilities at the balance sheet date.

25 RELATED PARTY TRANSACTIONS

Due to the nature of the 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 College's financial regulations and normal procurement procedures.

26 OTHER FUNDS**Support Fund**

	Year Ended 31 July 2012	Year Ended 31 July 2011
Opening Balance	1,500	1,500
Grants from the Department for Employment and Learning	38,894	21,955
Bank Interest less Charges	3	2
Disbursed to Students	(24,700)	(16,600)
Audit Fees	(540)	(695)
Balance unspent at 31 July 2012	15,157	6,162
Returned to DEL	14,357	4,662
Closing Balance	800	1,500

In the 2011/12 financial year the Department for Employment and Learning (DEL) allocated £38,894 to the 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 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 College where such persons have need of such assistance because of economic or other circumstances.

The value of the Trust as at 31 July 2012 was £18,963. As the Trust is a separate legal entity it is not incorporated in the Balance Sheet of the College.