

# **Stranmillis University College**

A College of Queen's University Belfast.

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2014**

**ADVISORS**

**Principal:** Dr A Heaslett

**External Auditor:** Grant Thornton (NI) LLP  
2 Clarence Street West  
Belfast  
BT2 7GP

**Internal Auditor:** Deloitte LLP  
19 Bedford Street  
Belfast  
BT2 7EJ

**Solicitors:** Carson McDowell  
Murray House,  
4 Murray Street  
Belfast  
BT1 6DN

**Bankers:** Ulster Bank Limited  
University Road  
Belfast  
BT7 1NG

**Principal Address:** Stranmillis University College  
Stranmillis Road  
Belfast  
BT9 5DY

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**GOVERNORS**

The members of the Governing Body during the year are set out in the Table below. Six members of the Governing Body retired on 31 July 2014 and we would wish to thank those Members for their contribution to the governance of the University College throughout what was not an easy period.

In recruiting and selecting new members, we sought to bring in a balanced range of knowledge, skills and experience to assist the governance of the College going forward.

| Name                                                  | Appointed From Date | Term of Office            | Status of Appointment            | Committees Served                                                                                                                                         |
|-------------------------------------------------------|---------------------|---------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Professor Sir Desmond Rea<br>OBE MSc(ECON)<br>MBA PHD | 13 May 2013         | 13 May 2017               | Chair of the Governing Body      | Chair of the Remuneration Committee;<br>Member of Executive Committee*;                                                                                   |
| E Jardine CB,<br>MSc, BSc                             | 1 August 2014       | 31 July 2018              | Vice-Chair of the Governing Body | Chair of the Finance and General Purposes Committee;                                                                                                      |
| Mrs D Bell MA,<br>DASE                                | 1 August 2006       | 31 July 2014              | Vice-Chair of the Governing Body | Chair of Executive Committee*;<br>Member of Remuneration Committee                                                                                        |
| Dr A Heaslett BA<br>MA D.Phil MSc<br>FRSA             | 1 August 2007       | For period of appointment | Principal and Chief Executive    | Member of Executive Committee*                                                                                                                            |
| Mrs Claire Moore<br>BA, FCA                           | 1 August 2014       | 31 July 2018              | Member                           | Chair of the Audit and Risk Assurance Committee                                                                                                           |
| N Bodger MBA,<br>Dip Mod Lang                         | 1 August 2006       | 31 July 2014              | Member                           | Chair of the Audit Committee;<br>Member of Remuneration Committee                                                                                         |
| D Capper BA,<br>Cert Ed                               | 1 August 2006       | 31 July 2014              | Member                           | Member of Executive Committee*                                                                                                                            |
| Rev M Hagan Cert<br>HE Theology<br>M.Phil             | 1 August 2006       | 31 July 2014              | Member                           | Member of Audit Committee                                                                                                                                 |
| Dr J Harper MEd,<br>DASE, PQH(NI)<br>EdD              | 1 August 2006       | 31 July 2014              | Member                           | Member of Remuneration Committee                                                                                                                          |
| T McGonigal<br>FCCA, CIPD,<br>MBA                     | 1 August 2006       | 31 July 2014              | Member                           | Member of Audit Committee                                                                                                                                 |
| Mrs S Madden<br>LLB, LLM,<br>PGDIP                    | 29 March 2013       | 31 March 2017             | Member                           | Member of Executive Committee*;<br>Member of Finance and General Purposes Committee <sup>^</sup> (2014-15);<br>Member of Remuneration Committee (2014-15) |
| K Nelson BA,<br>MBA, MSC, MIC,<br>FCMI, CMGR          | 29 March 2013       | 31 March 2017             | Member                           | Member of Executive Committee*;<br>Member of Audit and Risk Assurance Committee (2014-15)                                                                 |
| R Thompson MA,<br>DA, DASE<br>CertED                  | 29 March 2013       | 31 March 2017             | Member                           | Member of Executive Committee*;<br>Member of Finance and General Purposes Committee <sup>^</sup> ;<br>Chair of Education Committee <sup>^</sup>           |

|                                              |                 |                      |                                  |                                                                                                                                                                                                                                            |
|----------------------------------------------|-----------------|----------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dr E Birnie MA,<br>PhD                       | 1 August 2014   | 31 July 2018         | Member                           | Member of the Finance and<br>General Purposes Committee <sup>^</sup>                                                                                                                                                                       |
| W Patterson BA,<br>MBA, FCIPD                | 1 August 2014   | 31 July 2018         | Member                           | Member of Finance and<br>General Purposes Committee <sup>^</sup> ;<br>Member of Remuneration<br>Committee                                                                                                                                  |
| Mrs E Huddleson<br>BEd MSc                   | 1 August 2014   | 31 July 2018         | Member                           | Member of Education<br>Committee <sup>^</sup>                                                                                                                                                                                              |
| R Hanna BEd<br>MSc PGDip MSc                 | 1 August 2014   | 31 July 2018         | Member                           | Member of Finance and<br>General Purposes Committee <sup>^</sup><br>(to November 2014);<br>Member of Education<br>Committee <sup>^</sup> (to November<br>2014);<br>Member of Audit and Risk<br>Assurance Committee (from<br>November 2014) |
| C Donaghy BA<br>MA                           | 7 February 2005 | 15 September<br>2014 | Teaching Staff<br>Governor       | None                                                                                                                                                                                                                                       |
| A Brown BEd,<br>MSSc, FCIEA,<br>FCoIIT, FRSA | 4 November 2014 | 3 November<br>2018   | Teaching Staff<br>Representative | None                                                                                                                                                                                                                                       |
| A Ramage                                     | 1 February 2012 | 31 January<br>2016   | Support Staff<br>Governor        | None                                                                                                                                                                                                                                       |
| J Catterson                                  | 1 June 2013     | 31 May 2014          | Student<br>Governor              | None                                                                                                                                                                                                                                       |
| M Pollock                                    | 1 June 2014     | 31 May 2015          | Student<br>Governor              | None                                                                                                                                                                                                                                       |

\*The Executive Committee was stood down at the end of the 2013/2014 Academic year.

<sup>^</sup> New Committee established for the 2014-2015 Academic year.

**1. REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2014****Introduction**

- 1.1 The Governors are pleased to present their report and the accounts of the University College for the year ended 31 July 2014.
- 1.2 The University College is a Higher Education Institution, the principal business of which is the provision of courses in Initial Teacher Education leading to the award of the BEd (Honours) degree validated by Queen's University, Belfast (QUB). The University College also offers a BA (Early Childhood Studies), a BSc (Health and Leisure Studies), a Postgraduate Certificate in Education (PGCE) in early years education and a range of courses at Master's level.
- 1.3 The College also offers a range of short courses through its Lifelong Learning and Professional Development Programme.
- 1.4 Stranmillis University College was founded in 1922, for the purpose of providing teacher education in Northern Ireland. However, over the years it has developed a vibrant international strategy and currently works with a significant number of overseas partners.
- 1.5 Stranmillis University College's vision is to be a centre of excellence in educational, professional and vocational development and its mission is 'to sustain a critical community of educational excellence in teaching and research in a shared environment where diversity is welcome, in order to meet the professional needs of society in Northern Ireland and beyond.'
- 1.6 The University College was created as an incorporated institution by virtue of the Colleges of Education (NI) Order 2005 which received parliamentary approval on 19<sup>th</sup> July 2005. The Order was effective from 1 October 2005.
- 1.7 Based on this legislation, the Office for National Statistics reclassified the University College as part of Central Government. This has resulted in the University College being determined as a Non Department Public Body (NDPB) with effect from 1 April 2012.

**Financial Results for the Year**

- 1.8 The University College's Income, Expenditure and Results for the year to 31 July 2014 are summarised below:

|                      | 2014       | 2013       |
|----------------------|------------|------------|
|                      | £'000      | £'000      |
| Income               | 14,235     | 13,365     |
| Expenditure          | (13,631)   | (13,088)   |
| Operating Surplus    | <u>604</u> | <u>277</u> |
| Transfer to Reserves | <u>604</u> | <u>277</u> |

**Income**

- 1.9 Total income increased by £870k or 6.5% compared with the previous year. This is despite a further reduction of £263k or 5.4% in recurrent grant funding received from the Department for Employment and Learning (DEL) in the year (2013 reduction was £301k representing a fall of 5.8%). Recurrent Grant funding of £4,595k (2013 - £4,858k) contributed 32.3% (2013 - 36.3%) of total income received in the year.
- 1.10 In interpreting income, readers should note that total Funding Grants included £1,578k (2013 - £1,472k) of funding Grants Released, the bulk of which related to the matching depreciation charge on the assets which were inherited by the University College on incorporation in 2005. The Grants Released income therefore does not represent revenue funding actually received in the year from DEL. The amounts released represent some 11.1% (2013 – 11%) of amounts recorded as income in the year. As a consequence of the current accounting treatment both Grants Released and Depreciation charges are much higher than the equivalent figures for many other small Higher Education Institutions.
- 1.11 Tuition Fee income increased by 6.7% in the year including a £102k or 26.1% increase in part-time tuition fees. Part-time fee income has increased due to the introduction of new Physical Education M (Ed) modules in the year and the expansion of the Institute for Study Abroad American student partnership. Full time tuition fee income increased by £116k or 4.1% with an increase of 10 full time students along with a 2.9% inflationary impact of the tuition fee increase over the year. Total Tuition Fee income contributed 24.2% (2013 – 24.2%) of Total Income.
- 1.12 Halls of Residence, Catering, Conferencing, Rental and Room Hire income, under the management of the Hospitality Services Department, contributed £2,109k or 14.8% of total income in the year. This represents an increase of £287k on the prior year as a result of increased income from Halls of Residences and conference related activity. This continues the very positive results that have been achieved in recent years despite the very challenging economic circumstances.
- 1.13 Sundry Other Income has grown by 31.9% to £293k in the year as a result of the continued expansion of Lifelong Learning and Continuing Professional Development programmes and the funded Internships together with increased income from several small projects.

**Major Project Income**

- 1.14 The University College has attracted significant research income in recent years from two Major Projects which contributed £1,750k (2013 - £1,380k) to income as follows:
- 1.15 A £900k funded 3 year CREDIT (Classrooms Re-imagined: Education in Diversity and Inclusion for Teachers) project which ended in December 2013. The CREDIT project, funded by the International Fund for Ireland was developed by Stranmillis University College, in joint collaboration with St. Mary's University College and aimed to help all qualified teachers to develop skills and confidence in dealing with issues of diversity, inclusion and community cohesion in the classroom and on a whole-school basis. Youth workers and other educational professionals were also invited to participate.
- 1.16 The Special Educational Needs (SEN) Literacy Project is a 3 year £4M Department of Education funded project also delivered in partnership with St Mary's University College, Belfast.

1.17 The overall aims of the project are to help teachers to build on their understanding of literacy development in children of primary school age as follows:

- to develop each teacher's competence and confidence in the ability to identify individual learning profiles;
- to develop each teacher's competence and confidence to match evidence-based interventions to individual learning needs;
- to benefit each school through having a specialist teacher and building expertise in literacy development among the whole teaching staff; and
- to help teachers to identify children's literacy strengths and to address their difficulties.

1.18 Some 31.7% (2013 – 27.7%) of total income in the year was derived from sources other than DEL Funding Grants and Tuition Fees. Success is therefore evident from these results of the University College's strategy in recent years to diversify the sources of its income and therefore reducing reliance on reducing levels of core government funding.

### **Expenditure**

1.19 Expenditure increased by 4.2% compared to the previous year reflecting the higher activity reported above.

1.20 Included within Total Expenditure is a charge of £29k relating to the FRS 17 accounting adjustment required as a result of annual actuarial valuation of the NILGOSC pension scheme. The equivalent for the year to July 2013 was £262k resulting in a reduction in expenditure of £233k over the year which illustrates the volatile nature of these adjustments and the resultant challenge in managing the impact of this adjustment and consequently in interpreting the annual financial results.

1.21 Adjusting for the impact of FRS 17, staff costs increased by 13.6% or £898k in the year, with the SEN Literacy Project experiencing an increase of £623k in staff costs explaining the increase in the average staff numbers employed during the year. Unadjusted staff costs represented 55.8% (2013 – 51.1%) of total expenditure which is below the sector average.

1.22 Other Operating Expenditure decreased by £340k or 7.4% on the previous year. The most significant change in expenditure over the year was due to the reduced expenditure on Sundry Course Costs for the SEN Literacy project with some £111k of resources purchased compared with £544k in the previous year. The reduced expenditure on Course Consumables and Field Trips is similarly related to spend patterns within the SEN Literacy project. More building related Professional Fees have been capitalised in the year with the much increased level of capital works progressed in the year. In addition the College now employs a Careers Advisor have previously outsourced this service at a cost of £36k in 2013.

1.23 Depreciation which represented 12.8% (2013 – 12.3%) of total expenditure is very high for the sector and reflects the transfer of the land and buildings of the campus on incorporation in 2005. Off-setting the related Deferred Capital Grant Release within Funding Grants Income, as detailed above, the net depreciation charge in the year was £160k (2013 - £140k).

1.24 The reported surplus of £604k (2013 - £277k) for the year represents 4.2% of income (2013 – 2%) and this reflects the Governing Body's commitment to the generation of operating surpluses.



This financial strategy supports both investment in the campus and on-going sustainability of operations, whilst the necessity to make efficiency savings has been embraced.

### **Cash Flow**

- 1.25 The cash flow statement shows a net decrease in cash of £517,669.

### **Balance Sheet**

- 1.26 Net Assets at £50.743m have increased by £487k over the year. General reserves, currently £6.036m, have been strengthened by continued operating surpluses. Despite funding some capital projects during the year, cash holdings and short term deposits also remain strong at £3.2m. It is expected, however, that cash holdings will reduce over the coming year with further planned investment in infrastructure improvements as detailed below.
- 1.27 An actuarial gain of £885k resulted in a reduction of the net pension liability, being the University College's share of the NILGOSC pension scheme overall deficit, to £4.081M (2013 - £4.937m).

### **Capital Investment**

- 1.28 During the year the University College invested £2.50m in building works. The works undertaken in the year include the commencement of a major refurbishment project to the Main Building (£581k), the relocation of Scholar's bar and disabled access works to the Refectory Building (£1.063m) and the completion of refurbishment to the iconic Stranmillis House (£818k) including DDA compliance works. The University College continues to invest its DEL capital allocation in schemes which enhance the teaching and learning environment for staff and students.
- 1.29 During the year the University College was successful in its application for additional capital funding and was awarded £2.81m to commence major refurbishment works to the Main Building. These works should be completed in Spring 2015.
- 1.30 In the year the University College received capital grants of £893k from DEL relating to the both the Stranmillis House (£312k) and Main Building asbestos removal (£581k) projects.

### **Future Developments**

- 1.31 The University College has continued to receive more significant levels of recurring capital funding from the Department for Employment and Learning than was previously the case with capital funding in excess of £1.6m expected to be received over the period April 2011 to March 2015.
- 1.32 Further significant refurbishment projects on campus, partially funded by the Department, will continue in 2014-15 and beyond including the completion of the Main Building project and a second phase of works to the Refectory Building which will further enhance student social facilities to meet student demand and enhance the offering and therefore attract increased conferencing business.
- 1.33 Unfortunately the planned refurbishment of the foyer area of the Central Building, with the assistance of DEL capital funding, could not proceed due to circumstances beyond the College's control. These works are expected to be completed during the summer of 2015.

- 1.34 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**

- 1.35 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 the Treasury for payment to suppliers within 30 days is 95%.
- 1.36 During the accounting period 1 August 2013 - 31 July 2014, the College paid 99% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.
- 1.37 The Northern Ireland Executive is committed to paying suppliers as quickly as possible, within 10 working days. During the accounting period 1 August 2013 - 31 July 2014, the College paid 82% of its invoices within 10 days.

#### **Principal Risks and Uncertainties**

- 1.38 The second part of the DEL funded Review of Initial Teacher Education Infrastructure in Northern Ireland was carried out by an International Panel of experts which published its Report on 1<sup>st</sup> July 2014. The Panel formulated four Options to provide a starting point for constructive engagement between Teacher Education providers, stakeholders and politicians in Northern Ireland. The Teacher Education Review being undertaken by the Department of Education, which examines the entire framework of Teacher Education policy in Northern Ireland, has still not been published. The University College therefore continues to operate in a challenging policy environment.
- 1.39 As outlined in more detail in the Statement on Internal Control, a risk register is maintained at the University College level which is reviewed at each meeting by the Audit and Risk Assurance Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the University College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the University College.
- 1.40 Outlined in the Statement on Internal Control is a description of the principal risk factors that may affect the University College. Not all the factors are within the University College's control. Other factors besides those listed below may also adversely affect the University College.
- 1.41 The Governing Body considers that the reclassification in 2012 of the University College as a Non - Departmental Public Body - it would be the only Higher Education Institution within this category – unnecessarily restricts the University College's freedom of movement as an institution and especially given the challenging economic climate.

#### **Stakeholder Relationships**

- 1.42 In line with other University Colleges, the University College has many stakeholders. These include students, the Department for Employment and Learning and the Department of Education, other education institutions, trade unions and professional bodies as well as private sector employers and the voluntary and community sector.
- 1.43 The University College recognises the importance of these relationships and engages in regular communication with them through the University College internet site, by meetings and via

representation on various external organisations working groups, committees etc. The University College considers good communication with its staff to be very important and regular meetings are held. The University College encourages staff and student involvement through a range of fora, including through membership of the Governing Body.

### **Equal Opportunities and Employment of Disabled Persons**

1.44 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.

1.45 Without prejudice to its obligations above, the University College has, in carrying out its functions, had regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. The University College has included the promotion of good relations as part of the corporate planning process.

1.46 The University College is committed to the fulfilment of its Section 75 obligations in all parts of the organisation. The University College is committed to allocating necessary resources to ensure that the statutory duties are complied with and that the measures within the Equality Scheme to promote equality of opportunity are implemented effectively and on time.

### **Diversity and Equality Statement**

1.47 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 and equality are recognised, encouraged, promoted and valued at all levels of the organisation and in all its functions.

1.48 Recent years have seen significant alterations to help make the campus buildings more accessible for persons with a disability. Improvements are on-going to further improve physical access and provide additional technologies and support students with a disability including those suffering from dyslexia. The University College will ensure that every effort is made to meet the support needs of its key stakeholders.

Professor Sir Desmond Rea



Chairman: 9th December 2014

## 2. CORPORATE GOVERNANCE STATEMENT

- 2.1 The University College is committed to exhibiting best practice in all aspects of corporate governance. This Governance Statement describes the manner in which the College has complied with guidance from DFP and DEL and is aimed at supporting better governance and driving more consistent, coherent and transparent reporting. It sets out the governance structures and risk management procedures that operated within the College during the 2013-14 financial year and up to the date of approval of the Annual Report and Accounts.
- 2.2 During the year ended 31 July 2014, the University College has complied with this guidance insofar as it relates to the University College. The University College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairs.
- 2.3 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 University College's Chief Executive, the Principal. The Governing Body holds to itself the responsibilities for the on-going strategic direction of the University College, the monitoring of an annual Business Plan, approval of major developments and the receipt of regular reports from senior management on the day-to-day operations of its business. The University College subscribes to the principles of public life and has adopted a code of conduct for members of the Governing Body.
- 2.4 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. This Committee has been replaced by a Finance and General Purposes Committee with effect from 1 August 2014.
- 2.5 The Audit Committee meets with the University College's external and internal auditors in attendance when necessary. The Committee considers detailed reports together with recommendations for the improvement of the University College's systems of internal control and management's responses and implementation plans and provides an Annual Report to the Governing Body for consideration in the context of the Annual Accounts. With effect from 1 August 2014, this Committee has been replaced by an Audit and Risk Assurance Committee, aligning with the Audit and Risk Assurance Handbook NI, issued by the Department of Finance and Personnel.
- 2.6 Another lead committee established by the Governing Body from 2014-15 is the Education Committee which has been established to support the Governing Body with its responsibilities with regard to delivery of the College's mission, vision and strategic objectives.
- 2.7 Furthermore, the role of the Remuneration Committee, which was established to consider the remuneration of the Principal and other senior staff of the University College, has been extended from November 2014, to include responsibility for Human Resources and Remuneration of all staff.
- 2.8 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 University College and all contribute in various ways to these aspects of the work, but ultimate responsibility rests with the Principal.


2.9 The College has established a number of operational committees to support good governance:

- A Corporate Planning Team which assists the Principal in developing the core corporate services and associated Business Plan to support the delivery of the College's Mission and Vision as articulated in the Corporate Plan which has been approved by the Governing Body; and.
- An Academic Planning Team to assist the Principal and Senior Staff in developing and implementing the Business Plan to support the delivery of the College's Mission and Vision as articulated in the Corporate Plan which has been approved by the Governing Body.


2.10 In June 2014, the College also appointed a member of staff to provide executive support to the College and the Governing Body on Corporate Governance and Planning, including Risk Management.

2.11 The University 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: 9th December 2014

Professor Sir Desmond Rea

  
Chairman: 9th December 2014

### **3. STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY**

- 3.1 The Governing Body of the University College is responsible for the administration and management of the affairs of the University College and is required to present audited financial statements for each financial year.
- 3.2 Within the terms and conditions of the Financial Memorandum agreed between the Department for Employment and Learning (the Department) and the Governing Body of the University College, the Governing Body, through its Chairperson, 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 Department are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with the Department and other conditions which the 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.

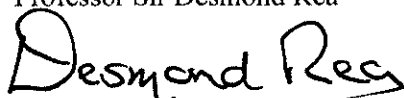
**Disclosure of Information to Auditors**

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: 9th December 2014

#### 4. STATEMENT ON INTERNAL CONTROL

- 4.1 As the Governing Body of Stranmillis University College, together with the Principal as Accounting Officer, we have the responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Governing Body in the instrument and articles and the Financial Memorandum with the DEL.
- 4.2 The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 4.3 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 efficiently, effectively and economically. This process has been in place for the period ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
- 4.4 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 (and Risk Assurance) 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 (and Risk Assurance) Committee oversees the risk management process.
  - d) The Audit (and Risk Assurance) 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 and support 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 maintained.
  - j) Reports are received from budget holders, department heads and project managers on internal control activities.
- 4.5 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 University College achieved an overall satisfactory level of assurance as a result of the 2013-14 programme of internal audit reviews.
- 4.6 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.



**Key Corporate Risks**

4.7 During the year, we identified the following risks to the achievement of the University College's Corporate Objectives:

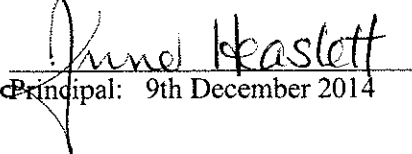
- Failure to move the University College towards greater autonomy and recognised charitable status in line with other HEIs in Northern Ireland and the rest of the UK, resulting in a detrimental impact on the University College's competitiveness within the HE sector.
- Failure to develop a viable and sustainable business model for the University College, resulting in inefficient or ineffective performance.
- Failure to maintain a strong and positive 'Stranmillis Brand', resulting in a negative impact on the University College's reputation as a selecting institution of choice for prospective students.
- Failure to ensure that the strategic planning process is informed by the production of accurate and timely management information, resulting in the setting and pursuit of inappropriate objectives and performance indicators.
- Failure to effectively manage income and expenditure in order to secure the University College's long-term financial viability.
- Loss of critical business data which would compromise the University College's capacity to maintain its core services or conduct its business.

4.8 All risks were subject to regular monitoring and review and controls were put in place to manage the risks, with further actions being considered as necessary.


**Review of Risk Management Policy**

4.9 In 2014-15, we have reviewed the University College's Risk Management Policy, including the Governing Body's Risk Appetite and will be rolling out revised arrangements to further strengthen the risk management arrangements already in place. This will be supported by a Risk Management Strategy, which sets out roles and responsibilities and provides guidance to staff on implementation of the revised policy.

Dr A Heaslett

  
Principal: 9th December 2014

Professor Sir Desmond Rea

  
Chairman: 9th December 2014

## **REPORT OF THE INDEPENDENT AUDITOR TO THE GOVERNING BODY OF STRANMILLIS UNIVERSITY COLLEGE**

We have audited the financial statements of Stranmillis University College ('the College') for the year ended 31 July 2014 which comprise the income and expenditure account, the statement of total recognised gains and losses, the College balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net funds and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with the Financial Memorandum with 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 Governing Body's Responsibilities Statement, 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 Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website [www.frc.org.uk/apb/scope.private.cfm](http://www.frc.org.uk/apb/scope.private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as 31 July 2014 and of its income and expenditure, recognised gains and losses and statement of cash flows for the year then ended 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 accordance with Department for Employment and Learning's Financial Memorandum dated January 2008, we are required to report whether, in our opinion, in all material respects:

- income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2014 has been applied in accordance with the College's statutes and, where appropriate, with the Financial Memorandum with 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 is inconsistent with our knowledge of the College.

*Grant Thornton NI LLP*

**Grant Thornton (NI) LLP  
Statutory Auditor, Chartered Accountants  
BELFAST**

**INCOME AND EXPENDITURE ACCOUNT**

For the Year Ended 31 July 2014

|                                                     |           | 2014<br>£         | 2013<br>£         |
|-----------------------------------------------------|-----------|-------------------|-------------------|
| <b>Income</b>                                       | NOTE      |                   |                   |
| Funding Grants                                      | (2)       | 6,276,883         | 6,433,538         |
| Tuition Fees                                        | (3)       | 3,450,450         | 3,232,887         |
| Research Grants and Contracts                       | (4)       | 195,502           | 188,111           |
| Other Operating Income                              | (6)       | 4,152,718         | 3,424,457         |
| Interest Receivable (Including FRS 17 amount)       |           | 159,907           | 85,886            |
|                                                     |           | <u>14,235,460</u> | <u>13,364,879</u> |
| <b>Expenditure</b>                                  |           |                   |                   |
| Staff Costs                                         | (7) & (8) | 7,606,701         | 6,682,225         |
| Other Operating Expenditure                         | (10)      | 4,286,512         | 4,626,954         |
| Depreciation                                        | (12)      | 1,738,513         | 1,615,572         |
| Interest Payable (including FRS 17 amount)          |           | -                 | 163,000           |
| <b>Total Expenditure</b>                            |           | <u>13,631,726</u> | <u>13,087,751</u> |
| Surplus                                             |           | <u>603,734</u>    | <u>277,128</u>    |
| Taxation                                            |           | -                 | -                 |
| Surplus on Continuing Operations after Depreciation | (17)      | <u>603,734</u>    | <u>277,128</u>    |

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

**Statement of the Total Recognised Gains and Losses for the year ended 31 July 2014**

|                                                       |      | 2014<br>£        | 2013<br>£        |
|-------------------------------------------------------|------|------------------|------------------|
| Surplus on Continuing Operations                      |      | 603,734          | 277,128          |
| Actuarial Gain in respect of Pension Scheme (Note 17) |      | 885,000          | 1,400,000        |
| Total Recognised Gains relating to the year           |      | <u>1,488,734</u> | <u>1,677,128</u> |
| <b>Reconciliation</b>                                 |      |                  |                  |
| Opening Reserves and Endowments                       |      | 466,256          | (1,210,872)      |
| Total Recognised Gains for the year                   |      | 1,488,734        | 1,677,128        |
| Closing Reserves                                      | (17) | <u>1,954,990</u> | <u>466,256</u>   |

The notes on pages 23 to 38 form part of these financial statements.

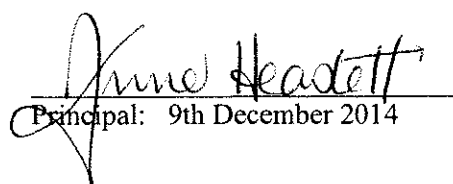
**BALANCE SHEET**

As at 31 July 2014

|                                                                | Note | 2014<br>£          | 2013<br>£          |
|----------------------------------------------------------------|------|--------------------|--------------------|
| Tangible Assets                                                | (12) | 52,325,169         | 51,881,460         |
| Total Fixed Assets                                             |      | <u>52,325,169</u>  | <u>51,881,460</u>  |
| Debtors                                                        | (13) | 876,248            | 945,294            |
| Short Term Deposits                                            |      | 2,000,000          | 3,250,000          |
| Cash at Bank and in Hand                                       |      | 1,177,416          | 445,085            |
| Total Current Assets                                           |      | <u>4,053,664</u>   | <u>4,640,379</u>   |
| Less: Bank overdraft                                           |      | -                  | -                  |
| Creditors – amounts falling within one year                    | (14) | <u>(1,554,873)</u> | <u>(1,328,755)</u> |
| Net Current Assets                                             |      | <u>2,498,791</u>   | <u>3,311,624</u>   |
| Total Assets less Current Liabilities                          |      | 54,823,960         | 55,193,084         |
| Less: Creditors – Amounts falling due after more than one year |      | -                  | -                  |
| Less: Provisions for Liabilities and Charges                   | (15) | (4,081,000)        | (4,937,000)        |
| NET ASSETS                                                     |      | <u>50,742,960</u>  | <u>50,256,084</u>  |
| Deferred Capital Grants                                        | (16) | 48,787,970         | 49,789,828         |
| Reserves                                                       | (17) | 6,035,990          | 5,403,256          |
| FRS 17 Pension Reserve                                         | (17) | (4,081,000)        | (4,937,000)        |
| Total funds                                                    |      | <u>50,742,960</u>  | <u>50,256,084</u>  |

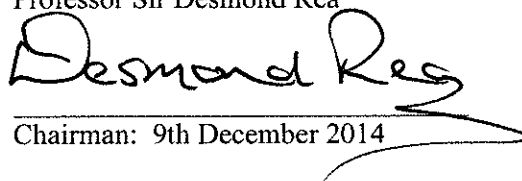
The financial statements on pages 23 to 38 were approved by the Governing Body on 9th December 2014 and were signed on its behalf by:

Dr A Heaslett



Principal: 9th December 2014

Professor Sir Desmond Rea



Chairman: 9th December 2014

The notes on pages 23 to 38 form part of these financial statements.

**CASH FLOW STATEMENT**  
**For the Year Ended 31 July 2014**

|                                                                           |             | 2014<br>£          | 2013<br>£        |
|---------------------------------------------------------------------------|-------------|--------------------|------------------|
|                                                                           | <b>Note</b> |                    |                  |
| <b>Net Cash Inflow From Operating Activities</b>                          | (18)        | 1,024,456          | 495,806          |
| <b>Returns on Investments</b>                                             |             |                    |                  |
| Servicing of Finance                                                      |             | 63,907             | 85,886           |
| <b>Net Cash Inflow</b>                                                    |             | <u>1,088,363</u>   | <u>581,692</u>   |
| <b>Taxation</b>                                                           |             | -                  | -                |
| <b>Capital Expenditure and Financial Investment</b>                       | (12)        | (2,498,857)        | (729,939)        |
| <b>Net Cash outflow before Financing</b>                                  |             | <u>(1,410,494)</u> | <u>(148,247)</u> |
| Capital Grants Received                                                   | (16)        | 892,825            | 349,768          |
| <b>Cash (Outflow)/Inflow before use of Liquid Resources and Financing</b> |             | <u>(517,669)</u>   | <u>201,521</u>   |
| <b>(Decrease)/Increase in Cash</b>                                        | (19)        | <u>(517,669)</u>   | <u>201,521</u>   |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

|                                                     | 2014<br>£        | 2013<br>£        |
|-----------------------------------------------------|------------------|------------------|
| (Decrease)/Increase in Cash in the Period (Note 19) | (517,669)        | 201,521          |
| Change in Net Funds                                 | (517,669)        | 201,521          |
| Net Funds as at 1 August 2013                       | 3,695,085        | 3,493,564        |
| Net Funds as at 31 July 2014                        | <u>3,177,416</u> | <u>3,695,085</u> |

The notes on pages 23 to 38 form part of these financial statements.

**NOTES TO THE ACCOUNTS****For the year to 31 July 2014****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 University 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 University College are included as expenditure in Note 10.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits 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 University 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 University College are provided by defined benefit schemes, which are funded by contributions from the University 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 University College.

From 1 April 2008 the employer contribution was 13.6%. The contribution rate will remain at this rate for the 2014 - 15 financial year. A full actuarial review of the Teachers Superannuation Scheme is currently in progress.

The NILGOSC Fund is valued every three years by an independent actuary. The last completed valuation was at 31 March 2013 and is subject to the new regulations for the LGPS (NI) 2015 scheme. It is expected that the employer contribution rate for support staff will remain at 20% until the next valuation.

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

Land and buildings inherited from the 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 University College of between 20 and 50 years. The University 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 University 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 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.

**(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 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.

**2 FUNDING GRANTS**

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

|                  | 2014<br>£        | 2013<br>£        |
|------------------|------------------|------------------|
| Recurrent Grant  | 4,594,700        | 4,857,845        |
| Grants Released  | 1,578,048        | 1,471,558        |
| Widening Access  | 54,457           | 54,457           |
| Research Funding | 49,678           | 49,678           |
|                  | <u>6,276,883</u> | <u>6,433,538</u> |

**3 TUITION FEES**

Variable tuition fees were introduced with effect from 1 August 2006. The rate for 2013-14 was set at £3,575 for full-time students (2013: £3,475). No students were charged tuition fee under the pre 2006 funding regime in 2013-14.

|                                          | 2014<br>£        | 2013<br>£        |
|------------------------------------------|------------------|------------------|
| Full-time Students                       | 2,956,686        | 2,841,094        |
| Part-time Students                       | 493,764          | 391,793          |
| Total Fees paid by/on behalf of Students | <u>3,450,450</u> | <u>3,232,887</u> |

**4 RESEARCH GRANTS AND CONTRACTS**

|                            | 2014<br>£      | 2013<br>£      |
|----------------------------|----------------|----------------|
| UK Based Charities         | 11,439         | 3,058          |
| European Commission        | 71,767         | 56,438         |
| Other Grants and Contracts | 112,296        | 128,615        |
| <b>Total</b>               | <u>195,502</u> | <u>188,111</u> |

**5 NUMBER OF STUDENTS**

|                   | 2014       | 2013       |
|-------------------|------------|------------|
| BEd               | 539        | 531        |
| PGCE              | 15         | 15         |
| BA (ECS)          | 153        | 150        |
| BSC (H&L)         | 110        | 111        |
| TOTAL – FULL TIME | <u>817</u> | <u>807</u> |

The University College continued to offer a range of courses at Master's and Certificate level attracting 110 students (2013: 125 students). In addition 111 students (2013: 113 students) undertook part-time undergraduate courses. This equated to 134 full time equivalent students (2013: 138 students) giving a total student population for the year of 951 (2013: 945 students).

**6 OTHER OPERATING INCOME**

|                                   | 2014<br>£        | 2013<br>£        |
|-----------------------------------|------------------|------------------|
| Residence and Catering Operations | 1,900,274        | 1,612,321        |
| Rents Receivable                  | 35,488           | 36,847           |
| Hire of Facilities                | 173,472          | 172,621          |
| Major Projects                    | 1,750,209        | 1,380,312        |
| Sundry Other Income               | 293,275          | 222,356          |
|                                   | <u>4,152,718</u> | <u>3,424,457</u> |

**7 STAFF COSTS**

|                       | 2014<br>£        | 2013<br>£        |
|-----------------------|------------------|------------------|
| Wages and Salaries    | 6,228,435        | 5,447,630        |
| Social Security Costs | 482,400          | 433,373          |
| Pension Costs         | 770,866          | 702,222          |
| Other Pension Costs   | 125,000          | 99,000           |
|                       | <u>7,606,701</u> | <u>6,682,225</u> |

| <b>Staff Numbers</b> | 2014       | 2013       |
|----------------------|------------|------------|
| Lecturing Staff      | 55         | 53         |
| Support Staff        | 155        | 142        |
|                      | <u>210</u> | <u>195</u> |

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**

|                                    | 2014            | 2013            |
|------------------------------------|-----------------|-----------------|
|                                    | £               | £               |
| Teaching Departments               | 2,910,499       | 2,817,963       |
| Teaching Support Services          | 108,218         | 102,756         |
| Other Support Services             | 498,779         | 495,542         |
| Admin and Central Support Services | 1,060,320       | 921,841         |
| Premises                           | 781,651         | 770,649         |
| Catering and Residences            | 822,381         | 802,583         |
| Other Income Generating Activities | 1,299,853       | 671,891         |
| Other Pension Costs                | 125,000         | 99,000          |
|                                    | <hr/> 7,606,701 | <hr/> 6,682,225 |

**9 SENIOR POST HOLDERS EMOLUMENTS**

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

|                       | 2014          | 2013          |
|-----------------------|---------------|---------------|
|                       | £             | £             |
| Salary                | 93,852        | 92,923        |
| Pension contributions | 12,764        | 12,638        |
|                       | <hr/> 106,616 | <hr/> 105,561 |

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**

|                                             | 2014      | 2013      |
|---------------------------------------------|-----------|-----------|
|                                             | £         | £         |
| Residence and Catering Operating Expenses   | 846,126   | 749,689   |
| Course Consumables & Field Trips            | 89,456    | 155,489   |
| Purchase, Hire and Repair of Equipment      | 12,861    | 16,915    |
| IT Maintenance Costs                        | 34,978    | 40,631    |
| Library Costs                               | 125,768   | 122,281   |
| Student Placements – Travel and Subsistence | 870       | 1,132     |
| Heat, Light and Power                       | 343,851   | 368,126   |
| Rates and Insurance                         | 381,512   | 341,899   |
| Refurbishment, Maintenance & Cleaning       | 630,213   | 478,212   |
| Telephone                                   | 37,697    | 36,329    |
| Sundry Course Costs                         | 276,167   | 670,455   |
| Postage and Photocopying                    | 74,192    | 67,651    |
| Advertising and Recruitment                 | 43,210    | 60,484    |
| Validation Costs to QUB                     | 334,004   | 313,650   |
| External Examiner Costs                     | 12,173    | 10,435    |
| Auditors Remuneration in respect of:        |           |           |
| Internal Audit Services                     | 11,622    | 12,987    |
| External Audit Services                     | 6,480     | 5,250     |
| Other Audit Services                        | 7,386     | 1,900     |
| Other Professional Fees                     | 50,852    | 181,120   |
| Careers Service                             | -         | 35,833    |
| Occupational Health Service                 | 39,785    | 39,847    |
| Staff Training and Development              | 58,093    | 82,498    |
| Widening Access and Bursary Costs           | 237,421   | 274,256   |
| Research Project Costs                      | 175,415   | 168,011   |
| Equipment Replacement                       | 34,871    | 40,490    |
| Printing & Stationery                       | 57,580    | 32,829    |
| Publications & Subscriptions                | 61,158    | 60,307    |
| Travel Costs                                | 69,750    | 31,249    |
| Other                                       | 233,021   | 226,999   |
|                                             | 4,286,512 | 4,626,954 |

**11 TAXATION**

The University College did not incur any taxation liability during the period (2013: £Nil).

**12 FIXED ASSETS**

|                           | Freehold<br>Land and Buildings<br>£ | Equipment<br>£ | Vehicles<br>£ | Total<br>£ |
|---------------------------|-------------------------------------|----------------|---------------|------------|
| <b>Cost:</b>              |                                     |                |               |            |
| 1 August 2013             | 63,352,666                          | 2,295,157      | -             | 65,647,823 |
| Additions                 | 2,485,029                           | -              | 13,828        | 2,498,857  |
| Disposals                 | (533,552)                           | -              | -             | (533,552)  |
| 31 July 2014              | 65,304,143                          | 2,295,157      | 13,828        | 67,613,128 |
| <b>Depreciation:</b>      |                                     |                |               |            |
| 1 August 2013             | 11,487,884                          | 2,278,479      | -             | 13,766,363 |
| Charge for the year       | 1,719,069                           | 16,678         | 2,766         | 1,738,513  |
| Disposals                 | (216,917)                           | -              | -             | (216,917)  |
| 31 July 2014              | 12,990,036                          | 2,295,157      | 2,766         | 15,287,959 |
| NBV 31 July 2014          | 52,314,107                          | -              | 11,062        | 52,325,169 |
| NBV 31 July 2013          | 51,864,782                          | 16,678         | -             | 51,881,460 |
| Inherited                 | 42,246,987                          | -              | -             | 42,246,987 |
| Financed by Capital Grant | 7,703,278                           | -              | -             | 7,703,278  |
| Other                     | 2,363,842                           | -              | 11,062        | 2,374,904  |
| NBV 31 July 2014          | 52,314,107                          | -              | 11,062        | 52,325,169 |

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 £49,950,265 (2013: £50,871,115) have been financed by exchequer funds. Should these assets be sold, the University College may be required, under the terms of the Financial Memorandum with the Department for Employment and Learning, to surrender the proceeds.

**13 DEBTORS DUE WITHIN ONE YEAR**

|                              | 2014<br>£ | 2013<br>£ |
|------------------------------|-----------|-----------|
| Debtors                      | 146,677   | 194,235   |
| Prepayments & Accrued Income | 729,571   | 751,059   |
|                              | 876,248   | 945,294   |

**14 CREDITORS DUE WITHIN ONE YEAR**

|                                       | 2014<br>£       | 2013<br>£       |
|---------------------------------------|-----------------|-----------------|
| Creditors and Accruals                | 1,166,799       | 916,286         |
| Payments Received in Advance          | 39,480          | 3,860           |
| Deferred Income                       | 93,108          | 177,720         |
| Social Security and Other Tax Payable | 255,486         | 230,889         |
|                                       | <hr/> 1,554,873 | <hr/> 1,328,755 |

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

|                       | 2014<br>£       | 2013<br>£       |
|-----------------------|-----------------|-----------------|
| Net Pension Liability | 4,081,000       | 4,937,000       |
|                       | <hr/> 4,081,000 | <hr/> 4,937,000 |

**16 DEFERRED CAPITAL GRANTS**

|                                                     | Department for<br>Employment and<br>Learning<br>£ |
|-----------------------------------------------------|---------------------------------------------------|
| <b>Balance as at 1 August 2013</b>                  |                                                   |
| Land and Buildings                                  | 49,773,150                                        |
| Equipment                                           | 16,678                                            |
| <b>Due for the year</b>                             |                                                   |
| Land and Buildings                                  | 892,825                                           |
| Equipment                                           | -                                                 |
| Disposals                                           | (316,635)                                         |
| <b>Released to Income &amp; Expenditure Account</b> |                                                   |
| Land and Buildings                                  | (1,561,370)                                       |
| Equipment                                           | (16,678)                                          |
| Balance as at 31 July 2014                          | <hr/> 48,787,970                                  |

**17 STATEMENT OF MOVEMENT OF RESERVES**

|                                                                    | Trust<br>£ | General<br>£ | Pension<br>£ | Capital<br>£ | Total<br>£ |
|--------------------------------------------------------------------|------------|--------------|--------------|--------------|------------|
| Balance as at 1 August 2013                                        | 2,029      | 4,920,909    | (4,937,000)  | 480,318      | 466,256    |
| Retained Surplus                                                   | -          | 603,734      | -            | -            | 603,734    |
| Actuarial Gain on Pension Liability                                | -          | -            | 885,000      | -            | 885,000    |
| Pension Reserve Transfer                                           | -          | 29,000       | (29,000)     | -            | -          |
| Adjustment for Depreciation of University<br>College Funded Assets | -          | 160,465      | -            | (160,465)    | -          |
| Balance as at 31 July 2014                                         | 2,029      | 5,714,108    | (4,081,000)  | 319,853      | 1,954,990  |

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.

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

|                                                  | 2014<br>£   | 2013<br>£   |
|--------------------------------------------------|-------------|-------------|
| Operating Surplus                                | 603,734     | 277,128     |
| Interest Receivable                              | (63,907)    | (85,886)    |
| FRS17 Interest (Receivable)/Payable              | (96,000)    | 163,000     |
| FRS17 Increased/(Decreased) Staff Costs (Note 7) | 125,000     | 99,000      |
| Depreciation (Note 12)                           | 1,738,513   | 1,615,572   |
| Grants Released (Note 16)                        | (1,578,048) | (1,471,558) |
| Decrease/(Increase) in Debtors                   | 69,046      | (489,951)   |
| Increase in Creditors                            | 226,118     | 388,501     |
| Net Cash Inflow from Operating Activities        | 1,024,456   | 495,806     |



**19 ANALYSIS OF CHANGES IN NET FUNDS**

|                          | 31 July 2014 | Cash Flow   | 1 August 2013 |
|--------------------------|--------------|-------------|---------------|
|                          | £            | £           | £             |
| Cash at Bank and in Hand | 1,177,416    | 732,331     | 445,085       |
| Short Term Deposits      | 2,000,000    | (1,250,000) | 3,250,000     |
|                          | 3,177,416    | (517,669)   | 3,695,085     |

**20 POST BALANCE SHEET EVENTS**

There were no material post balance sheet events.

**21 PENSIONS**

The University 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 £770,866 (2013: £702,222). FRS17 adjustments in the year amounted to a charge of £125,000 (2013: £99,000).

Employer's pension contributions for the year to 31 July 2015 will be approximately £806,000 for both schemes.

**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 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 2014 was £586,846 (2013: £525,000) of which employer's contributions totalled £333,145 (2013: £320,317) and employees' contributions totalled £253,701 (2013: £204,703).

**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 2014 was £579,145 (2013: £506,683) of which employer's contributions totalled £437,565 (2013: £379,387) and employees' contributions totalled £141,580 (2013: £127,296). The employer's contribution rate is expected to remain at 20% for employers from 1 April 2015. From April 2015 employee contributions are expected to be in the range between 5.5% and 10.5% dependent on earnings for employees.

**21 PENSIONS (Continued)**

The latest valuation was carried out on 31 March 2013 by the Committee's Actuary, AON Hewitt and is subject to the new regulations for the LGPS (NI) 2015 scheme. Employer's contribution rates remain at 20%.

Under the definitions set out in Financial Reporting Standard 17 'Retirement Benefits', 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 FRS 17.

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

|                           | <b>2014</b> | <b>2013</b> |
|---------------------------|-------------|-------------|
| Pension Increase Rate     | 2.2%        | 2.7%        |
| Salary Increase Rate      | 3.7%        | 5.1%        |
| Expected Return on Assets | 6.8%        | 6.9%        |
| Discount Rate             | 4.1%        | 4.5%        |
| RPI Inflation             | 3.2%        | 3.6%        |
| CPI Inflation             | 2.2%        | 2.7%        |

The post-retirement mortality assumptions used to value the benefit obligation at 31 July 2014 are based on the recent actuarial mortality experience of members within the Fund and allow for expected future mortality improvements using the Standard SAPs Normal Health All Amounts (SINMA for males and SINFA for females) year of birth base tables. These are summarised below:

|                    | 2014  | 2014   | 2013  | 2013   |
|--------------------|-------|--------|-------|--------|
|                    | Male  | Female | Male  | Female |
|                    | years | years  | years | years  |
| Current pensioners | 22.1  | 24.6   | 23.2  | 26.1   |
| Future pensioners  | 24.3  | 26.9   | 25.2  | 28.1   |

**21 PENSIONS (Continued)**

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

|                  | Long Term<br>Return at 31<br>July 2014<br>% p.a | Assets at<br>31 July<br>2014<br>£'000 | Long Term<br>Return at 31<br>July 2013<br>% p.a | Assets at<br>31 July<br>2013<br>£'000 |
|------------------|-------------------------------------------------|---------------------------------------|-------------------------------------------------|---------------------------------------|
| Equities         | 7.5%                                            | 10,568                                | 7.8%                                            | 10,032                                |
| Government Bonds | 3.2%                                            | 797                                   | 3.3%                                            | 811                                   |
| Corporate Bonds  | 3.7%                                            | 896                                   | 4.0%                                            | 811                                   |
| Property         | 6.8%                                            | 1,622                                 | 7.3%                                            | 1,036                                 |
| Cash             | 1.1%                                            | 341                                   | 0.9%                                            | 585                                   |
| Other            | 7.5%                                            | -                                     | 7.8%                                            | 12                                    |
| <b>Total</b>     | <b>6.8%</b>                                     | <b>14,224</b>                         | <b>6.9%</b>                                     | <b>13,287</b>                         |

The above asset values as at 31 July 2014 are at bid value as required under FRS 17

The amounts recognised in the balance sheet are as follows:

|                                          | Year Ended 31<br>July 2014<br>£'000 | Year Ended 31<br>July 2013<br>£'000 |
|------------------------------------------|-------------------------------------|-------------------------------------|
| Fair Value of Scheme Assets              | 14,224                              | 13,287                              |
| Present Value of Scheme Liabilities      | (18,305)                            | (18,224)                            |
| <b>Net (Underfunding) in Funded Plan</b> | <b>(4,081)</b>                      | <b>(4,937)</b>                      |

**Amount in the Balance Sheet**

|                              |                |                |
|------------------------------|----------------|----------------|
| Liabilities                  | (4,081)        | (4,937)        |
| Assets                       | -              | -              |
| <b>Net Pension Liability</b> | <b>(4,081)</b> | <b>(4,937)</b> |

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

|                                     | Year Ended 31<br>July 2014<br>£'000 | Year Ended 31<br>July 2013<br>£'000 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Current Service Cost                | 560                                 | 474                                 |
| Interest Cost                       | 828                                 | 704                                 |
| Expected Return on Scheme Assets    | (924)                               | (541)                               |
| Past Service Cost                   | 7                                   | -                                   |
| Curtailments and Settlements        | -                                   | -                                   |
| Closing Balance                     | 471                                 | 637                                 |
| <b>Actual Return on Plan Assets</b> | <b>720</b>                          | <b>2,227</b>                        |

**21 PENSIONS (Continued)****Reconciliation of Defined Benefit Obligation:**

|                                        | Year Ended 31<br>July 2014<br>£'000 | Year Ended 31<br>July 2013<br>£'000 |
|----------------------------------------|-------------------------------------|-------------------------------------|
| Opening Defined Benefit Obligation     | 18,224                              | 17,115                              |
| Current Service Cost                   | 560                                 | 474                                 |
| Past Service Costs                     | 7                                   | -                                   |
| Interest Cost                          | 828                                 | 704                                 |
| Actuarial Losses/(Gains)               | (1,089)                             | 286                                 |
| Contributions by Members               | 144                                 | 129                                 |
| Impact of Settlements and Curtailments | -                                   | -                                   |
| Estimated Benefits Paid                | (369)                               | (484)                               |
| Closing Balance                        | <u>18,305</u>                       | <u>18,224</u>                       |

**Reconciliation of Fair Value of Employers Assets:**

|                                               | Year Ended 31<br>July 2014<br>£'000 | Year Ended 31<br>July 2013<br>£'000 |
|-----------------------------------------------|-------------------------------------|-------------------------------------|
| Opening Fair Value of Employers Assets        | 13,287                              | 11,040                              |
| Expected Return on Assets                     | 924                                 | 541                                 |
| Contributions by Members                      | 144                                 | 129                                 |
| Contributions by the Employer                 | 442                                 | 375                                 |
| Contributions in Respect of Unfunded Benefits | -                                   | -                                   |
| Actuarial Gains                               | (204)                               | 1,686                               |
| Impact of Settlements and Curtailments        | -                                   | -                                   |
| Estimated Unfunded Benefits Paid              | -                                   | -                                   |
| Estimated Benefits Paid                       | (369)                               | (484)                               |
| Closing Balance                               | <u>14,224</u>                       | <u>13,287</u>                       |

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

|                                                        | 2014     | 2013     | 2012     | 2011     | 2010     |
|--------------------------------------------------------|----------|----------|----------|----------|----------|
| Present Value of Employers Assets                      | 14,224   | 13,287   | 11,040   | 10,696   | 9,292    |
| Present Value of Defined Benefit Obligation at 31 July | (18,305) | (18,224) | (17,115) | (12,455) | (11,819) |
| Surplus/(Deficit) on the Scheme                        | (4,081)  | (4,937)  | (6,075)  | (1,759)  | (2,527)  |
| Experience Gains/(Losses) on Assets                    | (204)    | 1,686    | (384)    | 846      | 957      |
| Experience (Losses)/Gains on Liabilities               | 134      | -        | (129)    | (227)    | -        |

**22 CAPITAL COMMITMENTS**

|                                        | 2014<br>£        | 2013<br>£      |
|----------------------------------------|------------------|----------------|
| Commitments Contracted at 31 July 2014 | 1,812,315        | 514,627        |
|                                        | <u>1,812,315</u> | <u>514,627</u> |

The balance of monies due on refurbishment contracts relating to the upgrade of facilities with the Refectory and the Main Building Asbestos Removal Project constitute this liability.

**23 CONTINGENT LIABILITY**

There were no contingent liabilities at the balance sheet date.

**24 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.

**25 OTHER FUNDS****Support Fund**

|                                                        | Year Ended 31<br>July 2014<br>£ | Year Ended 31<br>July 2013<br>£ |
|--------------------------------------------------------|---------------------------------|---------------------------------|
| Opening Balance                                        | 3,600                           | 800                             |
| Grants from the Department for Employment and Learning | 33,223                          | 41,000                          |
| Bank Interest less Charges                             | 19                              | (6)                             |
| Disbursed to Students                                  | (33,250)                        | (35,500)                        |
| Audit Fees                                             | (471)                           | (471)                           |
| Balance unspent at 31 July 2014                        | <u>3,121</u>                    | <u>5,823</u>                    |
| Returned to DEL                                        | -                               | (2,223)                         |
| Closing Balance                                        | <u>3,121</u>                    | <u>3,600</u>                    |

In the 2013/14 financial year the Department for Employment and Learning (DEL) allocated £33,223 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.

**25 OTHER FUNDS (Continued)****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 2014 was £17,763 (2013: £18,095). As the Trust is a separate legal entity it is not incorporated in the Balance Sheet of the University College.