



Northern Ireland
Assembly

Research and Library Service Briefing Note

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Eoin Murphy

Review of Regional Colleges Annual Reports and Financial Statements

1 Introduction

The following Briefing Note provides an overview of the current financial situation for each of the Northern Ireland Regional Colleges and highlights any potential points of interest for the Committee.

Diagram 1 on the page following shows the locations of the six regional colleges¹.

¹ Department for Employment and Learning Sixteen into Six: A new era for Further Education Colleges in Northern Ireland
<http://www.inputyouth.co.uk/downloads/collegemergebrochure.pdf> (first accessed 03rd August 2010)



The Public Accounts Committee (PAC) recently noted that the five further and higher education colleges in Northern Ireland have had issues with the level of reserves being held²:

The Committee noted that the Department had allowed the former further education colleges to accumulate between them bank balances that rose at one point to £54 million. This figure is much higher than the amount that the Department's own guidelines allowed colleges to accumulate.

The PAC went on to state:

The Committee considers that retaining significant cash balances surplus to current need is unacceptable. The Committee recommends that the Department should only release funding on the basis of need and it should

² Public Accounts Committee 18th June 2009 Report on the Review of Financial Management in the Further Education Sector in Northern Ireland and Governance Examination of Fermanagh FE College
http://www.niassembly.gov.uk/public/2007mandate/reports/2008/report_41-08-09R.htm

immediately claw back cash balances from those colleges that exceed agreed levels so that the funds can be used where they are most needed.

A Financial Memorandum³ written by DEL in 2008 and agreed to by the Colleges states that:

Colleges will agree their planned use of reserves through the CDP [College Development Plan] process and will require Departmental approval to hold uncommitted reserves greater than 10% of income.

Please note, it has not been possible to calculate the reserve percentages where they have not been provided within the colleges Annual Reports. This is a result of the complicated method employed to determine its calculation as described in the colleges Financial Memorandum with DEL.

2 Northern Regional College (NRC)

The NRC was established in 2007 following the merger of the Causeway Institute, East Antrim Institute of Further and Higher Education and the North East Institute of Further and Higher Education. In 2008/09 the College had a total enrolment of 23,277 students, up 2,607 on the previous academic year. The College employs 760 people (full time equivalent), with 450 teaching staff⁴.

Income for 2009 was £32,303,000, down £3,245,000 on 2008. Of the total income, £23,788,000 was sourced through DEL grants.

Total expenditure (before exceptional items) was £34,790,000. Including exceptional items the college had a deficit of £2,617,000

Review of the college's accounts for year end July 2009 finds that it has an accumulated income and expenditure reserve of £2,935,000 and cash balances of £5,397,000. As stated by the accounts, this is within the acceptable levels of Reserves⁵.

³ DEL, July 2008 Financial Memorandum between the Department of Employment and Learning and the Further Education Colleges http://www.delni.gov.uk/es/financial_memorandum_2007_08_-_reissued_3_july_2008.pdf

⁴ Northern Regional College Annual Report and Financial Statements for the Year Ended 31st July 2009

⁵ The NRC (and all other FE Colleges) Reserves are set at by its Financial Memorandum with DEL and require Departmental approval to hold uncommitted reserves greater than 10% of income.

Table 1: NRC Campus Values in July 2009

Campus	Net Book Value
Antrim	£11,420,000
Ballymena – Farm Lodge	£13,805,000
Ballymena – Trostan Avenue	£3,988,000
Ballymoney	£2,896,000
Coleraine	£4,624,000
Felde (owned by DEL)	-
Larne	£2,574,000
Maherfelt	£5,069,000
Newtownabbey	£13,731,000
Portrush (currently not utilised)	£135,000
Total	£58,242,000

The NRC currently intends to sell off a number of its campuses, including:

- Antrim;
- Ballymena – Farm lodge;
- Ballymoney;
- Coleraine;
- Felden;
- Larne; and
- Portrush.

Based on the values presented in the report above, the NRC campus's to be sold have a net book value of approximately £21,649,000.

As part of this process, the college intends to develop new facilities to meet the future needs of students. The preferred options for future development are:

- A new Skills Centre in Newtownabbey to replace the Felden campus;
- A new fit for purpose facility in Coleraine to replace the current Coleraine and Ballymoney campuses;

- A new fit for purpose facility in Antrim;
- A single site in Ballymena;
- The retention of the Magherafelt campus with planned maintenance and approved major and minor works.

The report also identified a number of risks which may affect the college:

- Recruitment of staff and quality of teaching;
- Financial constraints resulting in services not being effectively delivered or DEL break-even target not being achieved;
- The staff profile will not support College objectives;
- The College Estate is not fit for purpose to meet College objectives;
- Training for Success programme not achieving targets in cost effective manner;
- Harmonisation of procedures not in place;
- Changes to DEL policy and related funding;
- Decline in PT enrolments;
- Lack of contingency planning; and
- Adequacy of banking services as a result of current economic climate.

Internal audits were carried out on the College in regards to its internal administration practices and whilst in most cases it was found to be satisfactory or better, it did receive a rating of “Unacceptable” on Estate Management, Maintenance Planning and Energy Management”.

The College is in the process, however, of rectifying this, with an estate helpdesk being established, a new goods receipt procedure and new policies developed.

3 Belfast Metropolitan College (BMC)

The information discussed below is from BMC’s year end 31st July 2008 annual report and financial statements, the most recent available. BMC was created through the merging of the Belfast Institute of Further and Higher Education and Castlereagh College of Further and Higher Education⁶.

Total income for the college was £58,803,000, with £44,623,000 of this provided by DEL grants. Total expenditure before exceptional items amounted to £60,090,000 with a resulting deficit of £1,287,000.

With the inclusion of exceptional items and tax, the deficit rises to £6,316,000.

The college has an Income and Expenditure Reserve of £1,137,000 and a Revaluation Reserve of £50,371,000.

⁶ Belfast Metropolitan College Annual Report and Consolidated Financial Statements Year Ended 31st July 2008

The college reported that the principal risks it faced were from the college merger and the introduction of the Training for Success programme.

As per the Annual Report, challenges faced by the college have been identified⁷:

- Changes within senior posts, with 3 different Chairs of the Governing Body and four different Directors by the 31st July 2008. A number of vacant posts also existed including the Deputy Director of Business Services and the Head of Finance (interim post holders were in place however);
- Financial difficulties that included:
 - Lack of clarity over the precise financial position of the college;
 - The college's financial forecast has been significantly revised on a number of occasions;
 - The financial forecasts provided show significant projected deficits for future years;
 - The college's internal auditors could not provide the necessary level of assurance over the adequacy and effectiveness of controls within the finance department;
 - The two legacy colleges merged their accounting systems but the implementation of the new system created a number of significant problems in producing reliable financial information; and
 - The college changed bankers leading to problems when third parties lodged money into the wrong bank account.

An efficiency review by DEL was completed in April 2009 and found:

- Weaknesses in the performance of the senior management team;
- A significant number of weaknesses in financial controls due to a weak control environment;
- Concerns over the college's ability to achieve a balanced budget in 2008 – 09, the college having achieved a deficit of £6.2 million in 2007-08;
- Poor management information including a lack of clear processes for handling key student information and a complex reporting system that was not user friendly;
- There was little synergy within strategic planning; and
- Delays in implementing audit recommendations.

Steps are under way to deal with these issues including a review of the approval and authorisation limits for the processing of invoices, improve the system of key performance and risk indications for curriculum and support services and ensure the implementation of all internal audit recommendations.

⁷ Ibid

4 South Eastern Regional College (SERC)

SERC combines the East Down Institute, Lisburn Institute of Further and Higher Education and North Down and Ards Institute of Further Education⁸.

The College has a number of campuses spread out across the region:

- Bangor – Castle Park Road;
- Newtownards – Victoria Avenue;
- Lisburn – Castle Street and Knockmore Road;
- Downpatrick – Church Street, Market Street, Ballydugan Road and Ardglass Road;
- Newcastle – Donard Street and Castlewellan Road;
- Ballynahinch – Church Road;
- Ballyboley – Manse Road;
- Holywood – Old Holywood Road.

SERC had 28,403 students enrolled in 2008-09, an increase of 2% over the previous year with 838 (FTE) people employed at the college, 491 of whom are teaching staff.

SERC generated an operating deficit of £6,774,000, with a total income of £32,580,000 (of which £22,785,000 was DEL grants) and Expenditure of £39,244,000.

SERC has reserves of £4,180,000 (excluding the Pension Reserve) and cash balances of £5,065,000. This equates to 11% reserves, which will be used to invest in quality in line with the college's strategic aims.

The global economic downturn has had an impact on the college's operation in areas such as:

- Apprenticeships, particularly in the construction industry, were very hard to establish and maintain as firms were laying off apprentices due to the economic downturn;
- Potential part time students' level of disposable incomes were vastly reduced and members of the public became more cautious in their spending; and
- Competition for students from education providers increased.

SERC has identified a number of potential risks for the coming financial year:

- Failure to achieve financial viability;
- Failure to provide a safe environment because of increasing numbers of students with behavioural problems; and
- Failure to manage the impact of the current economic climate.

Steps are being taken to reduce these risks including greater income controls, pastoral care and regular curriculum reviews.

⁸ South Eastern Regional College Annual Report and Financial Statements Year Ended 31st July 2009

5 Southern Regional College (SRC)

The SRC was created through the merger of Armagh Institute of Further and Higher Education, Newry Institute of Further and Higher Education and the Upper Bann Institute of Further and Higher Education. As a result of the merger, the college has a large number of campuses⁹:

- Armagh College Hill and Lonsdale Campus;
- Armagh – Station Road Complex;
- Armagh – Lisanally Campus;
- Banbridge Campus;
- Banbridge Factory Site;
- Lurgan Campus;
- Newry East Campus;
- Newry West Campus;
- Newry Corry Square Campus;
- Newry Model Campus;
- Newry Greenbank Campus;
- Greenshoots – Newry Ltd;
- Kilkeel Campus; and
- Portadown Campus.

In comparison to the other colleges, SRC has one of the highest student populations with 35,197 enrolments in 2008 – 09. Subsequently, it also has a relatively high level of staff with 1,167 FTE posts of which 710 are teaching staff.

In 2009 SRC had a total income of £38,288,000 (of which £27,148,000 was DEL grants) with a total expenditure (before exceptional items) of £40,686,000. The College made a loss for the year with a total deficit (after tax) of £2,644,000.

Reserves for the College stand at £6.7 million (including pension reserve), with a cash balance of £10.5 million.

The high levels of reserves are a legacy of the previous college entities. The College intends to use the reserve to invest in its campuses, with the intention of dealing with existing accommodation issues.

Risks and uncertainties faced by SRC include:

- Programme Led Apprenticeships are being developed as part of the Department's response to the recession but there remains uncertainty with regard to the level of funding that will be provided;

⁹ Southern Regional College Annual Report and Consolidated Financial Statements Year Ended 31st July 2009

- Reduced levels of tuition fee income resulting from increased demand on concession fees;
- The downturn in the economy may result in a reduced level of work for the college and consequently a reduced income;
- Failure to secure training delivery contracts locally or across the province may lead to a decline in certain areas. In addition, failure to deliver on existing contracts may impact on the award of future contracts.

A number of risk mitigation factors have been identified, including:

- By seeking to increase the level of funding from alternative provision including cost recovery work with local businesses;
- Working with DEL to secure adequate funding is made available for vocational qualifications, including Programme Led Apprenticeship provision; and
- Monitoring use of college support funds and keeping tuition fees levels under review.

6 North West Regional College (NWRC)

The NWRC was formed from the amalgamation of Limavady Institute of Further Education and the North West Institute of Further Education.

The NWRC operates out of 13 sites in Londonderry/Derry, Limavady and Strabane and employs 612 people (FTE) with 413 of these teaching staff.

The college has a total income of £33,497,000 (of which £26,219,000 was sourced from DEL grants) and total expenditure (before exceptional items) of £33,396,000 resulting in a surplus of £101,000. After depreciation of assets at valuation and tax, the surplus remains at £101,000.

The NWRC has accumulated reserves of £7,008,000. This is £3,658,000 over the recommended 10% limit imposed by DEL¹⁰.

However, according to the Annual Report it is expected that the College will incur additional expenditure in the 2009/10 academic year which will make use of these reserves, including:

- Installation of temporary accommodation at the Strabane campus at a cost of approximately £750,000;
- Refurbishment of the Tower building, estimated at £150,000;
- The reroofing of the Tower building, estimated at £500,000;
- Professional fees of approximately 10% will be due in the financial year. Please note, the Annual Report does not state what the 10% is of.

The main risk identified in the report was the impact of prolonged industrial action.

¹⁰ North West Regional College, Annual Report and Financial Statements Year Ended 31st July 2009

An internal audit was conducted to identify any internal control problems. The only area of concern raised was in regards data protection and freedom of information. However, the report states that it is NWRC's intention to have all issues fully addressed by November 2009.

7 South West College (SWC)

SWC was created following a merger between East Tyrone Institute of Further Education, Fermanagh College and Omagh College of Further Education¹¹.

SWC has campuses at:

- Cookstown;
- Dungannon;
- Enniskillen; and
- Omagh.

The college employs 503 people (FTE), with 283 of these teaching staff.

The college's total income for 2009 was £32,526,000 (with £23,442,000 sourced from DEL grants) with expenditure (before exceptional items) of £32,517,000, resulting in a surplus of £9,000 before tax and exceptional items. After the inclusion of exceptional items and tax, the SWC had a deficit of £8,000.

The SWC has accumulated reserves of £18,799,000, including a property revaluation of £15,124,000 and has sought approval from DEL to hold reserves at this level in order to fund:

- Investment in facilities at the Enniskillen campus;
- To fund redundancy costs;
- To deal with legal legacy issues; and
- To support future development projects.

The principle risks identified by the college are:

- Loss of college reserves;
- Achievement of student targets;
- Meeting the skills needs of the local and regional economy;
- Changes to DEL policy;
- Accuracy, timeliness and quality of data;
- Quality of teaching and learning;
- Cultural integration;
- Capital developments (Enniskillen);

¹¹ South West College Annual Report and Financial Statements 2008 - 2009

- Effective staffing resources;
- Effective leadership and management; and
- Influenza pandemic.

In a review of effectiveness carried out on the college all key processes were found to be satisfactory or better.