

UHI | INVERNESS

**Inverness College Report & Financial
Statements for the year ended
31 July 2022**

SCOTTISH CHARITY NUMBER SC021197

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Professional Advisors

External Auditor	-	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
Internal Auditor	-	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Bankers	-	Royal Bank of Scotland 29 Harbour Road Inverness IV1 1NU
Solicitors	-	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
Insurers	-	Education Protect 180 St Vincent Street Glasgow G2 5SG

Performance Report

OVERVIEW

Principal's Statement

The purpose of this report is to provide a short summary of Inverness College's performance during the 2021/22 year. In general, we have performed well, mostly as a consequence of the Financial Recovery plan we put in place and the benefit we are now receiving but also as a consequence of spreading risk, improving our data management and developing strategies and processes around targeted recruitment and conversion.

Inverness College has faced and dealt with the many challenges of COVID and emerged in a strong position both financially and in our position of a local institution of choice.

Significantly, we experienced a surge in demand for vocational provision particularly in the area of apprenticeships and some areas of FE based training. We believe that Inverness College has become one of Scotland's largest public providers of apprenticeships and has seen the development of even stronger links with the region's SMEs. As a consequence of the pandemic and the impact of lockdown, we took the strategic and practical decision to rent commercial warehouse type space in Inverness. The space has proven to be invaluable in ensuring that all delayed practical training and assessment is up to date and as a result, we have been able to capitalise on the space by concentrating upon growing our provision particularly to the construction sector. We understand that many within the sector are still experiencing problems with backlogs in both training and assessment.

We did find the delivery of our HE targets challenging. Whilst we have seen a recent bounce back in acceptances for the coming 2022/23 academic year, we saw lower than anticipated applications and conversions and we saw a higher than anticipated withdrawal rate for the 2021/22 academic year.

As we reported last year, the increase in student support tripled for well-being and mental health support. We invested in our estate with the creation of 'The Bothy', an architecturally well-designed and well-staffed student support area and which, we know from student feedback and our Education Scotland quality review, is serving a vital role; but with a cost that was in part covered by the SFC commitment to well-being. We have also invested in free breakfast offerings to students recognising the fact that some of our students were only eating once a day. We are extending this in the 2022/23 year to a lunch offering in the belief that it will support and maintain our students.

We continue to support our staff in a similar vein to the students recognising that the impact of COVID and our worsening economic climate is particularly hard on fractional and some professional service staff. We have made a small number of discretionary and discrete awards to staff with the support of the Board of Management and the unions.

There continued to be a shortage of young people across the region which, coupled with the impact of Brexit and a significant loss of employees in some lower skilled areas mean that we, the schools and industry are competing for a shrinking pool of 16–24-year-olds within the region and we are also seeing competition from out-with the region. We believe that this had an impact upon our HE numbers, but, recognising this through agile planning and adapting, we maintained our financial health through the growth of the apprenticeship programmes and the consequent spreading of risk.

The position of Inverness College continues to be financially sound and sustainable. Our key concerns and threats are now national and driven by economics that are beyond our control. However, we are building upon the industrial sector reviews, assessing the lessons of COVID such as blended delivery and hybrid attendance for staff and students, and ensuring the 'currency' of our academic provision to maintain our role in supporting our region's communities and industry

Professor Christopher O'Neil
Principal and Chief Executive Officer

Performance Report (contd.)

Legal Status

Inverness College was established under the Further and Higher Education (Scotland) Act 1992. The College is a registered charity (Scottish Charity Number SC021197) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

Under the terms of the Office of National Statistics, reclassification of Scotland's colleges was implemented on 1 April 2014. This means that the college for accounting purposes is now part of the Scottish Government's financial accounts, meaning that funding is provided by the Scottish Government according to need, and that colleges' financial statements are now included as part of the Scottish Government's total budget. The College has its own independent board, but also is a delivery partner as part of the University of the Highlands and Islands for Higher Education. As such, it has been allowed to keep its financial year-end at 31 July, but reports in terms of financial information to the Scottish Government at 31 March. Colleges' budgets must fall within government spending limits, and Colleges may no longer retain annual surpluses. Colleges have been permitted to transfer any income and expenditure surpluses they make to foundations, as reserves are no longer allowed to be built up in colleges. This assumes the necessary cash is available to transfer. On 1 August 2014, Inverness College was assigned to the University of the Highlands and Islands as Regional Strategic Body for the Highlands and Islands area, in terms of the Post 16 Education (Scotland) Act 2013. This assignation relates to fundable Further Education provision.

The Financial Statements cover all activities of the College.

Strategic Purpose 2021-2025

Inverness College Board approved in December 2021 a new Strategic Plan.

As leaders in tertiary thinking and tertiary delivery, we will have a transformational impact on the development and prospects of the people, communities and economy of the Highlands and Islands. We will design and deliver an innovative, integrated curriculum that spans all levels and types of qualifications, providing world class education, training and research with local, national and international sustainable value.

Core Values 2021-2025

- Be Ambitious – through teamwork and partnership we have a desire and determination to collectively succeed.
- Be Bold – we have passion and courage to do what we say we will do and exceed expectations.
- Be Creative – we use our collective expertise and imagination to create new things and continuously improve what we do.

The Strategic Aims cover: Tertiary Education; Organisational Development; Research and Innovation; Student Experience; and Finance and Sustainability. Underpinning strategies are being worked on for each of the strategic aims.

Aim 1 Tertiary Education

To increase our reputation and reach by offering a progressive and accessible tertiary curriculum that is relevant and attractive to local, national and international students, and which enables personal development, economic growth and social cohesion.

Tertiary Education and Research have a shared vision which guides the integrated and interdisciplinary approach in all aspects of delivery of curriculum and research activity.

We will be nationally and internationally recognised for impactful, interdisciplinary research and teaching in biodiversity, ecology, sustainability, culture, equity and social justice that informs innovative tertiary education. This will deliver on sustainable development goals which address the biodiversity and climate emergencies and empower communities across our region.

Action - Work is soon to be commenced by external consultants as a UHI-wide exercise on reviewing FE and HE Curriculum offering. This is due to be completed by the summer of 2024.

Aim 2 Organisational Development

We will attract and retain talented employees committed to achieving our shared goals. We will create a supportive, collaborative and dynamic environment where students and staff are inspired to learn and develop. Our high-performance culture will be underpinned by a distributed leadership model, which empowers teams to deliver; and share accountability for outcomes. We will support our workforce to be agile, resilient and responsive to opportunities.

The development and implementation of our Talent Management strategy and framework is key to achieving this aim.

Action - Our low staff turnover, coupled with a competitive employment market means that talent management approaches are essential to our continued organisational development and our ability to enhance our service delivery.

Aim 3 Research and Innovation

Research and innovation will define the tertiary environment and have relevance to and impact upon our staff, students and the communities we serve.

Action - The College scored well in the most recent REF exercise, and funding from this source increased by 54%.

Aim 4 Student Experience

We will create a vibrant student experience that is underpinned by creative learning and teaching and proactive student support, designed through collaboration between students, staff and the wider community. We will ensure that all our students are supported at every stage of their journey to achieve their full potential.

Actions - Underpinning strategies will be developed and implemented around themes such as Digital Transformation, Access and Inclusion, Quality Assurance and Improvement, and Student Partnership. The refreshed UHI Learning and Teaching strategy also dovetails with this strategic aim and will be adopted in academic year 2022/23.

Aim 5 Finance and Sustainability

We will continually review our service delivery to ensure our financial sustainability. We will plan and manage our resources to be efficient and effective, prioritising investment to improve our student experience and achieve our vision. We will respect and protect our environment, as we work towards achieving net zero carbon.

Financial sustainability is a priority aim, which underpins our entire strategy. Following the development of our course costing model, our new Curriculum Planning Review approach, together with Monthly Data Presentation meetings and KPI matrix, will enable us to monitor the efficiency of our service delivery. The Sustainability Working Group is leading the development of an environmental sustainability strategy, encompassing every aspect of our business, as we work towards our net zero carbon goal.

Actions – the College's financial position is regularly monitored, and longer-term financial planning is in place. There is work on-going with UHI regarding seeking to make the UHI partnership more efficient; the College continues to work on reducing its carbon emissions.

Principal Risks and Uncertainty

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management.

The main risks to Inverness College are: -

- Covid 19 and the safety of the college's students and staff when studying and working in this environment. Also, the potential effect on college finances and the delivery of curriculum and student experience. The College had a Covid 19 Team, jointly led by the Health & Safety Manager and Vice Principals, to review all legislation and recommendations issued by the Scottish Government. Risk Mitigation - this group was wound down in Summer 2022 in light of the easing of restrictions and the return to a more normal operating environment for both staff and students in academic year 2022/23.
- Curriculum targets are challenging in an environment where school demographics are projecting to go down over the next few years; and the current job market is buoyant. Risk Mitigation – the College has increased resources for Marketing and Student Journey in order that Student enquiries turn into secure Student applications.
- Although not managed by Inverness College, the operation of the student residences in a Covid 19 environment, also the uptake of residences. Risk Mitigation - UHI EO has a Residences Board and Inverness College is represented on it.
- Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College. This has been addressed in great measure by the Financial Recovery Plan. However, in the Spring of 2022 the indicative flat funding for the Scottish Funding Council by the Scottish Government is a concern and the university/college sector and the UHI partnership will be facing an increasingly difficult and challenging environment. Risk Mitigation – all UHI Colleges are under financial pressure. This is clear from FFR projections. This is being looked at UHI wide under UHI transformation programme.
- The impact of Job Evaluation for Support staff and the financial repercussions following therefrom. There are likely to be monies made available from the SFC for the financial implications flowing therefrom. However, this whole exercise is taking longer to complete than perhaps previously anticipated. Risk Mitigation – this is a sector wide issue and the College will obviously make representation through Colleges Scotland.
- There is considerable evidence that the Highlands has been particularly vulnerable to the impact of Brexit. This in part reflects the high concentration of the workforce in Brexit vulnerable industries such as fishing and agriculture and hospitality and tourism which has meant that learners' incomes have been directly affected, leading to choices to defer learning. With a finite regional market, the multiple funding initiatives which have been offered during the pandemic to get individuals back into work have effectively competed for the same people who may have considered further or higher education. Risk Mitigation – a UHI wide curriculum review exercise will be taking place over the next 18 months, assisted by external consultants in which FE and HE courses will be looked at as to the market, delivery methodology, job pathways and other factors in order to maximise Student interest.

Going Concern

The net liability position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 (2015/16) which has resulted in the reclassification of Government Capital Grants previously disclosed in Reserves, being disclosed under liabilities less than one year and greater than one year. The net liabilities include a Pension Provision for early retirements of £1,626,899 and a Pension Liability of £2,038,000 for the College's share in the Highland Council Local Government Pension Scheme (LGPS). It is recognised that the College's position in the LGPS is a long-term liability and this figure can change from year to year depending on actuarial assumption including assumptions about inflation and interest rates.

The College has managed to deliver an Adjusted Operating Surplus of £427,759 (See table on Page 10). This is a good result in a challenging year. This sees a further improvement in the College's underlying liquidity. Also see Page 44 for a fuller assessment of going concern.

PERFORMANCE ANALYSIS

Student Activity Indicators

Recruitment for Higher Education (HE) saw a downward year. The College is identifying that more HE part time offerings are required. Further Education (FE) activity failed to meet target for the third year in a row; this was due to the restrictions enforced by the Covid-19 pandemic. However, there was a marked improvement compared to 2020/21. The Scottish Funding Council has stated that it will not recover funds for any shortfall against FE target for 2020/21 where these are related to Covid-19. The SFC has not concluded as to whether it will claw back any FE Funding on any 2021/22 Credit shortfall. The College therefore has accrued as a cost FE Funding relating to a shortfall of credit target at 100% at 31 July 2022.

The College participates fully in addressing opportunities and concerns at a regional level by working closely with our UHI academic partners to match resources with demand. As part of the University of the Highlands and Islands partnership, the College HE activity is measured in full time equivalents (FTEs) rather than credits.

Student Activity	Target 2021/22	Outturn 2021/22	Target 2020/21	Outturn 2020/21
FE Credits	30,677	28,697	29,439	23,932
HE UGT FTEs	1,556	1,350	1,491	1,542

Inverness College UHI has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. This was evidenced by the most recent external review of Inverness College in March 2022 and the published report by Education Scotland, which highlighted circa 42 aspects of good practice. Student satisfaction rates were high in 2021/22 at 90% satisfaction in our Student Satisfaction & Experience Survey (SSES), despite the continued disruption to the delivery of teaching and learning due to the on-going restrictions of the pandemic. Satisfaction rates in academic year 2021/22 signalled a return to high levels of satisfaction following a temporary dip the previous year, which was not unexpected and not unique to Inverness College.

Current and Future Developments

Inverness College UHI is one of the largest academic partners in the University of the Highlands and Islands (UHI). The College's HE provision has however reduced, following a period of growth. FE recruitment recovered significantly in 2021/22 although was still below target. Modern Apprenticeships have grown significantly year-on-year for the past 5 years, providing Skills Development Scotland funding. Due to funding and administrative changes, Foundation Apprenticeships and Graduate Apprenticeships are challenging, and little growth is expected in the short-term. The Flexible Workforce Development Fund continues to represent a good funding opportunity for short courses, however this is likely to see some reduction in funding nationally.

We are engaging with the Scottish Government's 'No One Left Behind' initiatives, working closely with our Local Employability Partnership, the Highland Council and partners across the region. The College also works closely with circa 20 of the Highland Council's 29 secondary schools to deliver a rich offer of programmes for school pupils in the Senior Phase, from SCQF level 1-7 including vocational pathways, Foundation Apprenticeships, Skills for Work, National Progression Awards, N5s and Highers, and Degree modules. This curriculum has developed into a blended model, for which we have won a national award for, alongside with our partner colleges of West and North Highland – the CDN Digital Learning Award – and have been commended in the TES FE Award for *Outstanding Use of Technology in Delivering Remote Teaching and Learning*.

The post-Covid employment market is booming across a wide range of sectors and with new sectors emerging, our challenge is to adapt. The buoyant local employment market, providing relatively high wages for low skilled employment, also provides a challenge to our student retention with young people feeling the pull to employment, particularly as the cost-of-living increases.

Research

The following summarises current activity against performance indicators of REF, PGRs, and KTPs. Strategically the College aims to further enhance our research excellence capacity to inform and develop the 'currency' of the curriculum.

1. Research Excellence Framework

The outcome of the 2021 Research Excellence Framework review was announced in May 2022. UHI as a whole achieved an exceptionally good outcome across nearly all Units of Assessment submitted. The Research Excellence Grant allocation for each of the UHI Academic Partners was finalised in July 2022, with Inverness receiving £143,421 for 2022-23, compared to the 2021/22 allocation of £51,257 based on the 2014 Research Excellence Framework submission, a £92,164 improvement.

We are already working towards the next Research Excellence Framework submission which is due in 2027.

2. Number of Postgraduate Research Students

The total number of Postgraduate Research Students at 31 July 2022 is 13. This is as expected for this point in the year according to the target. Four students have successfully completed their research degrees in 21-22.

3. Number of Knowledge Transfer Partnerships

One Knowledge Transfer Partnership is being delivered, with a further two under development, and a growing interest in Knowledge Transfer Partnership generally as government funding is increasingly channelled into research/industry partnerships and associated innovation centres.

Research Centres

Considerable positive development and change occurred in the structure and delivery of research and innovation in UHI Inverness. The Rivers and Lochs Institute and the Forestry and Conservation Research Group were brought together under a newly appointed Director of Research – Biodiversity and Freshwater Conservation. Dr Bernd Haenfling took up this position in March 2022, with a subsequent renaming of the Institute to the Institute for Biodiversity and Freshwater Conservation. Professor Vicky Johnson (professorship awarded by the University in March 2022) has led significant growth in the Centre for Remote and Sustainable Communities, and to better reflect the scope of the Centre, it was renamed the Centre for Living Sustainability.

Under the strategic leadership of the Vice Principal - Academic and Research, the four senior managers for research and tertiary education (the Research Directors and the Tertiary Education Leaders) have developed a shared vision which informs the sub-strategies for their respective areas in the strategic plan.

Financial Performance

Non-cash Allocation

This table shows the College's underlying operating position for the year after adjusting for non-cash items.

	2021/22 £'000	2020/21 £'000	Notes
Deficit before other gains and losses (FE/HE SORP basis) for academic year	(1,474)	(142)	SEE SOCIE
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	591	459	SEE NOTE 11
- Impairment	0	401	SEE NOTE 13

Operating (Deficit)/Surplus on Central Government accounting basis for the academic year	(883)	718	
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Following reclassification, incorporated colleges received a non-cash budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the College recorded a deficit of £1,473,929 (2020/21 – deficit £142,345) for the year ended 31 July 2022. After adjusting for the non-cash allocation provided under government rules, the College shows an “adjusted” surplus of £427,759 (2020/21 - £1,853,321) on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the performance report on pages 4 to 12.

Adjusted Operating Position (AOP) Note

SFC approval of the Adjusted Operating Position was given on 25th January 2023.

	2021/22 £'000	2020/21 £'000
Surplus/(deficit) before other gains and losses	(1,474)	(142)
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 11)	591	459
- Impairment (Note 13)	0	401
- Pension adjustment – Net service cost (Note 6)	2,173	1,727
- Pension adjustment - Net interest cost (Note 9)	277	262
- Pension adjustment - Early retirement Provision (Note 17)	(318)	(102)
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	0	0
- NPD income applied to reduce NPD balance sheet debt	(821)	(751)
Adjusted operating surplus	428	1,854

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2022 shows a deficit of £1,473,929 (2020/21 £142,345 deficit). There were adjustments for the College’s share in Highland Council’s Pension Scheme amounting to £2,450,000. There was a favourable actuarial movement of £16,696,000 in this same scheme (2020/21 – actuarial valuation increase of £3,685,000). Total income decreased to £29 million (2020/21 £29.2 million) and expenditure has increased to £30.4 million (2020/21 £29.4 million).

Creditor Payment Policy

The College seeks to comply with the CBI Prompt Payment Code and aims to pay its suppliers within 30 days of receipt of invoice, unless the invoice is contested. The College's average creditor payment period was 33 days over the 12 month period to July 2022 compared with the figure of 25 days in the 12 months to July 2021.

Spend of Cash Budget for Priorities

Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend		
Revenue Priorities	2021/22 (£'000)	2020/21 (£'000)
Estates Costs	0	0
Total impact on operating position	0	0
Capital Priorities		
Loan repayments (including PFI, NPD repayments)	821	751
Total Capital	821	751
Total cash budget for priorities spend	821	751

Sustainability Strategy

The Sustainability Strategy Working Group has developed a sustainability strategy, which covers every aspect of our business, from teaching practice through to energy management. Working closely with our facilities' management provider, we are investigating opportunities to reduce carbon emissions and to replace our current energy with self-generated energy where possible. The implementation of the strategy will be critical to meet our stated net zero carbon deadline of 2040. The following initiatives are already in place, to ensure we make progress whilst the strategy is in development.

We have:

- A sustainable procurement policy and procedure, introduced in 2022, to embed sustainability within our procurement activities, supported by Advanced Procurement for Universities and Colleges (APUC).
- A Carbon Management Plan which provides baseline data in respect of performance of all of its estates and its current carbon reduction targets, plans and projects. Utility costs are reviewed on a monthly basis, and we are working with our facilities management provider to put strategies are being put in place to reduce energy consumption.
- An active travel plan which includes strategies to increase cycling and improve pedestrian access to the campus; this was recently recognised by our being awarded cycle friendly campus status.

We are also developing a car park strategy to address environmental and financial sustainability of this asset in line with encouraging active travel. The Hybrid Working Pilot has seen a reduction in staff travel and car parking use. If the pilot is successful, this will continue to significantly reduce the carbon footprint associated with staff commuting.

The College reports on its performance in line with the requirements of the Climate Change (Scotland) Act 2009.

Disclosure of Information to Auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the College's Auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's Auditors are aware of that information.

Approved by order of the members of the Board on 7th February 2023 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Accountability Report

Section One: Statement of Corporate Governance

DIRECTORS' REPORT

Members of the Board of Management

The UHI Inverness College Board of Management is populated by the College Principal, non-executive Board Members, two staff members and two student representatives taken from the Highlands and Islands Student Association (HISA).

The Members, who served on the Board of Management during the year 2021/22, and up to the date of the accounts being signed on 7th February 2023 were as follows:

Name	Designated Role	Membership	Start Date	End Date
Innis Montgomery	Chair of Human Resources Committee Senior Independent Member	<ul style="list-style-type: none"> Board of Management Audit Committee Human Resources Committee Chairs Committee PR&R Committee 	12 April 2017	
Chris O'Neil	Principal	<ul style="list-style-type: none"> Board of Management Human Resources Committee Finance and General Purposes Committee Learning, Teaching and Research (ex officio member) Estates Legacy Project Board Audit Committee 	01 September 2017	
Robyn Kennedy	Teaching Staff Member	<ul style="list-style-type: none"> Board of Management Learning, Teaching and Research Committee 	21 March 2018	16 March 2022
Kelly MacKenzie	Professional Staff Member	<ul style="list-style-type: none"> Board of Management Finance and General Purposes Committee Learning, Teaching and Research Committee 	01 August 2019	
Samantha Cribb	Independent Member	<ul style="list-style-type: none"> Audit Committee Board of Management Learning, Teaching and Research Committee 	01 December 2019	

Sally Blyth	Independent Member	<ul style="list-style-type: none"> • Audit Committee • Board of Management • HR Committee 	01 December 2019	
Leanne MacKenzie	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Human Resources Committee 	01 December 2019	08 September 2021
Gillian Galloway	Chair of Audit Committee	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Human Resources Committee • Estates Legacy Project Board • Chairs Committee 	01 December 2019	June 2022
Donald MacKenzie	Chair of Finance and General Purposes Committee	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Estates Legacy Project Board • Chairs Committee 	18 June 2020	
Ruth McFadyen	Student Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee • Estates Legacy Project Board 	01 September 2020	31 July 2022
Bonnie Crawford	Student Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	01 September 2021	
Amy Goodbrand	Co-opted Member of the Audit Committee	<ul style="list-style-type: none"> • Audit Committee • Board of Management 	01 January 2021	
Tina Stones	Chair of Learning, Teaching and Research Committee Chair of Audit Committee	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee • Chairs Committee 	01 February 2021 September 2022	June 2022
Mark Sheridan	Chair of Board of Management	<ul style="list-style-type: none"> • Board of Management 	01 July 2021	

		<ul style="list-style-type: none"> • Chairs Committee • Estates Legacy Project Board • Performance Review and Remuneration Board 		
Russell Edwards	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Learning, Teaching and Research Committee 	01 February 2021	
Arvinder Kainth	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Learning, Teaching and Research Committee 	01 February 2021	
James Millar	Independent Member	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Learning, Teaching and Research Committee 	10 February 2022	
Stephen Sheridan	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Learning, Teaching and Research Committee 	10 February 2022	
Matthew Millward	Teaching Staff Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	17 March 2022	
Rojan Kumar Subramani	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee 	31 March 2022	
Dee Bird	Independent Member Chair of Learning, Teaching and Research Committee	<ul style="list-style-type: none"> • Board of Management • HR Committee • Learning, Teaching and Research Committee 	31 March 2022 September 2022	

Michael Beveridge	Co-opted Member of the Audit Committee	<ul style="list-style-type: none"> • Audit Committee • Board of Management 	31 March 2022	
Jane Rhodes	Co-opted Member of the HR Committee	<ul style="list-style-type: none"> • HR Committee • Board of Management 	10 February 2022	

A link to our Board of Management Register of Interests can be found here: [Register of Interests \(uhi.ac.uk\)](https://www.uhi.ac.uk/register-of-interests)

A summary of the Board members, and meetings attended during 2021/22 is shown below:

Member	BoM	HR	Audit	F&GP	Estates Legacy Project Board	Chairs	LT&R	S&N	PR&R
Innis Montgomery	6/6	4/4	3/4			3/4		2/2	1/1
Chris O'Neil	6/6	4/4	4/4	4/4	1/1	4/4	3/4		
Robyn Kennedy	3/6						1/4		
Kelly MacKenzie	6/6			4/4			3/4		
Samantha Cribb	4/6		2/4				3/4		
Sally Blyth	6/6	3/4	4/4						
Gillian Galloway	5/6	2/4	4/4		0/1	3/4		1/2	1/1
Donald MacKenzie	5/6	3/4		4/4	1/1	4/4		2/2	1/1
Ruth McFadyen	6/6			1/4	1/1		3/4		
Tina Stones	2/6					2/4	3/4	1/2	1/1
Mark Sheridan	5/6				1/1	4/4		1/2	0/1
Russell Edwards	6/6			2/4			2/4		
Arvinder Kainth	4/6						2/4		
Amy Goodbrand	2/6		4/4						
James Millar	3/6		3/4				2/4		
Jane Rhodes	2/6	2/4							
Dee Bird	2/6	1/4					1/4		
Bonnie Crawford	4/6						2/4		
Stephen Sheridan	3/6			1/4			1/4		
Rojan Kumar Subramani	2/6			1/4					
Michael Beveridge	2/6								

Matthew Millward	2/6								
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Each of our Committees have allocated to them two lead officers from the Executive Management Team (see below). All of the Executive Management Team are invited to attend Board of Management Meetings.

- Vice Principal – Finance and Audit – Lead for Audit Committee and Finance and General Purposes Committee.
- Vice Principal – Operations and External Relations – Lead for the Finance and General Purposes Committee and HR Committee.
- Vice Principal – Student Experience and Quality – Lead for the HR Committee and Learning, Teaching and Research Committee.
- Vice Principal – Academic and Research – Lead for the Learning, Teaching and Research Committee and the Audit Committee.

The Board Secretary for the period 2021/22 was Lisa Ross. The Board Secretary maintains a register of financial and personal interests of the Board members. The Register is available for inspection at:

UHI Inverness
1 Inverness Campus
INVERNESS IV2 5NA

or on the College Website - www.inverness.uhi.ac.uk/about-us/board-of-management

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

In accordance with the provisions of the Further and Higher Education (Scotland) Act 1992 (the Act) the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Act, the Statement of Recommended Practice on 'Accounting in Further and Higher Education Institutions' and other relevant accounting standards.

In addition, within the terms of the Financial Memorandum between the University of the Highlands and Islands (UHI) as the Regional Strategic Body, and the Board of Management, the Board is required to prepare financial statements for each reporting period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

The financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding Council require the Board of Management to make in the financial statements and related notes.

In causing the financial statements to be prepared, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgement and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Financial statements are prepared on the going concern basis unless it is inappropriate to

presume that the College will continue in operation.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council (SFC) via the Regional Strategic Body (UHI) are used only for the purposes that they have been given and in accordance with the Financial Memorandum and any other conditions that the Regional Strategic Body 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 College and prevent and detect fraud; and
- Secure the economical, efficient, and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, that is designed to discharge the responsibilities set out above, include the following:

- clear definitions of responsibilities of, and the authority delegated to, College management;
- a comprehensive planning process supplemented by detailed annual income, expenditure, and capital budgets;
- regular reviews of key performance indicators and business risks and monthly financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Finance Committee; and
- A professional internal audit service whose annual programme is established by the Audit Committee has reported that reasonable and effective risk management, control and governance is in place. This has been endorsed by the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

GOVERNANCE STATEMENT

Statement of Compliance with the 2016 Code of Good Governance for Scottish Colleges

UHI Inverness complies with all principles of the 2016 Code of Good Governance for Scottish Colleges and has complied throughout the year ended 31 July 2022. The Code of Good Governance for Scotland's Colleges "the Code" has been developed and is owned by the College Sector. The Code establishes the standards of good governance for the Board and provides the essential foundations for compliance within the legislation framework. Part of the code requires that UHI Inverness has in place a robust self-evaluation process which comprises of an annual internal review and an externally facilitated effectiveness review every 3 years.

UHI Inverness carries out the annual review of the Code by asking Board Members to express a level of agreement with a series of statements representing good governance and practice. The information provided by Board Members informs our self-evaluation report and indicates areas of strength and highlights where further development for the Board is required. The review of the Code provides Board Members the opportunity to express their views with regards to how we comply with the code in respect of Leadership and Strategy, Quality of Student Experience, Accountability, Effectiveness and Relationships and Collaboration. This ensures that our evaluation report and any development actions are aligned to the requirements of the code.

In order to ensure that we are compliant with the Code our Annual Review is included within the Board's yearly calendar of submissions and any recommendations which come out of this review are incorporated into the ongoing Board of Management Development Plan.

The Audit Committee have met with Auditors without the Executive Team present as part of the scheduled cycle of Board of Management meetings.

During autumn 2020 Professor Ron Hill, on behalf of Colleges Development Network (CDN) was commissioned to undertake an 'Externally Facilitated Board Effectiveness Review' of Inverness College. The final report dated 21 January 2021 and the development plan which the Board of Management has drawn up from this review is available on the College's website. The development plan is reviewed and updated every 6 months.

Prior to the start of the academic year 2021/22 a review of each of our Committees took place. As part of this each Committee's Terms of Reference were reviewed and updated to ensure that there was no duplication and that the aims and objectives of each Committee was clear. The language within each Committee's Terms of Reference were updated to support, challenge and enhance the work of the College and to ensure a pro-active approach is taken by Board Members. The review of the Committees has also allowed for the creation of creative space within each meeting.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in the Code of Good Governance for Scotland's Colleges, the purpose being to help the reader of the financial statements understand how the principles have been applied.

Introduction

The College has continued to face challenges and implications from Covid-19. The Board has been updated by management on our efforts to manage the College throughout this with the Board remaining cognisant of the mitigating and ongoing actions being taken in respect of our delivery effectiveness.

Committee and Board Meetings were fully digital at the beginning of this academic year. However, during the second half of the meeting cycle we trialled hybrid meetings. Following this trial, it has been agreed that all Committee Meetings will remain fully digital with Board Meetings continuing in a hybrid format.

The Board undertook a successful recruitment campaign for new Board Members and were able to recruit and appoint 4 non-executive members and 2 co-opted members. Our Interim Chair was formally appointed to the role of Chair of the Board of Management from 4th February 2022.

BOARD OF MANAGEMENT

The College's Board of Management meets four times per year and has a number of committees:

- Audit Committee
- Finance & General Purposes Committee
- Performance Review and Remuneration Committee
- Learning, Teaching and Research Committee
- Human Resources Committee
- Search and Nominations Committee
- Estates Legacy Project Board

In addition, the Board of Management held development planning days and training events during the course of the year for the purposes of training, self-evaluation and development. The role of the Board of Management is the strategic overview of the College.

The core College Committees (Audit; Finance and General Purposes; Learning, Teaching and Research; and Human Resources) meet four times a year in line with the Board of Management cycle, with the Audit Committee also meeting with the College's external and internal auditors as appropriate.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to both the Executive Management Team and the Audit Committee. The College Internal Auditors reported as follows for 2021/22:

'In our view, based on the reviews undertaken during the period, and in the context of materiality:

- In four of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on our verification reviews and sample testing, the risk management, control, value for money and governance arrangements in these four areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.
- However, our staff recruitment review identified that further work was required to ensure robust processes. As such, we are not able to provide reasonable assurance based on our verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in this area to provide reasonable assurance that the related risk management, control, value for money and governance objectives were achieved for the period under review.'

The Executive Management Team is responsible for the implementation of agreed audit recommendations and Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

Whilst members of the Executive Management Team may attend meetings of the Audit Committee as necessary, they are not members of the Committee and at least once a year the Committee meets the External Auditors on their own for independent discussions.

TRANSPARENCY ARRANGEMENTS

The Board of Management conducts its business through a number of committees. Each committee has formally constituted Terms of Reference. Minutes of all Board of Management meetings (except the confidential Estates Legacy Project Board) are available from the Secretary to the Board at the following address or on the College's website:

UHI Inverness College
1 Inverness Campus
Inverness
IV2 5NA

The Secretary to the Board maintains a register of financial, personal interests and directorships of the members of the Board of Management. The register is available for inspection at the above address or on the College's website.

ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

Audit Committee

The Audit Committee has overall strategic responsibility for developing, monitoring and enhancing the following aspects of the College's operations and to advise the Board appropriately on:

- The comprehensiveness, reliability and integrity of assurance of the governance and management of the College.
- The comprehensiveness, reliability and integrity of assurance of the risk management and business continuity of the College.
- The comprehensiveness, reliability and integrity of the College's financial management and other internal control and management systems.
- The effectiveness of arrangements for safeguarding the assets of the College and the public funds at its disposal.
- The economy, efficiency and effectiveness of the College's activities, including value for money.
- The effectiveness of the corporate governance and conduct of the College operations.
- All aspects of the provision of an effective Internal audit service.
- All aspects of the provision of an effective External audit service.
- Public Interest Disclosure (Whistleblowing) arrangements.

Specifically, the Audit Committee shall:

- Monitor, develop, enhance and review the contents of the risk register maintained by the College.
- Receive, consider and discuss the reports submitted by the College's Internal Auditors and progress reports from College Management on the Internal Audit recommendations.
- Jointly with the Board's Finance and General Purposes Committee support, challenge and enhance the development and implementation of the annual report of the College's external auditors and the associated College financial statements on which that report is based.
- Support, challenge and enhance the development of an annual report for the Board of Management which once approved will be shared with the Head of Internal Audit at University of the Highlands and Islands.
- Sit privately without any non-members present for all or part of the meeting if it so decides. The Committee will meet privately with the internal and external auditors at least annually.
- The Audit Committee shall conduct its business in accordance with the requirements of any guidance and/or codes of practice issued from time to time by the SFC and/or any other relevant statutory or regulatory authority as directed by the Board of Management.
- The Audit Committee will observe that the University of the Highlands and Islands are provided with appropriate updates and access to all papers and business to ensure that they are appraised of all aspects being monitored by the Committee.

Human Resources Committee

The HR Committee has overall strategic responsibility for developing, monitoring and enhancing the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff.

The Committee shall support, scrutinise and enhance the development and auditing of all human resource strategies and work streams and this shall include:

- The development and implementation of the Organisational and Professional Development Strategy, Annual Action Plan and the monitoring of actual performance against KPIs.
- The development and implementation of human resources measures surrounding turnover, absence, diversity and teaching qualifications.
- Monitor and observe that the College has appropriate succession plans in place for senior management, teaching and support staff.
- Receive, consider and discuss all Human Resources policies within the College.

- Support, scrutinise and enhance the provision of occupational health support, the provision of legal services and consideration of legal guidance provided to us, the provision of computerised human resources systems and a Job Evaluation system.
- Monitor, develop and enhance progress with regards Equality, Diversity and Inclusion through our Equality Impact Assessments, our Equality Outcomes and our Mainstreaming Report.
- Monitor, develop, enhance and observe that the College provides appropriate staff training and development.
- Develop, enhance and observe that the College has in place an effective Performance Management Framework which is received, considered and discussed through regular statistical reports to the Committee.
- Support, scrutinise, enhance and observe that appropriate arrangements are in place for effective dialogue with trade unions.
- Support, scrutinise, enhance and observe that pay and conditions of employment are properly determined and that pension arrangements are monitored and observed.
- Support, scrutinise and observe that the College is operating within all legal requirements relating to employment law and other legislation affecting employment.
- Support, scrutinise and enhance the development and implementation of appropriate arrangements to provide the assurance of the effective and respectful working relations across the EMT and the wider staff body.

Learning, Teaching and Research Committee

The Learning, Teaching and Research Committee has overall strategic responsibility for developing, monitoring and enhancing the direction and performance of learning, teaching and research at the College, as part of delivering excellence in the overall student experience, research and impact.

The Learning, Teaching and Research Committee shall:

- Support, challenge and enhance the development and implementation of the various strategies aligned to the Committee and monitor their performance against targets.
- Observe and recognise trends in education and research and recommend specific areas of focus for the College.
- Engage with the progress of the annual HISA Partnership Agreement.
- Monitor data relating to the student experience and performance at the College.
- Ensure that the College continues to maintain and improve the quality of its provision and supports lecturers in delivering excellent learning and teaching in line with the GTCS Professional Standards for Lecturers in Scotland's Colleges.
- Monitor, develop and enhance the College's preparedness for the ongoing, external scrutiny of its provision.
- Monitor, develop and enhance the Curriculum to ensure that the College meets the needs of students, stakeholders and the local community and is responsive to opportunities.
- Receive, consider and discuss information on research activity in the College including Research Excellence Framework (REF) funding, curriculum support, student journey, professional development for staff and stakeholder engagement.
- Receive regular reports from the Students Association and provide support to the College in order to respond to student concerns.

Observe, recognise and encourage sharing from both staff and students of emerging good practice across various aspects of provision at the College.

Finance and General Purposes Committee

The Finance and General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Regional Strategic Body) for developing, monitoring and enhancing the direction and oversight of the College's financial affairs. The Committee has strategic

responsibility for developing, monitoring and enhancing the College's existing buildings and estates. It shall:

- Monitor, develop and enhance the financial position of the College and report to the Board on any necessary action.
- Receive, consider and discuss information on non-core grant supported activity including international student and business development activities.
- Support, monitor, challenge and observe the review of the College Financial Regulations.
- Support, challenge and enhance the development and implementation of the College's finance and estates strategies and associated plans and submit appropriate reports and recommendations to the Board.
- Support, challenge and enhance the development and review of the effectiveness of financial management and controls within the College.
- Receive, consider, discuss and approve the annual revenue and capital budgets and final accounts for recommendation to the Board.
- Support, challenge and enhance the development of recommendations to the Board regarding the level of tuition fees and other charges.
- Monitor, support, challenge and observe student recruitment and any actions identified.
- Approve the write-off of bad debts in accordance with both the limits set in the Scheme of Delegation and the authority which the Committee has delegated to the EMT in respect of bad debts.
- Support, challenge and enhance the development and implementation of the overall risk management strategy of the College.
- Monitor and observe compliance with relevant College policies and financial statutory and regulatory requirements.
- Consider and report on Shared Services in so far as they relate to the provision of such services under the remit of this Committee.
- Consider and report on issues of procurement giving consideration to value for money.
- Consider and recommend to the Board on all matters relating to the operation of the Arms-Length Foundation.
- Ensure that the College's existing buildings and estates are fit for purpose and are maintained to an appropriate standard, meeting all relevant regulatory requirements including the effective provision of Health and Safety arrangements to meet all legislative requirements.
- Consider and report on any other financial matters which the Board may delegate or refer from time to time.
- Data Protection arrangements.

Responsibilities – New Campus Site

- Support and enhance the development and implementation of the Estates Strategy as it relates to the campus.
- Support and enhance the development and implementation of any necessary changes and make recommendations to the Board of Management.

Chairs' Committee

The Chairs' Committee will consider the membership of the Board's Standing Committees and the overall effectiveness of the Board's Committee Structure and develop and recommend to the Board any amendments or additions considered appropriate.

The Committee will support and enhance the development and implementation of:

- Effective self-evaluation of the Board, its members, its Standing Committees and its Chairs.
- The annual Board Development Day Programme.
- The Board's training and development programme.
- The Board's stakeholder engagement.

The Committee will at the special request of the Board, receive and consider matters of special interest which are not within the remit of another Standing Committee.

The Committee will support, scrutinise and enhance the functions of the Board in any cases of urgency of which the Chair of the Board, the Vice Chair or the Chair of a Standing Committee or the Senior Independent Member shall be the judge and where it is not practicable to convene a meeting of the Board of Management.

Search and Nomination Committee

The Search and Nomination committee shall:

- Consider the skills matrix of current Board Members to determine the skills and experience required of prospective members.
- Agree which UHI Inverness non-executive members should be on the Selection Panel.
- Ask UHI Executive Office to identify members of the University Court and confirm the recommendation by the committee of an independent person to join the Selection Panel.
- In consultation with UHI Executive Office:
 - a. Agree a timetable for the recruitment and selection process.
 - b. Agree the various forms of advertising to be used to ensure the college meets the College Sector Board Appointments: 2014 Ministerial Guidance and the requirements of the Public Sector Equality Duty.
 - c. Agree the key information to be included in the advertising material.

Performance Review and Remuneration Committee (PR&R)

The PR&R Committee shall consider, support, scrutinise and implement the remuneration package and conditions of service and any changes thereof, of the College Principal and the Executive Management Team (EMT) as is considered appropriate taking into account that the Principal and the EMT should be fairly rewarded for their individual performance and contribution to the College's overall performance and observing, recognising and considering the following:

- In terms of EMT remuneration, where the College stands in relation to other comparable institutions in the sector ensuring consideration is given to organisations of a similar size and the local market.
- The Scottish Government's approach to remuneration in the public sector.
- The relationship between the remuneration of the EMT and that of other employees of the College.
- The benefits granted to the EMT.
- The adequacy of pension arrangements and recognise the cost implication of pension arrangements including the pension effect of remuneration.

The Committee shall support, scrutinise and enhance the development and implementation of the annual appraisal of the Principal and Chief Executive by the Chair of the Board and consider and observe the Principal and Chief Executive's continuing professional development.

The Committee shall consider, support and enhance other such matters relating to the Board of Management which the Chair shall from time to time determine with consideration given to severance payments.

The Committee shall support, scrutinise and endorse any proposals for severance payments to EMT and any exceptional settlements which will require to be formally notified to the Board of Management.

Estates Legacy Project Board

The Estates Legacy Project Board will monitor progress on the sale of the Longman Disposal on behalf of the Board of Management and make decisions within the Project Board's delegated authority.

Responsibilities – Longman Site

- Support and enhance the development and implementation of the sale of the Longman Site on behalf of the Board of Management.
- Maintaining visible and sustained strategic commitment to the delivery of the sale of the site.
- Receive, consider and discuss reports from the Project Manager.
- Support and enhance the development and implementation of communication and consultation strategies for the Project.
- Monitor, discuss and observe the holding cost report.
- Support and enhance the development and implementation of a post-implementation review and report this to the Board of Management.

Delegated Authority

The Project Board shall have overall strategic authority to make commitments on behalf of the Board of Management, including but not limited to matters that have received Board approval in principle.

For the sale of the Longman site this would include specifically, but not exclusively:

- Selection of a preferred bidder following marketing of the site.
- Conclusion of any contracts of sale or purchase as previously approved by the Board.

CORPORATE STRATEGY

In respect of its strategic and development responsibilities, the full Board of Management meets at least annually to consider establishment of the College’s strategic plan, with monitoring against targets undertaken throughout the planning period.

ESTATES STRATEGY

Estates matters are reported to the Finance and General Purposes Committee of the College, with exception of specific legacy projects being reported the Estates Legacy Committee as noted in the section above.

Some significant projects have been delivered in 2021/22 to optimise the workshop space. The College considers its Estate to be fit for purpose, although changes in demand mean that significant adaptation of the estate is required. The 2022/25 estates strategy estates strategy has been redrafted, this has been approved by EMT and will go to Finance and General Purposes Committee, prior to submission to the Board for approval in October 2022.

Campus	Current Condition	Future Plan	Priorities
Inverness Campus	Excellent	To decrease the proportion of office space in light of hybrid working and transform existing office space to provide additional teaching space.	Action to decrease carbon footprint Improve Storage Maximise teaching space Robust maintenance and replacement programme
Early Learning and Childcare Centre	Excellent	To continue to lease the building to external learning and childcare service provider	Operate the building in line with the agreed lease
Scottish School of Forestry	Main building and former tractor shed: excellent Outbuildings: Poor	To improve sustainability	Optimise use of existing buildings Undertake options’ appraisal for

			development of additional delivery space
			Maintain security of site
Longman site	N/A vacant site	To dispose of the site	Finalise lease on Vodaphone/Thus equipment
			Dispose of site

BOARD’S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The College’s Board of Management is responsible for the College’s system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In the opinion of the Board of Management, the College is committed to implementing all provisions of the Code of Good Governance for Scotland’s Colleges. As at the date of approval of the annual report and financial statements, the College’s system of internal control is regularly subjected to scrutiny and review by the Audit Committee, reporting to the Board of Management, in a manner consistent with the internal control guidance for directors on the Code of Good Governance for Scotland’s Colleges.

The College’s Executive Management Team and the Audit Committee also receive regular reports from the internal audit function, which includes recommendations for improvement. The Audit Committee’s role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management’s agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee.

The Board maintains a Risk Register, which records internal and external risks and identifies mitigating actions to reduce the threat of those risks and their impact.

GOING CONCERN

See Note 1 on the Financial Statements for a detailed consideration.

CONCLUSION

The College complies with all the principles of the 2016 Code of Good Governance for Scotland’s Colleges, and it has complied throughout the year ended 31 July 2022.

Approved by order of the members of the Board on 7th February 2023 and signed on its behalf by:

Professor Christopher O’Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Section Two: Remuneration and Staff Report

The information disclosed within the tables below are subject to audit by the College's external auditor, and all other sections of the Remuneration and Staff Report are reviewed for consistency.

Remuneration Policy

Inverness College UHI Board of Management has responsibility for determining the Principal and Chief Executive's salary, and on recommendation of the Principal, determining and agreeing the Executive Management Team pay. The Performance Review and Remuneration Committee of the Board of Management are tasked with conducting the review of pay considerations for these posts in line with the terms of reference of this Committee.

The Committee shall consider, support, scrutinise and implement the remuneration package and conditions of service, and any changes thereof, of the College Principal and the Executive Management Team (EMT) as is considered appropriate taking into account that the Principal and the EMT should be fairly rewarded for their individual performance and contribution to the College's overall performance and observing, recognising and considering the following:

1. In terms of EMT remuneration, where the College stands in relation to other comparable institutions in the sector ensuring consideration is given to organisations of a similar size and the local market;
2. The Scottish Government's approach to remuneration in the public sector.
3. The relationship between the remuneration of the EMT and that of other employees of the College
4. The benefits granted to the EMT; and
5. The adequacy of pension arrangements and recognise the cost implication of pension arrangements including the pension effect of remuneration.

Remuneration (including salary) and Pension Entitlements

The following table provides detail of the remuneration and pension interests of senior management.

Salary entitlements

The following tables provides detail of the remuneration and pension interests of senior management.

Name	Year ended 31 July 2022			Year ended 31 July 2021		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Principal and Chief Executive – Chris O'Neil	105-110	42	150 -155	105-110	39	145-150
Vice Principal – Academic & Research – Melanie Smith	75-80	20	95-100	60-65	16	80-85
Vice Principal – Operations & External Relations Georgina Parker	75-80	31	110-115	65-70	23	90-95

Vice Principal – Student Experience & Quality – Lindsay Snodgrass	75-80	30	110-115	60-65	22	85-90
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From 1 May 2020 Inverness College shares the post of Finance Director with North Highland College. The remuneration for Roderick Ferrier, (Vice Principal, Finance & Audit, Inverness) is disclosed in North Highland College's Statutory Accounts. Inverness College pays 60% of his salary.

Fair Pay – Pay Multiples

The 2021-22 FReM has introduced new requirements around disclosures of 25th and 75th percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanations of any changes. The following table details these new requirements and the ratios between the highest paid official and the total pay and benefits for each category

	2021/22 £'000	2020/21 £'000	Change %
Range of workforce remuneration	19 - 80	18 - 85	
Highest paid official remuneration	110	110	0%
Median (total pay and benefits)	39	38	2.6%
Median (salary only)	39	38	2.6%
Ratio	2.8:1	2.9:1	
25 th percentile (total pay and benefits)	28	27	3.7%
25 th percentile (salary only)	28	27	3.7%
Ratio	3.9:1	4:1	
75 th percentile (total pay and benefits)	43	42	2.4%
75 th percentile (salary only)	43	42	2.4%
Ratio	2.5:1	2.6:1	
Explanation of changes (per FReM 6.5.26)	No significant changes from prior year		

The banded remuneration of the highest paid official in the organisation in the financial year 2021/22 was £105,000 - £110,000 (2020/21 £105,000 - £110,000). This was 2.8 times (2020/21 – 2.9 times) the median remuneration of the workforce which was £35,080 (2020/21 £37,366).

Accrued Pension Benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The LGPS scheme's normal retirement age is 65 for pre-1 April 2015 benefits. For post 31 March 2015 benefits, unless a member is aged 60 by 31 March 2020 and retirement age is protected, then normal retirement age will be linked to State Pension Age.

Contribution rates are set annually for all employees and can be found in note 22.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Senior Officials Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the college.

Name	Accrued pension at pension age at 31 July 2022	Accrued lump sum at pension age 31 July 2022	Real Increase in pension 1 August 2021 to 31 July 2022	Real Increase lump sum 1 August 2020 to 31 July 2022	CETV at 31 July 2022	CETV at 31 July 2021	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal and Chief Executive – Chris O'Neil	40 - 45	80-85	0 - 2.5	(-2.5) - 0	855	832	23
Vice Principal – Academic & Research – Melanie Smith	15 - 20	30 - 35	2.5 - 5	5 - 10	340	275	65
Vice Principal – Operations & External Relations - Georgina Parker	5 - 10	0 - 5	0 – 2.5	0 – 2.5	119	97	15
Vice Principal – Student Experience & Quality – Lindsay Snodgrass	5 - 10	0 - 5	0 – 2.5	0 – 2.5	84	67	10

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- (i) The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits

transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No employees left under voluntary exit terms on 31 July 2022.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0
Total number of exit packages	0	0	0
Total cost (£)	0	0	0

Salaries and Related Costs

	2022 Directly Employed Staff	2022 Seconded and Agency Staff	2022 Total	2021 Total
Wages and salaries	12,701,553	5,795	12,707,348	12,887,344
Social Security Costs	1,259,276	-	1,259,276	1,199,328
Other pension costs	2,514,680	-	2,514,680	2,442,452
FRS 102 Employer Costs	2,173,000	-	2,173,000	1,727,000
Total	18,648,509	5,795	18,654,304	18,256,124
Average number of FTE	331	0	331	313

The College does not hold FTE data in respect of agency staff.

The College employed 293 females and 167 males as at 31 July 2022 (235 females and 141 males as at 31 July 2021).

In the year ended 31 July 2022 staff turnover was 2.53% (17.7% 2020-21).

For the year to 31 July 2022, the College lost a total of 2,115 working days to sickness absence (1,733.5 days 2020-21). This is an average absence rate of 2.49% (1.42% 2020-21).

Employee Matters

Employee and student representation is provided at Board level and the college operates a joint consultative committee structure for formal consultation with staff recognised trade unions. The College Committee structure also involves staff and students across the college (including trade union representation) in areas including equalities, diversity and inclusion and health, safety and wellbeing.

The Audit Committee of the Board of Management oversees and scrutinises the performance of the College in light of the Health and Safety Management System. Quarterly Performance Indicators are reported to the Health, Safety and Wellbeing Committee, EMT and the Board of Management. The College utilises the HASMAP (Health and Safety Management Profile) audit tool as defined by Universities Safety and Health Association (USHA) and is committed to achieving the highest level of quality assurance. The College now uses a new recording system 'Riskex' for incident recording and management and risk assessment recording. This has a greater level of customisation to better suit UHI-specific requirements. Feedback from end users has suggested this is an intuitive system which would allow for ease of input by occasional users as well as H&S practitioners.

The College uses a job evaluation system 'Evaluate', to evaluate all new posts and changes to posts.

The College will provide equality of opportunity in the recruitment and selection of vacant posts and ensure applicants are treated on the basis of merit and ability. In doing so the College will promote recruitment and selection practices which do not discriminate on any unfair or unlawful grounds, for example because of sex, race, disability, marital status, sexual orientation, gender reassignment, age, pregnancy or maternity and/or religion or belief.

Inverness College aims to be an inclusive organisation where everyone is treated with respect and dignity, and where there is equal opportunity for all. The College respects and values the diversity of its staff and applicants. The College recognises that we all have complex identities made up of many strands. These can include, but are not limited to, ethnicity, gender, sexual orientation, age, physical and mental aptitudes, nationality, socio-economic status, and religious, political or other beliefs. The College embraces and celebrates these differences in a positive environment and is committed to engaging with the needs of our diverse staff and users to enable us, both individually and corporately, to achieve our aims. Inverness College will tackle barriers to participation and create a culture in which equal opportunities and equal treatment are a priority for all staff and users. In the recruitment, training, pay and management of staff, and in our day-to-day work with both colleagues and users, we seek to create an environment where attitudes and biases that hinder the progress of individuals and groups are dismantled, and where we work together in mutual respect and tolerance.

As part of the Inverness College UHI's commitment to equal opportunities, we guarantee to interview any disabled applicant who fully meets the essential minimum criteria details on the person specification for the posts.

The Equality Act (2010) defines a disability as a physical or mental impairment which has a substantial and long term (i.e. lasted or likely to last for 12 months or more) adverse effect on a person's ability to carry out normal day-to-day activities. Further guidance in relation to the meaning or disability is accessible on the Equality and Human Rights commission website:

<http://www.equalityhumanrights.com>

If an applicant wishes to be considered under the Guaranteed Interview scheme, they are advised to complete the 'Disability' section of the College's application form and indicate **'Yes' that they wish to be considered under the scheme.**

To enable all applicants to fully participate in our selection process we will make reasonable adjustments.

Our commitment to an active Equal Opportunities Policy doesn't just cover our recruitment and selection procedures, but runs right through learning and development, professional development and review, and promotion opportunities. We work hard to cultivate an environment free from discrimination, harassment and victimisation. At Inverness College UHI, everyone can achieve their full potential, regardless of:

- gender, sexual orientation and marital status;
- race, colour, nationality;
- hours of work;
- religious or political beliefs;
- disability;
- age.

The college has a duty under the Equality Act 2010 to make reasonable adjustments for disabled employees, to ensure they are not put at a disadvantage in the course of their employment when compared with non-disabled employees. Reasonable adjustments may include changes to either working practices or the physical working environment, at the request of the individual or following advice from a medical professional. The reasonableness of an adjustment will be dependent upon the situation. The college is committed to reviewing requests or recommendations for reasonable adjustments on a case-by-case basis.

As an employer, education provider and public service provider, Inverness College UHI is subject to, and welcomes, the requirements of the Public Sector Equality Duty (PSED) 2011.

The public sector equality duty as set out in the Act, is referred to as the “general equality duty”. It requires us to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct;
- advance equality of opportunity between people from protected characteristic groups;
- foster good relationships between all people, whether they share a protected characteristic or not;

Advancing equality of opportunity involves having:

- due regard to the need to remove or minimise disadvantage suffered by people due to their protected characteristics and;
- take steps to meet the needs of people with these characteristics where they are different from the needs of others;
- encourage people from these groups to participate in public life, or in activities where their participation is disproportionately low

Specific duties of the Act require us to report on mainstreaming the equality duty and publish equality outcomes and report progress.

In furthering our commitment and in line with the Equality Act and building on our successes, in April 2017 we published our Equality and Diversity Mainstreaming Report and Equality Outcomes and in April 2019 we published our progress report. More recently we have enhanced our approach to access and inclusion through our Access and Inclusion Strategy and Gender Action plan.

We also published our PSED report in June 2021.

We also have a duty to publish gender pay gap information. The gender pay gap as published in April 2021 was 7.0%.

Our 2021-2025 HR Strategic Plan remains under development due to the pandemic but will embody these themes and set out our ambitions for how the College will develop during the next 5 years. It will also set out how we intend to contribute to the realisation of the University of the Highlands and Islands’ 2021- 2025 Strategic Plan and its Daring to be Different approach.

Our plan will continue to be underpinned by the principles of providing access to a high-quality educational experience for students which provides tailored support to meet the needs of individuals in the context of a positive declaration environment. For our staff, we will continue to provide a supportive workplace which encourages staff to develop to their full potential with our support.

Our approach to Equalities underpins and guides all we do and provides an umbrella under which every aspect of the student and staff journey is encompassed. We believe that leadership is a shared responsibility and empower our staff to work together and in partnership with our students to meet their aspirations.

Curriculum and Workforce planning continue to operate hand in glove. The College has traditionally conducted workforce planning activities on an annual basis. We are now adopting a Talent Management approach, encompassing workforce planning, human resource management, organisational and staff development.

We are currently developing a new Talent Management Strategy to ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities. The Talent Management Strategy will be based around a Talent Management Framework which will encompass: Workforce Planning, Talent Attraction, Induction and Ongoing Engagement, Professional Development, Succession Planning and Organisational Performance Management.

All staff have regular opportunities to engage in a wide range of training related to equalities and inclusiveness in order to enhance their practice. A wide variety of professional learning opportunities have been provided for staff over the period of this report. This includes engagement with Induction programmes, Staff Development Days, Staff Conferences and external training. Inverness College is committed to the development of all staff through the achievement of relevant additional qualifications. Our staff development priorities continue to focus on all our teaching staff having a recognised teaching qualification and all managers having a recognised management qualification.

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2022.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
6	5.8

Percentage of time spent on facility time

Percentage	Number of employees
0%	-
1%-50%	6
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£12,354
Total pay bill	£18,648,509

Percentage of the total pay bill spent on facility time	0.07%
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Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	5%
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Equality, Diversity and Inclusivity Policy

A Single Equality, Diversity and Inclusivity Policy has been developed and implemented by all Academic Partners and the University of the Highlands and Islands.

Inverness College UHI is committed to equality of opportunity and non-discrimination in all aspects of work and study. We recognise that individually we all have differences of some sort, from which we can share and learn. The broader a range of people we employ, the wider a perspective we can adopt; a diverse workforce not only ensures that we are legally compliant but makes good business sense.

As a provider of education and employment Inverness College UHI values diversity and is committed to encouraging everyone to realise their full potential. To this end, Inverness College UHI continues to work with students, staff, external agencies and the wider community to develop a positive and enabling culture of work and study.

Achievement of the above goals requires the promotion of practices to overcome any existing structural barriers (systems or processes that make entry to employment more difficult for a person/group), geographical isolation, and the provision of opportunities which reflect the linguistic and cultural diversity of the region. It also involves continuing to attract new and diverse people to the Highlands and Islands, to add to the culture and economy, and help the Inverness College UHI reach our full potential.

This policy allows the Inverness College UHI to carry out its general and specific public sector equality duties, and work to improve the experience of all staff and students, regardless of an individual's protected characteristics.

We conduct our statutory duties under the Equality Act 2010 and demonstrate our commitment to mainstreaming equality and diversity by:

Developing policies, procedures and processes to achieve the general and specific public sector duties in accordance with the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.

Monitoring the potential impact of our policies, procedures and practices on different protected groups to help tackle inequality, promote equality of opportunity and foster good relations.

Removing any potential barriers to access, participation, retention and achievement of staff by making reasonable adjustments where appropriate.

Creating inclusive learning and working environments and practices that promote respect for all. These environments aim to prevent and challenge stereotyping, prejudice, discrimination and harassment and disadvantage.

Wider Enhancements around Equality, Diversity and Inclusion

Although the college moved to a new campus in August 2015, we have been keen to look at further ways to make our campus inclusive and accessible to all. Much of our enhancement work has been driven by the student voice, both through the Student's Association and through the Equality, Diversity and Inclusion Committee. During this period, there have been various accessibility improvements made to the College campus. This has included introducing a yellow brick road in the form of a new floor tile arrangement which has been put in place to allow a clearer pathway around busy routes. The college has also added braille signage to classrooms and toilet doors as well as adding larger room numbers to all our Supported Education classrooms. In relation to our wheelchair users, we have added enhanced accessible features in the form of new height adjustable sinks and benches in the Professional Cookery training kitchens. The college have also updated all the panic alarms to be more accessible. The college have also made significant modifications to a number of doors around the main campus and adaptations to disabled toilets to allow for improved wheelchair accessibility and

movement. We have also successfully lobbied our bus companies to divert their routes around the back of our campus providing a more direct route from public transport into the campus. This has been particularly beneficial to those with mobility challenges. Through our Equality and Diversity committee we have identified several further enhancements which are under way and which we will report on in our next report.

Parliamentary Accountability Report

There is nothing to report under the above for Inverness College for 2021/22 or 2020/21.

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Independent auditor's report to the Board of Management of Inverness College, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Inverness College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Board of Management is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been

prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, (for and on behalf of Ernst & Young)

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Date:

Ernst & Young is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Comprehensive Income Year Ended 31 July 2022

	Notes	2022 £	2021 £
Income			
Funding Council Grants	2	21,560,367	22,003,518
Tuition fees and education contracts	3	5,196,110	5,185,883
Other income	4	2,200,930	2,034,345
Investment income	5	1,874	774
Total Income		28,959,281	29,224,520
Expenditure			
Staff costs	6	18,648,509	18,256,124
Other operating expenses	8	7,156,534	6,078,933
Depreciation	11	1,472,612	1,430,462
Impairment	13	0	401,445
Interest payable	9	3,155,555	3,199,901
Total Expenditure		30,433,210	29,366,865
Deficit before other gains and losses		(1,473,929)	(142,345)
Gain/(Loss) on disposal of fixed assets		0	0
Deficit before tax		(1,473,929)	(142,345)
Corporation tax		0	0
Deficit for the year		(1,473,929)	(142,345)
Actuarial gain in respect of pensions		16,696,000	3,685,000
Unrealised Surplus on revaluation of land and buildings		6,257,857	(371,955)
Total Comprehensive Income and Expenditure for the year		21,479,928	3,170,700
Represented by:			
Unrestricted funds		15,222,071	3,542,655
Revaluation reserve		6,257,857	(371,955)
Total Comprehensive Income and Expenditure for the year		21,479,928	3,170,700

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect non-cash budget for depreciation in the Statement of Comprehensive Income. The Non-Cash Allocation and Adjusted Operating Position as disclosed in the Performance Report, provide the details of the Adjusted Operating Position on a Central Government accounting basis.

Statement of Changes in Reserves Year Ended 31 July 2022

	Revaluation Reserve £	Unrestricted Funds £	Total Funds £
Balance at 31st July 2020	6,620,739	(15,729,858)	(9,109,119)
Deficit for the year	0	(142,345)	(142,345)
Revaluation of Land & Buildings	(371,955)	0	(371,955)
Other comprehensive income	0	3,685,000	3,685,000
Total Comprehensive (Loss)/Gain for year	(371,955)	3,542,655	3,170,700
Balance at 31st July 2021	6,248,784	(12,187,203)	(5,938,419)
Balance at 1st August 2021	6,248,784	(12,187,203)	(5,938,419)
Deficit for the year	0	(1,473,929)	(1,473,929)
Revaluation of Land & Buildings	6,257,857	0	6,257,857
Actuarial surplus in respect of pensions	0	16,696,000	16,696,000
Total Comprehensive (Loss)/Gain for year	6,257,857	15,222,071	21,479,928
Balance at 31st July 2022	12,506,641	3,034,868	15,541,509

Balance Sheet

Year Ended 31 July 2022

	Notes	2022 £	2021 £
Non-current assets			
Tangible fixed assets	11	<u>56,971,004</u>	<u>52,305,847</u>
Current assets			
Stocks	12	52,555	34,160
Assets held for sale	13	2,300,000	2,000,000
Debtors	14	2,495,679	2,084,820
Cash and cash equivalents		<u>7,496,473</u>	<u>6,203,558</u>
		12,344,707	10,322,538
Creditors:	15	(6,727,191)	(5,848,562)
amounts falling due within one year			
Net current assets		5,617,516	4,473,976
Total assets less current liabilities		62,588,520	56,779,823
Creditors:	16	(43,382,112)	(44,358,168)
amounts falling due after one year			
Provisions	17	(3,664,899)	(18,360,074)
Total net assets/(liabilities)		<u>15,541,509</u>	<u>(5,938,419)</u>
Represented by:			
Property revaluation reserves		12,506,641	6,248,784
Unrestricted reserves		<u>3,034,868</u>	<u>(12,187,203)</u>
		<u>15,541,509</u>	<u>(5,938,419)</u>

The accounts were approved by the Board of Management on 7th February 2023 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Statement of Cash Flows

Year Ended 31 July 2022

	Notes	2022 £	2021 £
Cashflow from Operating Activities			
Deficit for the year		(1,473,929)	(142,345)
Adjustment for non-cash items			
Depreciation	11	1,472,612	1,430,462
Impairment	13	0	401,445
Pension costs less contributions payable		2,450,000	2,112,000
(Increase) / Decrease in stock	12	(18,395)	2,292
(Increase) / Decrease in debtors	14	(410,859)	(226,346)
(Decrease) / Increase in creditors – less than one year	15	1,699,818	2,089,993
Increase / (Decrease) in creditors – more than one year	16	(976,056)	(2,013,350)
Increase / (Decrease) in early retirement & provisions	17	(449,175)	(361,012)
Adjustments for investing or financing activities			
Interest payable	9	277,000	262,000
Interest elements of NPD finance lease	9	2,878,555	2,937,901
Investment Income	5	(1,874)	(774)
Net cash inflow from operating activities		5,447,697	6,492,266
Cash flows from Investing and financing activities			
Interest payable	9	(277,000)	(262,000)
Interest element of NPD finance lease	9	(2,878,555)	(2,937,901)
Capital element of NPD finance lease		(821,189)	(750,644)
Investment Income	5	1,874	774
Proceeds from sales of fixed assets		0	0
Payments made to acquire fixed assets	11	(179,912)	(404,740)
Increase in cash in the year		1,292,915	2,137,756
Cash at the beginning of the year		<u>6,203,558</u>	<u>4,065,802</u>
Cash at the end of the year		<u>7,496,473</u>	<u>6,203,558</u>

Notes to the Financial Statements for the Year Ended 31 July 2022

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice (SORP) 2019: Accounting in Further and Higher Education and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Government Financial Reporting Manual 2021/22 (FReM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in June 2022.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Accounting

Going Concern

The accounts are prepared on a Going Concern basis. The Net Assets position prior to longer term Pension Provisions is £19,206,408 at 31 July 2022. Pension Provision include a provision for Early Retirements of £1,626,899 and a Pension Liability of £2,038,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LPGS). Once these are accounted for the College's Net Asset position is £15,541,509. To the extent that the deficit is not met from the College's other sources of income, it may only be met by future grants or Grant in Aid from the Scottish Funding Council via UHI as the Regional Strategic Body. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Net liabilities also include the outstanding amount under Non-Profit Distributing (NPD) finance. As at 31 July 2022 this amounted to £34,690,806. Projection of income and expenditure to 28 February 2024 indicate that compliance with loan repayments will continue.

Net Current Assets position is £5,617,516. This includes in Current Assets an asset held for sale being the Longman Site of £2,300,000. The College considers that with careful financial monitoring its cash position will be manageable in 2022-23 and throughout the period to February 2024 at least. The College held cash at 31 July 2022 of £7,496,473. Cash flow projections through to 28 February 2024 projects cash at 31 July 2023 of £6.3 million and £5.2 million at 28 February 2024. The bank throughout this period may fluctuate due to drawing down of funding from the Scottish Funding Council.

UHI through the SFC has indicated short term support if the college requires this. There is a lot of uncertainty about staff costs inflation, and overhead inflation. The sector is facing a challenging financial position in 2022-23 (flat funding) and expects to face a challenging financial position in 2023-24.

There are still one or two areas of efficiencies the College is seeking to address being Refectory delivery and some aspects of Research. These are likely to deliver further savings. However longer term, with public finances being the way they are, then the College will continue to face financial challenges. Discussions are taking place in the UHI Partnership Assembly to discuss the way ahead for the UHI/Colleges' partnership to become more efficient and resilient in terms of governance and finances.

As a public body the College is presumed to be a going concern unless there is a stated intention to withdraw the statutory services it provides under legislation. We have not been informed by the Scottish Government of any such intention.

Useful economic lives of buildings

Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer. Buildings owned by the College are split into components and each component is valued and depreciated separately. Land owned by the College is not depreciated.

Buildings under NPD	Over 60 Years
Older Buildings	Over 10 Years
Property Additions	Over 4 Years

Stocks

Stocks are valued at the lower of cost or net realisable value.

Recoverable amount of trade debtors

Trade debtors are reviewed by appropriately experienced senior management team members with appropriate provision for non-payment of debt being charged to the financial statements as required.

Obligations under defined benefit pension schemes

The Board of Management has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Recognition of Income

Income from grants, contracts and other services rendered is recognised in the income and expenditure account in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. The main annual recurrent grant from SFC, which is intended to meet recurrent costs, is credited directly to the income and expenditure account.

Tuition fees are credited to the Income and Expenditure Account in the year in which they are earned. The College operates a fee waiver policy that provides free access to education to students where they have special educational needs, or they or their partner is receiving a form of recognised benefit.

Furlough income is credited to the Income and Expenditure Account in the year that the staff costs liability is incurred.

Government Capital grants

Government Capital Grants, as amounts approved by The Scottish Government or government agency, are paid to the College as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model as permitted by FRS 102 over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the College recognises the grant in income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Non-Government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Tangible Fixed Assets - Land and Buildings

Current Campuses

The College procured its current campus buildings at Balloch and Inverness using the Scottish Futures Trust's Non-Profit Distributing (NPD) model (additionally see Service Concession Arrangements note to the accounts, below). The buildings were handed over to the College in July and August 2015 in time for the 2015/16 academic year.

These NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings. The buildings will be depreciated over their expected useful lives of 60 years on a straight-line basis. The NPD assets were revalued by J & E Shepherd, Chartered Surveyors using the UKGN2 Depreciated Replacement Cost method of valuation as at 31 July 2022 (this was an interim revaluation).

The related debt is included in the balance sheet as a creditor and is repaid over a 25 year term. The College makes monthly unitary charge payments which include the capital element of the loan together with interest, facilities management and building lifecycle costs which are reported in the income and expenditure account. The Scottish Funding Council provides the College with grants to fund the unitary charge payments with the exception of the facilities management costs and 50% of the building lifecycle costs.

Former Campus

Land and Buildings inherited from the local authority are stated in the balance sheet at valuation (by Shepherd, Chartered Surveyors, in September 2015) less amounts written off by way of depreciation. In 2015/16 the former Longman Campus buildings were fully written down. An SFC funded project was commenced during 2018/19 to demolish the former campus buildings to enable a clear development site to be presented for disposal. This project did not complete until November 2019 and therefore the balance sheet reflects the position as at 31 July 2022. The value of the land has been transferred to assets held for sale and revalued (this was revalued by Montagu Evans, Registered Valuers, in June 2022).

Assets held for sale

Properties which are on the market to sell are included at the lower of market value or depreciated replacement cost.

Valuation of buildings

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer. Land and buildings should be valued frequently enough so that carrying amounts are not materially misstated. To address this the college has an interim revaluation every three years; and a full revaluation every five years. The College had an interim revaluation at 31 July 2022 carried out by Shepherds, Registered Valuers.

Tangible Fixed Assets - Equipment

Individual items of equipment costing £5,000 or more (£30,000 or more for grouped items) are capitalised as Fixed Assets on the Balance Sheet. Equipment costing less than these amounts are written off to the income and expenditure account in the period of acquisition. Equipment is depreciated over its expected useful economic life, on a straight-line basis with a full year of depreciation charged in the year of acquisition, as follows:

Equipment	6.7 years (15% per year)
Fixtures and Fittings	5 years (20% per year)
Computer equipment	Additions such as laptops are debited to revenue in the year of acquisition. Larger IT purchases such as servers are written off over 3 years.

Where Fixed Assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grant is credited to a deferred income account and is 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 or in the case of an NPD asset over the unitary charge payments period.

Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets, it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements, which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Service Concession Arrangements

Fixed assets held under service concession arrangements were revalued in the year ended 31 July 2022.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Maintenance of Premises

The College annually determines its maintenance programme based on prioritisation of requirements. The College has an Estates Strategy in place to meet the aims of the Strategic Plan. The cost of maintenance is charged to the income and expenditure account in the period in which it is incurred.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Provisions

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

Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

Unfunded pensions are accounted for under FRS 102 as required by the Accounts Direction issued by the Scottish Funding Council.

Taxation

As a registered charity the college benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents. The College is exempted from levying VAT on most of the services it provides to students. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased.

Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the income and expenditure account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College income and expenditure account.

Financial instruments

Financial instruments are recognised in the Balance sheet when the College becomes party to the contractual provisions of the instrument. All of the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the College's financial instruments are initially measured at transaction price. At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Revaluation Reserve

Surpluses arising on the revaluation of the College's properties are transferred to the Revaluation Reserve.

Pension Schemes

The College participates in two multi-employer defined benefit pension schemes, more details are in note 22.

The Scottish Teachers' Superannuation Scheme

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS) which is administered by the Scottish Public Pensions Agency (SPPS). Inverness College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, the scheme is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Statement of Comprehensive Income represent the contributions payable to the scheme in the year.

Local Government Pension Scheme

Support and Research staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

The future long-term obligation in respect of early retirees who retired in the 1990s, which is not funded by the aforementioned pension schemes, is provided for on the Balance Sheet. This provision is valued annually in accordance with guidance issued by the Scottish Funding Council.

2. Funding Council Grants	2022	2021
	£	£
SFC / RSB Further Education Recurrent Grant	9,547,043	9,561,713
UHI Recurrent Grant - HE provision	5,038,490	4,930,225
Childcare funds	120,279	144,834
Other specific SFC / RSB Grants - FE	5,481,855	5,781,506
Other specific UHI Grants - HE	490,976	613,960
Release of deferred grants (note 18)	881,724	971,280
	<u>21,560,367</u>	<u>22,003,518</u>

3. Tuition fees and education contracts	2022	2021
	£	£
Higher Education - Home and EU	2,791,623	3,004,656
Higher Education - Overseas	137,560	83,068
Further Education - Home	142,012	140,707
Further Education - Overseas	13,563	100
Education contracts	2,111,352	1,957,352
	<u>5,196,110</u>	<u>5,185,883</u>

4. Other income	2022	2021
	£	£
Other income generating activities	779,528	475,820
Foundation Grant Income	-	7,615
Research Income	479,790	401,314
Furlough Income	6,124	182,213
Other income	935,488	967,383
	<u>2,200,930</u>	<u>2,034,345</u>

There were 15 staff furloughed within the year 2021-22

5. Investment income	2022	2021
	£	£
Bank interest	<u>1,874</u>	<u>774</u>

6. Staff costs

The average monthly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents was:

	2022	2021
	Number	Number
Academic/Teaching departments	152	148
Academic/Teaching services	17.5	2
Research grants and contracts	12.5	11
Administration and central services	123	122
Premises	8	8
Residences and catering	13	14
Other expenditure	5	8
	<u>331</u>	<u>313</u>

Staff costs for the above persons:

	2022	2021
	£	£
Wages and salaries	12,701,553	12,887,344
Social security costs	1,259,276	1,199,328
Other pension costs	2,514,680	2,442,452
Pension adjustment - Net Service Cost	2,173,000	1,727,000
	<u>18,648,509</u>	<u>18,256,124</u>

	2022	2021
	£	£
Academic/Teaching departments	9,538,820	9,397,322
Academic/Teaching services	1,333,457	1,558,204
Research grants and contracts	659,160	683,183
Administration and central services	4,311,563	3,777,350
Premises	277,550	248,982
Residences and catering	354,959	375,740
Other expenditure	0	271,296
Redundancies	0	217,047
Pension adjustment - Net Service Cost	2,173,000	1,727,000
	<u>18,648,509</u>	<u>18,256,124</u>

Staff costs on permanent contracts	18,242,669	17,894,084
Staff costs for short-term and temporary contracts	405,840	362,040
	<u>18,648,509</u>	<u>18,256,124</u>

The number of staff, including senior post-holders and the Principal, who received emoluments (including benefits in kind but excluding pension contributions) in the following ranges was:

	2022	2021
	Number	Number
£60,001 to £70,000	0	3
£70,001 to £80,000	3	2
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	1	1

7. Senior post-holders' emoluments

	2022	2021
	Number	Number
Number of senior post-holders including the Principal	4	8
Senior post-holders emoluments are as follows:	£	£
Salaries	349,207	509,252
Pension contributions	71,964	109,135
	<u>421,171</u>	<u>618,387</u>

Emoluments payable to the Principal, who is also the highest paid senior post-holder:

	2022	2021
	£	£
Salary	109,786	109,786
Pension contributions	25,251	25,251
	<u>135,037</u>	<u>135,037</u>

The Principal is an ordinary member of the Scottish Teachers' Superannuation Scheme. The College's contributions to the scheme, in relation to the Principal, are paid at the same rate as for other members of Academic Staff. The Principal started in post on 1 September 2017. The Principal has not received any benefits in addition to his remuneration.

The members of the Board of Management, other than the Principal and staff, did not receive any payment from the College other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

8. Other operating expenses	2022	2021
	£	£
Academic/Teaching departments and services	2,061,249	1,849,588
Research grants and contracts	122,341	157,591
Administration and central services	1,506,572	1,356,756
Premises	2,469,507	1,838,616
Residences and catering	207,489	67,407
Other expenditure	669,097	664,142
Childcare Funds to Students	120,279	144,833
	<u>7,156,534</u>	<u>6,078,933</u>

Other operating expenses include:

Auditors remuneration (including irrecoverable VAT)		
Internal audit	21,951	25,617
External audit	21,030	21,650
Disbursements of Childcare Funds to Students	120,279	144,833
Rents under operating leases:		
Land and buildings	26,505	22,350
Other assets	15,036	15,036

9. Interest payable	2022	2021
	£	£
Interest on pension liabilities	277,000	262,000
Interest on finance lease NPD concession	2,878,555	2,937,901
	<u>3,155,555</u>	<u>3,199,901</u>

10. Taxation

As a registered charity, the College is exempt from Corporation Tax on the income it receives from tuition fees, interest and rents and therefore the College Board believes it has no liability in this regard.

11. Tangible fixed assets

	Land and Buildings	Equipment	Total
	£	£	£
Cost or valuation			
At 1 August 2021	53,582,217	5,991,510	59,573,727
Additions	179,912	-	179,912
Revaluations	5,957,857	-	5,957,857
Disposals	-	-	-
At 31 July 2022	59,719,986	5,991,510	65,711,496
Depreciation			
At 1 August 2021	1,706,481	5,561,399	7,267,880
Depreciation charge for year	1,042,501	430,111	1,472,612
Revaluations	-	-	-
Disposals	-	-	-
At 31 July 2022	2,748,982	5,991,510	8,740,492
Net book value at 31 July 2022	56,971,004	-	56,971,004
Net book value at 31 July 2021	51,875,736	430,111	52,305,847

12. Stocks

	2022	2021
Stocks	52,555	34,160

13. Assets held for sale

	2022	2021
At 1 August 2021	2,000,000	2,773,400
Revaluation	300,000	(371,955)
Impairment	0	(401,445)
Assets held for sale	2,300,000	2,000,000

The Longman site is classified as an Asset held for sale. The College has actively sought to market and sell the asset since May 2020. A number of third parties have expressed interest in the site but no sale plans have progressed at the year end or subsequently. The site has been valued on 24 June 2022 to reflect the most conservative value included in expressions of interest received, which in management's view represents a prudent valuation of the possible proceeds to be received.

14. Debtors

	2022	2021
	£	£
Trade debtors	788,962	473,754
Accrued income	1,552,087	1,462,797
Financial instrument assets	2,341,049	1,936,551
Prepayments	154,630	148,269
Other Debtors	0	0
	2,495,679	2,084,820

15. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	586,175	450,872
Service concession NPD creditor (see note 16)	897,592	821,189
Accruals	3,888,379	2,632,558
Financial instrument liabilities	5,372,146	3,904,619
Deferred income	601,554	913,241
Deferred capital grant - SFC	235,145	719,412
Deferred capital grant - Non SFC	61,234	11,589
Payroll taxes and social security	436,855	289,448
Other Creditors	20,257	10,253
	6,727,191	5,848,562

16. Creditors: Amounts falling due after one year	2022	2021
	£	£
Service concession NPD creditor (see note below)	<u>34,690,806</u>	<u>35,588,398</u>
Financial instrument liabilities	34,690,806	35,588,398
Deferred capital grant - SFC	6,144,998	6,105,675
Deferred capital grant - Non SFC	<u>2,546,308</u>	<u>2,664,095</u>
	<u>43,382,112</u>	<u>44,358,168</u>

Service Concession Arrangements

The new Campuses are held under a Service Concession Arrangement which, at a minimum, will be repaid as follows:

	Within One Year	Two - Five Years	More than Five Years	Total
	£	£	£	£
NPD liability creditor repayment	897,592	4,488,805	30,202,001	35,588,398
Interest thereon	2,813,632	10,476,735	19,062,238	32,352,605
Service charges	745,607	3,173,550	12,528,368	16,447,525
VAT	891,366	3,627,818	12,358,520	16,877,704
	<u>5,348,197</u>	<u>21,766,908</u>	<u>74,151,127</u>	<u>101,266,232</u>

Under the arrangements the College makes monthly Service Charge "Unitary Charge" payments. These include capital repayment element of the liability which reduces the amount outstanding in Creditors in the Balance Sheet.

Also within the Unitary Charge are charges for interest on the debt outstanding, together with premises service charges, both of which are included within the Statement of Comprehensive Income, under Interest Payable and Other Operating Expenses respectively.

The term of the debt is 25 years and the contract end date is 30 April 2040. The contract expires automatically at the end of the term, at which point the assets pass into the College's ownership.

The College can deduct amounts where Availability and Performance fall short of contract, during the early period of occupancy.

The Scottish Funding Council provides the College with grants to fund the Unitary Charge, including hard facilities management costs, and 50% of lifecycle maintenance costs.

17. Early Retirement and Other Provisions

	Early Retirement Pension	Defined Pension Liability	Other Provisions	Total
	£	£	£	£
At 1 August 2020	2,314,086	17,857,000	123,000	20,294,086
Expenditure in period	(135,233)			(135,233)
Provision in period	(102,779)	(1,573,000)	(123,000)	(1,798,779)
Interest charged				0
At 31 July 2021	<u>2,076,074</u>	<u>16,284,000</u>	<u>0</u>	<u>18,360,074</u>
At 1 August 2021	2,076,074	16,284,000	0	18,360,074
Expenditure in period	(131,164)			(131,164)
Provision in period	(318,011)	(14,246,000)	0	(14,564,011)
Interest charged				0
At 31 July 2022	<u>1,626,899</u>	<u>2,038,000</u>	<u>0</u>	<u>3,664,899</u>

The Early Retirement Provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.75%. This interest rate is higher than the previous year due to CPI inflation increasing. The above liability is in respect of future pension liabilities arising from early retirees.

The pension liability is as per the actuarial report valuation.

18. Deferred Capital Grants

	SFC	Other	Total
	£	£	£
At 1 August 2021			
Land and Buildings	6,237,711	2,675,683	8,913,394
Equipment	587,376	0	587,376
Cash received			
Land and Buildings	368,639	0	368,639
Equipment			0
Released to income and expenditure			
Land and Buildings	(226,207)	(68,141)	(294,348)
Equipment	(587,376)		(587,376)
Repayment of grant on disposal			0
Release on disposals			0
At 31 July 2022:	<u>6,380,143</u>	<u>2,607,542</u>	<u>8,987,685</u>
Land and Buildings	6,380,143	2,607,542	8,987,685
Equipment	0	0	0
Due < 1 year (Note 15)	235,145	61,234	296,379
Due > 1 year (Note 16)	6,144,998	2,546,308	8,691,306
	<u>6,380,143</u>	<u>2,607,542</u>	<u>8,987,685</u>

19. Financial Commitments

The College had annual commitments under non-cancellable operating leases:

	2022 £	2021 £
Land and buildings:		
Expiring within one year	0	15,600
Expiring between two and five years	0	0
	<u>0</u>	<u>15,600</u>
Other:		
Expiring within one year	7,880	28,871
Expiring between two and five years	0	43,729
Expiring after five years	0	0
	<u>7,880</u>	<u>72,600</u>

20. Further Education Bursary and Other Student Support Funds

	2022 Further Education Bursary £	2022 FE Disc £	2022 EMA £	2022 Other HE Disc £	2022 Total £	2021 Total £
Balance b/fwd	0	0	0	0	0	4,054
Allocation received in year	2,546,872	149,406	60,870	73,628	2,830,776	2,841,580
Expenditure	(2,107,729)	(149,406)	(62,490)	(65,434)	(2,385,059)	(2,378,018)
Repaid to Funding Council as clawback	0	0	0	0	0	0
College Contribution to funds	0	0	0	0	0	0
Intra-region allocations	0	0	0	0	0	0
Virements	0	0	0	0	0	0
Balance c/fwd	439,143	0	(1,620)	8,195	445,718	467,616
Represented by:						
Repayable to Funding Council as clawback	0	0	0	0	0	0
Repayable to region Retained by College for Students	439,143	0	(1,620)	8,195	445,718	467,616
	0	0	0	0	0	0

20. Further and Higher Education Childcare Funds (continued)

	2022 Total £	2021 Total £
Balance b/fwd	0	0
Allocation received in year	0	144,834
Expenditure	120,279	(144,834)
Repaid to Funding Council as clawback	0	0
College Contribution to funds Intra-region allocations	0	0
Virements	0	0
Balance c/fwd	120,279	0
Represented by:		
Repayable to Funding Council as clawback	0	0
Repayable to region	0	0
Retained by College for Students	0	0

21. Capital Commitments

As at July 2022, there were capital commitments of £1,023 in respect of a building warrant application.

22. Pension Provisions

Pension benefits for employees are provided through a) the Scottish Teachers' Superannuation Scheme (STSS), a defined benefit scheme, which was a nationally funded and contracted out of State Earnings-Related Pension Scheme until 1 April 2016 when it stopped being contracted out; and b) the Local Government Pension Scheme (LGPS).

Both STSS and LGPS were final salary pension schemes until 31 March 2015. From 1 April 2015 they are Career Average Revalued Earnings (CARE) pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age is 60 or 65 depending on the length of membership in the scheme. Contribution rates are set annually for all employees.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Scottish Teachers Superannuation Scheme (STSS)

The STSS scheme is an unfunded defined benefits 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 the Financial Reporting Standard 102, the STSS is a multi-employer Pension Scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a Defined Contribution Scheme. The agreed contribution rates for future years are variable rates for employees based on salary ranges. Employers contribution rates are 23%.

Local Government Pension Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. Employers contribution rates are 17.6% from 1st August 2021 to 31st March 2022 and 18.1% from 1st April 2022.

Contributions for both schemes are set out below:-

Pension Scheme contributions

	Year Ended 31 July 2022 £	Year Ended 31 July 2021 £
The total cost to the College was:		
Contributions to Scottish Public Pensions Agency	1,600,526	1,601,362
Contributions to Highland Council Pension Scheme	912,939	839,671
Contributions to Nest	1,215	1,419
Total pension cost	2,514,680	2,442,452

22. Pension Provisions (continued)**Assumptions**

	31 July 2022	31 July 2021
Rate of Increase in Salaries	3.55%	3.65%
Rate of Increase in Pensions	2.75%	2.85%
Inflation Assumption (RPI)	-	-
Inflation Assumption (CPI)	-	-
Discount rate for scheme liabilities	3.5%	1.6%

The estimated split of investments in the scheme at the Balance Sheet Date were as follows:

Equities	68.0%	70.0%
Bonds	11.0%	14.0%
Property	17.0%	10.0%
Cash	4.0%	6.0%

The assumed life expectations on retirement age 65 are:-

	31 July 2022 Years	31 July 2021 Years
Retiring Today		
Males	20.8	20.9
Females	23.3	23.5
Retiring in 20 Years		
Males	22.0	22.3
Females	25.3	25.5

The Employer contributions for the year to 31 July 2023 will be approximately £928,000 for the LGPS.

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 July 2022 £	31 July 2021 £
Current Service Cost	3,084,000	2,659,000
Interest on obligation	854,000	681,000
Interest Income on Plan assets	577,000	419,000
Total	3,361,000	2,921,000
Other Comprehensive Income		
Remeasurements (assets and liabilities)	16,630,000	3,685,000

The assets and liabilities recognised in the Balance Sheet are as follows:

Present Value of the Defined Benefit Obligation	(37,548,000)	(52,212,000)
Present Value of Unfunded Benefit Obligations	(72,000)	(107,000)
	(37,620,000)	(52,319,000)
Fair Value of Plan Assets	35,582,000	36,035,000
Net Liability	(2,038,000)	(16,284,000)

22. Pension Provisions (continued)**Reconciliation of present value of defined benefit obligations**

	31 July 2022	31 July 2021
	£	£
Opening Defined Benefit Obligation	52,319,000	47,836,000
Service Cost	3,084,000	2,659,000
Interest on Pension Liability	854,000	681,000
Contributions by Scheme Participants	308,000	291,000
Actuarial (Gains)/Losses	(18,049,000)	1,588,000
Unfunded Benefits Paid	(7,000)	(9,000)
Benefits Paid	(717,000)	(727,000)
Closing Defined Benefit Obligation	<u>37,792,000</u>	<u>52,319,000</u>

Reconciliation of Movements in the Fair Value of Scheme Assets

Opening Fair Value of Scheme Assets	36,035,000	29,856,000
Interest on Plan Assets	577,000	419,000
Contributions by Scheme Participants	308,000	291,000
Contributions by Employer	904,000	923,000
Contributions in respect of Unfunded Benefits	7,000	9,000
Expected Return on Scheme Assets	(1,353,000)	5,273,000
Unfunded Benefits paid	(7,000)	(9,000)
Benefits paid	(717,000)	(727,000)
Closing Fair Value of Scheme Assets	<u>35,754,000</u>	<u>36,035,000</u>

23. Post Balance Sheet Events

There are no post balance sheet events to report.

24. Contingent Liabilities

The EIS trade union has made a claim regarding supply hours for teaching staff. The College is in the process of reviewing this and has concluded that if there is any liability at 31 July 2022 it will be an immaterial amount.

25. Related Party Transactions

Due to the nature of the College's operation and the composition of its Board of Management (being drawn from local public and private sector organisations), it is possible that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have an interest are conducted at arms length in accordance with normal project and procurement procedures.

We have reviewed all transactions and identified below those related party transactions that could be considered material to either party.

Organisation	Member(s)	Income 2021-22 £	Expenditure 2021-22 £	Balance Due From at 31 Jul 22 £	Balance Due to at 31 Jul 22 £
Highland Council	Tina Stones	51,448	(113,118)	21,725	(5,748)
Highlands & Islands Airport Ltd	James Miller	3,460	0	0	0
Highlands & Islands Enterprise	Gillian Galloway	1,500	0	0	0
Open University	Tina Stones	0	(1,475)	0	0
Scottish Natural Heritage understood to be Nature Scotland	Sally Blyth	31,600	0	0	0

No Board of Management members, with the exception of the Principal and staff, receive emoluments other than travel and subsistence expenses. The volume of voluntary commitment made was considerable and is greatly appreciated.

The Board of Management of Inverness College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by The Scottish Funding Council (SFC). SFC is regarded as a related party. During the year Inverness College had various material transactions with SFC and with other entities for which SFC is regarded as the sponsor Department eg Student Awards Agency for Scotland. On the basis of guidance from the SFC these transactions do not require to be disclosed.

During the period the College had various material transactions with the University of the Highlands & Islands, which received university title on 2 February 2011. The College receives funding for higher education activity through UHI Executive Office. Funding in respect of further education activity is distributed by UHI Executive Office acting as the Regional Strategic Body to which the College has been assigned.

Accounting Estimates and Judgements

The financial statements contain estimated figures that are based on assumptions made by the College about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to the College at the time of preparing the financial statements.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College's Balance Sheet at 31 July 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns, on pension fund assets. A firm of consulting actuaries is engaged to provide the College with expert advice about the assumptions to be applied by the College in estimating these values at the balance sheet date.

The actuarial inputs into the pension liability valuation are subject to annual review and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the year end valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2022 following the updated actuarial valuation was £2,038,000, a decrease in liability of £14,246,000 from 31 July 2021.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 22 to the accounts, including information on the key assumptions, risks and sensitivities.

VALUATION OF PROPERTY

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2022 is outlined and broken down by asset category at note 11.

Land and Buildings were independently valued for the purposes of the financial statements by J & E Shepherd, Chartered Surveyors. The basis of valuation was depreciated replacement cost. The latest full valuation for the full fixed asset portfolio was undertaken as at 31 July 2019. An interim review of the fixed asset year-end valuation as at 31 July 2022 confirmed that there was no impairment to the properties to be recognised in these financial statements. The College did not apply any annual indexation to its Fixed Asset Portfolio at 31 July 2022.

JOB EVALUATION

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and cost to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs

and the estimated grant income in the last three financial years. At 31 July 2022, the College had accrued for income and expenditure of £1,296,925. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

As the exercise has not yet concluded, the estimated income and costs are subject to change.

Accounts direction for Scotland's colleges 2021/22

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021/22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
5. The annual report and accounts should be signed by the chief executive officer/Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
18 July 2022

¹ The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.