



North Highland College  
University of the  
Highlands and Islands

**The North Highland College Report &  
Financial Statements for the year ended  
31 July 2021**

**SCOTTISH CHARITY NUMBER SC021215**

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**Professional Advisors**

External Auditor	-	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
Internal Auditor	-	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Bankers	-	Royal Bank of Scotland 11 Orlig Street Thurso Caithness KW14 7BL
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

Welcome to our annual report for the academic year 2020/21. The period certainly provided challenges, as we managed our business through another year of the pandemic.

Another year where all our staff and students were innovative in their approach to teaching, learning and support services. Teaching and support services were delivered through a blended approach and students were again prioritised to ensure practical teaching could take place in safe environments.

To add to an already difficult year, the UHI partnership suffered a Cyber Incident in March 2021. Many other colleges and universities in the UK were also affected during the same 24 months, and this had a serious effect, with many of our main IT systems being temporarily unavailable. Whilst main services were restored as efficiently as possible our staff had to move to cloud storage, as opposed to maintaining files on network drives, and this caused major disruption to the college for the remainder of the academic year.

The College was pleased to receive approximately £171,000 for FE, £61,000 for HE, and also £122,000 for Research of additional funds from the Scottish Government to support the impacts of Covid 19. Although we were affected in our ability to deliver some of our non SFC income stream we have adapted our key commercial courses for online delivery. We have delivered courses such as 'Safety Cases' to one of our largest employers wholly online with great success.

The College is very much focused on continuing to offer and grow opportunities for upskilling and reskilling those looking to move into new sectors or retrain in the sector they are in through innovative teaching practices. We are also delighted to note the very positive outcomes in delivering both our undergraduate and postgraduate programmes during 2020/21. We enrolled a total of 547 students across part and full time undergraduate and postgraduate programmes, generating a total of 383.5 FTE undergraduate and 20 FTE postgraduate which was higher than we had predicted for the year. We are particularly delighted to see students staying in the Highlands and coming to the Highlands for this level of provision.

COVID 19 however continued to have a significant impact on the College's ability to achieve FE student recruitment targets. This year the college enrolled a total of 2,138 students across part time and full time programmes which generated a total of 10,932 credits. Given the helpful position adopted by SFC in protecting the core funding allocations to colleges impacted by Covid 19 for 2020/21, the negative financial consequence of this outcome for the College has been reduced.

Within our research portfolio we continue to grow. Through our Environmental Research Institute we have formed an exciting partnership with the University of Aberdeen and secured major funding from Ørsted, the global leader in offshore wind, for a three year marine based project. During 2020/21 one of our senior research fellows was awarded a professorship for work on peatlands science.

Also 2020/21 saw the completion of a new building on our Dornoch campus – our Centre for Golf for the University. The Professional Golf programme as well as the Golf Management programme are significant inward attractors for UHI. We are very grateful to the PGA for their continued support on these programmes which bring much needed economic benefits to the East Sutherland area.

We continue to support our employers across the North Highland area and have been engaged in Easter Ross not only supporting care and creative industries but also working with partners on 'Opportunity Cromarty Firth'. This has established an industry led research, skills and innovation group dedicated to floating offshore wind and green hydrogen technologies - 'The Powerhouse'.

I am delighted to repeat that North Highland College is very much open for business and will continue to support local, regional, national and international opportunities which align to our new strategic plan. Over this exceptionally challenging year, I am indebted to the college staff, students, governors and stakeholders who have all seen us through the worst and made such a stimulating future possible.

Debbie Murray  
Principal

## Performance Report (contd.)

The North Highland College was established under the Further and Higher Education (Scotland) Act 1992. The College is a registered charity (Scottish Charity Number SC021215) 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, The North Highland 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. The Board has approved a new Strategic Plan on 22 September 2021 covering the period 2021-2025. Thus, this report concentrates on delivery under the terms of the plan 2018-2021.

### **Mission Statement 2018-20**

The College Mission Statement is: To have a transformational impact on the prospects of the north Highland area, its economy, its people and its communities.

### **Strategic Vision. 2018-20**

The College Strategic Vision is: North Highland College UHI will be an active and committed academic partner of the University of the Highlands and Islands, the United Kingdom's leading integrated university.

We will be recognised for the quality of our students' experience and for their achievement.

Our reputation will be built upon an innovative approach to tertiary learning and teaching and our distinctive research and curriculum, enriched by the people, natural environment, culture and heritage of the north Highlands.

### **Core Values 2018-20**

Support, Collaboration, Openness, Respect, Excellence.

### **Implementation of the NHC Strategic Plan**

The College's current strategic aims are set out under the following headings:- Curriculum; Services; Research; Finances; Staff and Facilities

The main and summarised achievements this past year in terms of delivering against the priorities of the College's Strategic Plan are as follows:

#### **Aim 1 Curriculum**

- To be recognised nationally as an innovative provider of high-quality Tertiary education and training.

Work on some specific areas of curriculum review took place in 2020/21 with some further work on securing efficiencies as appropriate. The College continues to work through the UHI partnership which is undertaking a major curriculum review.

**Aim 2 Services**

- The quality and reputation of our student services will help make us the student destination of choice.

Our student services teams offer fundamental support to students, assisting them from initial enquiry, through the stages of course selection, application, enrolment, funding, learning, assessment, achievement, certification and finally graduation. There are particular pressures faced by the student support team as the College is dealing with a year-on-year increase in the number of students with mental health issues and additional support needs. The Scottish Funding Council has recognised this problem by making available specific funding for student counselling. The College is reviewing how to make best use of resources available to enhance the student journey whilst in parallel seeking to achieve efficiencies in delivery of services.

Also there has been and continues to be challenges of supporting learners in a Covid 19 environment. The College's Site Services team faced a challenging year within a Covid 19 environment to provide a safe estate to staff and students. The college complied with recommendations and guidance from the Scottish Government.

Most services were challenged by the Cyber Incident and its effects on IT delivery. This has meant challenges for Professional Services, Curriculum delivery, and student experience.

**Aim 3 Research**

- Our Research will be sustainable, widely recognised and will focus on meeting the key targets of the University of the Highlands & Islands.

The Environmental Research Institute is the research arm of North Highland College. It seeks to contribute to UHI's research portfolio by concentrating on high quality and impactful research in contemporary environmental issues.

**Aim 4 Finances**

- To improve our financial standing by securing new sources of income, making best use of our resources and by managing risk effectively.

Income drivers were also better than anticipated and although some income was lost due to Covid 19, the income held up surprisingly well. The Scottish Funding Council provided additional funding for FE, HE and Research. This was spent on supporting lost income from Refectory and Commercial courses; increased cleaning costs; and delays in Research projects. The college did furlough some staff, but still incurred some residual costs. Some overhead costs came in less than budget.

The College continues to seek to do all that it can to remain financially sound, including reducing staffing mostly through natural wastage. The effects of National Bargaining and job evaluation for Professional Staff, and whether inflation pay rises for staff are funded or not by the Scottish Government/SFC, are obviously key factors.

**Aim 5 Staff**

- To attract, retain and develop a workforce committed to our values and the achievement of our mission.

Given its geographic location and the competition from one or two larger employers in the area in which it operates, the College has sometimes found it difficult to compete on pay in order to attract the best talent. This applies particularly to Engineering Teaching. The College has had to advertise for some suitable applicants using enhanced Market Allowances. The College can offer good holidays and an average earnings Pension Scheme that can compensate in some measure regarding pay. Other areas which have struggled at times to recruit suitably qualified people is in Finance.

**Aim 6 Facilities**

- To provide safe and secure Facilities which will fully support our students and staff in achieving their goals.

The College completed a new home for the UHI Centre for Golf in Burghfield House in the early summer of 2021. Covid 19 meant a three - four month delay. This facility has state of the art golf bay and swing

analysis technology.

The College is also reviewing its ventilation systems in order to provide a safe environment for students and staff studying and working with the risk of Covid 19 given funding available.

### **New Draft Strategic Plan**

The new Draft Strategic Plan covering the period 2021-25 is in the process of being finalised and has three main Strategic goals:

#### **Goal 1 Learning and Teaching**

We will provide students with outstanding and relevant learning opportunities by:

- Continuing to optimise our curriculum to meet the needs of our students, our communities and the businesses in the area we serve
- Collaborating across the UHI partnership to adapt learning and teaching methods to deliver successful student outcomes in a changing educational landscape
- Being recognised for student attainment and satisfaction

Measured by: Student enrolments; Student attainment; Student satisfaction; Student progression

#### **Goal 2 Research**

We will develop a vibrant culture of research that is recognised for its regional impact and international excellence by:

- Being internationally recognised for our distinctive and innovative environmental science
- Cultivating new areas of inter-disciplinary research relevant to socio-economic and environmental challenges in the region and comparable regions around the world
- Engaging in Knowledge Exchange that builds effective partnership with businesses and stakeholders across the region and makes a valued contribution to the local economy
- Promoting an institutional culture in which academic staff actively engage in research and scholarship that enhances curriculum quality and student attainment

Measured by: REF performance; Research student numbers; Research Knowledge Exchange projects and income; New Research subject areas

#### **Goal 3 Partnerships**

We will further develop our partnerships to maximise our impact on regional development by:

- Working together with our local communities to achieve shared goals and ensure that we maximise place-based initiatives
- Actively participate in UHI partnership opportunities to improve the student experience and drive efficiencies across all of our services
- Pursue collaborations with new partners world-wide to the benefit of our students and staff

Measured by: Key community projects; Key strategic partnerships

### **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 and Risk Management Committee as well as being reported to the Board of Management. A review of the Strategic Risk Register was completed by the College Board in September 2021.

The main risks to North Highland College are:-

- Covid 19 and the potential effect on college finances and the delivery of curriculum and student experience.
- Meeting student targets for both FE and HE given the demographics in schools, and the buoyant job market.



- Financial sustainability due to pay inflation for staff and the impact of Job Evaluation for Support staff and the financial repercussions following therefrom.

The College has managed to deliver its business in a Covid environment since March 2020 and would anticipate being able to continue doing so.

School demographics may mean a more challenging target for curriculum enrolments. There is greater emphasis on part time learners and CPD.

The latter risk has sector-wide significance and has been raised with the SFC at sector-level.

### Going Concern

Despite Covid 19 the College's income drivers held up, although there was a loss of income re Apprenticeships' funding; ESIF funding due to FE credit delivery being affected and not meeting target; Commercial income and Refectory income. However, generally income drivers held up better than expected. The College has managed to deliver an Adjusted Operating Surplus of £600,000. This sees an improvement in the College's underlying liquidity. Longer term though, without further additional funding to the sector, then the College will struggle. There are efforts to progress merger talks with Lews Castle College and West Highland College. This is part of on-going efforts within the UHI partnership to become more efficient and resilient. Also see Page 41 for a fuller assessment of going concern.

## PERFORMANCE ANALYSIS

### Performance Indicators and Activity Review

Further education activity amounted to 10,932 credits in 2020/21, compared to 11,928 credits in academic year 2019/20. Activity was delivered under the collaborative further education arrangements with Argyll College. The Further Education activity target for The North Highland College was 12,558 (delivered 10,934). Credits were as follows:

	2021 Nos
The North Highland College	<u>10,932</u>
	10,932
Argyll College	5,594
West Highland College	<u>7,074</u>
	<u>23,600</u>

West Highland College became an assigned college and fundable body on 1 August 2012, and its funding now goes directly to it from UHI. Its activity for FE is still reported through North Highland College. Argyll College became an assigned college in 2017/18, and the financial impact of funding being paid directly to it by UHI, rather than through North Highland College, was implemented mid-way through 2018/19. Its activity for FE is still reported through North Highland College.

Higher Education activity as measured by full time equivalents (FTEs) amounted to 384 FTEs compared with 359 FTEs in 2019/20. The Higher Education activity target was 371. Figures exclude international and RUK students, postgraduate taught programmes and controlled numbers, e.g. in primary education, which are reported separately.

### Student Activity Indicators

The trend of College enrolments and student activity is as set out below. Higher education activity is reported separately and funded through UHI. The table below discloses Credits for 2016/17 to 2020/21. It includes North Highland College and Argyll College. The Higher Education figures relate to North Highland College only.

Analysis of College Further Education Enrolments 2016/17 to 2020/21					
Year	2016/17	2017/18	2018/19	2019/20	2020/21
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	657	629	575	631	601
<b>Part-time</b>	3,652	3,682	5,045	4,507	2,885
<b>Total Enrolments</b>	4,309	4,311	5,620	5,138	3,486
<b>Credits Delivered</b>	19,083	19,724	20,003	19,519	16,528

Further Education remains the core function for North Highland College

Analysis of College Higher Education Enrolments 2016/17 to 2020/21					
Year	2016/17	2017/18	2018/19	2019/20	2020/21
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	243	284	237	228	259
<b>Part-time</b>	357	365	327	315	288
<b>Total enrolments</b>	600	649	564	543	547
<b>Total FTEs</b>	362	423	370	359	384

### Current and Future Developments

The College is a tertiary education provider and makes extensive use of the Scottish Credit and Qualification Framework (SCQF) at all levels from 1-12. This ensures that all learners from school age to those on post-graduate programmes receive recognition for their education and training, including relevant work-based activity.

Prior to Covid 19, curriculum developments continued and have centred on land-based education, rural health care; engineering & construction; creative industries; and support for individuals entering education or employment. This includes the continuation of our partnership with Nigg Skills Academy for the delivery of skills-based engineering provision in the Easter Ross area. We are developing our curriculum offering in golf, managed from our Dornoch campus in partnership with the PGA, looking at CPD routes to support the PGA 2020 Vision for membership.

The College has now implemented new access level programmes at SCQF Level 4 in both Caithness and Easter Ross. These programmes are providing a much-needed introduction to college education to those furthest from the labour market, as well as providing a progression pathway into higher level programmes.

Significant focus in implementing *Developing the Young Workforce: Scotland's Youth Employment Strategy*, by working in partnership with schools, employers and the Caithness and Sutherland DYW board, continues as we aim to increase the percentage of school pupils achieving vocational qualifications. We will extend the reach of senior phase partnership offering courses at higher education level as well as further education.

Additionally, we will offer additional programmes to support the growing tourism industry in the North Highland area, engaging with key stakeholders at Visit Scotland, North Highland Initiative and NC 500 to ensure our delivery is focused and current. Also, we continue to review and amend our apprenticeship offering to meet the needs of businesses across the North Highland area.

Caithness and North Sutherland Regeneration Partnership, of which the College is a member, provides a co-ordinated platform to support inward investment to the area. The major growth in offshore wind developments around the region's coastline will continue as a result of the current ScotWind leasing round, totalling 10GW of Offshore Wind capacity. This growth will continue to create new employment opportunities across the full supply chain; and it provides transferable employment opportunities for those transitioning from the Nuclear power and Oil & Gas industries.

The decommissioning of Dounreay is expected to be completed by approx. 2036 and therefore the site will incur a major reduction in the employment it provides. It currently has around 1,200 staff (plus 800 contractors) on site and plans to reduce to 200 over the next 10 years (source: NDA). The under-representation of 18-35 year olds is expected to increase. It is important that attractive and sustained employment opportunities are created to encourage them to remain in the area and to encourage immigration. It is imperative to establish a knowledge-based economy as competition increases from both within the European Union and the rest of the world.

In response our Business Development Unit and Engineering & Built Environment department are working on plans for the Wind energy sector, with NHC aiming to become the leading Offshore Wind training hub in the North Highland area. From September 2022 we will be offering a Wind Energy engineering apprenticeship course, and we are also progressing the College becoming an accredited training centre for Global Wind Organisation courses which are mandatory courses for technical staff in the industry. This plan is unchanged from last year because progress was delayed significantly by Covid 19, however the intention is to establish delivery of GWO courses by the end of calendar year 2021.

The College continues to develop its involvement with nationally significant engineering projects involving collaboration between industry, public sector and academia. These are a combination of local (College-led) and regional (UHI-led) programs focused on the Renewable Energy sector. We are spearheading UHI's involvement in the Opportunity Cromarty Firth consortium, which intends to establish the Cromarty Firth area as both a free trade zone and also as a hub for innovation to help grow careers, skills and research and dramatically improve the local socio-economic situation. This will capitalise on the ScotWind leasing round, which has the genuine potential for a 50+ year pipeline of Offshore Wind business, as well as the major opportunity for this green power to enable hydrogen production (ie Green Hydrogen) for local and export customers. In parallel with this we are working on the Sustainable Aviation Test Environment project to underpin local trials of alternative-fuelled aircraft and their planned uses; and, through our CNSRP participation, supporting industry/innovation/skills 'ecosystem' development with Space Hub Sutherland, and the area's bid to host a major prototype fusion reactor facility at Dounreay. These will be major economic development opportunities for the College, for the University of the Highlands and Islands and the North Highland area.

The current pandemic has caused some real issues around delivery of commercial programmes but the college has moved swiftly to a blended learning format where possible and will continue to focus on supporting the delivery of statutory courses for industry as well as new opportunities such as the Kickstart initiative.

In 2021-22, the college will continue to focus on responding to the economic downturn as a consequence of COVID 19 and will review, along with partners and key stakeholders where there are opportunities to develop new programmes to address skills gaps but also to review existing provision to identify where current curriculum must be adapted in response to changes in skills requirements in particular sectors. Opportunities to improve accessibility of programmes and open new markets through alternative delivery models are now actively being developed and implemented. In parallel, the financial sustainability of programmes will continue to be considered along with opportunities to improve the efficiency of the various curriculum delivery models, working with partners across UHI. The college is actively participating in the major tertiary curriculum review, started late 2020/21, being completed at both FE and HE levels across the UHI partnership. This will have a significant impact on college operations and will provide further opportunities to improve access to curriculum and the sustainability of programmes across the region.

## Research

The Environmental Research Institute (ERI) concentrates on high quality and impactful research in contemporary environmental issues.

The ERI has a rapidly evolving research profile. It has key strategic areas of research: 1) environmental contamination and ecological health; 2) carbon, water and climate; 3) renewable energy and the environment; and 4) environment, economy and society.

In terms of environmental contamination and ecological health, the main focus is on investigating anthropogenic impacts on water quality in marine and freshwater systems. This work includes testing samples from construction of roads and land-based windfarms; working with salmon farm industry to assess contaminants in sediment; assessing the environmental impact of veterinary drugs on world vulture populations; and developing innovative methods for assessing, quantifying and removing residual pharmaceuticals and nutrients from waste-water sources.

Research within carbon, water and climate continues to focus on the earth's most efficient terrestrial carbon store i.e. peatland, and its ability to regulate water and climate, and support biodiversity. Assessment of the benefits of restoration of peat bog in the Flow Country is supported by a major project funded through Leverhulme Trust which aims to pioneer molecular to landscape scales assessments of whether restoration techniques work. Whilst both Covid 19 and Brexit delayed recruitment of staff and doctoral students, fieldwork resumed during spring 2021 with funders supporting extension where necessary. An innovative European Space Agency funded project to identify waste plastic in the oceans using remote sensing technologies is now fully operational.

In terms of renewable energy and the environment the ERI is looking to develop innovative sensor platforms for insitu monitoring of wind, wave and tidal energy resources. A 3-year joint programme of research between the University of Aberdeen (UoA), the Environmental Research Institute, North Highland College, (NHC-UHI), and Ørsted will address knowledge gaps in offshore wind environmental characterisation, providing a vision for next-generation monitoring techniques. Contributions have also been made to Scottish Government contracts which seek to assess the ecological effects of offshore wind installations. Delays to fieldwork, as a result of the pandemic, have had a particular effect on PhD studies with a number of these seeking extension.

Recognising a need for a broad and holistic approach to sustainability research which goes beyond specific or localised environmental impacts, a fourth theme, environment economy and society (EES) has been established at the ERI. Research will complement the other three themes with the aim of developing core expertise across the three 'pillars' of sustainability, carbon footprints and circularity. A large multi- partner project (Robinson) funded through Horizon 2020 is underway to look at the smart integration of local energy sources and innovative storage methods on islands. Working with other Academic Partners, the impact of Covid 19 on local communities was investigated across the Highlands. Contributions are also being made to Sustainable Aviation project led by HIAL.

## Financial Performance

### Financial results

The Statement of Comprehensive Income for the year ended 31 July 2021 shows a deficit of £767,000 (2019-2020 £957,000 deficit). This was largely attributable to an Adjusted Operating Surplus of £659,000 after loan capital repayment, together with net depreciation charge of £226,000 (£793,000 - £567,000), plus adjustments for the College's share in Highland Council's Pension Scheme amounting to £1,132,000. There was a favourable actuarial movement of £3,056,000 in this same scheme (2019/20 – actuarial valuation decrease of £4,212,000). The College's total comprehensive income for the year was £2,339,000 surplus (2019/20 £5,017,000 deficit). This includes an unrealised surplus on revaluation of fixed assets of £50,000 (2019/20 £152,000). Total income increased from £10.9 million to £11.5 million, and expenditure has increased from £11.8 million to £12.2 million.

**Non-cash Allocation**

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

	2020/21 £'000	2019/20 £'000	Notes
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(767)	(957)	SEE SOCI
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	226	224	SEE NOTE 13
Operating (deficit)/surplus on Central Government accounting basis for the academic year	(541)	(733)	

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 an operating deficit of £767,000 for the year ended 31 July 2021. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" deficit of £541,000 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 15.

**Adjusted Operating Position (AOP) Note**

	2020-21 £'000	2019-20 £'000
<b>Surplus/(deficit) before other gains and losses</b>	(767)	(957)
<b>Add back:</b>		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 13)	226	224
- Revaluation of Property	100	0
- Exceptional non-restructuring costs - Impairment		
- Pension adjustment – Net service cost (Note 20)	968	694
- Pension adjustment - Net interest cost (Note 20)	164	146
- Pension adjustment - Early retirement provision (Note 20)	35	0
- Donation to Arms-Length Foundation (ALF)*	0	0

<b>Deduct:</b>		
- Non-Government capital grants (e.g. ALF capital grant)	0	0
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim	0	0
- CBP allocated to loan repayments and other capital items* (Note 9)	67	62
- NPD income applied to reduce NPD balance sheet debt (Note 10)	0	0
<b>Adjusted Operating Surplus</b>	<b>659</b>	<b>45</b>

### Creditor Payment Policy

It is the policy of North Highland College to pay invoices promptly and within one month. Monthly runs of purchase payments are made. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998. Year-end creditors represented 6.9% (2019/20 7.7%) of the aggregate purchases invoiced during the year. The College is currently unable to provide information in the year on performance against creditor payment target within one month.

### 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.

<b>Table of cash budget for priorities spend</b>		
<b>Revenue Priorities</b>	<b>2020/21 (£'000)</b>	<b>2019/20 (£'000)</b>
Student support	0	0
2015-16 pay award	0	0
Voluntary severance	14	32
Estates Costs	16	2
Other agreed priorities (give detail)	0	0
<b>Total impact on operating position</b>	<b>30</b>	<b>34</b>
<b>Capital Priorities</b>		
Loan repayments (including PFI, NPD repayments)	67	63
Estates Costs	0	0

Provisions pre 1 April 2014 (give detail) carried on balance sheet	0	0
<b>Total Capital</b>	<b>67</b>	<b>63</b>
<b>Total cash budget for priorities spend</b>	97	97

### Sustainability Strategy

The College works with Advanced Procurement for Universities and Colleges (APUC) and seeks to embed sustainability in its procurement function.

The College prepared a revised Carbon Management Plan in November 2017 covering the period 1 August 2017 – 31 July 2021. Its main focus is on seeking to reduce emissions from its estates, as properties are the biggest emitters. The College complies with the reporting of carbon emissions under The Climate Change (Scotland) Act 2009. Reporting for the year to 31 July 2021 showed a 48% reduction since 2015-16, and a near 68% reduction of emissions from estates and transport since 2008-09.

Wick College, Wick continues to be on the market with a view to sell. Ross House, Dornoch was sold in early October 2021. The proceeds are ear marked for the Burghfield extension. This extension addresses the specific needs of the golf curriculum including bespoke facilities to help grow this key academic area of the College's business. This will reduce estate area space overall.

### 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 9<sup>th</sup> February, 2022 and signed on its behalf by:

**Debbie Murray**  
Principal

**Robbie Rowantree**  
Chair of Board

## Accountability Report

## Section One: Statement of Corporate Governance

**DIRECTORS' REPORT****Members of the Board of Management**

The North Highland College Board of Management is populated by the Board Chair; the Principal or Interim Principal of the College; two elected staff members; a nominated student member provided by HISA; and between seven and twelve non-executive board members.

Name	Designated Role	Committee Membership	Start Date	End Date
Blair Sandison	Chair of the Board of Management, North Highland College	Finance and General Purposes Human Resources Remuneration Nominations	October 2015	30 Jun 21
Robbie Rowantree	Chair of Audit and Risk Management Committee until 16.06.21 Interim Chair of the Board from 01.07.21	Audit and Risk Management Committee (until 30.6.21) Remuneration Committee Finance and General Purposes from 01.07.21 Nominations Committee from 01.07.21	July 2014	N/A
Donald MacBeath	Principal and Chief Executive	Finance & General Purposes Human Resources Remuneration Audit and Risk Management (In attendance)	July 2014	30 Sep 20
Debbie Murray	Interim Principal and Chief Executive from 1.10.20 until 06.06.21; Principal and Chief Executive from 07.06.21	Finance & General Purposes Human Resources Audit and Risk Management (in attendance) Remuneration (by invitation and in attendance only)	October 2020	N/A
Heather Mclean	Chair of Learning, Teaching and Research Committee Vice Chair of the Board and Senior Independent Member until 30.06.21;	Learning, Teaching and Research Committee Remuneration Committee Nominations Committee	April 2017	N/A
Graham Birnie	Chair of Finance and General Purposes Committee Chair of Remuneration Committee Vice Chair of the Board and Senior Independent Member from 01.07.21	Finance and General Purposes Committee Remuneration Committee Audit and Risk Management Committee from April 2021	January 2017	N/A
Shona MacDougall	Chair of Human Resources Committee from 18.11.20 Interim Chair of Audit and Risk Management Committee from 16.06.21	Human Resources Committee Audit and Risk Management Committee Remuneration Committee	August 2020	N/A
John Hook	Vice Chair of Learning, Teaching and Research Committee	Learning, Teaching and Research Committee	August 2020	N/A



	Vice Chair of Human Resources Committee	Human Resources Committee		
Andrew Kerr	Chair of the Human Resources Committee until October 2020	Human Resources Audit and Risk Management Learning, Teaching and Research	January 2017	October 2020
Cllr Jim McGillivray	Independent Member	Audit and Risk Management Human Resources	June 2014	N/A
Patrick Murray	Independent Member	Finance and General Purposes Learning, Teaching and Research	December 2018	31 July 21
Wendy Freyett	Independent Member	Audit and Risk Management Finance and General Purposes	April 2018	October 2020
Tessa Palmer	Vice Chair Finance and General Purposes Committee until 28.01.21	Audit and Risk Management Finance and General Purposes	August 2017	January 2021
Matthew Groves	Independent Member	Audit and Risk Management Finance and General Purposes	December 2018	November 2020
Gillian Coghill	Independent Member	Finance and General Purposes Learning, Teaching and Research	August 2020	April 2021
David Cargill	Independent Member	Finance and General Purposes Human Resources	February 2021	N/A
Magnus Davidson	Staff Member	Human Resources Learning, Teaching and Research	April 2018	N/A
Dr Peter Hylton	Staff Member	Learning, Teaching and Research Nominations	March 2020	N/A
Tia Cannop	HISA Depute (student member)	Human Resources Learning, Teaching and Research Audit and Risk Management Finance and General Purposes	June 2019	July 2021
Sophie-Ann Bain	HISA Depute (student member)	To be agreed by Board in August 2021	June 2021	N/A
<b>Five new non-executive Board members were appointed in June 2021:</b>				
Ian MacEachern	Independent Member from June 2021	To be agreed by Board in August 2021	June 2021	N/A
Stephen Murby Wright	Independent Member from June 2021	To be agreed by Board in August 2021	June 2021	N/A
David Beaton	Independent Member from June 2021	To be agreed by Board in August 2021	June 2021	N/A
Anna McInnes	Independent Member from June 2021	To be agreed by Board in August 2021	June 2021	N/A
Judith Crow	Independent Member from June 2021	To be agreed by Board in August 2021	June 2021	N/A

Following resignations from Board members during the year 2020/21, the North Highland College successfully undertook a non-executive member recruitment exercise between March and May 2021. Five new non-executive Board Members and a co-opted member of the Audit and Risk Management Committee were selected. The five Board Members were appointed by the University of Highlands & Islands as regional strategic body in June, following which PVG checks were undertaken and formal induction in the work of the Board and Committees was arranged for early in August 2021. The new members will attend Committee and Board meetings during the August and September cycle, having

been invited to attend as observers until formal induction has taken place.

A summary of the Board members, and meetings attended during 2019/20 and 2020/21 is shown below:

	2019/20	2020/21
<b>Board of Management</b>	80.5%	81.7%
<b>Committees</b>		
Audit & Risk Management	71.4%	72.0%
Finance & General Purposes	87.5%	80.0%
Human Resources	83.3%	92.6%
Learning, Teaching & Research	85.7%	86.7%
Remuneration	No meetings	90.0%

The above is reflective of the various committee memberships throughout 2020/21 (i.e. attendance is noted against meetings members could have attended based on their membership at the time).

Member	Board	ARM	F&GP	HR	LTR	Remuneration	Nominations
Donald MacBeath	1/1	1/1	1/1	1/1	1/1		
Debbie Murray	4/4	3/3	4/4	3/3	3/3		
Blair Sandison	5/5		3/4	4/4		2/2	2/2
Robbie Rowantree	4/5	3/4	1/1			1/2	
Graham Birnie	4/5	1/1	5/5			2/2	
Heather McLean	5/5				4/4	2/2	2/2
Shona MacDougall	4/5	3/3		3/3		2/2	
John Hook	5/5			3/3	3/3		
Andrew Kerr	0/1	1/1		1/1	1/1		
Jim McGillivray	5/5	3/4		4/4			
Patrick Murray	4/5		5/5		$\frac{3}{4}$		
Gillian Coghill	2/4		2/2		2/2		
David Cargill	1/2		1/2	1/1			
Wendy Freyett	1/1	0/1	0/1				
Tessa Palmer	2/2	0/2	1/2				
Matthew Groves	1/1	1/1					
Magnus Davidson	4/5			4/4	$\frac{3}{4}$		
Dr Peter Hylton	5/5				4/4		2/2
Tia Cannop	1/5	2/4	1/3	0/3	2/4		

Mr Struan Mackie who had been appointed Secretary to the Board of Management on 23 July 2019 resigned his post with effect from 1 December 2020. Mrs Fiona Sinclair was appointed to the post of Secretary to the Board of Management on 16 November 2020 and succeeded Mr Mackie as Secretary to the Board of Management upon his departure.

The Planning and Resources Group (PRG) considers issues of performance, internal control and risk and advises the Principal on strategy, operational planning and control, and any issues relevant to the running of the College:-

Members of the PRG during 2020/21 are shown below:

Mr Donald MacBeath	Principal (Resigned 30 September 2020)
Mrs Debbie Murray	Director of Enterprise & Innovation and Depute Principal; Interim Principal from 1 October 2020 until appointed Principal and Chief Executive with effect from 7 June 2021
Mrs Anne Bremner	Director of Learning, Teaching and Quality
Mr Roderick Ferrier	Director of Finance and Audit (Shared with Inverness College)
Joe Wright	HR Manager
Mr Giles Huby	Director of External Engagement and Estates
Professor Stuart Gibb	Director of Research and Innovation

## 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;
- A professional internal audit service whose annual programme is established by the Audit & Risk Management Committee has reported 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

### Introduction

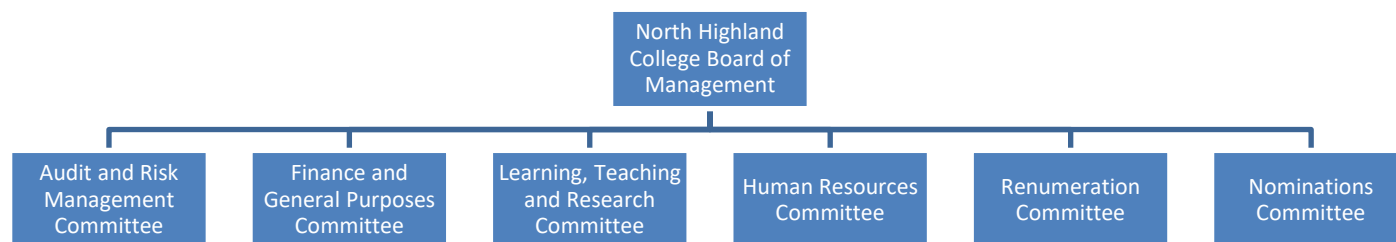
The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in the Code of Good Governance for Scotland's Colleges, the purpose being to help the reader of the financial statements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

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

North Highland College complies with all principles of the 2016 Code of Good Governance for Scottish Colleges.

### BOARD OF MANAGEMENT

The College's Board of Management meets at least four times per year and has several committees: - Audit & Risk Management Committee; Finance & General Purposes Committee; Remuneration Committee; Learning, Teaching and Research Committee; Human Resources Committee; and Nominations Committee. In addition, the Board of Management holds 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 and Risk Management; 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 and Risk Management Committee also meeting with the College's external and internal auditors in attendance as appropriate. The Board of Management may hold extraordinary meetings to deal with emergency items of business, for example sales of property. The Finance and General Purposes Committee may meet out with the Committee cycle to consider the annual budget. Covid 19 had no significant impact on governance during the current year.

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 the Senior Management Team and the Audit & Risk Management Committee. The College Internal Auditors, Wylie & Bisset reported in their annual report dated June 2021 for the year 2020/21, as follows: "We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion North Highland College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. Our fieldwork was carried out between September 2020 and April 2021 and we have not undertaken any further internal audit assignments at the time of this report. In forming our opinion, we have carried out the following work:

- A review and appraisal of financial and other controls operated by the College;
- A review of the established policies and procedures adopted by the College;
- An assessment of whether the internal controls are reliable as a basis for producing the financial accounts;
- A review of accounting and other information provided to management for decision making;
- Compliance and substantive audit testing where appropriate;
- A review of the College's procedures in place to promote and secure value for money."

The Senior 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 Senior Management may attend meetings of the Audit & Risk Management 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 and Board Committee meetings are available from the Secretary to the Board at the following address or on the College's website:

The North Highland College  
Ormlie Road  
Thurso  
Caithness  
KW14 7EE

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**

### **Finance and General Purposes Committee**

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its terms of Reference, taking account of the Financial Memorandum between the SFC and the College and the College's own Financial Regulations. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee in pursuit of its duties. The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

- Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters
- Allocate the Estates capital formula funding on an annual basis against which projects can be prioritised
- Approve capital projects and co-ordinate the Estates Strategy
- Consider the Health & Safety Policy and Fire Safety Policy annual review prior to recommendation to the BoM
- Monitor and review all College Health & Safety statistics and Fire Safety statistics on an annual basis
- Monitor progress against Equalities schemes and Action Plans ensuring these are integrated into College policy, processes and procedures
- Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs
- Consider the annual accounts and make recommendation of these for approval
- Advise the BoM with regard to College compliance with all statutory requirements relating to the college accounts and application of appropriate best practice in accounting procedures
- Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis

- Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend
- Advise the BoM that the allocation of resources is in accordance with college priorities as defined in the strategic plan
- Make recommendations to the Board on capital expenditure, investments and borrowing
- Set the levels of course fees, as appropriate
- Approve amendments to the Fee Waiver Policy
- Consider/approve any College developments and initiatives not covered by the above and, in addition, not covered by the remit of the HR or LT&R Committees
- Review the status of the risk cluster assigned to the Finance and General Purposes Committee from the college risk register and make recommendations for associated amendments to the Audit and Risk Management Committee

### **Learning, Teaching and Research Committee**

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its Terms of Reference. The purpose of the Learning, Teaching & Research Committee is to:

- Assist with setting the College's academic and research aims and objectives
- Monitor the academic, student support and research aspects of College operational planning to ensure consistency with the Strategic Plan
- Oversee all matters relating to the academic progress and achievement of students by monitoring key performance indicators (KPIs) relating to learning, teaching and research, and requesting specific action plans, as necessary
- Monitor the College's arrangements for improving learning and teaching and the overall quality of the student experience
- Monitor the implementation of key academic, learner engagement and research strategies.
- Monitor research activities to ensure they are consistent with College and University aims and objectives
- Make approval recommendations for learning, teaching and research policies to the Board of Management
- Review the status of the risk cluster assigned to the Learning, Teaching and Research Committee from the college risk register and make recommendations for associated amendments to the Audit and Risk Management Committee

### **Human Resources Committee**

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its Terms of Reference. The Committee's purpose is to approve the direction and have oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff along with the development and monitoring of all HR strategies and work streams.

The Human Resource Committee will:

- Monitor HR policies and practices within the College, including those relating to recruitment and selection; terms and conditions of employment; Discipline and Grievance; and training and development
- Monitor the College's compliance with statutory requirements relating to both UK and EU employment legislation
- Monitor the College's compliance with best personnel and HR practice in line with IPD and ACAS guidelines
- Ensure the College provides appropriate Staff training and development
- Ensure the College operates an effective staff review procedure
- Review reports of JNC and JCG meetings
- Review the status of the risk cluster assigned to the Human Resources Committee from the college risk register and make recommendations for associated amendments to the Audit and Risk Management committee

**Remuneration Committee**

This Committee shall determine and review the structure of the Senior Management Team and the remuneration package offered. The SMT comprises, The Principal, Director of Learning, Teaching and Quality, Director of Business Development, Director of Energy and the Built Environment, Director of Finance (Shared) and Estates, and the Director of the Environmental Research Institute, taking into account:

- The efficient and effective use of public funds
- That the College senior management team shall be fairly rewarded for their individual performance and contribution to the College's overall performance
- Where, in terms of senior management team remuneration, the College stands in relation to other comparable institutions in the sector
- The relationship between the remuneration of the senior management team and that of other employees of the College
- The benefits granted to the senior management team
- The adequacy of pension arrangements and also the cost implication of pension arrangements, including the pension effect of remuneration proposals

**Audit and Risk Management Committee**

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its Terms of Reference. It shall have sufficient authority and resources to fulfil its responsibilities in respect of corporate governance compliance and legislative requirements and will report to the BoM on:

- The effectiveness of financial and non-financial internal control systems and provide an annual written report to the BoM prior to the signing of the financial statements
- Proper financial management, safeguarding the assets of the College, its subsidiaries and public funds
- The economy, efficiency and effectiveness of the College and its activities;
- Corporate governance and conduct of the College and its operations.
- The College wide Risk Register, with all amendments or recommendations for risk grading being brought forward for approval by the Audit and Risk Management Committee.

**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' reporting is reported to the Finance and General Purposes Committee of the College.

On 17 March 2017 the Board of Management, through the Finance and General Purposes Committee, approved a new Estates Strategy covering the period 1 August 2017 – 31 July 2021. Its main strategic aims are as follows: -

- Sell Ross House and Wick College, and with the proceeds and other funding, build a new extension on the Burghfield House site. Ross House was sold in October 2021. The Burghfield House extension was completed in the early summer of 2021 with over £2.5m investment in the East Sutherland facility.
- There is further work to be done to consider the estate requirements on the Ormlie site taking into account that many staff will be working partly on site and partly off site going forward. It is likely that this work will be done in association with some other public sector bodies which have premises in Thurso. The College continues to engage with local funders and enabling organisations such as the Caithness and North Sutherland Partnership (CNSRP) seeking public investment for the project. This included a presentation on the campus development project at the Dounreay Stakeholder Group (of which the College is a Member), with the presentation attended by funders with statutory responsibilities to regenerate the Caithness and North



Sutherland area.

- Other college properties will be subject to further review as to their condition and longer-term future as part of further estate review.
- Carbon emissions have reduced considerably since 2015-16 with near 50% reduction. Carbon emissions have reduced in the last few years with Covid 19. However, there is further work looking longer term at fuel sources and external funding available to de-carbonise the remaining estate.
- In 2016/17 the estate was reviewed by surveyors working on behalf of consultants reporting to the Scottish Funding Council, as part of an exercise on looking at college estate Scotland-wide. North Highland College was awarded additional backlog funding amounting to £340,960 which was committed and spent by 31 March 2021. The College has been awarded for the year to 31 March 2022 £348,007.

## **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 and Risk Management 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 & Risk Management Committee also receive regular reports from the internal audit function, which includes recommendations for improvement. The Audit & Risk Management 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 Senior Management Team and the Audit & Risk Management 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.

The Board recognises the effect of the Cyber Incident in March 2021 and how this has impacted on students, staff and systems. It also acknowledges that the way the College students and staff accesses and uses data has changed in order to mitigate the changes of a further incident. It would also record its appreciation of the UHI and College IT teams in their efforts to mitigate the worst effects of this.

All scheduled Board and committee meetings from August 2020 until July 2021 were held virtually using Microsoft Teams in response to Covid-19 lockdown restrictions. The planned Strategy Day for formulating the NHC Strategic Plan was the only event during the year which took place in person, and this was carried out following the College risk assessment and with detailed Health and Safety advice following the recommended social distancing measures. In the interests of ensuring transparent decision making and in compliance with the Code of Good Governance, all agendas, minutes and relevant reports from Board and Committee meetings continue to be published on the College website. In January of 2021, Board members began to use the Admincontrol meeting portal to facilitate the prompt issue of meeting papers and sharing of documents. The use of the meeting portal has been widely regarded as a success and is likely to continue beyond the Covid-19 restrictions. From September 2021 it is likely that there will be a hybrid meeting system in operation. The Board has paid regard to the College Development Report on Governing a College Using Virtual Meetings. The Externally Facilitated Effectiveness Review of the Board of Management scheduled to take place in the spring of 2020 was delayed due to Covid-19, and took place virtually over the months of March, April

and May of 2021. There were no delays to planned governance work during the current year due to Covid-19.

## **GOING CONCERN**

The Board considers that the College accounts should continue to be prepared on a Going Concern basis. See Page 41 of the financial statements for a detailed consideration of Going Concern.

## **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 2021.

Approved by order of the members of the Board on 9<sup>th</sup> February 2022 and signed on its behalf by:

**Debbie Murray**  
Principal

**Robbie Rowantree**  
Chair of Board

## Section Two: Remuneration and Staff Report

The information disclosed within the Salary Entitlements and Senior Officials Pension 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

The Remuneration Committee shall determine and review the structure of the Senior Management Team and the remuneration package offered, taking into account:

1. The efficient and effective use of public funds;
2. That the College senior management team shall be fairly rewarded for their individual performance and contribution to the College's overall performance;
3. Where, in terms of senior management team remuneration, the College stands in relation to other comparable institutions in the sector;
4. Consider the Scottish Government's approach to remuneration in the public sector;
5. The relationship between the remuneration of the senior management team and that of other employees of the College;
6. The benefits granted to the senior management team;
7. The adequacy of pension arrangements and also the cost implication of pension arrangements, including the pension effect of remuneration proposals.

### Remuneration including salary and pension entitlements

The information in this section of the report is subject to audit:- Salary entitlement and accompanying information; and Staff Report and accompanying information.

Senior Management comprises Donald MacBeath – Principal (resigned September 2020); Debbie Murray - Principal; Roderick Ferrier - Director of Finance and Audit (shared with Inverness College); Anne Bremner - Director of Learning and Teaching; Giles Huby – Director of External Engagement and Facilities; Stuart Gibb - Director of Research and Innovation.

The Director of Finance and Audit was regraded in the year based on a shared post with Inverness College. His salary for 2020-21 was backdated to May 2020 because of this.

As far as negative figures for Pension Benefit for Donald MacBeath, normally pension and lump sum figures for active employees are based on accrued benefits with no reduction applied as it cannot be assumed that early retirement will apply; and no further commutation options for larger lump sums as it cannot be assumed the member will elect to commute. Donald MacBeath retired during the year in advance of normal pension age and commuted some pension to provide for a larger lump sum, so actual rather than accrued benefits were used. Any cash equivalent transfer value assessment post retirement will exclude any lump sum that has already been paid to the member.

**Salary entitlements<sup>1</sup>**

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

Name	Year ended 31 July 2021			Year ended 31 July 2020		
	Salary £'000	Pension Benefit <sup>9</sup> £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Donald MacBeath, Principal – Actual (Resigned 30 Sept 20) - Actual	15-20	(185)	(160)- (165)	90-95	35	125-130
Debbie Murray, Principal – Actual	75-80	101	180-185	60-65	24	85-90
Roderick Ferrier, Director of Finance & Audit - Actual	85-90	231	320-325	55-60	26	80-85
Anne Bremner, Director of Learning & Teaching - Actual	60-65	23	85-90	60-65	22	80-85
Stuart Gibb, Director of Research & Innovation - Actual	75-80	38	115-120	75-80	35	110-115
Giles Huby, Director of External Engagement & Facilities	70-75	0	70-75	75-80	10	80-85

**Median Remuneration**

Colleges are required by the FReM (Government Financial Reporting Manual 2015-16) to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

The banded remuneration of the highest paid official in the organisation in the financial year 2020/21 was £87,000 (2019/20 £94,000). This was 3.2 times (2019/20 3.6 times) the median remuneration of the workforce which was £27,487 (2019/20 £26,243).

**Accrued Pension Benefits**

Pension benefits for employees are provided through a) the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which was a notionally 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 average earnings over the person's time of being 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.

<sup>1</sup> Note:

9 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

**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 2021	Accrued lump sum at pension age at 31 July 2021	Real increase in pension 1 August 2020 to 31 July 2021	Real increase in lump sum 1 August 2020 to 31 July 2021	CETV at 31 July 2021	CETV at 31 July 2020	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Donald MacBeath, Principal (Resigned September 2020)	33-35	215-220	0-2.5	132.5-135	666	883	-222
Debbie Murray, Principal	25-30	30-35	2.5-5	5-7.5	451	359	87
Roderick Ferrier, Director of Finance & Audit	35-40	60-65	10-12.5	17.5-20	673	527	141
Anne Bremner, Director of Learning & Teaching	5- 10	0	0-2.5	0	117	95	17
Stuart Gibb, Director of Research & Innovation	25-30	35-40	0-2.5	0.75-1	471	432	35
Giles Huby, Director of External Engagement & Facilities	0	0	0	0	0	0	0

**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 Scheme 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.

**Staff Report****Compensation for loss of office**

No employees left under voluntary exit terms. Two were made redundant – both were offered alternative roles but rejected these after trials. The statutory payments for these added up to £866. A third case requested redundancy under statutory terms when they were included in a pool for potential redundancy – this request was authorised by the Principal. This avoided a compulsory selection scenario. The statutory payment was £12,698. These redundancies met the terms of the SFC memorandum. There were no pension strain costs and no other compensatory costs.

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	2	2
£10,000 - £25,000	0	1	1
£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
<b>Total number of exit packages</b>	0	3	3
<b>Total cost (£)</b>	0	£13,564	£13,564

**Salaries and Related costs**

	2021	2021	2021	2020
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	£5,855,204	£0	£5,855,204	£5,708,906
Social security costs	£528,010	£0	£528,010	£518,461
Other pension costs	£1,994,882	£0	£1,994,882	£1,684,202
<b>Total</b>	<b>£8,378,096</b>	<b>£0</b>	<b>£8,378,096</b>	<b>£7,911,569</b>

Average number of FTE	154	0	154	163
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The college employed 171 females and 94 males as at 31 July 2021.

In the year ended 31 July 2021 staff turnover was 16.2%

### 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 2021

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
3	3

#### Percentage of time spent on facility time

Percentage:	Number of employees:
0%	0
1%-50%	3
51%-99%	0
100%	0

#### Percentage of pay bill spent on facility time

Total cost of facility time:	£500
Total pay bill:	£8,378,096
Percentage of the total pay bill spent on facility time:	0.006%

#### Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	6%
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### Sickness absence data

The Board of Management decided to cease recording and reporting this information a number of years ago as they believed this did not add any value to the attendance management process which existed within the College. Therefore, figures are not available for 2020/21.

### Staff Policies

The College's **Recruitment Policy** and procedures provide for the full and fair consideration for employment by the College of applicants who declare a disability. This is undertaken through the application of a guaranteed interview scheme, whereby disabled candidates who (on application) meet the minimum criteria for the job are guaranteed an interview. We do not interview disabled candidates who do not (on application) meet the minimum standards for the job.

The College's **Attendance Management Policy** and procedures are used to manage disability scenarios post-recruitment on an individual basis. This includes referral to Occupational Health Services to inform decisions about how we can facilitate the retention of disabled employees and in applying reasonable adjustments.

We do not have specific policies about the promotion, training and career development of disabled employees. Disabled employees are protected from discrimination by law and we will implement reasonable adjustments, on a case-by-case basis, to ensure disabled employees are not disadvantaged.

***Expenditure on Consultancy***

North Highland College incurred £45,157 on consultancy in 2020/21.

***Off – Payroll Engagements***

There is nothing to report under the above for North Highland College.

***Parliamentary Accountability Report***

There is nothing to report under the above for North Highland College.

**Debbie Murray**  
**Principal**

**Robbie Rowantree**  
**Interim Chair of Board**



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

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of North Highland College for the year ended 31 July 2021 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 College Statement of Comprehensive Income, College Statement of Changes in Reserves, College Balance Sheet, and the Statement of Cash Flow and notes to the financial statements, including a summary of 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 2021 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 of 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 five 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.

### **Risks of material misstatement**

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), 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 deemed inappropriate.

### **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 economic decisions of users taken on the basis of these financial statements.

#### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report 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 to detect material misstatements in the financial statements in respect of irregularities, 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.

## **Report on other requirements**

### **Opinion prescribed by the Auditor General for Scotland on 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.

### **Statutory other information**

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory 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 statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies 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 statutory 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 statutory 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 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 LLP

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date: 10 February 2022

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

## Statement of Comprehensive Income for the year ended 31 July 2021

	Notes	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
<b>Income</b>			
SFC Grants	2	6,235	5,784
UHI Grants	3	1,856	1,678
Education contracts, Tuition Fees & Charges	4	1,703	1,790
Other Grant Income	5	861	831
Other Operating Income	6	823	806
<b>Total Income</b>		<b>11,478</b>	<b>10,889</b>
<b>Expenditure</b>			
Staff costs	7	8,378	8,126
Other Operating Expenses	9	2,737	2,818
Depreciation	12	793	677
Revaluation of Property	12	100	0
Interest payable and other finance costs	10	237	225
<b>Total Expenditure</b>		<b>12,245</b>	<b>11,846</b>
<b>Deficit before Other Gains and Losses</b>		<b>(767)</b>	<b>(957)</b>
Loss on disposal of assets	12	0	0
<b>Deficit before Taxation</b>		<b>(767)</b>	<b>(957)</b>
Taxation	11	0	0
<b>Deficit for the Year</b>		<b>(767)</b>	<b>(957)</b>
Actuarial Gain/(Loss) in respect of Pension Scheme	19	3,056	(4,212)
Unrealised Surplus on revaluation of land and buildings	12	50	152
<b>Total Comprehensive Income/(Expenditure) for the year</b>		<b>2,339</b>	<b>(5,017)</b>
Represented by:			
Unrestricted Comprehensive Income for the year		2,477	(4,965)
Revaluation Reserve		(138)	(52)
<b>Total Comprehensive Income/(Expenditure) for the year</b>		<b>2,339</b>	<b>(5,017)</b>

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. The Non-Cash Allocation and Adjusted Operating Position Tables on Pages 13 & 14 provides details of the adjusted operating position on a Central Government accounting basis.

## Statement of Changes in Reserves for the year ended 31 July 2021

	Income & Expenditure Reserve £000	Revaluation Reserve £000	Total £000
<b>Balance at 1 August 2019</b>	<u>(7,562)</u>	7,025	<u>(537)</u>
Deficit from Statement of Comprehensive Income	(957)	0	(957)
Other Comprehensive (Loss)/Gain	(4,212)	152	(4,060)
Transfers between revaluation and income and Expenditure reserve	204	(204)	0
<b>Total Comprehensive Loss for the year</b>	<u>(4,965)</u>	<u>(52)</u>	<u>(5,017)</u>
<b>Balance at 31 July 2020</b>	<u>(12,527)</u>	<b>6,973</b>	<u>(5,554)</u>
<b>Balance at 1 August 2020</b>	<u>(12,527)</u>	6,973	<u>(5,554)</u>
Deficit from Statement of Comprehensive Income	(767)	0	(767)
Other Comprehensive Gain	3,056	50	3,106
Transfers between revaluation and income and Expenditure reserve	188	(188)	0
<b>Total Comprehensive Gain for the year</b>	<u>2,477</u>	<u>(138)</u>	<u>2,339</u>
<b>Balance at 31 July 2021</b>	<u>(10,050)</u>	<b>6,835</b>	<u>(3,215)</u>

## Balance Sheet as at 31 July 2021

	Notes	As at 31 July 2021 £000	As at 31 July 2020 £000
<b>Non-Current Assets</b>			
Tangible Fixed assets	12	19,587	18,167
		<b>19,587</b>	<b>18,167</b>
<b>Current Assets</b>			
Stock		14	22
Trade Debtors and Other Receivables	13	1,494	1,066
Assets Held for Sale	12	441	541
Cash and cash equivalents	17	586	426
		2,535	2,055
<b>Creditors: amounts falling due within one year</b>	14	<b>(3,255)</b>	<b>(2,342)</b>
<b>Net Current (Liabilities)</b>		<b>(720)</b>	<b>(287)</b>
<b>Total Assets less Current Liabilities</b>		18,867	17,880
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(11,768)</b>	<b>(11,171)</b>
<b>Provisions</b>			
Pension Provisions	16	(10,315)	(12,263)
<b>TOTAL NET (LIABILITIES)/ASSETS</b>		<b>(3,215)</b>	<b>(5,554)</b>
<b>UNRESTRICTED RESERVES</b>			
Income and Expenditure Reserve		(10,050)	(12,527)
Revaluation Reserve		6,835	6,973
<b>TOTAL RESERVES</b>		<b>(3,215)</b>	<b>(5,554)</b>

The financial statements were authorised for issue and approved by the Board of Management on 9th February, 2022 and were signed on its behalf on that date by:

**Debbie Murray**  
Principal

**Robbie Rowantree**  
Interim Chair of Board

## Statement of Cash Flows for the year ended 31 July 2021

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Cash flow from Operating Activities		(767)	(957)
<b>Adjustment for non-cash items</b>			
Depreciation	12	793	677
Revaluation of Property		100	0
(Increase)/decrease in stocks		8	(8)
(Increase)/decrease in debtors	13	(428)	(233)
Increase/(decrease) in creditors	14,15	840	402
Increase/(decrease) in pension provision	16	(25)	(36)
LGPS Pension costs less contributions payable	19	968	694
<b>Adjustment for investing or financing activities</b>			
Interest payable	10	237	225
Capital Grant Income	2,5	(567)	(453)
		<u>1,160</u>	<u>311</u>
<b>Cash Flow from Investing Activities</b>			
Capital Grants receipts		1,303	710
Payments made to acquire Fixed Assets	12	(2,163)	(710)
		<u>(860)</u>	<u>0</u>
<b>Cash flows from Financing Activities</b>			
Interest Paid on loan	10	(73)	(79)
Repayment of loans	15	(67)	(62)
		<u>(140)</u>	<u>(140)</u>
Increase in cash and cash equivalents in the year		<u>160</u>	<u>170</u>
Cash and cash equivalents at beginning of the Year		426	256
Cash and cash equivalents at end of the Year	17	586	426



## Notes to the Financial Statements

### 1a. Statement of Principal Accounting Policies

#### BASIS OF PREPARATION

The Financial Statements are prepared in accordance with Further and Higher Education (Scotland) Act 1992 and the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2019), and the Government Financial Reporting Manual 2019/20 (FREM) where applicable.

#### BASIS OF ACCOUNTING

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

#### GOING CONCERN

The accounts are prepared on a Going Concern basis. The net liability position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 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 Assets Position prior to longer term Pension Provisions is £7,099,000. Pension Provisions include a provision for Early Retirements of £619,000 and a Pension Liability of £9,696,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LGPS). Once these are accounted for the College's Net Liability position is £3,215,000. To the extent that the pension 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 Current Liabilities position is £720,000. This will improve once proceeds from the sale of Ross House are received (whose sale proceeds have been reinvested in the Burghfield extension). These proceeds were received in October 2021. The College considers that with careful financial monitoring this position will be manageable in 2021-22. The bank at 31 July 2021 is £586,000. Cash flow projections to 31 July 22 projects cash of £384,000 at 31 March 22 being the lowest monthly balance for the period. It has also projected through to 31 July 2023 and cash should be sufficient for business needs. UHI through the SFC has indicated short term support if the college requires this as the college has previously received in the past if it has required this.

The loan outstanding to the Bank of Scotland as at 31 July 2021 is £1,147,000. The College is not aware of any breaches in covenants in the year to 31 July 2021, and projection of income and expenditure to 31 July 2023 indicate that compliance with covenants is likely to continue.

Longer term though, without further additional funding to the sector, then the College will struggle. 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. Three colleges – North Highland College, Lews Castle College, and West Highland College are in merger discussions.

#### RECOGNITION OF INCOME

##### Government Revenue Grants

Government Revenue Grants are recognised 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.

### Government Capital Grants

Government Capital Grants are released to income in accordance with the accrual model 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. Grants of £418,000 are due to be released in 2021/22; £3,936,000 in future years.

### 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. Grants of £138,000 are due to be released in 2021/22; £6,756,000 in future years.

### *Non-Exchange Transactions*

Non-Exchange Transactions, such as donations of cash, goods, assets or services, are recognised using the performance model.

Non-exchange transactions that impose specific future performance related conditions on the recipient, is recognised as revenue only when the performance related conditions are met.

Non-exchange transactions with restrictions attached are recorded within the income on entitlement. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

## PENSION SCHEMES

The College participates in two multi-employer defined benefit pension schemes; more details are in note 20.

### The Scottish Teachers' Superannuation Scheme

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS) which is administered by the Scottish Public Pensions Agency (SPPA). The North Highland 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.

## TANGIBLE FIXED ASSETS

### a. Land and Buildings

Land and Buildings are shown in the balance sheet at valuation, on the basis of depreciated replacement cost. Buildings are depreciated over their expected useful life to the College. The properties were revalued in June 2017 and have been subject to indexation every year since and are due for revaluation in 2022. The properties were split into component parts being: main building; roof; windows; plant and machinery; heating systems, and where appropriate kitchens. This revaluation exercise saw an increase in valuation; however because of component lives, depreciation reduced compared to trend; and deferred grant release relating to buildings also decreased in line with this.

### b. Plant and equipment

Plant and equipment costing less than £2,500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition, unless it is part of an aggregated project spend. Generally other equipment over £2,500 is capitalised at cost.

### c. Computer equipment

Computer equipment such as laptops are bought through Revenue and generally not capitalised. Larger equipment such as servers are capitalised.

### d. Motor vehicles

Motor vehicles costing less than £2,500 per item is written off to the Statement of Comprehensive Income in the period of acquisition. Generally other vehicles over £2,500 are capitalised at cost.

### e. Assets Held for Sale

Properties which are on the market to sell are included at the lower of Market Value or Depreciated Replacement Cost.

Depreciation of Fixed Assets (Property) is charged based on an estimate of the life of the property left based on information provided by an external surveyor/architect. Deprecation of non-property Fixed Assets is based on annual instalments commencing in the year of acquisition at rates estimated to write off their cost or valuation less any residual value over their expected useful lives.

Freehold – Main Buildings	24 - 95 years remaining
Building - Roof	4 - 55 years remaining
Building - Windows	4 - 25 years remaining
Building - Plant and Machinery	3 – 20 years remaining
Building - Heating Systems	3 – 20 years remaining
Building - Kitchens	2 – 21 years remaining
Plant and Equipment	2 - 10 years
Computer Equipment	3 years
Motor Vehicles	4 years

Where assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to Deferred Capital Grants and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

### SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

Where significant expenditure is incurred on tangible fixed assets, it is charged to the Statement of Comprehensive Income 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 assets life beyond that conferred by repairs and maintenance

### MAINTENANCE OF PREMISES

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

### LEASED ASSETS

Costs in respect of Operating Leases are charged on a straight line basis over the lease term.

### INVESTMENTS

Fixed Asset Investments are carried at market value less any provision for a permanent diminution in their value.

### STOCKS

Stocks are items held for resale and are stated at the lower of their cost and net realisable value.

### FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the Statement of Comprehensive Income in the period in which they arise.

### TAXATION

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### PROVISIONS

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

### REVALUATION RESERVE

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from Revaluation Reserve to Income and Expenditure Reserve together with any surplus or deficit on disposal.

**Notes to the Financial Statements (continued)****AGENCY ARRANGEMENTS**

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts as the College is not subject to risks relating to the income and expenditure. The Funds are Bursary, Childcare, Discretionary and Educational Maintenance Allowance. See Note 25.

	<b>Year Ended 31 July 21</b>	<b>Year Ended 31 July 20</b>
	<b>£000</b>	<b>£000</b>
<b>2. SFC Grants</b>		
Recurrent FE Grant	5,342	5,218
Estates Maintenance Grant	76	38
FE and HE Childcare funds	55	62
Release of Deferred Capital Grants (SFC)	405	285
Other grants	357	181
	<b>6,235</b>	<b>5,784</b>
<b>3. UHI Grants</b>		
Recurrent HE Grant	1,389	1,416
Other UHI Grants	467	262
	<b>1,856</b>	<b>1,678</b>
<b>4. Tuition Fees and Charges</b>		
Further Education Fees –UK	145	139
Further Education Fees – EU	1	0
Further Education Fees – non EU	0	1
Higher Education Fees	846	775
SDS contracts	119	124
Education contracts	497	494
ALF Income	61	204
LEC and Other Contracts	32	53
Kickstart Income	2	0
	<b>1,703</b>	<b>1,790</b>
<b>5. Other Grant Income</b>		
European Funds	0	82
Other Funds	594	437
Student Allowances	18	31
Furlough income	87	113
Release of Deferred Capital Grants (Non-SFC)	162	168
	<b>861</b>	<b>831</b>
There were 24 staff furloughed within the year ended 31 July 2021.		
<b>6. Other Operating Income</b>		
Catering and Residences	1	114
Other Income Generating Activities	197	176
Other Income	625	516
	<b>823</b>	<b>806</b>

## Notes to the Financial Statements (continued)

## 7. Staff numbers and costs

## Staff numbers (full-time equivalent):

	Year ended 31 July 2021	Year ended 31 July 2020
Executive Management	5	5
Academic/Teaching Departments	60	64
Academic/Teaching Services	19	18
Administration and Central Services	37	36
Premises	11	11
Research Grants and Contracts	18	23
Apprentices	1	2
Catering and Residences	3	4
	<b>154</b>	<b>163</b>
Staff on permanent contracts	136	137
Staff on temporary contracts	<u>18</u>	<u>26</u>
	<b>154</b>	<b>163</b>

## Staff costs:

	£000	£000
Executive Management	391	448
Academic/Teaching Departments	3,905	3,970
Academic/Teaching Services	427	413
Administration and Central Services	1,215	1,122
Premises	377	378
Research Grants and Contracts	1,033	1,014
Apprentices	12	36
Catering and Residences	50	51
Other Pension costs	968	694
	<b>8,378</b>	<b>8,126</b>
Wages and Salaries	5,855	5,890
Social security costs	528	519
Pension Contributions	1,027	1,023
Other pension costs	968	694
	<b>8,378</b>	<b>8,126</b>

**Notes to the Financial Statements (continued)**

**Staff numbers, including senior post-holders and the Principal, who received emoluments in the following ranges:**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Senior post-holders	Other staff	Senior post-holders	Other Staff
£60,001 to £70,000	2	-	2	-
£70,001 to £80,000	2	-	2	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	1	-
	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>

**8. Senior post-holders' emoluments**

	Year ended 31 July 2021 Number	Year ended 1 July 2020 Number
<b>Senior post-holders including the Principal:</b>	<b>5</b>	<b>6</b>
<b>Senior post-holders' emoluments including the Principal:</b>	<b>£000</b>	<b>£000</b>
Salaries	391	421
Pension contributions	57	69
	<u>448</u>	<u>490</u>

**Amounts paid to the Principal:**

Donald MacBeath Principal until 30.09.2020		
Salary	16	94
Pension contributions	2	17
	<u>18</u>	<u>111</u>
Debbie Murray – Principal from 07.06.2021		
Salary	76	-
Pension contributions	13	-
	<u>89</u>	<u>-</u>

The pension contributions in respect of the Principal are in respect of Employer's contributions to the Local Government Pension Scheme (Highland Council). The College's contributions to the Local Government Scheme is paid at a variable rate which increases according to pay-scale. There were no taxable or non-taxable benefits paid to the Principal in the year. Members of the Board of Management, other than the Principal, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**9. Other operating expenses**

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Academic/Teaching departments and services	1,047	1,240
Administration and central services	739	591
FE & HE Childcare Funds	55	62

**Notes to the Financial Statements (continued)**

Other Income Generating Activities	9	9
Premises	816	745
Other expenditure	63	88
Catering and residences	8	83
	<b>2,737</b>	<b>2,818</b>

**Other operating expenses include:**

Auditors' remuneration:		
external audit	23	33
internal audit	9	9
project audit	4	14
Disbursements of childcare funds to students	55	62
Hire of land and buildings	131	131
Hire of plant and machinery	102	112

**10. Interest payable and other finance costs**

Loan Interest	73	79
Net charge on pension scheme	164	146
	<b>237</b>	<b>225</b>

**11. Taxation**

The Board does not consider that the College is liable for any corporation tax arising out of its activities during the year.

**12. Tangible fixed assets**

	<b>Freehold Land and Buildings £000</b>	<b>Computer Equipment £000</b>	<b>Plant and Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
<b>Cost / Valuation</b>					
At 1 August 2020	22,793	1,045	4,518	43	28,399
Additions	2,063	0	99	0	2,162
Revaluation	50	0	0	0	50
Disposals	0	0	0	0	0
<b>At 31 July 2021</b>	<b>24,906</b>	<b>1,045</b>	<b>4,617</b>	<b>43</b>	<b>30,611</b>
<b>Depreciation</b>					
At 1 August 2020	4,706	1,045	4,444	36	10,231
Charge for year	731	0	60	2	793
Revaluation					
Disposals	0	0	0	0	0
<b>At 31 July 2021</b>	<b>5,437</b>	<b>1,045</b>	<b>4,504</b>	<b>38</b>	<b>11,024</b>
<b>At 31 July 2021</b>	<b>19,469</b>	<b>0</b>	<b>113</b>	<b>5</b>	<b>19,587</b>
<b>At 1 August 2020</b>	<b>18,060</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>18,167</b>



Inherited	3,193	0	0	0	3,193
Financed by capital grant	11,127	0	113	5	11,245
Other	5,149	0	0	0	5,149
<b>Net book value At 31 July 2021</b>	<b>19,469</b>	<b>0</b>	<b>113</b>	<b>5</b>	<b>19,587</b>

Included in land and buildings are assets under construction (Burghfield Golf Centre Extension amounting to £2,426,000). These monies have not been depreciated in the year. Inherited assets and those financed by capital grant may only be sold with prior consent of the Scottish Funding Council (SFC). The College is obliged to use sales proceeds in accordance with the instructions of the SFC. The SFC has confirmed that proceeds from Ross House can be invested in the Burghfield golf centre extension.

Land and buildings were revalued in June 2017 by an independent valuer. The basis of valuation was depreciated replacement cost. The property valuations were split into component parts being: - Main Building, Roof, Windows, Plant & Machinery, Heating and where appropriate Kitchens. In 2020/21 property values were increased by 0.3%.

The College's properties of Wick College and Ross House - these two properties are disclosed under Current Assets being Assets for Sale. They are included at the lower of either Market Value or Depreciated Replacement Cost. Wick College £0 (31 July 2020 £100,000); Ross House £441,000. Ross House was sold in October 2021 for a value in excess of £441,000.

If inherited land and buildings had not been revalued they would have been included at 31 July 2021 as:

	<b>£000</b>
Cost	507
Aggregate depreciation based on cost	<u>(266)</u>
Net book value based on cost	<u>241</u>

### 13. Trade Debtors and other receivables

	As at 31 July 2021 £000	As at 31 July 2020 £000
Trade Debtors	397	495
Prepayments and accrued income	1,096	570
Other debtors	1	1
	<u>1,494</u>	<u>1,066</u>

### 14. Creditors: Amounts falling due within one year

Bank Loans and overdrafts	71	66
Trade creditors	301	223
Other creditors	524	423
Other taxation and social security	130	135
Accruals and deferred income	1,673	1,007
Deferred income – government capital grants	556	488
	<u>3,255</u>	<u>2,342</u>

**Notes to the Financial Statements (continued)****15. Creditors: Amounts falling due after more than one year**

Bank loan	1,076	1,147
Deferred income – government capital grants	10,692	10,024
	<b>11,768</b>	<b>11,171</b>

Bank loans, other loans and other creditors are repayable as follows:-

In one year or less	71	66
Between one and two years	76	64
Between two and five years	257	242
In five years or more	743	842
	<b>1,147</b>	<b>1,214</b>

The term loan is held with Bank of Scotland. Per the original loan agreement the principal sum is due to be repaid in monthly instalments over a 25 year period at a fixed rate of interest with interest calculated monthly in the instalments outlined above. There is no security given over assets, but covenants have been agreed. The College paid £67,000 in loan capital in the year ended 31 July 2021 and this is shown on page 40 in cash flow payments.

**16. Provision for Liabilities and Charges**

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
<b><i>Enhanced Pensions – Early Retirements</i></b>		
Opening Provision	643	678
Additional Provision	35	26
	678	704
Charged to Provision in Year	(59)	(61)
Closing Provision	<b>619</b>	<b>643</b>
<b><i>Local Government Pension Scheme - Provision</i></b>		
Opening Provision	11,620	6,568
Contributions in the year	(512)	(521)
	11,108	6,047
Additions in the year	1,644	1,361
Remeasurements in the year	(3,056)	4,212
Closing Provision	<b>9,696</b>	<b>11,620</b>
Total Provision	<b>10,314</b>	<b>12,263</b>

The Provision for Enhanced Pensions has been revalued using actuarial tables provided by the SFC. The net interest applied was (1.25%).

The LGPS Pension Provision relates to the liabilities under the college's membership of the Local Government defined benefit pension scheme. Further details are given in Note 20.

**Notes to the Financial Statements (continued)****17. Cash and cash equivalents**

	At 1 August 2020 £000	Cashflows £000	Other changes £000	At 31 July 2021 £000
Cash at bank and in hand	426	160	-	586
	<b>426</b>	<b>160</b>	<b>-</b>	<b>586</b>

**18. Capital commitments**

At 31 July 2021 the College had capital commitments contracted of £34,578 (2020 - £1,527,572).

**19. Pension and similar obligations**

The College participates in two multi-employer defined benefit pension schemes as described in note 1a.

**Scottish Teachers Superannuation Scheme (STSS)**

The STSS scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates. Under the definitions set out in Financial Reporting Standard 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 current contribution rates are variable rates for employees based on salary ranges, and Employer's contribution rate is 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. The total contributions made for the year ended 31 July 2021 were £681,000 (2020 - £691,000) of which Employer's contributions totalled £506,000 (2020 - £515,000) and Employees' contributions totalled £175,000 (2020 - £176,000). The current contribution rates are variable rates for employees based on salary ranges, and Employers' contribution rate is 17.9%.

	<b>2021 £000</b>	<b>2020 £000</b>
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	523	520
Local Government Pension Scheme:		
Contributions paid	506	515
FRS 102 charge	<u>968</u>	<u>694</u>
Charge to the Statement of Comprehensive Income	1,474	1,209
Enhanced pension charge to Statement of Comprehensive Income		
Total Pension Cost for Year within staff costs	<u>1,997</u>	<u>1,729</u>

**Notes to the Financial Statements (continued)**

The following information is based upon a full actuarial valuation of the Fund at 31 July 2021 by a qualified independent actuary for the purposes of FRS102.

Principal Actuarial Assumptions at the Balance Sheet Date:-

	<b>2021</b>	<b>2020</b>
Rate of Increase in Salaries	3.65%	3.1%
Rate of Increase in Pensions	2.85%	2.2%
Inflation Assumption (RPI)	-	-0.5%
Inflation assumption (CPI)	-	0.5%
Discount rate for scheme liabilities	1.6%	1,4%

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

Equities	70%	68%
Bonds	14%	15%
Property	10%	11%
Cash	6%	6%

The assumed life expectations on retirement age 65 are: -

	Years
<i>Retiring Today</i>	
Males	20.9
Females	23.5
<i>Retiring in 20 Years</i>	
Males	22.3
Females	25.5

The Employer contributions for the year to 31 July 2022 will be approximately £506,000

The analysis of amounts charged to the Statement of Comprehensive Income (SOI) is as follows:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>Charged to staff costs:</b>		
Current service costs	(1,480)	(1,215)
Past service costs	0	0
<b>Total charged to staff costs</b>	<b>(1,480)</b>	<b>(1,215)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest income	298	446
Interest cost	(462)	(592)
<b>Net interest charged</b>	<b>(164)</b>	<b>(146)</b>
<b>Credit/charge to other comprehensive income:</b>		

Return on assets	4,216	(576)
Other experience	432	140
Gains and losses arising on changes in financial assumptions	(3,079)	(3,461)
Gains and losses arising on changes in demographic assumptions	1,487	0
<b>Actuarial Gain/(Loss)</b>	<b>3,056</b>	<b>(3,897)</b>
<b>Total charge to the SOCI</b>	<b>1,412</b>	<b>(5,258)</b>

<b>Analysis of the movement in deficit during the year:</b>		
Deficit in scheme at start of year	(11,620)	(6,568)
Service costs	(1,480)	(1,215)
Employer contributions	512	521
Net interest costs	(164)	(146)
Actuarial gain/(loss)	3,056	(4,212)
<b>Deficit in scheme at end of year</b>	<b>(9,696)</b>	<b>(11,620)</b>

## 20. Financial Commitments

At 31 July 2021 the College had annual commitments under non-cancellable operating leases as shown:

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
<b>Land and Buildings</b>		
Payable during the year	131	131
<b>Future minimum lease payment due:</b>		
Not later than 1 year	131	131
Later than 1 year and not later than 5 years	242	373
Later than 5 years		0
<b>Total lease payments due</b>	<b>373</b>	<b>504</b>
<b>Other</b>		
Payable during the year	<b>102</b>	<b>112</b>
<b>Future minimum lease payment due:</b>		
Not later than 1 year	65	66
Later than 1 year and not later than 5 years	39	33
Later than 5 years	0	0
<b>Total lease payments due</b>	<b>104</b>	<b>99</b>

**Notes to the Financial Statements (continued)****21. Losses and Special Payments**

There were no amounts written off during the year in respect of losses and special payments.

**22. Post Balance Sheet Events**

There were no adjusting post balance sheet events. An offer for sale has been received and accepted for Ross House. Legals are in the process of being finalised.

**23. Related Party Transactions**

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local and private sector organisations), it is possible that transactions may take place with organisations in which a member of the College Board may have an interest. All transactions involving organisations in which a member of the Board of Management or a key Manager of the College may have a material interest are conducted at arm's length in accordance with normal project and procurement procedures, and subject to the College's Conflict of Interest procedures.

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

<b>Member</b>	<b>Organisation</b>	<b>Position</b>
J McGillivray	Highland Council	Councillor
D Beaton	Stagecoach Highlands	Managing Director

Expenditure transactions totalling £36,086 were made with Highland Council and £27,082 with Stagecoach. There were no income transactions. At 31 July 2021 our Highland Council creditor balance was £2,128 and Stagecoach Creditor balance was £3,386.

During the period the College had various material transactions with the University of the Highlands & Islands, being the Regional Strategic Body. The University of the Highlands & Islands was designated a higher education institute in April 2001 and received funding from the Scottish Funding Council from 1 July 2002. The College receives funding for higher education activity through the University of the Highlands & Islands, and FE funding through it being the Regional Strategic Body.

## Notes to the Financial Statements (continued)

## 24. Bursaries and Other Student Support Funds

	2020/21	2020/21	2020/21	2020/21	2019/20
	FE Bursary £'000	EMAs £'000	Other £'000	Total £'000	Total £'000
<b>Balance b/fwd</b>	0	0	0	0	0
Allocation received in year	1,549	61	191	1,801	1,900
Expenditure	(1,253)	(61)	(173)	(1,487)	(1,643)
Repaid to funding council as clawback	0	0	0	0	0
College contribution to funds	0	0	0	0	0
Intra-region allocations	0	0	0	0	0
Virements	0	0	0	0	0
<b>Balance c/fwd</b>	296	0	18	314	257
<b>Represented by:</b>					
Repayable to funding council as clawback	0	0	0	0	0
Repayable to region	296	0	18	314	257
Retained by college for students	0	0	0	0	0

## FE and HE childcare funds

	2020/21 £'000	2019/20 £'000
<b>Balance b/fwd</b>	0	0
Allocation received in year	55	62
Expenditure	(55)	(62)
Repaid to funding council as clawback	0	0
College contribution to funds Intra-region allocations	0	0
Virements	0	0
<b>Balance c/fwd</b>	0	0
<b>Represented by:</b>		
Repayable to funding council as clawback	0	0
Repayable to region	0	0
Retained by college for students	0	0

### **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 2021 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 yearend valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2021 following the updated actuarial valuation was £9.832 million, a decrease of £1.788 million from 31 July 2020.

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 19 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 2021 is outlined and broken down by asset category at note 12.

Land and Buildings were independently valued for the purposes of the financial statements by Sinclair MacIntosh, 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 2017. A review of the fixed asset year-end valuation as at 31 July 2021 confirmed that there was no impairment to the properties to be recognised in these financial statements. Per the College's accounting policy, it applies an annual indexation to its fixed asset portfolio. Upon advice sought from Thomson Gray an indexation uplift of 0.3% was applied.

#### **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 costs 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 2021, the College had



accrued for income and expenditure of £534,000. 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 2020-21**

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
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 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
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  
3 June 2021

<sup>1</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

<sup>2</sup> 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.