

Charity number: SC024193
Company number: SC153921

West Highland College UHI
(A company limited by guarantee)

Directors' report and financial statements

for the year ended 31 July 2022

West Highland College UHI
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Legal and administrative information

Charity number SC024193
Company registration number SC153921

Registered office West Highland College UHI
Carmichael Way
Fort William
Inverness-shire
PH33 6FF

Directors

Derek Lewis - Chair	Appointed 27 March 2020
Lydia Rohmer	Appointed 28 February 2012
Duncan Ferguson	Appointed 1 July 2014
Robert Kelly	Appointed 5 October 2016
Lisa McAndrew	Retired 22 August 2022
Nigel Patterson	Appointed 27 June 2018
Alan Sears	Appointed 18 December 2018
Emma Lawson	Retired 30 March 2022
Charles Mccrimmon	Appointed 27 March 2019
Neil Hope	Appointed 24 June 2020
Ciaran Gibson	Retired 20 July 2022
Carol Andrea Nollent	Appointed 17 January 2022
John Douglas MacDiarmid	Appointed 21 January 2022
Charlotte Christine Wright	Appointed 21 January 2022
Shannon Drew Maccallum	Appointed 15 August 2022

Secretary Paula Watson
Appointed 31 October 2019
Resigned 4 November 2022

Chief Executive Lydia Rohmer

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Legal and administrative information

External Auditors

Armstrong Watson Audit Limited
Accountants, Business & Financial Advisers
1st Floor
24 Blythswood Square
Glasgow
G2 4BG

Internal Auditors

Henderson Loggie Chartered Accountants
Registered Auditors
Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

Solicitors

McIntyre & Company
38 High Street
Fort William
PH33 6AT

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Report of the directors (incorporating the Strategic Report)
for the year ended 31 July 2022

OPERATING AND FINANCIAL REVIEW

The Board of Management of West Highland College UHI present their report and the audited financial statements for the year ended 31 July 2022.

Legal Status

The College is constituted as a company and is governed by a memorandum and articles of association. It is recognised by the Inland Revenue as a charity for tax purposes. The Scottish Charity number is SC024193. Following implementation of the Post-16 Scotland Education Act 2013, the College is now an 'assigned college' to the University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for further and higher education in the Highlands and Islands region. UHI assumed formal RSB status on 1 April 2015, and is now the fundable body for the region, distributing further and higher education funds to its assigned colleges.

Scope of the Financial Statements

The financial statements cover all activities of West Highland College UHI, including the Statement of Comprehensive Income for the year ended 31st July 2022.

Our Vision and Mission

The Board of Management's strategic plan operates from 2021-2026. The Board annually reviews the strategic context of the College, and regularly reviews the risk register.

Vision

West Highland College UHI will be the education provider of choice, delivering leadership and excellence in learning, training and support for all.

Mission

West Highland College UHI will drive positive change for the development and prospects of our region, as an anchor institution for our people, and our communities.

Values

In the delivery of our mission, we will be:

Inclusive	Respect individual values and proactively promote equality and diversity.
Individualised	Recognise and take account of personal need, aspiration, skill and ability.
Innovative	Continually improve the way we design and deliver our programmes; develop best practice through creative approaches to learning and teaching and effective use of technology.
Intercultural	Embrace and celebrate diversity through integration and interaction. Recognise all forms of difference and actively engage and learn from each other.
Inspirational	Lead by example in growing ambition and realising potential for all.

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**Report of the directors (incorporating the Strategic Report)
for the year ended 31 July 2022**

Strategic Report for the year ended 31st July 2022

During 2021/22 our Further Education (FE) activity was 7,910 credits (7,075 in 20/21), compared to a target of 7,904 Scottish Funding Council (SFC) funded credits. The success KPI for full-time FE courses is 63% compared to 65% in 20/21 and for part-time FE courses is 78% compared to 86% in 2021. FE activity target for 22/23 is 7,600.

Higher Education (HE) activity for 21/22 was 252.1 FTE (257.3 in 20/21), compared to a target of 265.8. In addition to this there were 11 RUK students and 2 International students. HE activity targets for 22/23 is 261 FTE Scottish funded students, 15 FTE RUK students and 1 International student.

The college's Modern Apprenticeship and SVQ portfolio has increased. The college is now approved to offer 15 vocational qualifications which are delivered in the workplace. The college offers 5 Foundation Apprenticeship qualifications into schools for senior phase pupils through the Virtual School model. This means that pupils from any of the 29 high schools have the opportunity to choose a Foundation Apprenticeship route.

Staff from the College have continued to be involved in national initiatives. The College Principal and Chief Executive co-authored the report Pathways from Poverty which was published by College Development Network (CDN) and Colleges Scotland which highlights the central role that Scotland's colleges play in tackling poverty and creating a more inclusive society. The college also worked collaboratively in the creation of a national report on School-College Partnerships which show the important contribution colleges make to the learning opportunities and life-choices for young people.

In September 2021, one of the college's Supported Learning Programme Lecturers was shortlisted for the CDN Learning and Teaching Colleague of the Year Award. The 'Virtual School' programme, which also includes UHI North Highland and UHI Inverness, provides secondary school pupils from S4 to S6 across 29 schools in the Highland Council region access to a range of courses regardless of their location, has also won the CDN Digital Learning Award. In April 2022 the college were awarded the Investors in People Gold award and achieved accreditation as a Living Wage employer. The college had a very successful progress visit from Education Scotland who highlighted many areas of best practice and once again rated the college as satisfactory

Research undertaken in The Centre for Tourism Research (CRTR), was included in the Research Excellence Framework within UHI's Area Studies submission, which was classed as 'world-leading'. The UHI Area Studies team came first in Scotland overall, and 1st equal in the UK for research impact, which shows the effect and impact UHI's research has on communities, local and global. A current initiative, entitled The Coast that Shaped the World, has been built around community-based research, employing local story gatherers to unearth and curate a broad range of cultural narratives that reflect the coastal and maritime heritage of the west coast. From the huge bank of narratives that has resulted, hundreds of these stories will be portrayed via digital media, as well as innovative exhibitions at heritage centres up and down the coast, to attract visitors to more far-flung communities and environments.

During the year the college introduced the new evening courses 'Digital Content Creation' and 'Getting Gig Ready' to meet the demand from streamers and performers in the Highlands to gain a professional edge.

The colleges new Advancing Manufacturing Centre was officially opened in November 2021 by the Cabinet Secretary for Finance and the Economy Kate Forbes. The centre provides local access to specialist machinery and software such as 3D printing, scanning, and machining at zero cost to any small or medium business. The Minister for Higher and Further Education, Youth Employment and Training, Jamie Hepburn had a special preview of the facility in October 2021 and the Minister for Business, Trade, Tourism and Enterprise, Ivan McKee also visited in February 2022.

A first phase of consultation around the proposed merger of UHI North Highland, UHI Outer Hebrides and UHI West Highland was undertaken and showed the majority of respondents were supportive of the rationale for the merger and the direction and vision for the proposed new college. All three colleges experience similar challenges in their remote, coastal and island contexts, including real-term funding cuts and a declining demographic. The new strategic partnership aims to create an anchor institution of scale and impact within UHI, supporting 9000 students and 600 staff in 20 remote, rural and island campus locations. The feedback from the consultation informed the development of the full business case for merger.

Financial Results

The surplus on continuing operations, after depreciation charges, for the financial year ended 31 July 2022 was £368,771 (2021 £187,100). Income increased to £7,573k (2021 £6,476k) due to increased HE grant funding, the return of income sources previously lost or restricted due to COVID and continued increases in funded research. Expenditure increased to £7,083k (2021 £6,285k) due to increased costs associated with staff, and other operating costs increasing as a result of increased activities and the removal of most restrictions caused by COVID. The surplus position reflects continued prudent control over spending and the return of income generating activities.

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The College ended the 2022 financial year with an accumulated General Reserve surplus of £2,305,895, an increase of £368,771 on the reserves of £1,937,124 brought forward from 2021. The financial year 2022/23 will see significant financial challenges within the college sector and therefore a strong reserves position means the College is in a better place to undertake changes that will inevitably be required.

As a fully funded body the College is required to prepare its financial statements under the historical cost convention and in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education (2019) and in accordance with Financial Reporting Standards FRS 102 and the Companies Act 2006.

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College.

	2021-22	2020-21
	£'000	£'000
Surplus/(deficit) before other gains and losses	369	187
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets (Note X)	0	0
- Exceptional non-restructuring costs - impairment	0	0
- Pension Adjustment – Net service cost	0	0
- Pension adjustment – Net interest cost	0	0
- Pensions adjustment – Early retirement provision	0	0
Deduct:		
- Non-government capital grants (Note X)	0	0
- Exceptional income – insurance claim	0	0
Adjusted operating surplus/(deficit)	369	187

Taxation Status

The Company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received to the extent that such income or gains are applied for charitable purposes only. The College receives no similar exemption in respect of Value Added Tax.

Treasury Policies and Objectives

The College has a Treasury Management Policy and procedures setting out the College position on cash management, investment, and borrowings.

Cash Flows

The College had a net cash outflow of £686,973 in the year to 31st July 2022 compared with a net cash inflow of £517,890 in the prior year. This was largely due to the repayment of cash to SFC relating to support staff pension funding.

Liquidity

The College had cash balances of £703,570 at the year end, compared with net cash balances of £1,390,548 at the end of 2021.

Creditor Payment Policy

The College aims to pay its suppliers at the end of the month following invoice date unless the invoice is contested. The College's average creditor payment period has decreased from 12 days in 2021 to 11 days at the end of July 2022. Trade Creditors were £222,431 at 31st July 2022 compared with £201,859 at 31st July 2021. The College did not pay any interest during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

Future Developments

The college will continue to work alongside UHI North Highland and UHI Outer Hebrides on the strategic project that seeks to bring together the 3 colleges to form a new college within the University of the Highlands and Islands partnership by August 2023.

The Estates Strategy 2021-2024 was refreshed and there are 3 key projects that will be pursued in the coming year. *Centre for Science, Technology, Health & Engineering in Fort William* - a full business case has been submitted for consideration to SFC and discussions on funding have continued throughout the year. The outbreak of the pandemic has undoubtedly delayed progress, but the college remains committed to exploring every opportunity to secure funding with the support of the local business community.

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Mallaig Learning Centre - as part of the Mallaig Harbour Masterplan we have identified a site to develop a new centre in Mallaig. This will improve student experience and provide increased space to facilitate growth in the area. We have planning permission for the centre and whilst we continue to explore all avenues for funding with Crown Estates Scotland, the design costs incurred to date have been impaired during the academic year 2021/22.

Student Residences – UHI currently manages student residences in Fort William. These enjoy high occupancy rates and there is a need for additional student accommodation in the town. The college will continue to work with colleagues in UHI to build a business case for additional accommodation.

A budget has been approved by the board for 22/23, which shows break even position. As part of planning for 22/23 and beyond, we are focused providing upskilling and retraining as a result of the economic environment related to the pandemic. This also includes continuing to develop our strategy for the STEM related curriculum.

Principle Risks & uncertainties

The board have assessed that the following continue to constitute key risks to the college

- Any reduction in Government funding being insufficient to cover the impacts of national pay bargaining and provision of a wide-ranging curriculum to support the West Highlands. Any reduction in funding level could make the colleges current operations unsustainable.
- Failure to meet income generating activities.
- Failure to secure sufficient capital funding to provide necessary facilities for planned curriculum growth.
- Failure to meet planned student recruitment targets.
- Failure to realise Digital Ambition

Trade Unions

The College did not formally recognise trade unions during 2021/2022 and therefore has nothing to report under the Trade Union (Facility Time Publication Requirements) Regulations 2017. In order to engage with staff the College continues to operate a Staff Information and Consultation committee with elected staff representation.

The college formally signed the National Recognitions and Procedures Agreement in November 2021 and agreed Facility Time for EIS Branch officials at the college in October 2022 which is detailed in the Local Recognitions and Procedures Agreement.

Statement as to disclosure of information to auditors

The board members who held office at the date of approval of this report confirm that:

There is no relevant audit information of which the Charitable Company's Auditors are unaware; and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Equal Opportunities Statement

West Highland College UHI is committed to promoting equality and positive relations and valuing diversity. A comprehensive approach is intended to meet the needs of individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across all protected characteristics reflected in the Equality Act. These include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. Where barriers to learning or employment are identified for an individual the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

West Highland College UHI is committed to equality of opportunity and believes education is a right for all. We are committed to ensuring that there will be no discrimination of the grounds of ethnic origin, religion, sex, age or disability. The College believes that there is a duty for everyone associated with the College and all its activities to play their part in ensuring equality of opportunity. Positive steps will be taken to ensure that no forms of discrimination occur.

The College has a contract for services with an external Occupational Health Service and Employee Assistance Organisation to further support the College to maximise staff retention.

In line with the College's commitment to equal pay, the College operates a local job evaluation scheme and completes an annual gender pay gap analysis. The College has aligned its minimum wage annually with the living wage as determined by the UK Living Wage Foundation and became accredited in April 2022. The College has renewed its Investor in People accreditation achieving the gold standard. The College now joins the top 16% of organisations across the UK who have achieved this standard given only to organisations who can demonstrate excellence in commitment to supporting and

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developing its people, creating sustainable success and continuous improvement.

The College's policies in relation to Equalities and Diversity are published on the College's intranet and on the College website. The College has reviewed its provisions in light of the Equality Act and has refreshed and published a Planned Equality Outcomes report for 2021-2025.

Approved by order of the members of the Board on 13th December 2022 and signed on its behalf by:

Derek Lewis
Director and Chair

Lydia Rohmer
Principal & Chief Executive

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Corporate Governance Statement
Year ended 31 July 2022

CORPORATE GOVERNANCE STATEMENT

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in the Code of Good Governance for Scotland's Colleges (August 2016). Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management, the College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges.

The Board is well informed of the national bargaining process and is broadly supportive of its aims. The College signed up to the NRPA in November 2021. Work has continued in pursuance of meeting the support staff pension requirement throughout 2021/22.

The Board of Management

The members who served on the Board of Management during the year and up to the date of *signing* the accounts were as follows:

		DATE OF APPOINTMENT	MAXIMUM TERM OF OFFICE	DATE OF RETIREMENT	STATUS OF APPOINTMENT	COMMITTEE MEMBERSHIP (AT SOME POINT IN THE YEAR)
Lewis	Derek	27.3.20	8 years		Independent member, Chair	Finance & General Purposes; Convenor of Remunerations & Nominations; Convenor of Estates Project Group;
Ferguson	Duncan	1.7.14	8 years		Senior Independent member	Audit; Convenor of Remuneration & Nominations
Kelly	Robert	5.10.16	8 years		Independent member, Health & Safety champion	Audit; Health & Safety Champion
McAndrew	Lisa	28.3.18	8 years	Retired 22 August 2022	Independent member	Finance & General Purposes; Estates Project Group
Patterson	Nigel	27.6.18	4 years		Support staff member	Audit; Remuneration & Nominations; Estates Project Group
Rohmer	Lydia	28.2.12	Term in office		Principal and Chief Executive	Finance & General Purposes; Estates Project Group

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Sears	Alan	18.12.18	8 years		Independent member	Remuneration & Nominations
Lawson	Emma	18.12.18	8 years	Retired 30 March 2022	Independent member	Remuneration & Nominations; Convenor of Finance & General purposes from Nov 2020
McCrimmon	Charles	27.3.19	4 years		Teaching staff member	Finance & General Purposes; Remuneration & Nominations
Hope	Neil	24.6.20	8 years		Independent member, Vice Chair	Convenor of Audit from Nov 2020;
Gibson	Ciaran	01.07.20	3 years	Retired 20 July 2022	Student member	Finance & General Purposes; Remuneration & Nominations.

Attendance at meetings

Attendance at meetings of the Board of Management of West Highland College UHI in 2021-22

Board meetings

Date of Meeting	Number of independent members present	Number of executive members present*	Whether quorate
30 Sept 2021	5	3	yes
14 Dec 2021	5	4	yes
29 Mar 2022	7	4	yes
12 May 2022	5	4	yes
23 Jun 2022	7	4	yes

Audit Committee meetings

Date of Meeting	Number of independent members present	Number of executive members present	Whether quorate
15 Sept 2021	3	2	yes
23 Nov 2021	2	3	yes
6 Mar 2022	4	3	yes
7 Jun 2022	4	3	yes

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Finance & General Purposes Committee meetings

Date of Meeting	Number of independent members present	Number of executive members present	Whether quorate
14 Sept 2021	2	4	yes
23 Nov 2021	2	2	yes
15 March 2022	2	4	yes
14 June 2022	2	3	yes

Performance, Remuneration & Nominations

Date of Meeting	Number of independent members present	Number of executive members present	Whether quorate
23 Sept 2021	3	3	yes

*In this context, executive members are the Principal, the student representative member and the two staff representative members.

Board of Management Responsibilities

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources, and standards of conduct. The Board of Management complies with the internal control guidance published by the Financial Reporting Council (September 2014) and has adopted the Code of Good Governance for Scotland's Colleges (August 2016).

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least four times a year; in 2021-22 it held five meetings.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include Finance and General Purposes Committee and its sub-committee, the Estates Project Group; Audit Committee; and Performance, Remuneration and Nominations Committee.

In addition, the Board of Management holds development planning days and training sessions during the course of the year for the purposes of training, self-evaluation, and development. The Board is supported by an independent Secretary.

The Secretary to the Board maintains a register of financial and personal interests of the Board members. The Register is available for inspection at the West Highland College UHI - Fort William, Carmichael Way, Fort William PH33 6FF, or on the College website.

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Secretary are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self-evaluate collectively as a Board and individually as Board members annually. The self-evaluation process includes consideration of the collective effectiveness of the Board of Management and its committees,

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and individual reflection on their adherence to the Seven Principles of Public Life, as well as the Code of Good Governance for Scotland's Colleges. In addition, the Board has evaluated the performance of its external auditors. During the year, the Board were subject to an externally facilitated review. Recommendations from the review will be worked on going forward.

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

Appointments to the Board of Management

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. The Board of Management has a Performance, Remuneration and Nominations Committee, consisting of at least three non-executive members of the Board of Management, which is responsible for the selection and nomination of any new member for the Board of Management's consideration. The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training. The public procedures for appointing new Board members are available from the Secretary to the Board of Management. At every second AGM, the longest serving independent Members of the Board of Management vacate office as directors and, subject to a process approved by the Board, may be reappointed up to a maximum term of office of eight years.

Performance, Remuneration and Nominations Committee

In September 2021 the Performance Review and Remuneration Committee and the Search and Nominations Committee met jointly and endorsed a recommendation to combine the two committees to form the new Performance, Remuneration and Nominations Committee. It comprises at least three non-executive members of the Board of Management, plus one of the staff members, the Chair of Board, the convenor of Finance & General Purposes Committee and the student member of the Board of Management. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and other senior staff as appropriate.

Audit Committee

The Audit Committee comprises five non-executive members and the support staff member of the Board of Management. It excludes the Principal and Chair from membership, but they will attend for agenda items at invitation of the Committee. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee normally meets four times a year and provides a forum for reporting by the College's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College executive staff.

The Audit Committee advises the College on the appointment of the internal auditors and the auditors' remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk and risk mitigation.

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 management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to the Audit Committee to ensure such recommendations have been implemented.

The Audit 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 and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and General Purposes Committee

The Finance and General Purposes Committee comprises not less than six members of the Board of Management, including The Chair of Board, the Principal, the teaching staff member and student member of the Board. The Committee operates in accordance with written terms of reference approved by the Board of Management. The Finance and General Purposes Committee meets a minimum of four times a year and, among other matters, recommends to the Board of Management the

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College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the College's financial and business perspectives. It reviews all key financial decisions, recommends the annual budget, considers the annual accounts, and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board. The Committee considers all staff and employment matters as well as estates development. The latter is considered in detail by a sub-committee, the Estates Project Board.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place in variety of ways, with a session at least once a year reviewing the College's strategic context. In order to develop the strategic plan, the Board meets with the Executive Leadership Team and College stakeholders (Staff and student representatives) in a one-day event. The current Strategic Plan covers the period 2021-2026 and is underpinned by annual operational plans. Progress against the agreed strategic priorities in the plan is monitored by the appropriate Board committees on a regular basis. The Board reviews the key performance indicators for the College on an annual basis.

Risk Management and Internal Control

Scope of Responsibility

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

The Board of Management has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Principal is personally responsible, in accordance with the responsibilities assigned to the post-holder in the Financial Memorandum between West Highland College UHI and the Regional Strategic Body, UHI. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in West Highland College UHI for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Management.

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The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual reports which indicate financial performance against targets.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines and the adoption of formal project management disciplines, where appropriate.

West Highland College UHI appoints an internal audit service, which operates in accordance with the requirements of the Scottish Funding Council's mandatory requirements. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. The Internal Auditors provide the Board of Management with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of internal auditors.
- The work of executive managers within the College who have the responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditors in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the Internal Auditors.

The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan amended and approved by the Audit Committee. The Internal Auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion of the adequacy, reliability, and effectiveness of the College's internal control system.

The Executive Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Executive Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Audit Committee considers risk at each committee meeting and receives updates from management in relation to all significant risks.

The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

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Year ended 31 July 2022

Going Concern

In preparing these financial statements, the Board of Directors have given careful consideration to current and anticipated future solvency requirements of the College and its ability to continue as a going concern for the foreseeable future. The directors have prepared the financial statements on a going concern basis, notwithstanding the work in progress to support a business case for the college to merge with North Highland College UHI and Outer Hebrides UHI. The directors have prepared cash flow forecasts for a period to the vesting date of the potential new merged College which indicate that, taking account of reasonably possible downturns (i.e. reducing commercial income), the College will have sufficient funds, through its operating cash flows, cash reserves and if required funding in advance from funding Partners to meet its liabilities as they fall due for that period.

Approved by order of the members of the Board of Management on 13th December 2022 and signed on its behalf by:

Derek Lewis
Director and Chair

Lydia Rohmer
Principal & Chief Executive

West Highland College UHI
(A company limited by guarantee)

Statement of the Board of Management's Responsibilities
Year ended 31 July 2022

The Board, through its Principal, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the College and the result for that year.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements comply with the Companies Acts, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between UHI and the College's Board of Management, the College is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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 preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council and UHI are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with UHI and any other conditions which Scottish Funding Council or UHI 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.
- 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, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority designated to, heads of academic and administrative departments.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cashflow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance and General Purposes Committee.

West Highland College UHI
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Statement of the Board of Management's Responsibilities
Year ended 31 July 2022

- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides 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, including internal financial control system.

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

Approved by order of the members of the Board of Management on 13th December 2022 and signed on its behalf by:

Derek Lewis
Director and Chair

Neil Hope
Director and Vice Chair

West Highland College UHI (A company limited by guarantee)

Independent auditor's report to the trustees and members of West Highland College UHI

Opinion

We have audited the financial statements of West Highland College UHI (the charitable company') for the year ended 31 July 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Analysis of Net Debt and the related notes, 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), the Statement of Recommended Practice - Accounting for further and higher education 2019 and the Accounts Direction for Scotland's Colleges 2021 - 2022.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2022 and of the Colleges' surplus 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

In auditing the financial statements, we have concluded that the director's 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 charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended)

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

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Operating and Financial Review have been prepared in accordance with applicable legal requirements.

West Highland College UHI (A company limited by guarantee)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Operating and Financial Review.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 or the Scottish Funding Council Accounts Direction requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 15, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine are 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 directors are responsible for assessing the charitable company'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 the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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.

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and knowledge of the charitable company to identify or recognise non-compliance with applicable laws and regulations.

We identified relevant laws and regulations from our general commercial and sector experience and through discussions with directors and other management to assess the policies and procedures in operation with regards to compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the charitable company operates in and identified the key laws and regulations that:

- Have a direct effect on the determination of material amounts and disclosures in the financial statements. These included compliance with FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher education 2019, the Scottish Funding Council Accounts Direction, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and relevant UK tax legislation.
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's continued ability to operate or to avoid a material penalty.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management and reviewing board minutes and other correspondence throughout the year to identify actual and potential litigation and claims.

West Highland College UHI
(A company limited by guarantee)

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud; and
- Using analytical procedures to identify any unusual or unexpected relationships,

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;
- tested journal entries recorded on the Company's finance system to identify unusual transactions that may indicate override of controls;
- reviewed key judgements and estimates for any evidence of management bias.
- reviewed the application of accounting policies with focus on those with heightened estimation uncertainty.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation and
- enquiring of management to identify actual and potential litigation and claims.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) Our audit work has been undertaken so that we might state to the charitable company's members and directors those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members, as a body, and the charitable companies directors as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Johnston CA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants
Glasgow
Date:

West Highland College UHI
(A company limited by guarantee)

Statement of Comprehensive Income
For the year ended 31st July 2022

		2022	2021
		£	£
	Notes		
Income			
SFC grants	2	4,212,088	4,298,693
UHI Grant		895,453	706,650
Tuition fees and education contracts	4	1,299,238	757,073
Other operating income	3	216,613	187,862
Research contract and grants		389,489	297,176
Release of deferred capital grant	19	559,650	228,577
Investment income		-	22
Total income		<u>7,572,531</u>	<u>6,476,052</u>
Expenditure			
Staff costs	7	5,084,243	4,850,263
Other operating expenses	5	1,471,941	1,137,709
Interest payable and other charges		12,354	12,837
Depreciation		514,242	284,690
Total expenditure		<u>7,082,780</u>	<u>6,285,498</u>
Profit on Disposal of Fixed Assets		4,212	3,454
Impairment of Assets under Construction		125,192	-
Surplus on continuing operations before and after tax		<u>368,771</u>	<u>187,100</u>
Surplus for the year retained within general reserves		<u>368,771</u>	<u>187,100</u>

The statement of financial activities includes all gains and losses in the year and therefore a separate statement of changes in reserves has not been prepared.

All the above amounts relate to continuing activities. There were no acquisitions or discontinued operations during the current or preceding year. All the income and expenditure arising in the year is unrestricted.

The notes on pages 23 to 37 form an integral part of these financial statements

West Highland College UHI
(A company limited by guarantee)

Balance Sheet

As at 31st July 2022

	Notes	2022		2021	
		£	£	£	£
Non-current Assets					
Tangible fixed assets	11		7,099,651		6,519,011
Current assets					
Stocks	12	1,319		889	
Debtors	13	640,722		504,926	
Cash at bank and in hand		703,570		1,390,548	
		<u>1,345,611</u>		<u>1,896,362</u>	
Creditors: amounts falling due within one year	14	<u>(1,303,751)</u>		<u>(1,756,939)</u>	
Net current assets			<u>41,860</u>		<u>139,424</u>
Total assets less current liabilities			7,141,511		6,658,435
Creditors: amounts falling due after more than one year	15		(235,186)		(307,694)
Accruals and deferred income	16		<u>(4,600,430)</u>		<u>(4,413,619)</u>
Net assets			<u>2,305,895</u>		<u>1,937,124</u>
Reserves					
General Reserve - unrestricted			<u>2,305,895</u>		<u>1,937,124</u>
Total reserves			<u>2,305,895</u>		<u>1,937,124</u>

The financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to medium-sized companies.

The financial statements were approved by the board on 13th December 2022 and signed on its behalf by

Derek Lewis
Director and Chair

Neil Hope
Director and Vice Chair

The notes on pages 23 to 37 form an integral part of these financial statements

West Highland College UHI
(A company limited by guarantee)

Cash flow statement

For the year ended 31st July 2022

	Notes	2022		2021	
		£	£	£	£
Cash from operating activities	20		616,585		892,699
Cash flows from investing activities					
Investment income		0		22	
Interest payable		(12,354)		(12,837)	
Purchase of tangible assets		(1,215,862)		(284,583)	
Cash used in investing activities			<u>(1,228,216)</u>		<u>(297,397)</u>
Cash flows from financing activities					
Loan repayments			<u>(75,347)</u>		<u>(77,410)</u>
Increase/(decrease) in cash and cash equivalents in the year			(686,978)		517,890
Cash and cash equivalents at the beginning of the year			1,390,548		872,659
Total cash and cash equivalents at the end of the year			<u>703,570</u>		<u>1,390,548</u>

Analysis of Debt for year ended 31 July 2022

	At 1 August	Cashflows	At 31 July
	2021		2022
	£	£	£
Cash in bank and in hand	1,390,548	(686,978)	703,570
Debt due after 1 year	(307,694)	72,508	(235,186)
Debt due within 1 year	(77,364)	2,840	(74,524)
	<u>1,005,490</u>	<u>(611,630)</u>	<u>393,860</u>

The notes on pages 23 to 37 form an integral part of these financial statements

West Highland College UHI
(A company limited by guarantee)

Notes to the financial statements for
the year ended 31 July 2022

1. General Information and Accounting policies

The College is constituted as a company, incorporated in Scotland and is governed by a memorandum and articles of association. It is recognised by HMRC as a charity for tax purposes. The Scottish Charity number is SC024193. Following implementation of the Post-16 Scotland Education Act 2013, the College is now an 'assigned college' to the University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for further and higher education in the Highlands and Islands region. UHI assumed formal RSB status on 1 April 2015, and is now the fundable body for the region, distributing further and higher education funds to its assigned colleges. The College is registered at Carmichael Way, Fort William, Inverness-shire, PH33 6FF.

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting for Further and Higher Education (2019)' and in accordance with Financial Reporting Standards FRS 102 and the Companies Act 2006. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The financial statements are presented in pounds sterling (£GBP) which is the College's functional currency. All amounts have been rounded to the nearest pound (£).

1.2. Recognition of income

Income from tuition fees is recognised in the period for which it is received. Income from grants, contracts and other services rendered is recognised in the Statement of Comprehensive Income in proportion to the extent of completion of the contract or service concerned. All income from short term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

The main annual recurrent allocation from the Scottish Funding Council, which is intended to meet recurrent costs, is credited direct to the Statement of Comprehensive Income during the period in which it is receivable. Non-recurrent grants from the Funding Council or other Government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with the depreciation over the life of the assets.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government grants received in respect of capital additions are credited to deferred capital grants in the balance sheet and amortised to the Statement of Comprehensive Income over the lives of the assets concerned.

1.3. Recognition of expenditure

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates.

1.4. Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

West Highland College UHI
(A company limited by guarantee)

Notes to the financial statements for
the year ended 31 July 2022

1.5. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land	Nil
Tenant's improvements	Over life of lease
Buildings	2% straight line
Plant and machinery	20% straight line
Fixtures, fittings and equipment	10% straight line
IT Equipment	33.3% straight line
Assets under construction	Nil

The Directors consider the above valuation method to not be materially different from depreciated replacement cost.

Land and buildings

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related Government grants are credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the estimated life of the building on a basis consistent with the depreciation policy.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31st July 2022. They are not depreciated until they are brought into use.

Equipment

The College has a policy of not capitalising assets with a value of less than £1,000. The College will capitalise expenditure of less than £1,000, if, in the Board of Management's opinion it contributes towards the creation of an asset with a value greater than £1,000.

All other equipment is capitalised and depreciated in line with the depreciation policy.

Where items of equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related Government grants are credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the estimated life of the asset on a basis consistent with the depreciation policy.

Impairment of assets

Any reduction in the recoverable amount of the fixed assets arising from impairment reviews are recognised in the Statement of Comprehensive Income.

Maintenance of premises

The costs of maintenance are charged to the Statement of Comprehensive Income in the period in which they are incurred.

1.6. Stock

Stock is valued at the lower of cost and net realisable value on a first in first out basis.

West Highland College UHI
(A company limited by guarantee)

Notes to financial statements
for the year ended 31 July 2022

1.7. Defined benefit and defined contribution pension schemes

The College operates both defined benefit and defined contribution pension schemes, the policies for each are as follows: -

The defined benefit scheme is operated by the Scottish Teachers Superannuation Scheme. The College became a member of this scheme in September 2008. The contributions made by the College to this scheme are charged to the Statement of Comprehensive Income in the period in which they are incurred. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employee's contributions.

The college has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the college is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

In the case of the defined contribution pension scheme, the pension cost charges in the financial statements represent the contribution payable by the College during the period. The scheme is operated by the National Employment Savings Trust (NEST). It is a defined contribution workplace pension scheme. It was set up to facilitate automatic enrolment.

1.8. Agency arrangements

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

1.9. Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the balance sheet date and the amounts reported for income and expenses during the year. These estimates will by definition, seldom equal the related actual results particularly given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

West Highland College UHI
(A company limited by guarantee)

Notes to financial statements
for the year ended 31 July 2022

2. Scottish Funding Council Grants

		2022	2021
	Note	£	£
Scottish Funding Council Recurrent Grant		4,065,073	4,166,067
Release of deferred capital grant	19	147,016	132,626
		<u>4,212,089</u>	<u>4,298,693</u>

3. Other operating income

	2022	2021
	Total	Total
	£	£
Other Income	109,278	104,223
Rental Income	52,505	55,962
Facilities Hire	13,544	6,105
Service Charges	24,417	21,572
Kitchen & Catering	16,869	0
	<u>216,613</u>	<u>187,862</u>

Bursary Income

In accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2019) and Scottish Funding Council guidance the bursary income and expenditure has been removed from the Statement of Comprehensive Income. A summary of the transactions is shown below.

	2021-22	2021-22	2021-22	2021-22	2020-21
	FE Bursary	EMAs	Other	Total	Total
	£	£	£	£	£
Balance b/fwd	-	-	-	-	-
Allocation received in year	33,174	-	-	33,174	103,543
Expenditure	(33,174)	-	-	(33,174)	(103,543)
Repaid to funding council as clawback	-	-	-	-	-
College contribution to funds	-	-	-	-	-
Balance c/fwd	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Repayable to the funding council as clawback	-	-	-	-	-
Retained by college for students	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

West Highland College UHI
(A company limited by guarantee)

Notes to financial statements
for the year ended 31 July 2022

4. Tuition Fees, Education & Employability Contracts

	2022	2021
	£	£
Further Education - student fees (UK)	133,935	28,548
Skills Development Scotland	-	-
Higher Education - student fees	498,621	497,942
Education & employability contracts	26,992	23,798
Other contracts & commercial fees	639,690	206,784
Total	<u>1,299,238</u>	<u>757,073</u>

5. Other Operating Costs

	2022	2021
	£	£
Academic Departments	362,657	181,050
Commercial & Employability Division	1,739	11,690
Central Administration & Academic Services	531,806	550,792
Premises costs	213,131	124,908
Planned maintenance	137,523	113,716
Other employee related costs	-	-
Research costs	214,141	147,015
Commercial activities - Kitchen	9,228	1,606
Bad Debts	1,716	6,932
Total	<u>1,471,941</u>	<u>1,137,709</u>

West Highland College UHI
(A company limited by guarantee)

Notes to financial statements
for the year ended 31 July 2022

6. Net surplus for the year

	2022	2021
	£	£
Net surplus is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	514,242	284,690
Auditors' remuneration	23,848	24,315
	<u>23,848</u>	<u>24,315</u>
and after crediting:		
Profit on disposal of land	-	-
Analysis of auditors' remuneration		
External audit - audit fees	14,975	7,950
External Auditor - non-audit fees	-	-
Internal audit	8,873	16,365
Total audit fees	<u>23,848</u>	<u>24,315</u>

7. Employees

	2022	2021
	£	£
Staff Costs	4,156,236	3,969,192
Social Security Costs	407,466	375,919
Pension Costs	502,082	489,015
Other Costs & Training	18,459	16,139
	<u>5,084,243</u>	<u>4,850,263</u>

Analysed as:

Administration and central services	873,713	688,593
Premises	229,464	137,456
Research grants, contracts & commercial activity	260,806	291,864
Academic Teaching Depts	2,706,037	2,591,849
Academic Teaching Services	980,237	1,074,197
Catering Staff	33,986	66,304
	<u>5,084,243</u>	<u>4,850,263</u>

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Notes to financial statements
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7. Employees (Cont.)

Salary Bands - Staff receiving remuneration over £60,000

	2022	2021
	£	£
£60,000 - £69,999	3	2
£70,000 - £79,999	0	0
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0
Total employees	<u>4</u>	<u>3</u>

Number of Employees

The average monthly numbers of employees (excluding the directors) during the year, was as follows:

	2022	2021
	Number	Number
Administration and central services	30.50	24.75
Premises	4.00	4.75
Research grants, contracts & commercial activity	11.00	12.25
Academic Teaching depts	98.75	95.00
Academic teaching services	51.25	49.75
Catering staff	1.75	4.00
	<u>197.25</u>	<u>190.50</u>
Full time equivalent	<u>108.77</u>	<u>112.30</u>

Directors' Emoluments

	£	£
Remuneration	177,282	165,194
Pension	32,720	30,067
Recovery of expenses	4,140	0
	<u>214,142</u>	<u>195,261</u>

The Chair of the Board is entitled to a £200 honorarium. It should be noted that all other directors are not remunerated for their board role, however if they undertake work within the college they may be remunerated.

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7. Employees (Cont.)

Principal remuneration disclosure

	2022	2021
	£	£
Gross Wages	95,335	85,652
Employers National Insurance	12,293	10,572
Employers pension contributions	21,887	19,646
	<u>129,515</u>	<u>115,870</u>

In April 2017, the Principal was seconded on a part-time basis to the role of Vice Principal – Tertiary for the University of the Highlands & Islands. This 0.5FTE role which ended during 21/22, was funded by UHI and attracted a higher salary than the role with West Highland College UHI. In 2022 the salary paid to the Principal was reassessed by the Board of Management Remuneration and Nominations Committee.

Key Management Team remuneration disclosure

	2022	2021
	£	£
Gross Wages	348,156	268,396
Employers National Insurance	43,340	31,942
Employers pension contributions	42,511	37,920
	<u>434,007</u>	<u>338,259</u>

The key management team costs represent 5 FTE in 2022 (2021: 4FTE).

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8. Interest payable and similar charges

	2022	2021
	£	£
Loan & Overdraft Interest	8,136	9,654
Bank Interest & Charges	4,218	3,182
Interest Payable	<u>12,354</u>	<u>12,837</u>

9. Pension costs

The College operates both defined benefit and defined contribution pension schemes. The schemes and their assets are held by independent managers. The pension charge in the financial statements represents contributions due from the College.

The defined contribution workplace pension scheme is managed by the National Employment Savings Trust (NEST). The College joined the scheme in May 2014 and was set up to facilitate automatic enrolment as part of the Government's workplace pension's reform. The contributions made by the College amounted to £60,525 (2021: £55,242). Currently the College contributes 3% of the salaries of all eligible employees who have elected to join the scheme.

The College is a member of the Scottish Teachers Superannuation Scheme (STSS) for all Lecturing staff. The contributions made by the College amounted to £441,557 (2021; £433,772).

The STSS scheme is an unfunded multi-employer defined benefit scheme. Accounting treatment under FRS 102 allows West Highland College UHI to account for the pension plan as a defined contribution scheme.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

West Highland College UHI is unable to identify separately its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the costs of the pensions as they accrue. West Highland College UHI has no liability for other employer's obligations to the multi-employer scheme.

10. Taxation

The Charity's activities fall within the exemptions afforded by the provisions of the Corporation Taxes Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied for charitable purposes only. With regard to VAT the College is exempt from levying VAT on most of the services it supplies to students. It is therefore only able to recover a limited proportion of the input VAT it suffers on goods and services purchased.

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Notes to financial statements
for the year ended 31 July 2022

11. Tangible Fixed Assets

	Land	Buildings	Tenants Improvements	Plant and Machinery	Fixtures, Fittings and Equipment	Assets Under Construction	IT Equipment	TOTAL
	£	£	£	£	£	£	£	£
COST								
At 1st August 2021	264,348	6,910,603	82,264	1,221,387	609,911	1,037,569	522,398	10,648,480
Additions		20,767	28,500	1,068,055	45,986	100	52,454	1,215,862
Disposals				(675,586)	(293,079)		(91,890)	(1,060,555)
Impairment						(125,192)		(125,192)
At 31st July 2022	264,348	6,931,370	110,764	1,613,856	362,818	912,477	482,962	10,678,595
DEPRECIATION								
At 1st August 2021	-	2,016,300	44,480	1,082,126	526,369	-	460,194	4,129,469
Charge	-	138,832	32,588	255,867	36,282	-	50,672	514,241
Disposal			0	(679,698)	(293,079)	-	(91,990)	(1,064,767)
At 31st July 2022	-	2,155,132	77,068	658,295	269,572	-	418,876	3,578,944
NBV								
At 31st July 2022	264,348	4,776,238	33,696	955,561	93,246	912,477	64,086	7,099,651
At 31st July 2021	264,348	4,894,303	37,784	139,261	83,540	1,037,569	62,204	6,519,010

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Notes to financial statements
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12. Stocks

	2022	2021
	£	£
Raw materials	<u>1,319</u>	<u>889</u>

13. Debtors

	2022	2021
	£	£
Trade Debtors	60,686	85,499
Other Debtors	503,108	367,436
Prepayments	76,928	51,991
	<u>640,722</u>	<u>504,926</u>

14. Creditors: amounts falling due within one year

Bank Loan	74,524	77,364
Trade Creditors	222,431	201,859
Other Taxes and Social Security	158,063	86,723
Other Creditors	116,736	84,751
Accruals and deferred income	731,997	1,306,241
	<u>1,303,751</u>	<u>1,756,939</u>

The Bank of Scotland holds a Bond and Floating charge over the whole assets of the company and Standard Security over the property.

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Notes to financial statements
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15. Creditors: amounts falling due after one year

	2022	2021
	£	£
Amounts Repayable 2-5 years	£235,186	£281,276
Amounts Repayable >5 years		£26,418
Bank Loan	<u>235,186</u>	<u>307,694</u>

The loans towards the construction cost of the extension and the loan drawn to finance the kitchen refurbishment are secured by a standard security over the property and a bond and floating charge over the whole of the Company's assets. The loans are payable in instalments and interest rates are 1.75% over base for the extension and 2.65% over base for the kitchen refurbishment.

16. Accruals and deferred income > 1 year

	2022	2021
	£	£
Grants received		
at 1st August 2021	(4,775,836)	(4,632,678)
Received in year	<u>(1,071,416)</u>	<u>(504,361)</u>
	(5,847,252)	(5,137,039)
Released in year	<u>706,665</u>	<u>361,203</u>
Total deferred grants as at 31 July 2022	<u><u>(5,140,587)</u></u>	<u><u>(4,775,836)</u></u>
Grants under 1 year	<u>(540,157)</u>	<u>(362,217)</u>
Deferred grants greater than 1 year	<u>(4,600,430)</u>	<u>(4,413,619)</u>

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17. Operating Leases

Lessee

	Buildings		Other		Total	
	2022	2021	2022	2021	2022	2021
Less than one year	71,456	82,006	13,112	22,770	84,568	104,776
2-5 Years	4,583	64,440	5,383	12,884	9,967	77,324
Over 5 Years						
	<u>76,040</u>	<u>146,446</u>	<u>18,495</u>	<u>35,654</u>	<u>94,535</u>	<u>182,100</u>

Lessor

					Total	
	2022	2021	2022	2021	2022	2021
Less than one year	30,255	30,255	-	-	30,255	30,255
2-5 Years	-	28,510	-	-	-	28,510
Over 5 Years						
	<u>30,255</u>	<u>58,765</u>	<u>-</u>	<u>-</u>	<u>30,255</u>	<u>58,765</u>

18. Capital Commitments

At 31 July 2022 the College had capital commitments as follows:

	2022	2021
	£	£
Replacement Passenger Lift Fort William	-	18,586
External Building Fabric surveys	19,794	-
Refurbishment of rooms for Beauty	36,360	-
	<u>56,154</u>	<u>18,586</u>

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19. Deferred Capital Grants

	SFC £	Other £	Total £
At July 2021	2,168,037	2,607,799	4,775,836
Grants received in year			
Buildings	49,267	0	49,267
Equipment	100,730	812,260	912,990
Revenue	0	109,159	109,159
	<u>149,997</u>	<u>921,419</u>	<u>1,071,416</u>
Release to Statement of Comprehensive Income			
Buildings	67,320	259,939	327,259
Equipment	79,695	221,345	301,040
Revenue	0	78,366	78,366
	<u>147,015</u>	<u>559,650</u>	<u>706,665</u>
Balance at 31 July 2022	<u>2,171,019</u>	<u>2,969,568</u>	<u>5,140,587</u>

20. Reconciliation of net movement in funds to net cash flow from operating activities

	2022 £	2021 £
Surplus for the year	368,771	187,100
Add back depreciation	514,242	284,690
Deduct profit on disposal of fixed assets	(4,212)	3,454
Add back W/O of Assets under Construction	125,192	
Deduct interest income shown in investing activities	0	(22)
Add interest payable	12,354	12,837
Decrease/(increase) in stock	(430)	1,336
Decrease/(increase) in debtors	(135,796)	(182,723)
Increase/(decrease) in creditors - excluding grants	(628,287)	442,869
Increase/(decrease) in deferred income	364,751	143,158
Net cash from Operating Activities	<u>616,585</u>	<u>892,699</u>

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Notes to financial statements
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21. Related party transactions

Due to the nature of the College's operations and the composition of its Board of Directors it is possible that transactions will take place within the College in which a director of the College may have an interest. Systems are in place to record directors' interests in transactions with the College and any such transactions are carried out at arm's length in accordance with normal project and procurement procedures.

Where the College had transactions during the year or worked in partnership with the following organisations in which members of the Board of Management hold official positions, the total values are noted below.

Organisation	Member	Income 2021/22 £	Expenditure 2021/22 £	Balance due from at 31 July 2022 £	Balance due to at 31 July 2022 £
Colleges Scotland	Lydia Rohmer		624		-

The following directors are employees of West Highland College UHI and are remunerated for their roles within the College and not for their work as directors. The total paid to directors is disclosed in note 7

Lydia Rohmer
Nigel Patterson
Charles Mccrimmon

Directors may recover expenses in connection with their role and these are disclosed in note 7.

22. Company limited by guarantee

West Highland College UHI is a company limited by guarantee and accordingly does not have a share capital.

Every member of the Company undertakes to contribute such amount as may be required not exceeding £1 to the assets of the Charitable Company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member.