



University of the
Highlands and Islands
Inverness College

**Inverness College Report & Financial
Statements for the year ended
31 July 2020**

SCOTTISH CHARITY NUMBER SC021197

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Professional Advisors

External Auditor	-	Ernst & Young LLP Atria One 144 Morrison Street, Edinburgh, EH3 8EB
Internal Auditor	-	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Bankers	-	Royal Bank of Scotland 29 Harbour Road Inverness
Solicitors	-	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
Insurers	-	Marsh (Education Practice) Capital House 1-5 Perrymount Road Haywards Heath West Sussex RH16 3SY

Performance Report

OVERVIEW

Principal's Statement

The purpose of this overview is to give a short summary of the College's performance during 2019-20.

The most significant challenge for Inverness College UHI and for other colleges in the country in 2019-20, was the effect of Covid 19. Following Government advice, Inverness College locked-down its estate to staff and students in mid-March. Only key Estates Services staff were on site in order to ensure the estate was secure and continued to meet statutory requirements. This lock-down has been selectively lifted in response to the academic demands of the existing and new student intake and alignment with both rules and guidance.

In effect, most 19/20 delivery had to be completed off-site using our long experience of remote teaching via the internet but some students have needed to complete the practical and technical aspects of their courses on site and in this current academic year.

Inverness College and other UHI colleges were in an advantageous position compared to other colleges and universities in the country, as network and VC delivery has been part of the embedded teaching delivery for a number of years. Thus, the shock effect of Covid 19 on teaching delivery was not so severe as other institutions encountered.

The College has delivered an Adjusted Operating Position (Page 14) surplus prior to repayment of loan capital of £850,000, and after loan capital repayment a revised AOP position of £165,000, and given the pressures of this year, this can be considered a satisfactory result. The Statutory result is of course a lot worse as Depreciation, Deferred Grant Release and the movements on the College's share in Highland Council's Pension Scheme is included. This results in a deficit position of £2,049,000.

The financial impact of Covid 19 upon the college has meant less income and funding in the following areas:

- less ESIF funding due to credit target delivery being affected
- less Commercial income
- less Refectory income

However other income drivers held up better than expected and the effect of Covid 19 hit when most other income sources were near enough secured. The college utilised the Government's furlough scheme and this helped with support for (permissible) staff costs. The college saved on some teaching equipment costs; some estates costs; transport and subsistence costs; and food costs for refectory.

Mid-way through the year the College was projecting a sizeable RDEL (effectively revenue cash) deficit due to the following factors:

- projected MicroRam shortfall higher than budget
- HE student numbers being lower than target
- provision for a potential liability
- anticipated deficits in Early Learning Centre and Research
- staff cost pressures.

As a result, the College Board approved a Financial Recovery Plan in early April 2020. The Scottish Funding Council approved the College's Voluntary Severance Scheme (VSS) in May 2020. Some finance recovery measures not involving VSS were enacted before VSS formal approval. The efforts to deliver finance recovery measures also have helped to deliver a satisfactory financial position for the year. In addition, the MicroRam net outflows lessened by over £280,000 compared to the previous year and provisions for an identified potential liability is unlikely to be incurred.

Critically, nearly 50% of target savings were achieved by 31 July 20 which is satisfactory progress and ahead of the savings schedule and has helped the financial position for the year. It is clear that the finance recovery measures have had to be implemented in order also to meet the pressures in the coming years.

Looking ahead, in terms of the impact of Covid 19, the above areas of income generation are likely to be affected in 2020-21 at a higher level than above. The budget for 2020-21 shows a Cash surplus budget of near approximately £478,094 prior to Covid 19 (Cash deficit of £272,550 after Unitary Charge loan capital of approximately £750,664 is paid). Including a Covid 19 environment the budget for 2020-21 shows a Cash deficit of near approximately £189,356 prior to Covid 19 (Cash deficit of £940,000 after Unitary Charge loan capital of approximately £750,664 is paid). From current projection work, it is expected that the college can better this significantly. However, projecting the financial impact of Covid 19 is difficult when the trend of the virus is so uncertain. The college will do all in its power to manage its finances in a prudent way while recognising its obligations to meet the needs of what is likely to be a higher number of people who need retraining and reskilling due to the impact of Covid 19 on the labour market.

The college projected 1,604 FTE HE students; and delivered 1,525 FTE. The numbers continue to be challenging in line with the sector because of a national declining demographic. However, one impact of Covid 19 may be a general increase in student numbers, early data indicates that numbers for this year may be higher than planned.

Covid 19 affected the college's performance in recruiting students on our Further Education courses, and the college delivered 28,334 Credits against a core target of 28,915 Credits and additional ESIF 296 Credits. The profiled 'spend' of credits up to the end of the academic year was interrupted by Covid 19. However, there is no clawback of funding for any Credit shortfall arising if the shortfall was due to the impact of Covid 19. FE targets are likely to be affected by Covid 19 in 2020-21, but again there will be no clawback of funding for any shortfall arising if this shortfall is due to the impact of Covid 19.

In 2020-21 it is planned to undertake a comprehensive UHI wide curriculum review with a view to more tightly embedding and relating academic and financial planning. Curriculum delivery will be assessed strategically to ensure an efficient and effective offer. Over the next number of years, it is expected that there will be significant changes on how the colleges and university delivers both FE, HE and apprenticeships. It is likely that there will be greater partnership working with other universities.

The UHI Partnership Assembly, through its Project Board, has been in operation for over a year. Working groups have been charged with looking at the UHI/College partnership in terms of:-

- governance & accountability
- financial sustainability
- student perspective and experience
- staffing & career progression.

It is recognised by the College's Board that the College can generate limited savings and efficiencies in the current partnership structure. Greater levels of savings and efficiencies will require significant changes to the business model for the wider UHI/College partnership. Some colleges within the UHI partnership, including Inverness College, has approached the Scottish Government about working closer together and even not ruling out mergers if required, in order to address the challenges that the partnership faces.

Despite the challenging financial environment, Inverness College continues to provide a high quality experience to its students. Student satisfaction rates, monitored via the National Student Survey and Student Satisfaction and Engagement Survey, remain high at 83% and 93% overall respectively.

In summary, despite the challenging financial context noted above, I believe the college continues to deliver on its core mission to provide inclusive and accessible high quality vocational training, life-long learning and research opportunities, relevant to the needs of learners, communities and employers, across the Inverness-shire area. I am indebted to the College staff, students, governors and

stakeholders who have made this possible.



Professor Christopher O'Neil
Principal and Chief Executive Officer

Performance Report (contd.)

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

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

The Financial Statements cover all activities of the College.

Purpose Statement 2017-20

The College Purpose Statement is: Inverness College UHI will have a transformational impact on the development and prospects of the Highlands and Islands region through the provision of excellence in education, training and research, encouraging individual attainment and driving economic and community development.

Strategic Vision 2017-2020

We will be recognised as a centre of excellence, working with partners to deliver a coherent education system founded upon:

- Inclusive practice that encourages participation and closes the attainment gap
- Courses of excellent quality that respond to industry demand
- Seamless pathways through all levels of education
- Research that informs teaching and drives regional innovation.

We aim to achieve this by creating a dynamic and progressive environment which promotes effective teamwork, dispersed leadership and creativity

The Board is considering the College's new strategy going forward from 2020-21.

Core Values 2017-2020

Respect, Integrity, Accountability, Passion

Implementation of the Inverness Strategic Plan

The College's current strategic aims are set out under the following headings:-
Student Life; Curriculum, Professional Practice, Organisational Development, Research and Innovation, Sustainability

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 Student Life

- We will build a vibrant campus community that all of our students are proud of, and within which they are engaged and supported to reach their potential. We will strengthen our existing

relationships between our students, staff, employers and the wider community to further increase student participation and the student voice.

Our student services team offers 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 the challenges of supporting learners in a Covid19 environment.

Aim 2 Curriculum

- We will offer a progressive curriculum that is valued by our students, employers and the communities we serve, and that is delivered in a variety of ways to make it accessible to all. We will ensure the curriculum remains relevant, responsive to demand and aligned with employment opportunities, providing a range of progression pathways that contribute to the economic growth and social cohesion of our region.

The College's annual curriculum review ensures that its portfolio of courses remains relevant and valued. The net growth in student numbers over several years, and the increase in areas of provision such as apprenticeships, evidences the success of our curriculum. However, in the context of financial recovery and efficiency in an ever more challenging financial environment, the curriculum review has identified areas of provision that have become inefficient and/or uneconomic to deliver in their current form. Further work will be done in 2020-21 to ensure that curriculum planning and financial planning reflect these challenges and ensure provision remains sustainable while responding to our curriculum aims. The College will also work with UHI partners to ensure the delivery of networked Higher Education is efficient and economically resilient.

The restrictions enforced by the COVID-19 pandemic have presented, and continue to present, particular, additional challenges to the delivery and sustainability of our curriculum.

Aim 3 Professional Practice

- Recognising that people have the greatest influence on our success, we will operate in a positive culture where we stretch ourselves to deliver the highest standards of service, support and delivery that exceeds expectations.

The College's commitment to its people and the high standards of service delivery that this supports are evidenced by our student recruitment, satisfaction and success rates, and by the achievements and recognition of our staff. In the 2019-20 Students' Association awards, 488 of the 913 nominations across the UHI partnership were for staff from Inverness College, with 52 receiving awards or being highly commended. Our student outcomes have been among the highest in the sector for several years, and the latest Evaluative Report published by Education Scotland (2017-18) attained the joint highest grades in the sector, with a grade of 'Excellent' for leadership and quality culture. The College has achieved the Investors in People Gold award and retained the Customer Service Excellence awards for several years, with a number of endorsements for sector leading practice.

The College makes a significant investment in its people, identify training and development needs and regularly supporting a range of development programmes in response to individual and organisational aims.

Aim 4 Organisational Development

- As a highly regarded organisation, we will attract and retain talented employees committed to achieving shared goals. We will create a supportive, collaborative and dynamic environment where students and staff are inspired to learn and develop. Our high-performance culture will be

underpinned by a dispersed leadership model, within which teams are empowered to deliver and share accountability for outcomes

Covid 19 has put this aim to the test in that all staff, apart from core Estates staff, have had to work off-site since March – July. This has resulted in new ways of management developing using digital technology for meetings, and also for managing staff and work. In general the college has continued to be able to deliver its core function of teaching students, with teaching staff going the extra mile to support students on the learner journey.

Also Support staff have had to face the challenges of remote working and working from home, and in general this has been a success. There is consideration being given to the mental well-being of staff and DSE assessments for staff working from home.

The College is and seeks to be compliant with the rules and spirit of Equality and Diversity legislation.

Aim 5 Research and Innovation

- We will build upon our successes in research by strengthening our impact and excellence and growing our regional and international reputation. We will continue to support and grow an innovative and inspired postgraduate researcher community. Our research will directly inform innovation and entrepreneurship activity in key sectors regionally and internationally.

Year on year the college has continued to build a research capacity which is founded upon research excellence in two main centres – the Rivers and Lochs Institute and the Centre for Remote and Sustainable Communities (this was recently renamed from the Centre for Remote and Rural Studies), and the Wooded Landscapes Research Group, which is the focus for research aligned to the Scottish School of Forestry. It has also supported staff engagement in research across the organisation to ensure research led teaching. While 2019-20 has proved to be exceptionally challenging for research, we were still able to achieve 13.2 FTE (16 staff) eligible for submission to the Research Excellence Framework (REF) 2021. This figure exceeds the 2014 submission of 2.4fte, and also exceeds the target of 10fte set in the Research and Innovation Strategy. This significant achievement should enable the college to realise significantly more research excellence grant when the outcomes of the REF exercise are announced in March 2022. The final submission date for the REF has been postponed from 27 November 2020, to 31 March 2021. The college was also successful in securing two Knowledge Transfer Projects in 19-20.

The college postgraduate researchers, together with the staff, have had considerable delays and challenge to their planned research programmes over the period of lockdown. While there are the obvious delays created by being unable to undertake lab and fieldwork, there have also been concerns around mental health issues. Considerable support has been put in place, through supervisory teams, general group meetings, and online social gatherings to try and ensure students and staff have been able to engage with their research and work as positively and effectively as possible. As soon as it was possible and safe to do so, access to lab and office facilities was enabled.

Aim 6 Sustainability

- We will ensure our continuing financial stability by developing income streams and promoting efficient, effective service delivery. We will work collaboratively to enhance the prosperity of the regional economy. We are committed to acting responsibly by protecting our environment, maintaining and developing our infrastructure and managing our risks.

Based on a review of the financial position, the College implemented a financial recovery plan which included a VSS scheme approved by the Scottish Funding Council. Most of this has been delivered within a timeframe of six months meaning a potentially serious deficit situation on RDEL (Revenue Department Expenditure Limit) for the year ended 31 July 2020, was actually a small surplus. The 2020-21 budget which includes budgeting in a Covid 19 environment, projects a deficit. However, given the financial recovery measures implemented, this projected deficit is manageable. The college lost a number of posts in the year ended 31 July 20 including that of the Director of Finance (this post is now shared with Inverness College) and also the Director of Organisational Development.

The effects of National Bargaining and job evaluation for Support Staff, and whether inflation pay rises for staff are funded or not by the Scottish Government/SFC, are obviously also key factors.

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.

The main risks to Inverness College are:-

- Covid 19 and the safety of the college's students and staff when studying and working in this environment. Also, the potential effect on college finances and the delivery of curriculum and student experience. The College has a Covid 19 Team led by a Depute Principal reviewing all legislation and recommendations issued by the Scottish Government.
- Although not managed by Inverness College, the operation of the student residences in a Covid 19 environment; also the uptake of residences. UHI EO has a Residences Board and Inverness College is represented on it.
- Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College. This has been addressed in great measure by the Financial Recovery Plan. However there are one or two areas of College operations being Early Learning Centre, Refectory, SMT and Research which are still in the process of being reviewed to generate further financial savings.
- The impact of Job Evaluation for Support staff and the financial repercussions following therefrom. There are likely to be monies made available from the SFC for the financial implications flowing therefrom.
- Employer pension contributions to the Scottish Teachers Pension Scheme increased from 17.2% to 23% in September 2019.

The latter two risks noted above have sector-wide significance and have been raised with the SFC at sector-level. Additional funding was made available regarding the additional teachers' pension costs.

Going Concern

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 liabilities include a Pension Provision for early retirements of £2,314,086 and a Pension Liability of £17,857,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LGPS). 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.

Despite Covid 19 the college's income drivers held up, although there was a loss of income re ESIF funding due to FE credit delivery being affected and not meeting target (Actual 28,334, Target 29,211); Commercial income; and Refectory income. However, generally income drivers held up better than expected with the main Covid 19 impacts taking place after most other income sources were near enough secured. Despite this, the College managed to deliver a RDEL (Resource Department Expenditure Limit) surplus, which was a welcome development given projections half-way through the year. Financial recovery measures helped in delivering this satisfactory outturn. The College is a Going Concern. However beyond two – three years, 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. Also see Note 1 on the Financial Statements for a fuller assessment of going concern.

PERFORMANCE ANALYSIS

Student Activity Indicators

After four successive years of growth in student recruitment for Higher Education (HE), 2019-20 was the second year of declining numbers, with HE student numbers failing to meet target in both years. Further Education (FE) activity also failed to meet target for the first time since 2013-14, however, this was due to the restrictions enforced by the Covid-19 pandemic. The Scottish Funding Council has stated that it will not recover funds for shortfalls against targets for 2019-20 where these are related to Covid-19.

The College participates fully in addressing opportunities and concerns at a regional level by working closely with our UHI academic partners to match resources with demand.

As part of the University of the Highlands and Islands partnership, the College HE activity is measured in full time equivalents (FTEs) rather than credits.

Student Activity	Target 2019/20	Outturn 2019/20	Target 2018/19	Outturn 2018/19
FE Credits	29,211	28,334	29,211	29,211
HE UGT FTEs	1,604	1,525	1,618	1,578

The College has a strong focus on the quality of its students' experience, as evidenced by the most recent Evaluative Report published by Education Scotland. Student satisfaction rates remained high in 2019-20, despite the drastic changes to delivery necessitated by the enforced shift to remote learning for all students.

Current and Future Developments

Inverness College UHI is one of the largest academic partners in the University of the Highlands and Islands (UHI). It delivers over one-quarter of the region's further education (FE) provision and just under one-quarter of its higher education (HE) provision. The College has grown its HE provision in recent years and, despite a recent downturn in HE enrolments, this growth has contributed to the development of a tertiary curriculum that spans all levels and modes of delivery. The already significant provision of Modern Apprenticeships has grown further in recent years, expanding both in terms of frameworks on offer and apprentice numbers. The College works closely with the Highland Council and its 29 secondary schools to deliver a rich offer of programmes for school pupils in the senior phase, including vocational pathways, Foundation Apprenticeships and Degree modules. The College's early response to the *Developing the Young Workforce* (DYW) ensured that it took a lead role in the recruitment of Foundation Apprentices and delivered the very first Graduate Apprenticeship (in Civil Engineering), the first cohort of which graduated in 2019-20 – the first GAs in Scotland to do so. A Graduate Apprenticeship in Early Learning and Childcare has now been added to our portfolio.

In addition, we wish to build on our first intake on Applied Software Development and our relationship with IBM who have provided a fantastic set of guest speakers to support the programme. We continue to develop our partnership with the University of the Arts to enhance our portfolio of creative arts programmes. We have also won a contract to develop a Scotland wide Teaching Qualification in Tertiary Education. We are developing our first Technical Apprenticeship in Project Management.

Research

The following summarises current activity against performance indicators of REF, PGRs, and KTPs. In part the College is using our research capacity to develop the 'currency' of the curriculum and to strategically map our development onto the needs of our region.

1. Research Excellence Framework

31st July 2020 was the cut off for staff eligible to be submitted to the REF.

In the 2014 REF the number of staff submitted totalled 2.4 FTE (3 people) split across 3 units of assessment (UoAs). The number being submitted to the 2021 REF is 13.2 FTE (16 people) split across 4 UoAs. The UoAs are as follows:

UoA 3 Health and Allied Sciences	IC staff submission = 1.0 fte
UoA 7 Environmental Sciences	IC staff submission = 5.6 fte
UoA 25 Area Studies	IC staff submission = 5.8 fte
UoA 23 Education	IC staff submission = 0.8 fte

The KPI target for staff submitted has been exceeded by 3.2fte; and there are 11.4fte more staff being submitted to the 2021 REF compared to REF 2014.

Due to Covid-19, the 2021 REF submission deadline has been extended from 27th November 2020, to 31st March 2021. The outcomes of the 2021 REF review will be announced in April 2022, with the scores being used by the funding bodies to inform research funding from the academic year 2022–23. This presents a potentially challenging funding gap for IC for academic years 2020-21 and 2021-22.

2. Number of postgraduate research students (PGRs)

The total number of PGR students at September 2020 is 12, with 2 new fully funded MRes students (funding from Transport Scotland) due to start in October 2020. This is as expected for this point in the year according to the target. It was decided to increase the target for PGR numbers by only 3 due to being at capacity of research supervisors in the team. 3 PGR completions are expected in the next 4-5 months.

PGRs have been adversely affected by the pandemic. The majority of PGRs have some delay in their projects (some up to 6 months) and this can be mitigated by application to the Covid uplift funding which came to UHI from SG.

3. Number of Knowledge Transfer Partnerships

As research capacity has grown at ICUHI we have been able to look at delivering KTPs (Knowledge Transfer Partnership). In 19/20 we have been successful in securing 2 KTPs. The first of these started in early 2020 with National Trust for Scotland, and despite an uncertain period due to Covid-19, during which time the KTP associate was furloughed, it was recently announced that this KTP will continue. The second KTP started in August with Tilhill Forestry.

KTP funding is an anticipated growth area, and the target for 20-21 is to manage 4 KTP (including the 2 already secured).

Research Centres

Rivers and Lochs Institute

The Rivers and Loch Institute Director Prof Eric Verspoor retired from the position in June 2020 after 7 years leading the development of the institute. The RLI has focused on impactful genomics research to sectors and industries directly involved in the management of freshwater environments. Plans are to develop this work and expand into freshwater/riverine restoration. The RLI genetics laboratory is already undertaking research in collaboration with other UHI research partners, and this is planned to expand.

Centre for Remote and Sustainable Communities

The Centre for Remote and Sustainable Communities is led by Dr Vicky Johnson who started work with the college on 1 March 2020. It has reformed from the Centre for Remote and Rural Studies led by Professor Philomena de Lima, who retired from the Director position in December 2019. The Centre includes CREATE which has a long-standing reputation in delivery of enterprise and entrepreneurship training. The CRSC will take an interdisciplinary and creative approach to research and entrepreneurship to understand complexity, change and uncertainty.

Wooded Landscapes Research Group

The WLRG is working closely with the RLI and CRSC and UHI academic partners as the main focus for forestry based research in the UHI partnership. With strong links to the forestry sector, it has been the natural focus for the development and delivery of the two KTPs secured in 2019-20.

Financial Performance**Non-cash Allocation**

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

	2019/20 £'000	2018/19 £'000	Notes
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(2,115)	(335)	SEE SOCI
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	992	1,053	SEE NOTE 11
Operating (deficit)/surplus on Central Government accounting basis for the academic year	(1,123)	718	

Following reclassification, incorporated colleges received a non-cash budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the College recorded a deficit of £2,049,000 for the year ended 31 July 2020. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" surplus of £165,000 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

	2019-20 £'000	2018-19 £'000
Surplus/(deficit) before other gains and losses	(2,049)	(335)
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 13)	992	1,053
- Pension adjustment – Net service cost (Note 6)	1,460	1,110
- Pension adjustment - Net interest cost (Note 9)	236	137
- Pension adjustment - Early retirement Provision (Note 17)	211	190

Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	0	1,201
- NPD income applied to reduce NPD balance sheet debt (Note 10)	685	625
Adjusted operating surplus	165	329

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2020 shows a deficit of £2,049,000 (2018/19 £335,000 deficit). This was largely attributable to a cash surplus of £850,000, prior to loan capital repayment, together with net depreciation charge of £992,000, plus adjustments for the College's share in Highland Council's Superannuation Scheme amounting to £1,696,000. There was an adverse actuarial movement of £5,777,000 in this same scheme (2018/19 – actuarial valuation decrease of £4,744,000). Total income decreased from £28.4 million to £28 million and expenditure has increased from £28.7 million to £30.1 million.

Creditor Payment Policy

The College seeks to comply with the CBI Prompt Payment Code and aims to pay its suppliers within 30 days of receipt of invoice, unless the invoice is contested. The College's average creditor payment period was 28 days over the 12 month period to July 2020 compared with the figure of 32 days in the 12 months to July 2019. The College paid interest of £0 during the year (2018-19 £0) under the late payment of Commercial Debts (Interest) Act 1998 in relation to the settlement of balances due to the GTEI Ltd.

Spend of Cash Budget for Priorities

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

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

Table of cash budget for priorities spend		
Revenue Priorities	2019/20 (£'000)	2018/19 (£'000)
Student support	0	0
2015-16 pay award	0	310
Voluntary severance	167	0
Estates Costs	90	118
Other agreed priorities (give detail)	0	0

Total impact on operating position	257	428
Capital Priorities		
Loan repayments (including PFI, NPD repayments)	685	625
Estates Costs	0	0
Provisions pre 1 April 2014 (give detail) carried on balance sheet	0	0
Total Capital	685	625
Total cash budget for priorities spend	942	1,053

Sustainability Strategy

The College works with Advanced Procurement for Universities and Colleges (APUC) and seeks to embed sustainability in its procurement function. It utilises national framework agreements for gas, electricity and water.

The College has a Carbon Management Plan which provides baseline data in respect of performance of all of its estates and its current carbon reduction targets, plans and projects. The College is working alongside students, staff and contractors to reduce waste and increase recycling with a target to achieve a 10% reduction in personal waste for every student and staff member and a 95% recycling target by 2020. Utility costs are reviewed on a monthly basis and strategies have been put in place to reduce energy consumption.

The College has an active travel plan which includes strategies to increase cycling and improve pedestrian access to the campus.

The College is developing a car park strategy to address environmental and financial sustainability of this asset in line with encouraging active travel.

Covid 19 is bringing challenges but also opportunities. Demand for travel has reduced, and it is unlikely the College will go back to how it previously managed this. Also demand for estate will be considered going forward, particularly how the Support Staff work longer term. The results of this may mean further reductions in carbon. These issues are still being considered.

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

Disclosure of Information to Auditors

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

Approved by order of the members of the Board on 18th February 2021 and signed on its behalf by:



Professor Christopher O'Neil
Principal and Chief Executive Officer



Sarah Burton
Chair

Accountability Report

Section One: Statement of Corporate Governance

DIRECTORS' REPORT

Members of the Board of Management

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

The Members, who served on the Board of Management during the year 2019-20, and up to the date of the accounts being signed on 18 February 2021, were as follows:

Name	Designated Role	Membership	Start Date	End Date
John Wilson	Vice-Chair of Board of Management Senior Independent Member	<ul style="list-style-type: none"> • Board of Management • Chairs Committee • Human Resources Committee • New Campus Project Board • Longman Disposal Project Board • Performance Review and Remuneration Board 	11 June 2007	31 December 2020
Hazel Allen	Chair of Audit Committee	<ul style="list-style-type: none"> • Board of Management • Chairs Committee • Audit Committee • Performance Review and Remuneration Board 	13 May 2014	June 2020
Neil Stewart	Chair of Board of Management	<ul style="list-style-type: none"> • Board of Management • Chairs Committee • New Campus Project Board • Longman Disposal Project Board • Finance and General Purposes Committee 	13 May 2014	December 2019
Kelly MacKenzie	Support Staff Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Learning, Teaching and Research Committee 	01 August 2019	
Steve Walsh	Independent Member	<ul style="list-style-type: none"> • Board of Management • Chairs Committee 	01 January 2016	December 2019
Jaci Douglas	Vice-Chair of Audit Committee	<ul style="list-style-type: none"> • Board of Management • Audit Committee 	01 June 2016	30 May 2020
Gavin Ross	Chair of Finance and General Purposes Committee	<ul style="list-style-type: none"> • Board of Management • Finance & General Purposes Committee • Learning, Teaching & Research Committee • New Campus Project Board • Longman Disposal Project Board • Chairs Committee 	01 June 2016	30 May 2020

George Gunn	Student Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	01 September 2019	31 August 2020
Sarah Burton	Chair of Board of Management	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching & Research Committee • New Campus Project Board • Audit Committee • Chairs Committee • Longman Disposal Project Board • Performance Review and Remuneration Board • Finance and General Purposes Committee 	12 April 2017	
Andrew Gray	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Human Resources Committee 	12 April 2017	
Innis Montgomery	Chair of Human Resources Committee	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Human Resources Committee • Chairs Committee • PR&R Committee 	12 April 2017	
Fiona Neilson	Interim Chair of Audit Committee	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Learning, Teaching and Research Committee 	20 November 2017	18 January 2021
Tom Speirs	Chair of Learning, Teaching and Research Committee	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Human Resources Committee • Chairs Committee • Performance Review and Remuneration Board 	12 June 2017	August 2020
Chris O'Neil	Principal	<ul style="list-style-type: none"> • Board of Management • Human Resources Committee • Finance and General Purposes Committee • Learning, Teaching and Research (ex officio member) • New Campus Project Board • Longman Disposal Project Board • Audit Committee 	01 September 2017	
Robyn Kennedy	Teaching Staff Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	21 March 2018	
Viv Mackie	Student Member	<ul style="list-style-type: none"> • Learning, Teaching and Research Committee • Board of Management 	1 September 2019	
Samantha Cribb	Independent Member	<ul style="list-style-type: none"> • Audit Committee • Board of Management 	1 December 2019	

		<ul style="list-style-type: none"> • Learning, Teaching and Research Committee 		
Sally Blyth	Independent Member	<ul style="list-style-type: none"> • Audit Committee • Board of Management • Learning, Teaching and Research Committee 	1 December 2019	
Leanne MacKenzie	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Human Resources Committee 	1 December 2019	
Gillian Galloway	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Human Resources Committee 	1 December 2019	
Donald MacKenzie	Chair of Finance and General Purposes Committee	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee 	Co-Opted Member - 1 December 2019 Board Member - 18 June 2020	
Tina Stones	Co-Opted Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	21 January 2019	

In addition to the non-executive Board of Management Members in place during 2019/20, Inverness College successfully undertook a non-executive recruitment exercise between October and November 2020. Four new non-executive Board Members and one Co-opted Board Member have been proposed to the regional strategic body (UHI) for ratification and will attend meetings from the February 2021 Board of Management meeting onwards.

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

Member	BoM	HR	Audit	F&GP	Longman Disposal	New Campus	Chairs	PR&R	LT&R
John Wilson	5/5	3/3			6/6	6/6	5/5	3/3	
Hazel Allen	3/5		3/4				3/5	2/3	
Neil Stewart	2/5			1/4	2/6	1/6	2/5		
Kelly MacKenzie	5/5			4/4					4/4
Steve Walsh	2/5						1/5		
Jaci Douglas	3/5		3/4						
Gavin Ross	3/5			2/4	2/6	4/6	1/5		1/4
George Gunn	5/5								4/4
Sarah Burton	5/5		2/4	1/4	6/6	6/6	5/5	3/3	1/4
Andrew Gray	3/5	3/3		4/4					
Innis Montgomery	5/5	3/3	3/4				3/5	3/3	

Fiona Neilson	4/5		3/4						3/4
Tom Speirs	4/5			4/4			3/5	3/3	4/4
Chris O'Neil	5/5	3/3	4/4	4/4	6/6	6/6			4/4
Robyn Kennedy	5/5								3/4
Viv Mackie	5/5								2/4
Samantha Cribb	3/5		1/4						1/4
Sally Blyth	3/5		2/4						2/4
Leanne MacKenzie	3/5	1/3		2/4					
Gillian Galloway	3/5	2/3		2/4					
Donald MacKenzie	3/5			2/4					
Tina Stones	3/5								2/4

During 2019/20 there were a number of staff changes to the position of Board Secretary and for part of the year existing Inverness College staff provided internal cover for the role and temporary staff were then put in place until a permanent Board Secretary could take over the role. These changes were as follows:

- 1st August 2019 – November 2019 – Erin Grant – Appointed as Board Secretary but left the position.
- November 2019 – 12th December 2019 – internal cover provided by existing Inverness College staff: Emma Baillie, Aimee Cormack and Shona MacDonald.
- 13th December 2019 – 6th March 2020 – Bernie Moriarty – Temporary Staff Member.
- 9th March – 3rd April 2020 – Stephanie Thompson – Temporary Staff Member.
- 6th April 2020 onwards – Lisa Ross. Appointed as Board Secretary.

The Board Secretary maintains a register of financial and personal interests of the Board members. The Register is available for inspection at:

Inverness College UHI
1 Inverness Campus
INVERNESS IV2 5NA

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

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

- clear definitions of responsibilities of, and the authority delegated to, College management;
- a comprehensive planning process supplemented by detailed annual income, expenditure, and

capital budgets;

- regular reviews of key performance indicators and business risks and monthly financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Finance Committee; and
- A professional internal audit service whose annual programme is established by the Audit & 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

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

Inverness College complies with all principles of the 2016 Code of Good Governance for Scottish Colleges including, C.17 which was an area of non-compliance within 2017/18. The Audit and Risk Management Committee have met with Auditors without the Executive Team present as part of the scheduled cycle of Board of Management meetings and will continue to do so for 2020/21.

On 28 November 2016 On Board Training and Consultancy Ltd (On Board), was commissioned to undertake an 'externally facilitated Board Effectiveness Review' of Inverness College, the report and action plan is available on the College's website. Due to COVID-19, the planned follow-up review has been postponed until Q1 2021, and the College is working with the College Development Network to procure a suitable external reviewer.

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

Introduction

The most challenging issue for the College to face this financial year was the challenge of Covid 19. The Board has been updated by management of its efforts to manage the College during this pandemic. The Board has held its meetings digitally throughout this period and Board business has held up well despite not been able to meet face to face. The Board has also asked Internal Audit to review the College's management of all the issues that Covid 19 has given rise to and the College's compliance in dealing with these issues.

BOARD OF MANAGEMENT

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

- Audit & Committee;
- Finance & General Purposes Committee;
- Performance Review and Remuneration Committee;
- Learning, Teaching and Research Committee;
- Human Resources Committee;
- Search and Nominations Committee;
- Longman Disposal Project Board Committee
- New Campus Project Board 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; Finance and General Purposes; Learning, Teaching and Research; and Human Resources) meet four times a year in line with the Board of Management cycle, with the Audit Committee also meeting with the College's external and internal auditors as appropriate.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to the Senior Management Team and the Audit & Risk Management Committee. The College Internal Auditors reported as follows for 2019-20: 'BDO is satisfied that the internal audit service provides Inverness College with reasonable assurance that there are no major weaknesses in the internal controls systems for the areas reviewed in 2019-20. The statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance however confirms that, based on the evidence of the audits conducted, there are no signs of material weakness in the

framework of control'.

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 (except the confidential New Campus Project Board and Longman Disposal Project Board) are available from the Secretary to the Board at the following address or on the College's website:

Inverness College UHI
1 Inverness Campus
Inverness
IV2 5NA

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

ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

Audit Committee

The remit of the Audit Committee is to review and monitor the following aspects of the College's operations, and to advise the Board appropriately on:

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

Specifically, the Audit Committee shall:

- Receive updates to and review the contents of the risk register maintained by the College.
- Review the reports submitted by the College's Internal Auditors and receive progress reports from College Management on the Internal Audit recommendations.
- Jointly with the Board's Finance and General Purposes Committee review the annual report of the College's external auditors and the associated College financial statements on which that report is based
- Prepare an annual report for the Board of Management
- Sit privately without any non-members present for all or part of the meeting if it so decides. The Committee will meet privately with the internal and external auditors at least annually.
- The Audit Committee shall conduct its business in accordance with the requirements of any guidance and/ or codes of practice issued from time to time by the SFC and/ or any other

relevant statutory or regulatory authority, as directed by the Board of Management.

Human Resources Committee

The HR Committee has overall responsibility for the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff and shall oversee the development and auditing of all human resource strategies and work streams such as:

- Overseeing the Organisation and Professional Development Strategy and Annual Action Plan and monitoring actual performance against KPIs.
- Overseeing the human resources measures surrounding turnover, absence, diversity and teaching qualifications
- Ensuring that the College has appropriate succession plans in place for senior management, teaching and support staff
- Reviewing all Human Resource policies within the College.
- Overseeing the provision of occupational health support, the provision of computerised human resources systems and a Job Evaluation system.
- Monitoring progress against Equality Scheme Action Plans.
- Monitoring the Investors in People and Customer Services Excellence standards and ensuring that the College provides appropriate Staff training and development.
- Ensuring the College has in place an effective Performance Management framework monitored through regular statistical reports to the Committee.
- Ensuring appropriate arrangements are in place for effective dialogue with trade unions
- Ensuring that pay and conditions of employment are properly determined and that pension arrangements are monitored
- Ensuring that the college is operating within all legal requirements relating to employment law and other legislation affecting employment

Learning, Teaching and Research Committee

The Learning, Teaching and Research Committee has overall responsibility for monitoring the direction and performance of learning, teaching and research at the College and shall:

- Oversee the development and implementation of the various strategies aligned to the committee and monitor their performance against targets
- Recognise trends in education and research and recommend specific initiatives in the College.
- Monitor student recruitment, retention and achievement and any actions identified
- Monitor the progress of the annual Student Partnership agreement
- Monitor data relating to the student experience and performance at the College
- Ensure that the college continues to maintain and improve the quality of its provision.
- Monitor the College's preparedness for the ongoing, external scrutiny of its provision.
- Monitor the development of the College's International links
- Monitor the Curriculum to ensure that the College meets the needs of students, stakeholders and the local community
- Receive and consider information on research activity in the college including funding, curriculum support, student journey, professional development and stakeholder engagement
- Review the results of the external verification visits carried out throughout the year
- Monitor the level and type of complaints received
- Receive regular reports from the Students Association and monitor the college response to student concerns.

Finance and General Purposes Committee

The Finance and General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Regional Strategic Body) for the direction and oversight of the College's financial affairs as well as the College's existing buildings and estates. The Finance and General Purposes Committee shall:

- Monitor the financial position of the college and report to the Board on any necessary action
- To receive and consider information on non-core grant supported activity including international student and business development activities
- Keep the College Financial Regulations under review.
- Review, approve and monitor the implementation of the College's finance and estates strategies and associated plans, and to submit appropriate reports and recommendations to the Board.
- Review the effectiveness of financial management and controls within the College.
- Receive and approve the annual revenue and capital budgets and final accounts for recommendation to the Board.
- Make recommendations to the Board regarding the level of tuition fees and other charges.
- Approve the write-off of bad debts in accordance with the limits set in the Scheme of Delegation.
- Consider, and contribute to, the overall risk management strategy of the college.
- Ensure compliance with relevant College policies and financial statutory and regulatory requirements;
- Consider and report on Shared Services in so far as they relate to the provision of such services under the remit of this committee
- Consider and report on issues of procurement giving consideration to value for money.
- Consider and recommend to the Board on all matters relating to the operation of the Arm's Length Foundation
- Ensure that the college's existing buildings and estates are fit for purpose and are maintained to an appropriate standard, meeting all relevant regulatory requirements
- Consider and report on any other financial matters which the Board may delegate or refer from time to time.

Chairs Committee

The Chairs Committee will:

- Review the membership of the Board's Standing Committees and the overall effectiveness of the Board's Committee Structure and to recommend to the Board any amendments or additions considered appropriate.
- Ensure effective self-evaluation of the Board, its members, its Standing Committees and its Chairs.
- Develop the annual Board development day programme.
- Oversee the planning of the Board's training and development programme. Oversee development of the Board's stakeholder engagement.
- At the special request of the Board, to consider matters of special interest which are not within the remit of another Standing Committee.
- To exercise the functions of the Board in any cases of urgency of which the Chair of the Board, the Vice Chair or the Chair of a Standing Committee or the Senior Independent Member shall be the judge and where it is not practicable to convene a meeting of the Board of Management.

Search and Nomination Committee

The Search and Nomination committee shall:

- Consider the skills matrix of current Board Members to determine the skills and experience required of prospective members
- Agree which Inverness College members should be on the Selection Panel
- Ask UHI to identify members of the University Court and confirm the recommendation by the committee of an independent person to join the Selection Panel
- In consultation with UHI,
- A. agree a timetable for the recruitment and selection process.
- B. Agree the various forms of advertising to be used to ensure the college meets the College Sector Board Appointments: 2014 Ministerial Guidance and the requirements of the Public

Sector Equality Duty

- C. Agree the key information to be included in the advertising material.

Performance Review and Remuneration Committee

The Committee shall consider and make decisions on the remuneration package and conditions of service, and any changes thereof, of the College Principal and such other senior staff as is considered appropriate, taking into account:

- That College senior management should be fairly rewarded for their individual performance and contribution to the College's overall performance
- Where, in terms of senior management remuneration, the College stands in relation to other comparable institutions in the sector, organisations of a similar size and the local market;
- The Scottish Government's approach to remuneration in the public sector;
- The relationship between the remuneration of the senior management and that of other employees of the College
- The benefits granted to senior management; and
- The adequacy of pension arrangements and also the cost implication of pension arrangements including the pension effect of remuneration proposals.

The Committee shall review the annual appraisal of the Principal and Chief Executive by the Chair of the Board and review the Principal and Chief Executive's continuing professional development.

One member of the Board of Management shall represent the Board on the interview panel for Senior Management appointments.

The Committee shall consider such other matters relating to the Board of Management which the Chair shall from time to time determine, in particular in relation to severance payments.

The Committee should endorse any proposals for severance payments to Senior Managers and any exceptional settlements which will require to be formally notified to the Board of Management.

Longman Disposal Project Board

The Longman Disposal Project Board will monitor progress on the Project on behalf of the Board of Management, provide advice and support to the Project Steering Group as required and make decisions within the Project Board's delegated authority.

The Longman Disposal Project Board has the following responsibilities:

- Overseeing the progress of the Project on behalf of the Board of Management. The Project Board will operate in an advisory capacity and concern itself with the efficient and effective management and organisation of the Project.
- Maintain visible and sustained strategic commitment to the delivery of the Project.
- Appoint the Project Sponsor and approve the key appointments to the Project Team.
- Review reports from the Project Steering Group and Project Manager.
- Maintain oversight of the implementation of the Disposal Strategy for the Longman Road site, including any demolitions prior to marketing.
- Ensure that communication and consultation strategies are in place for the Project.
- Monitor the risk register established for the Project.
- Monitor regular budget reports.
- To consider any necessary changes to the Project and make recommendations to the Board of Management. In particular, at each approval stage, evaluate the proposed strategy and related actions to ensure that it is satisfied that risks associated with the Project are being managed effectively and that the Project meets the objective of disposing of the site in a manner that seeks

to minimise timescale and maximises receipts. In the event that any review identifies serious deficiencies, risks, difficulties or budget concerns in respect of the Project, the Project Board shall determine the appropriate means of addressing and remedying such serious deficiencies, difficulties or budget concerns.

- Ensure that a post-implementation review is provided and reported to the Board of Management.

Delegated Authority

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

This would include specifically, but not exclusively:

- Confirmation of any demolitions required prior to marketing the site.
- Selection of a preferred bidder following marketing of the site.
- Conclude any contracts of sale or purchase as previously approved by the Board.
- Review and scrutinise the performance of each of: the Project Sponsor; the Project Manager; and the Project Team against their respective responsibilities all as set out in the Project Implementation Plan. In the event that the Project Board considers that: the Project Sponsor; the Project Manager; and/or the Project Team have failed to meet any such responsibilities, the Project Board shall determine the appropriate means of addressing and remedying such failure.

New Campus Project Board

The New Campus Project Board will monitor progress on the Project on behalf of the Board of Management, provide advice and support to the Project Steering Group as required and make decisions within the Project Board's delegated authority.

The New Campus Project Board has the following responsibilities:

- Overseeing the progress of the Project on behalf of the Board of Management. The Project Board will operate in an advisory capacity and concern itself with the efficient and effective management and organisation of the Project.
- Maintain visible and sustained strategic commitment to the delivery of the Project.
- Appoint the Project Sponsor and approve the key appointments to the Project Team.
- Review reports from the Project Steering Group and Project Manager.
- Oversight of the implementation of the Estates Strategy as it relates to the new campus development.
- Ensure that communication and consultation strategies are in place for the Project.
- Monitor the risk register established for the Project.
- Monitor regular budget reports.
- To consider any necessary changes to the Project and make recommendations to the Board of Management
- At each approval gateway, evaluate the business case and investment proposals to ensure that it is satisfied that risks associated with the Project are being managed effectively and that the Project remains affordable. In the event that any gateway review identifies serious deficiencies, difficulties or budget concerns in respect of the Project, the Project Board shall determine the appropriate means of addressing and remedying such serious deficiencies, difficulties or budget concerns.
- Review and scrutinise the performance of each of: the Project Steering Group; the Project Sponsor; the Project Manager; and the Project Team against their respective responsibilities all as set out in the Project Implementation Plan. In the event that the Project Board considers that: the Project Steering Group; the Project Sponsor; the Project Manager; and/or the Project Team have failed to meet any such responsibilities, the Project Board shall determine the appropriate means of addressing and remedying such failure.

- Ensure that a post-implementation review is provided and reported to the Board of Management.

Delegated Authority

The New Campus Project Board shall have authority to make commitments on behalf of the Board of Management, including matters that have received Board approval in principle.

This would include specifically, but not exclusively:

- Conclude any contracts of sale or purchase as previously approved by the Board.
- Post the approval of Stage D design, approve any changes that do not fundamentally change the design concept or result in an aggregated potential capital cost over-run compared to Scottish Government NPD Capital cap of more than £100,000 (any such over-runs to be funded from non NPD sources). The cumulative impact of any such changes to be reported to the Board of Management.
- Post the approval of Stage D design, approve any changes that do not fundamentally change the design concept or result in an aggregated potential cost over-run of more than £100,000. The cumulative impact of any such changes to be reported to the Board of Management.

CORPORATE STRATEGY

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

ESTATES STRATEGY

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

The College considers its Estate to be fit for purpose in the main. No extensive changes were identified within the three-year Estates Strategy which runs from 2017 to 2020 and is currently under review.

The Estates Strategy 2017-2020 identified the following priorities: -

Campus	Current Condition	Future Plan	Priorities
Inverness Campus	Excellent	To maintain and develop the Campus to the highest standard and improve sustainability	Improve Storage Maximise space utilisation Robust maintenance and replacement programme
Early Learning and Childcare Centre	Excellent	To maintain and develop the Campus to the highest standard and improve sustainability	Improve storage Robust maintenance and replacement programme

Scottish School of Forestry	Excellent / Poor	To maintain and develop the Campus to the highest standard and improve sustainability	Improve older outbuildings to ensure compliance with security/access and facilities storage Robust maintenance and replacement programme
Longman	Poor	To dispose of the site as soon as practically possible	Pursue sale to interested parties by Summer 2021
Aviemore	Fair	To seek an affordable alternative site as soon as practically possible	None

Regarding Inverness campus and Scottish School of Forestry minor developments are ongoing; the ELCC will be leased to an external provider from 2021, the Longman Campus has been demolished and is due to go onto the market in late January 2021 and the Aviemore centre has been closed.

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.

GOING CONCERN

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

CONCLUSION

The Board of Management has no matters to report in respect of failures in the expected standards of good governance, risk management and control for the year ended 31 July 2020.

Approved by order of the members of the Board on 18 February 2021 and signed on its behalf by:



Professor Christopher O'Neil
Principal and Chief Executive Officer



Sarah Burton
Chair

Section Two: Remuneration and Staff Report

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

Remuneration Policy

Inverness College UHI is committed to the principle of equality of treatment in relation to pay for all employees. We aim to ensure that procedures are in place to determine pay and conditions of employment which do not discriminate unlawfully and are free from gender bias. In order to ensure that the College pay system delivers equal pay for work of equal value and that jobs are fairly graded, the College has implemented an analytical job evaluation process. This policy therefore ensures a continuous focus on the job evaluation process as the means of reviewing relative pay in an objective and systematic manner.

The Performance Review and Remuneration Committee consider and make decisions on the remuneration package and conditions of service, and any changes thereof, of the College Principal and such other senior staff as is considered appropriate.

Remuneration including salary and pension entitlements

The College's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in their report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are therefore subject to audit.

Salary entitlements

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

Name	Year ended 31 July 2020			Year ended to 31 July 2019		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary	Pension Benefit £'000	Total £'000
Principal and Chief Executive – Chris O'Neil	105-110	23	130-135	105 - 110	84	189 - 194
Depute Principal – Planning and Student Experience - Roddy Henry	75-80	15	90-95	75 - 80	9	84 - 89

Depute Principal – Academic Development – Ken Russell)	75-80	17	95-100	40 - 45	14	54 - 59
Director of Finance – Fiona Mustarde (Resigned 31/12/2020)	25-30	12	40-45	65 - 70	41	106 - 111
Director of Organisational Development – Lindsay Ferries	65-70	26	90-95	65 - 70	35	100 - 105
Director of Curriculum – Gillian Berkeley	50-55	6	60-65	50 - 55	9	59 - 64
Director of Research and Innovation – Melanie Smith	50-55	11	65-70	50 - 55	13	63 – 68
Director of External Relations – Georgina Parker	55-60	22	80-85	55 - 60	22	77 - 82
Director of Student Experience – Lindsay Snodgrass	50-55	20	70-75	50 - 55	21	71 - 76

Movements in the pension benefit figures above also reflect changes relating to job role where these impacted on salaries and corresponding pension contributions.

The Director of Finance resigned in December 2019. An Interim Finance Director, Helen Simpson, served from mid- December – April. Payments of £82,000 (including VAT) were made to an agency in respect of her services. From 1 May 2020 Inverness College share the post of Finance Director with North Highland College. The remuneration for Roderick Ferrier, Director of Finance (Shared) is disclosed in North Highland College's Statutory Accounts. It is anticipated that Inverness College will pay 60% of his salary.

Median Remuneration

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

Based on the 12 month's equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2019/20 was £105,000 - £110,000 (2018/19 £105,000 to £110,000). This was 2.9 times (2018/19, 2.9 times) the median remuneration of the workforce which was £37,514 (2018/19, £37,514).

Accrued Pension Benefits

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

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

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

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

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

Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2020	Accrued lump sum at pension age 31 July 2020	Real Increase in pension 1 August 2019 to 31 July 2020	Real Increase lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2020	CETV at 31 July 2019	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal and Chief Executive – Chris O'Neil	45-50	0-5	0 - 2.5	0 - 2.5	684	645	38
Depute Principal – Planning and Student Experience - Roddy Henry	20-25	35-40	0 - 2.5	0 - 2.5	391	368	23
Depute Principal – Academic Development - Ken Russell	10-15	45-50	0 - 2.5	2.5 - 5	358	331	18

Director of Finance – Fiona Mustarde (Resigned 31/12/2019)	25 - 30	45 - 50	0 – 2.5	0 – 2.5	443	425	16
Director of Organisational Development – Lindsay Ferries	20 - 25	15 - 20	0 – 2.5	0 – 2.5	287	264	19
Director of Curriculum – Gillian Berkeley	20 - 25	60 - 65	0 – 2.5	0 – 2.5	502	478	18
Director of Research and Innovation – Melanie Smith	10 - 15	20 - 25	0 – 2.5	0 – 2.5	220	205	24
Director of External Relations – Georgina Parker	5 - 10	0 - 5	0 – 2.5	0 – 2.5	77	59	13
Director of Student Experience – Lindsay Snodgrass	5 - 10	0 - 5	0 – 2.5	0 – 2.5	52	40	8

Cash Equivalent Transfer Value (CETV)

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

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

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

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

Real increase in CETV

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

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

Compensation for loss of office

12 employees (5 Teaching; 7 Support; 10.1 FTE) agreed terms for voluntary exit terms (scheme approved by the Scottish Funding Council) by 31 July 2020 and they will leave in 2020/21. £167,115 has been accrued as the cost of this voluntary exit in 2019/20.

Salaries and Related Costs

	2019	2019	2020	2019
	Directly Employed Staff	Seconded and Agency Staff	Total	Total
Wages and salaries	14,247,560	-	14,247,560	12,916,698
Social Security Costs	1,240,977	-	1,240,977	1,214,985
Other pension costs	2,545,522	-	2,545,522	2,043,295
FRS 102 Employer Costs	1,572,714	-	1,572,714	1,110,000
Total	19,606,773	-	19,606,773	17,284,978
Seconded and Agency Staff	-	82,000	-	139,660
Average number of FTE	349	-	349	375

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

The College employed 270 females and 154 males as at 31 July 2020.

For the year to 31 July 2020, the College lost a total of 2,499 working days to sickness absence (3,125 days 2018-19). This is an average absence rate of 2.73% (3.55% 2019-19)

Employee Matters

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

The Audit Committee of the Board of Management oversees and scrutinises the performance of the College in light of the Health and Safety Management System. Quarterly PIs are reported to the Health and Safety Committee, SMT and the Board of Management. The College utilises the HASMAP (Health and Safety Management Profile) audit tool as defined by Universities Safety and Health Association (USHA) and is committed to achieving the highest level of quality assurance. In 2016, a new recording system 'SHE' for incident recording and management and risk assessment recording and management was introduced. As a result of this, 2017/18 saw an improvement in PIs relating to incident recording, in particular near miss recording which flowed through to improved action planning to mitigate risk.

2018/19 saw a levelling off of incident recording and improvement in some areas, of note being hand injuries. The audit schedule introduced in 2016 has progressed over the last two years in line with our risk profiling and the first set of audits and follow up activity was completed in 2018/19. Further improvements in the use of SHE as a recording and management tool continue.

The College uses a job evaluation system 'Evaluate', to evaluate all new posts and changes to posts. The gender pay gap as published in April 2019 was 11.5%.

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

Curriculum and Workforce planning continue to operate hand in glove. Our staff development priorities continue to focus on all our teaching staff having a recognised teaching qualification and all managers having a recognised management qualification. Higher level qualifications and research to grow our HE provision have also been a focus for the year. Furthermore 18/19 has considered other opportunities for leadership at every level and cross college projects to further enhance capacity and capability.

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2020.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
5	4.6

Percentage of time spent on facility time

Percentage	Number of employees
0%	-
1%-50%	5
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£10,458
Total pay bill	£17,430,777
Percentage of the total pay bill spent on facility time	0.06%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	100%
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Parliamentary Accountability Report

There is nothing to report under the above for Inverness College.



Professor Christopher O'Neil
Principal and Chief Executive Officer



Sarah Burton
Chair

Independent auditor's report to the members of the Board of Management of Inverness 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 Inverness College for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement 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 affairs of the college as at 31 July 2020 and of the 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 three 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 board. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or

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

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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. 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**Opinions on matters prescribed by the Auditor General for Scotland**

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.

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.

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

24 February 2021

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

Statement of Comprehensive Income
Year Ended 31 July 2020

	Notes	2020 £	2019 £
Income			
Funding Council Grants	2	21,012,049	20,057,075
Tuition fees and education contracts	3	4,528,855	4,285,104
Other income	4	2,546,054	4,034,445
Investment income	5	9,891	10,939
		<u>28,096,849</u>	<u>28,387,563</u>
Expenditure			
Staff costs	6	19,540,773	17,284,978
Other operating expenses	8	5,983,442	6,715,575
Depreciation and impairment	11	1,393,595	1,534,708
Interest payable	9	3,228,220	3,187,278
		<u>30,146,030</u>	<u>28,722,539</u>
(Deficit) before other gains and losses		(2,049,181)	(334,976)
Gain/(Loss) on disposal of fixed assets		-	-
(Deficit) before tax		(2,049,181)	(334,976)
Corporation tax		-	-
(Deficit) for the year		(2,049,181)	(334,976)
Actuarial (loss) in respect of pensions		<u>(5,777,286)</u>	<u>(4,744,000)</u>
Total comprehensive Expenditure for the year		(7,826,467)	(5,078,976)
Represented by:			
Unrestricted funds		(7,826,467)	(5,078,976)

The statement of comprehensive income is in respect of continuing activities and is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 1b provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves
Year Ended 31 July 2020

	Revaluation Reserve	Unrestricted Funds	Total Funds
	£	£	£
Balance at 31st July 2018	0	(2,824,415)	(2,824,415)
Deficit for the year	0	(334,976)	(334,976)
Revaluation of Land & Buildings	6,248,784	0	6,248,784
Actuarial loss in respect of pensions	<u>0</u>	<u>(4,744,000)</u>	<u>(4,744,000)</u>
Balance at 31st July 2019	6,248,784	(7,903,391)	(1,654,607)
Deficit for the year	0	(2,049,181)	(2,049,181)
Revaluation of Land & Buildings	371,955	0	371,955
Actuarial loss in respect of pensions	<u>0</u>	<u>(5,777,286)</u>	<u>(5,777,286)</u>
Balance at 31st July 2020	<u>6,620,739</u>	<u>(15,729,858)</u>	<u>(9,109,119)</u>

Balance Sheet
Year Ended 31 July 2020

	Notes	2020 £	2019 £
Non-current assets			
Tangible fixed assets	11	<u>53,331,569</u>	<u>56,611,716</u>
Current assets			
Stocks	12	36,452	13,035
Assets held for sale	13	2,773,400	-
Debtors	14	1,858,474	2,494,518
Cash and cash equivalents		<u>4,065,802</u>	<u>3,282,199</u>
		8,734,128	5,789,752
Creditors: amounts falling due within one year	15	(4,509,211)	(4,764,334)
Net current assets		<u>4,224,917</u>	<u>1,025,418</u>
Total assets less current liabilities		57,556,486	57,637,134
Creditors: amounts falling due after one year	16	(46,371,518)	(46,450,432)
Provisions	17	<u>(20,294,086)</u>	<u>(12,841,309)</u>
Total net (liabilities)		<u>(9,109,119)</u>	<u>(1,654,607)</u>
Represented by:			
Property revaluation reserves		6,620,739	6,248,784
Unrestricted reserves		<u>(15,729,858)</u>	<u>(7,903,391)</u>
		<u>(9,109,119)</u>	<u>(1,654,607)</u>

The accounts were approved by the Board of Management
on 18 February 2021 and signed on its behalf by:

Sarah Burton

Sarah Burton
Chair

Christoph O'Neil

Professor Christopher O'Neil
Principal and Chief Executive Officer

Statement of Cash Flows
Year Ended 31 July 2020

	Notes	2020 £	2019 £
Cashflow from Operating Activities			
Deficit for the year		(2,049,181)	(334,976)
Adjustment for non-cash items			
Depreciation and impairment	11	1,393,595	1,534,708
Pension costs less contributions payable		1,747,717	1,239,000
(Increase) / Decrease in stock	12	(23,417)	(13,035)
(Increase) / Decrease in debtors	14	636,044	(1,678,597)
(Decrease) / Increase in creditors – less than one year	15	(255,123)	(1,493,007)
Increase / (Decrease) in creditors – more than one year	16	(78,914)	855,292
Increase / (Decrease) in early retirement & provisions	17	(72,223)	76,898
Adjustments for investing or financing activities			
Interest payable	9	236,000	137,000
Interest elements of NPD finance lease	9	2,992,220	3,050,278
Investment Income	5	(9,891)	(10,939)
Net cash inflow from operating activities		4,516,828	3,362,621
Cash flows from Investing and financing activities			
Interest payable	9	(236,000)	(137,000)
Interest element of NPD finance lease	9	(2,992,220)	(3,050,278)
Investment Income	5	9,891	10,939
Proceeds from sales of fixed assets		-	-
Payments made to acquire fixed assets	11	(514,895)	(964,583)
Increase/(decrease) in cash in the year		783,604	(778,300)
Cash at the beginning of the year		3,282,199	4,060,499
Cash at the end of the year		4,065,802	3,282,199

Notes to the Financial Statements for the Year Ended 31 July 2020

1a. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice (SORP) 2015: Accounting in Further and Higher Education and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Government Financial Reporting Manual 2019-20 (FRM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in July 2020.

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

Basis of Accounting

Going Concern

The net liability position reported in these Financial Statements is due to the adoption of the Financial Reporting Statment FRS 102 which has resulted in the 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 £11,061,967 at 31 July 2020. Pension Provisions include a provision for Early Retirements of £2,314,086 and a Pension Liability of £17,857,000 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 £9,109,119. 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 liabilities also include the outstanding amount under Non-Profit Distributing (NPD) finance. As at 31 July 2020 this amounted to £36,409,587. Projection of income and expenditure to 31 July 2021 indicate that compliance with loan repayments will continue.

Net Current Assets position is £4,224,917. This includes in Current Assets an asset held for sale being the Longman Site. The College considers that with careful financial monitoring its cash position will be manageable in 2020-21 and throughout the period to February 2022 at least. The College held cash at 31 July 2020 of £4,065,802, and at 31 January 2021 holds £3,223,265. Cash flow projections through the 12 months from the approval of these financial statements forecast the College to hold at least £3,460,000 throughout this period.

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

Valuation of buildings

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer.

Useful economic lives of buildings

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

Stocks

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

Recoverable amount of trade debtors

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

Obligations under defined benefit pension schemes

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

Recognition of Income

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

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

Government Capital grants

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

Government revenue grants

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

Inverness College has received £177k for those staff on furlough due to the COVID-19 outbreak.

Non-Government grants

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

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

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

Tangible Fixed Assets - Land and Buildings

Current Campuses

The College procured its current campus buildings at Balloch and Inverness using the Scottish Futures Trust's Non-Profit Distributing (NPD) model (additionally see Service Concession Arrangements note to the accounts, below). The buildings were handed over to the College in July and August 2015 in time for the 2015/16 academic year. Each building design combines an inspirational external appearance with a technologically advanced and functional fit-out to cater for the College's broad FE and HE curricula.

These NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings. The buildings will be depreciated over their expected useful lives of 60 years on a straight line basis. As required by FRS102 the NPD assets are stated at fair value; they were valued by J & E Shepherd, Chartered Surveyors using the UKGN2 Depreciated Replacement Cost method of valuation as at 31 July 2019.

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

Former Campus

Land and Buildings inherited from the local authority are stated in the balance sheet at valuation (by Shepherd, Chartered Surveyors, in September 2015) less amounts written off by way of depreciation. In 2015/16 the former Longman Campus buildings were fully written down. An SFC funded project was commenced during 2018/19 to demolish the former campus buildings to enable a clear development site to be presented for disposal. This project did not complete until November 2019 and therefore the balance sheet reflects the position as at 31 July 2020. The value of the land has been transferred to assets held for sale and revalued (by the District Valuer in July 2020)

Tangible Fixed Assets - Equipment

Individual items of equipment costing £5,000 or more (£30,000 or more for grouped items) are capitalised as Fixed Assets on the Balance Sheet. Equipment costing less than these amounts are written off to the income and expenditure account in the period of acquisition.

Equipment is depreciated over its expected useful economic life, on a straight line basis with a full year of depreciation charged in the year of acquisition, as follows:

Equipment	6.7 years (15% per year)
Fixtures and Fittings	5 years (20% per year)
Computer equipment	3 years (33.3% per year)

Where Fixed Assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grant is credited to a deferred income account and is released to the income and expenditure account over the expected useful economic life of the related asset, on a basis consistent with the depreciation policy or in the case of an NPD asset over the unitary charge payments period.

Subsequent Expenditure on Existing Fixed Assets

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

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

Leased Assets

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

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

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

Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

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

Maintenance of Premises

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

Foreign Currency Translation

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

Provisions

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

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

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

Taxation

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

Agency Arrangements

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

Financial instruments

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

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

Employee benefits

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

Cash and cash equivalents

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

Interest receivable

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

Debtors

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

Creditors

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

PENSION SCHEMES

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

The Scottish Teachers' Superannuation Scheme

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

Local Government Pension Scheme

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

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

The valuation of the College's share of the LGPS assets is subject to estimation on an ongoing basis. At 31 March 2020, many real estate managers temporarily suspended dealing of their funds over the quarter because of valuers applying material uncertainty clauses to the underlying funds in the portfolio. The clauses have been added as valuers could no longer rely on previous market experience to accurately price the underlying assets. The valuations issued in relation to property assets at 31 March 2020 on the underlying UK funds in the Fund's portfolio were all issued with "material valuation uncertainty clauses" in place. While these have largely been removed by the College financial year-end, there is continued uncertainty around the valuation of these assets going forward which may impact the College's net pension liability.

2. Funding Council Grants	2020	2019
	£	£
SFC / RSB Further Education Recurrent Grant	10,183,684	9,241,196
UHI Recurrent Grant - HE provision	4,308,533	4,131,381
Childcare funds	221,138	234,264
Other specific SFC / RSB Grants - FE	4,834,293	4,868,732
Other specific UHI Grants - HE	1,062,904	1,099,947
Release of deferred grants (note 18)	401,497	481,555
	<u>21,012,049</u>	<u>20,057,075</u>

3. Tuition fees and education contracts	2020	2019
	£	£
Higher Education - Home and EU	2,766,120	2,717,098
Higher Education - Overseas	55,170	52,105
Further Education - Home	119,818	176,198
Further Education - Overseas	36,647	57,575
Education contracts	1,551,100	1,282,128
	<u>4,528,855</u>	<u>4,285,104</u>

4. Other income	2020	2019
	£	£
Other income generating activities	1,550,431	1,680,935
Foundation Grant Income	38,944	1,364,229
Research Income	192,397	466,384
Furlough Income	176,577	-
Other income	587,705	522,897
	<u>2,546,054</u>	<u>4,034,445</u>

5. Investment income	2020	2019
	£	£
Bank interest	<u>9,891</u>	<u>10,939</u>

6. Staff costs

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

	2020	2019
	Number	Number
Academic/Teaching departments	168	187
Academic/Teaching services	13	17
Research grants and contracts	13	12
Administration and central services	132	105
Premises	5	9
Residences and catering	7	17
Other expenditure	11	28
	<u>349</u>	<u>375</u>

Staff costs for the above persons:

	2020	2019
	£	£
Wages and salaries	14,247,560	12,916,698
Social security costs	1,240,977	1,214,985
Other pension costs	2,545,522	2,043,295
FRS 102 Employer Costs	1,506,714	1,110,000
	<u>19,540,773</u>	<u>17,284,978</u>

	2020	2019
	£	£
Academic/Teaching departments	9,135,396	8,804,444
Academic/Teaching services	707,140	807,143
Research grants and contracts	708,787	655,363
Administration and central services	7,745,699	5,773,282
Premises	259,499	270,066
Residences and catering	368,318	354,490
Other expenditure	615,934	620,190
	<u>19,540,773</u>	<u>17,284,978</u>

Staff costs on permanent contracts	18,857,260	16,580,702
Staff costs for short-term and temporary contracts	683,513	704,276
	<u>19,540,773</u>	<u>17,284,978</u>

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

	2020	2019
	Number	Number
£60,001 to £70,000	1	2
£70,001 to £80,000	2	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	1	1

7. Senior post-holders' emoluments

	2020	2019
	Number	Number
Number of senior post-holders including the Principal	8	9
Senior post-holders emoluments are as follows:		
Salaries	£ 559,398	£ 582,256
Pension contributions	116,055	99,903
	<u>675,453</u>	<u>682,159</u>

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

	2020	2019
	£	£
Salary	109,786	109,119
Pension contributions	24,720	18,769
	<u>134,506</u>	<u>127,888</u>

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

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

8. Other operating expenses	2020	2019
	£	£
Academic/Teaching departments and services	1,094,202	875,032
Research grants and contracts	227,388	282,441
Administration and central services	2,174,053	3,662,964
Premises	2,007,772	1,452,081
Residences and catering	304,640	391,836
Other expenditure	175,387	51,221
	<u>5,983,442</u>	<u>6,715,575</u>

Other operating expenses include:

Auditors remuneration (including irrecoverable VAT)		
Internal audit	23,079	34,132
External audit	36,028	17,378
Rents under operating leases:		
Land and buildings	25,817	10,000
Other assets	64,696	70,667

9. Interest payable	2020	2019
	£	£
Interest on pension liabilities	236,000	137,000
Interest on finance lease NPD concession	2,992,220	3,041,549
Interest on late settlement	-	8,729
	<u>3,228,220</u>	<u>3,187,278</u>

10. Taxation

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

11. Tangible fixed assets	Land and Buildings	Equipment	Total
	£	£	£
Cost or valuation			
At 1 August 2019	55,440,097	5,932,120	61,372,217
Additions	455,505	59,390	514,895
Revaluations	-	-	-
Disposals	(2,718,125)	-	(2,718,125)
At 31 July 2020	53,177,477	5,991,510	59,168,987
Depreciation			
At 1 August 2019	316,680	4,443,823	4,760,503
Depreciation charge for year	856,790	536,805	1,393,595
Revaluations	-	-	-
Disposals	(316,680)	-	(316,680)
At 31 July 2020	856,790	4,980,628	5,837,418
Net book value at 31 July 2020	52,320,687	1,010,882	53,331,569
Net book value at 31 July 2019	55,123,417	1,488,297	56,611,714

Land and buildings with a net book value of £1,947,064 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with UHI as the Regional Strategic Body, to surrender the proceeds.

12. Stocks	2020	2019
Stocks	36,452	13,035
13. Assets held for sale	2020	2019
Assets held for sale	2,773,400	-

The Longman site is classified as an Asset held for sale. It has been transferred from Fixed Assets to Assets Held for Sale in anticipation of its marketing and ultimate sale. The value of the site has been revalued by the District Valuer in July 2020. Whilst this site is held in our accounts, no gain will be realised as all proceeds received will be surrendered to the Scottish Funding Council (SFC).

14. Debtors	2020	2019
	£	£
Trade debtors	434,587	403,400
Accrued income	1,280,688	1,876,147
Financial instrument assets	1,715,275	2,279,547
Prepayments	143,199	168,907
Other Debtors	-	46,064
	1,858,474	2,494,518

15. Creditors: Amounts falling due within one year	2020	2019
	£	£
Trade creditors	361,904	706,921
Service concession NPD creditor (see note 16)	750,644	685,520
Accruals	2,076,239	2,026,129
Financial instrument liabilities	3,188,787	3,418,570
Deferred income	499,587	338,455
Deferred grant income	338,722	479,656
Payroll taxes and social security	313,368	375,154
Other Creditors	168,747	152,499
	4,509,211	4,764,334

16. Creditors: Amounts falling due after one year

	2020	2019
	£	£
Service concession NPD creditor (see note below)	36,409,587	37,160,231
Financial instrument liabilities	36,409,587	37,160,231
Deferred grant income	9,961,931	9,290,201
	<u>46,371,518</u>	<u>46,450,432</u>

Service Concession Arrangements

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

	Within One Year	Two - Five Years	More than Five Years	Total
	£	£	£	£
NPD liability creditor repayment	750,644	3,768,993	32,640,594	37,160,231
Interest thereon	2,937,901	11,100,018	24,131,142	38,169,061
Service charges	665,453	2,832,386	13,273,745	16,771,584
VAT	870,761	3,540,116	14,008,333	18,419,210
	<u>5,224,759</u>	<u>21,241,512</u>	<u>84,053,815</u>	<u>110,520,086</u>

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

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

The term of the debt is 25 years and the contract end date is 30 April 2040.

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

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

17. Early Retirement and Other Provisions

	Early Retirement Pension	Defined Pension Liability	Other Provisions	Total
	£	£	£	£
At 1 August 2018	2,034,232	4,349,000	398,178	6,781,410
Expenditure in period	(120,893)	-	-	(120,893)
Provision in period	189,792	5,983,000	8,000	6,180,792
Interest charged	-	-	-	-
At 31 July 2019	<u>2,103,131</u>	<u>10,332,000</u>	<u>406,178</u>	<u>12,841,309</u>
At 1 August 2019	2,103,131	10,332,000	406,178	12,841,309
Expenditure in period	(92,402)	-	(283,178)	(375,580)
Provision in period	303,357	7,525,000	-	7,828,357
Interest charged	-	-	-	-
At 31 July 2020	<u>2,314,086</u>	<u>17,857,000</u>	<u>123,000</u>	<u>20,294,086</u>

The pension provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was -1.0%. The above liability is in respect of future pension liabilities arising from early retirals.

The pension liability is as per the actuarial report valuation.

The other provisions mainly relate to the potential for ESF clawback and a pension strain provision.

18. Deferred Capital Grants

	SFC	Other	Total
	£	£	£
At 1 August 2019			
Land and Buildings	5,706,497	2,552,391	8,258,888
Equipment	1,510,970	-	1,510,970
Cash received			
Land and Buildings	744,679	187,613	932,292
Equipment	-	-	-
Released to income and expenditure			
Land and Buildings	(87,991)	(31,436)	(119,427)
Equipment	(282,070)	-	(282,070)
Repayment of grant on disposal	-	-	-
Release on disposals	-	-	-
At 31 July 2020:	<u>7,592,085</u>	<u>2,708,568</u>	<u>10,300,653</u>
Land and Buildings	6,363,185	2,708,568	9,071,753
Equipment	1,228,900	-	1,228,900
Due < 1 year (Note 15)			338,722
Due > 1 year (Note 16)			9,961,931
			<u>10,300,653</u>

19. Financial Commitments

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

	2020	2019
	£	£
Land and buildings:		
Expiring within one year	25,817	12,000
Expiring between two and five years	-	-
	25,817	12,000
Other:		
Expiring within one year	34,668	67,447
Expiring between two and five years	-	6,561
Expiring after five years	-	-
	34,668	74,008

20. Further Education Bursary and Other Student Support Funds

	2020 Further Education Bursary £	2020 FE Disc £	2020 EMA £	2020 Other HE Disc £	2020 Total £	2019 Total £
1 August 2019	-	-	21,239	-	21,239	11,879
Allocation	2,337,717	143,257	(108,810)	122,424	2,494,588	2,517,684
Expenditure	(2,214,199)	(143,257)	(110,520)	(118,370)	(2,586,346)	(2,496,185)
Repaid to Funding Council as clawback	(123,518)	-	-	-	(123,518)	(18,922)
College Contribution to funds	-	-	-	-	-	9,588
Amounts due to SFC	-	-	-	-	-	-
Virements	-	-	-	-	-	-
31 July 2020	-	-	(198,091)	4,054	(194,037)	24,044
Represented by:						
Clawback	-	-	(198,091)	-	(198,091)	2
Retained	-	-	19,529	-	19,529	24,044
	-	-	(178,562)	-	(178,562)	24,046

Further and Higher Education Childcare Funds

	2020	2019
	£	£
1 August 2019	-	-
Allocation	(221,138)	(234,264)
Expenditure	-	-
Virements	-	-
31 July 2020	(221,138)	(234,264)

21. Capital Commitments

As at July 2020, there were capital commitments of £61,436

22. Pension Provisions

Scottish Teachers' Superannuation Scheme (STSS, Teaching Staff)

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

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

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

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

Scottish Teachers Superannuation Scheme (STSS)

The STSS scheme is an unfunded defined benefits scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates.

Under the definitions set out in the Financial Reporting Standard 102, the STSS is a multi-employer Pension Scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a Defined Contribution Scheme. The agreed contribution rates for future years are variable rates for employees based on salary ranges. Employers contribution rates are 17.2%.

Local Government Superannuation Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. Employers contribution rates are 17.9%

Contributions for both schemes are set out below:

Pension Scheme contributions

	Year Ended 31 July 2020 £	Year Ended 31 July 2019 £
The total cost to the College was:		
Contributions to Scottish Public Pensions Agency	1,658,886	1,220,331
Contributions to Highland Council Pension Scheme	853,681	820,227
Contributions to Nest	32,955	2,737
Total pension cost	<u>2,545,522</u>	<u>2,043,295</u>

22. Pension Provisions

Assumptions

	31 July 2020	31 July 2019
Rate of Increase in Salaries	3.1%	3.4%
Rate of Increase in Pensions	2.2%	2.4%
Inflation Assumption (RPI)	-0.5%	-0.5%
Inflation Assumption (CPI)	0.5%	0.5%

Discount rate for scheme liabilities

	1.4%	2.1%
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The estimated split of investments in the scheme at the Balance Sheet Date were as follows:

Equities	68.0%	71.0%
Bonds	15.0%	14.0%
Property	11.0%	12.0%
Cash	6.0%	3.0%

The assumed life expectations on retirement age 65 are:-

	31 July 2020 Years	31 July 2019 Years
Retiring Today		
Males	21.9	21.9
Females	24.3	24.3
Retiring in 20 Years		
Males	23.3	23.3
Females	26.1	26.1

The Employer contributions for the year to 31 July 2021 will be approximately £470,000 for the LGPS.

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

	31 July 2020 £	31 July 2019 £
Current Service Cost	2,357,000	1,928,000
Interest on obligation	857,000	900,000
Interest Income on Plan assets	621,000	763,000
Total	2,593,000	2,065,000
Other Comprehensive Income		
Remeasurements (assets and liabilities)	(5,717,000)	(4,744,000)

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

Present Value of the Defined Benefit Obligation	(47,713,000)	(39,669,000)
Present Value of Unfunded Benefit Obligations	(123,000)	(128,000)
	<u>(47,836,000)</u>	<u>(39,797,000)</u>
Fair Value of Plan Assets	29,856,000	29,296,000
Net Liability	<u>(17,980,000)</u>	<u>(10,501,000)</u>

22. Pension Provisions

Assumptions

	31 July 2020	31 July 2019
	£	£
Opening Defined Benefit Obligation	39,797,000	31,501,000
Service Cost	2,357,000	1,928,000
Interest on Pension Liability	857,000	900,000
Contributions by Scheme Participants	314,000	277,000
Actuarial Losses/(Gains)	5,153,000	5,774,000
Unfunded Benefits Paid	(9,000)	(9,000)
Benefits Paid	(633,000)	(574,000)
	<u>47,836,000</u>	<u>39,797,000</u>

Reconciliation of Movements in the Fair Value of Scheme Assets

Opening Fair Value of Scheme Assets	29,296,000	27,023,000
Interest on Plan Assets	621,000	763,000
Contributions by Scheme Participants	314,000	277,000
Contributions by Employer	888,000	777,000
Contributions in respect of Unfunded Benefits	9,000	9,000
Expected Return on Scheme Assets	(630,000)	1,030,000
Unfunded Benefits paid	(9,000)	(9,000)
Benefits paid	(633,000)	(574,000)
	<u>29,856,000</u>	<u>29,296,000</u>

23. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

24. CONTINGENT LIABILITIES

An adjudication judgement was made on 22 July 2020 in relation to a water claim by GT Equitex Inverness Ltd relating to the building of the Beechwood Campus. In sum Inverness College was found to have delayed applying for a water connection, but was found not responsible for any financial liability to GT Equitex Inverness Ltd. There is a right of appeal against this adjudication judgement. Given the adjudication judgement has found the college not financially liable, the college has not included any liability in the accounts in respect of this, however is disclosing this matter as a contingent liability to reflect the possibility of a future appeal and further judgment against the college.

25. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is possible that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have an interest are conducted at 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 publicly funded or representative bodies in which members of the Board of Management hold official positions and the aggregate exceeded £5,000, the total values are noted below.

Organisation	Member(s)	Income 2019-20 £	Expenditure 2019-20 £	Balance Due From at 31 Jul 20 £	Balance Due to at 31 Jul 20 £
British Computer Society	Innis Montgomery	24,640	782	-	-
Cap Gemini	Innis Montgomery	4,280	-	625	-
Harper Macleod LLP	Fiona Neilson	500	1,472	-	-
Highlands and Islands Enterprise	Gillian Galloway	17,817	-	-	-
Scottish Natural Heritage	Sally Blyth	23,387	-	-	-
TESCO	Andrew Gray	-	2,353	-	-
The Highland Council	Tina Stones	19,051	29,980	106	791

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

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

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

2019-20 Accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ("Transition to the 2019 SORP") of the 2019 SORP.
3. 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).
4. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.
5. 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 2020.
6. 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.
7. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

5 July 2020

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

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

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