



University of the
Highlands and Islands
Inverness College

**Inverness College Report & Financial
Statements for the year ended
31 July 2021**

SCOTTISH CHARITY NUMBER SC021197

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Professional Advisors

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

Performance Report

OVERVIEW

Principal's Statement

The purpose of this report is to provide a short summary of Inverness College's performance during the 2020/21 year.

Once again, and in common with the rest of the sector, Covid 19 has created an extremely challenging environment for both students and staff. We have followed all Scottish Government advice and guidance as it has been released, utilised initiatives such as furlough and have, through a number of fora ensured that students and staff are as informed and supported as much as is possible in all aspects of our work.

Regardless of the efforts made, the impact of Covid 19 has been significant. We have seen a near trebling of demand upon student support services, particularly in the area of mental health support and the additional support made available by Scottish Government has been welcome and fully committed. Staff welfare has also been a significant concern and through the establishment of a non-hierarchical Staff Welfare Group, we have collectively sought and agreed actions to support staff from 'Digital Detox Days' to a small but significant welfare fund to support staff experiencing unexpected Covid related financial pressures.

Other pressures from Covid 19 include impact upon our core spending on services from IT to cleaning and, most significantly, a reduction in student numbers through withdrawal. Whilst the immediate financial impact has been mitigated by SFC funding commitments, there is a legacy concern. We have lost 'repeat business' and we are now seeing increasing competition across the Highland region between education and industry. There is a shortage of (generally) young people across the region which, coupled with the impact of Brexit and a significant loss of employees in some lower skilled areas mean that we, the schools and industry are competing for a shrinking pool of 16–24-year-olds within region and we are seeing competition from out-with the region.

However, as a consequence of our focus upon growing Modern Apprenticeships and trade related courses, we will address (in part) a shortfall of 'new' FE students through deferred teaching for the current academic year. Many essential face to face teaching sessions could not be delivered through 2020/21 as a result of lock down and then social distancing rules. We are now able to commit to that teaching which may well put us in a stronger FE credit position than some, but it does mean that our forward planning for 2022/23 will need to be extremely rigorous.

As reported last year, we began the process of a financial recovery plan ahead of Covid 19 which we regarded as an essential action to ensure the efficiency and effectiveness of Inverness College. The plan identified savings across professional and academic areas with a number of strategies employed to move us towards our savings target. The strategies included a SFC approved Voluntary Severance Scheme, alternatives to redundancy, variations to contract and a re-assessment of temporary staffing needs. The scheme was monitored and managed through a Staffing Requests Panel that used data and rationales to evaluate each proposal. The Panel continues to meet bi-weekly to manage the ongoing work of HR.

We achieved our targeted savings ahead of the target date as can be seen within these accounts. There have been some notable achievements including a senior management restructure that will wash through into reducing costs in 2021-22, and the maintenance of child-care provision through an alternative to redundancy approach which led to a collaboration with a third sector organisation.

The position of Inverness College is financially both sound and sustainable. This was further threatened by a serious IT incident that impacted teaching and recruitment but that appears to have been managed through. However, there are serious challenges ahead around FE and HE recruitment. The region's

declining demographic along with increased competition mean the ongoing UHI curriculum review with an associated marketing strategy are now more vital than ever.

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.

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 has been 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 makes a significant investment in its people, identifies training and development needs, and regularly supports a range of professional development in response to individual and organisational aims. The College has had an increased focus on staff health and wellbeing since the pandemic and established a Staff Wellbeing Group to address relevant issues. The group comprises staff drawn from across the organisation to work with the Principal and Executive Management Team to support all colleagues. Initiatives in 2020-21 included *Digital Detox Days*, free weekly online yoga classes and an all-staff conference held in June. The conference theme of 'Developing Resilient Staff' was explored through a variety of online and on campus workshops.

Applications from staff for funding for external professional development events and conferences declined in 2020-21 as many staff focused on in-house training. This included a full programme of workshops to support lecturers with the delivery of online learning and teaching. However, 34 staff were funded to study towards additional qualifications including at Masters and PhD level. A new requirement for college lecturers to register with the General Teaching Council for Scotland was introduced in April. Work on preparing for registration was a key focus in 2020-21 as lecturers were introduced to the [College Lecturer - Professional Standards and Code](#).

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 during a period of lock-down in the winter of 2020-21. This has further progressed new ways of management 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 Professional staff have had to face the challenges of remote working and working from home, and in general this has been a success. There is further 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 Forestry and Conservation 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 2020-21 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 was postponed from 27 November 2020 to 31 March 2021. We continue to grow capacity for KT projects.

The college postgraduate researchers, together with the staff, have had considerable delays and challenges 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 was delivered within a timeframe of six months in 2019-20. However, some measures were enacted in 2020-21. Thus, despite the 2020-21 budget, which included budgeting in a Covid 19 environment, projected an Adjusted Operating Deficit, the College delivered an Adjusted Operating Surplus.

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

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

Core Values 2021-2025

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

The Strategic Aims cover: Tertiary; Organisational Development; Research and Innovation; Student Experience; and Finance and Sustainability.

Aim 1 Tertiary

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

Aim 2 Organisational Development

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

Aim 3 Research and Innovation

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

Aim 4 Student Experience

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

Aim 5 Finance and Sustainability

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

Principal Risks and Uncertainty

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

The main risks to Inverness College are:-

- Covid 19 and the safety of the college's students and staff when studying and working in this environment. Also, the potential effect on college finances and the delivery of curriculum and student experience. The College has a Covid 19 Team led by an Assistant Principal reviewing all legislation and recommendations issued by the Scottish Government.
- Curriculum targets are challenging in an environment where school demographics are projecting to go down over the next few years; and the current job market is buoyant.
- 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.
- 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. This last risk has sector-wide significance and has been raised with the SFC at sector-level.
- There is considerable evidence that the Highlands has been particularly vulnerable to the impact of Brexit. This in part reflects the high concentration of the workforce in Brexit vulnerable industries such as fishing and agriculture and hospitality and tourism which has meant that learners' incomes have been directly affected, leading to choices to defer learning. With a finite regional market, the multiple funding initiatives which have been offered during the pandemic to get individuals back into work have effectively competed for the same people who may have considered further or higher education.

Going Concern

The net liability position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 (2015/16) which has resulted in the reclassification of Government Capital Grants previously disclosed in Reserves, being disclosed under liabilities less than one year and greater than one year. The net liabilities include a Pension Provision for early retirements of £2,076,074 and a Pension Liability of £16,284,000 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.

The College has managed to deliver an Adjusted Operating Surplus of £2,109,000 (See table on Page 13). This is a good result in a challenging year. This sees an improvement in the College's underlying liquidity. Also see Page 44 for a fuller assessment of going concern.

PERFORMANCE ANALYSIS

Student Activity Indicators

After two successive years of decline in student recruitment for Higher Education (HE), 2020/21 saw an upward swing. However Further Education (FE) activity failed to meet target for the second year in a row; 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 2020-21 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 2020/21	Outturn 2020/21	Target 2019/20	Outturn 2019/20
FE Credits	29,439	23,932	29,211	28,334
HE UGT FTEs	1,491	1,542	1,604	1,525

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, published in 2018 (the last year of published evaluative reports before the pandemic and the 'Support and Recovery' phase which Education Scotland has adopted) and has continued to receive positive feedback during on-going engagement with Education Scotland. Student satisfaction rates remained high in 2019-20 at 93% satisfaction in our exit survey, despite the drastic changes to delivery necessitated by the enforced shift to remote learning

for all students in March 2020. The College has however seen a drop in satisfaction in 2020-21 to 80%, which was not unexpected. This was largely due to the on-going restrictions of the pandemic and the challenges of a lack of face-to-face engagement for many students, unlike the first year of the pandemic where rapport had already been built with students prior to lockdown. It is noteworthy however that student satisfaction in the quality of the college's wrap around student support services remained very high, with all services rated above 90% in student satisfaction.

Current and Future Developments

Inverness College UHI is one of the largest academic partners in the University of the Highlands and Islands (UHI). The College's HE provision is relatively stable, following a period of growth, however FE recruitment reduced significantly in 2020/21 and the sector nationally is experiencing a drop in FE applications in 2021/22 so far. Modern Apprenticeships have grown significantly year-on-year for the past 5 years, providing Skills Development Scotland funding. Due to funding and administrative changes, Foundation Apprenticeships and Graduate Apprenticeships are challenging, and little growth is expected in the short-term. The Flexible Workforce Development Fund continues to represent a good funding opportunity for short courses and will increase as we move out of Covid restrictions.

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

The post-Covid employment market is booming across a wide range of sectors and with new sectors emerging, our challenge is to adapt

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

Due to Covid-19, the 2021 REF submission deadline was extended from 27 November 2020 to 31 March 2021. The outcomes of the 2021 REF review will be announced in March/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. We will now be working towards the next REF submission which is due in 2027.

2. Number of postgraduate research students (PGRs)

The total number of PGR students at 31 July 2021 is 14, with 2 new fully funded MRes students (funding from Transport Scotland) and a SGSAH (Scottish Graduate School of Arts and Humanities) funded doctoral student, successful in a collaborative programme with the John Muir Trust, due to start in October 2021. This is as expected for this point in the year according to the target.

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 2020/21 we were managing 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. There are also 2 further KTPs under development.

Research Centres

Rivers and Lochs 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. RLI is active in 3 cross UHI KE Groups and the M.ESE research cluster. The College is working on capital and other sources of funding in order to build an Environmental DNA laboratory. This will double laboratory capacity in a growing area of research.

Centre for Remote and Sustainable Communities

The Centre includes CREATE which has a long-standing reputation in delivery of enterprise and entrepreneurship training. The CRSC is taking an interdisciplinary and creative approach to research and entrepreneurship to understand complexity, change and uncertainty. CRSC is active in 3 cross UHI KE Groups and the SILK and HARC research clusters.

Forestry and Conservation Research Group

The FCRG 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 and continuing into 2020-21.

Financial Performance

Non-cash Allocation

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

	2020/21 £'000	2019/20 £'000	Notes
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(142)	(2,049)	SEE SOCIE
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	459	992	SEE NOTE 11
- Impairment	401	0	SEE NOTE 13
Operating surplus/(deficit) on Central Government accounting basis for the academic year	718	(1,057)	

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 £142,345 for the year ended 31 July 2021. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" surplus of £2,109,000 on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the performance report on pages 4 to 15.

Adjusted Operating Position (AOP) Note

	2020-21 £'000	2019-20 £'000
Surplus/(deficit) before other gains and losses	(142)	(2,049)
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 11)	459	992
- Impairment (Note 13)	401	0
- Pension adjustment – Net service cost (Note 6)	1,727	1,460
- Pension adjustment - Net interest cost (Note 9)	262	236
- Pension adjustment - Early retirement Provision (Note 17)	(102)	303
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	0	0
- NPD income applied to reduce NPD balance sheet debt	496	496
Adjusted operating surplus	2,109	446

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2021 shows a deficit of £142,345 (2019/20 £2,049,181 deficit). There were adjustments for the College's share in Highland Council's Pension Scheme amounting to £1,989,000. There was a favourable actuarial movement of £3,685,000 in this same scheme (2019/20 – actuarial valuation decrease of £5,777,000). Total income increased from £28 million to £29.2 million; and expenditure has decreased from £30.1 million to £29.3 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 25 days over the 12 month period to July 2021 compared with the figure of 28 days in the 12 months to July 2020. The College paid interest of £0 during the year (2019-20 £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	2020/21 (£'000)	2019/20 (£'000)
Student support	0	0
2015-16 pay award	0	0
Voluntary severance	0	0
Estates Costs	0	0
Other agreed priorities (give detail)	0	0
Total impact on operating position	0	0
Capital Priorities		
Loan repayments (including PFI, NPD repayments)	496	496
Estates Costs	0	0
Provisions pre 1 April 2014 (give detail) carried on balance sheet	0	0
Total Capital	496	496
Total cash budget for priorities spend	496	496

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. 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 Professional 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 31st March 2022 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Accountability Report

Section One: Statement of Corporate Governance

DIRECTORS' REPORT

Members of the Board of Management

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

The Members, who served on the Board of Management during the year 20-21, and up to the date of the accounts being signed on 31 March 2022, 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 Estates Legacy Project Board Performance Review and Remuneration Board 	11 June 2007	31 December 2020
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
Viv Mackie	Student Member	<ul style="list-style-type: none"> Learning, Teaching and Research Committee Board of Management 	1 September 2019	25 March 2021
Andrew Gray	Independent Member	<ul style="list-style-type: none"> Board of Management Finance and General Purposes Committee Human Resources Committee 	12 April 2017	11 April 2021
Sarah Burton	Chair of Board of Management	<ul style="list-style-type: none"> Board of Management Learning, Teaching & Research Committee Audit Committee Chairs Committee Estates Legacy Project Board Performance Review and Remuneration Board Finance and General Purposes Committee 	12 April 2017	18 June 2021
Innis Montgomery	Chair of Human Resources Committee Senior Independent Member	<ul style="list-style-type: none"> Board of Management Audit Committee Human Resources Committee Chairs Committee PR&R Committee 	12 April 2017	
Chris O'Neil	Principal	<ul style="list-style-type: none"> Board of Management Human Resources Committee 	01 September 2017	

		<ul style="list-style-type: none"> • Finance and General Purposes Committee • Learning, Teaching and Research (ex officio member) • Estates Legacy Project Board • Audit Committee 		
Robyn Kennedy	Teaching Staff Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee 	21 March 2018	
Kelly MacKenzie	Professional Staff Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Learning, Teaching and Research Committee 	01 August 2019	
Samantha Cribb	Independent Member	<ul style="list-style-type: none"> • Audit Committee • Board of Management • Learning, Teaching and Research Committee 	01 December 2019	
Sally Blyth	Independent Member	<ul style="list-style-type: none"> • Audit Committee • Board of Management • HR Committee 	01 December 2019	
Leanne MacKenzie	Independent Member	<ul style="list-style-type: none"> • Board of Management • Finance and General Purposes Committee • Human Resources Committee 	01 December 2019	
Gillian Galloway	Chair of Audit Committee (position ratified on 18 February 2021)	<ul style="list-style-type: none"> • Board of Management • Audit Committee • Human Resources Committee • Estates Legacy Project Board • Chairs Committee 	01 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 • Estates Legacy Project Board • Chairs Committee 	18 June 2020	
Ruth McFadyen	Student Member	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee • Estates Legacy Project Board 	01 September 2020	
Tina Stones	Chair of Learning, Teaching and Research Committee	<ul style="list-style-type: none"> • Board of Management • Learning, Teaching and Research Committee • Chairs Committee 	01 February 2021	
Mark Sheridan	Independent Member	<ul style="list-style-type: none"> • Board of Management • Audit Committee • HR Committee 	01 February 2021	
	From 01 July 2021 - Interim Chair of Board of Management	<ul style="list-style-type: none"> • Board of Management • Chairs Committee • Estates Legacy Project Board 	01 July 2021	

		<ul style="list-style-type: none"> Performance Review and Remuneration Board 		
Russell Edwards	Independent Member	<ul style="list-style-type: none"> Board of Management Finance and General Purposes Committee Learning, Teaching and Research Committee 	01 February 2021	
Arvinder Kainth	Independent Member	<ul style="list-style-type: none"> Board of Management Finance and General Purposes Committee Learning, Teaching and Research Committee 	01 February 2021	
Amy Goodbrand	Co-opted Member of the Audit Committee	<ul style="list-style-type: none"> Audit Committee Board of Management 	01 January 2021	

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

Member	BoM	HR	Audit	F&GP	Estates Legacy Project Board	Chairs	LT&R
John Wilson	2/6	1/4			2/7	3/5	
Fiona Neilson	2/6		2/4				2/4
Viv Mackie	2/6						2/4
Andy Gray	3/6	2/4		2/4			
Sarah Burton	4/6				6/7	5/5	2/4
Innis Montgomery	6/6	4/4	4/4			3/5	
Chris O'Neil	6/6	3/4	3/4	4/4	7/7	5/5	4/4
Robyn Kennedy	6/6						4/4
Kelly MacKenzie	5/6			3/4			
Samantha Cribb	5/6		2/4				3/4
Sally Blyth	6/6	2/4	4/4				2/4
Leanne MacKenzie	3/6	4/4		2/4			
Gillian Galloway	5/6	3/4	2/4	1/4	4/7	2/5	
Donald MacKenzie	6/6			4/4	1/7	5/5	
Ruth McFadyen	6/6				3/7		4/4
Tina Stones	3/6					2/5	4/4
Mark Sheridan	4/6	2/4	1/4		1/7		
Russell Edwards	4/6			2/4			2/4
Arvinder Kainth	3/6			1/4			2/4
Amy Goodbrand	2/6		2/4				

The Board Secretary for the period 2020-21 was Lisa Ross. The Board Secretary maintains a register of financial and personal interests of the Board members. The Register is available for inspection at:

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

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

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

The Audit Committee have met with Auditors without the Executive Team present as part of the scheduled cycle of Board of Management meetings and will continue to do so for 2021/22.

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

The 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 continues to be the challenge of Covid 19. The College was further impacted by the cyber incident in spring 2021. The Board has been updated by management of its efforts to manage the College during both the pandemic and the cyber incident. 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 both Covid 19 and the cyber incident 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 a number of committees:

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

- Estates Legacy Project Board

In addition, the Board of Management 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 both the Executive Management Team and the Audit Committee. The College Internal Auditors reported as follows for 2020-21:

"As the internal auditors of Inverness College we are required to provide the Board, via the Audit Committee, and the Senior Management Team with a view on the adequacy and effectiveness of Inverness College's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Inverness College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020-21. The statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audit reviews undertaken by BDO LLP during 2020-21;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

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

- In three of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on our verification reviews and sample testing, the risk management, control and governance arrangements in these three areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

However, our review of cyber security and the coronavirus job retention scheme identified that further work was required to ensure robust processes. As such, we are not able to provide reasonable assurance based on our verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in these areas to provide reasonable assurance that the related risk management, control and governance objectives were achieved for the period under review."

The Executive Management Team is responsible for the implementation of agreed audit recommendations and Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's

responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

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

TRANSPARENCY ARRANGEMENTS

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

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 which once approved will be shared with the Head of Internal Audit at the University of the Highlands and Islands.
- Sit privately without any non-members present for all or part of the meeting if it so decides. The Committee will meet privately with the internal and external auditors at least annually.
- The Audit Committee shall conduct its business in accordance with the requirements of any guidance and/or codes of practice issued from time to time by the SFC and/or any other relevant statutory or regulatory authority, as directed by the Board of Management.
- The Audit Committee will ensure that the University of the Highlands and Islands are provided with appropriate updates and access to all papers and business to ensure that they are appraised of all aspects being monitored by the Committee.

Human Resources Committee

The HR Committee has overall 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 executive management team, teaching and professional 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 strategic responsibility for developing, monitoring and enhancing the direction and performance of learning, teaching and research at the College, as part of the overall student experience. This includes providing support and challenge where appropriate. In particular the Learning, Teaching and Research Committee will:

- Support, challenge and enhance the development and implementation of the various strategies aligned to the committee and monitor their performance against targets.
- Observe and recognise trends in education and research and recommend specific areas of focus for the College.
- Engage with the progress of the 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, develop and enhance the College's preparedness for the ongoing, external scrutiny of its provision.
- Monitor, develop and enhance the Curriculum to ensure that the College meets the needs of students, stakeholders and the local community.
- Receive, consider and discuss information on research activity in the college including funding, curriculum support, student journey, professional development and stakeholder engagement.
- Receive regular reports from the Students Association and provide support to the College in order to respond to student concerns.
- Observe and recognise emerging practice across various aspects of provision at the College.

Finance and General Purposes Committee

The Finance and General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Regional Strategic Body) for 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.
- Monitor student recruitment and any actions identified.
- Approve the write-off of bad debts in accordance with both the limits set in the Scheme of Delegation and the authority which the Committee has delegated to the EMT in respect of bad debts.
- 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 including the effective provision of Health and Safety arrangements to meet all legislative requirements.
- Consider and report on any other financial matters which the Board may delegate or refer from time to time.
- Data Protection arrangements.

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 Executive Management should be fairly rewarded for their individual performance and contribution to the College's overall performance.
- Where, in terms of Executive 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 Executive Management and that of other employees of the College.
- The benefits granted to Executive Management.
- 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 Executive 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 Executive Managers and any exceptional settlements which will require to be formally notified to the Board of Management.

Estates Legacy Project Board

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

Responsibilities – Longman Site

- Overseeing the sale of the Longman site on behalf of the Board of Management.
- Maintaining visible and sustained strategic commitment to the delivery of the sale of the site.
- Seeking and reviewing reports from the Project Manager.
- Ensure that communication and consultation strategies are in place for the Project.
- Monitoring of the holding cost report.
- Ensure that a post-implementation review is provided and reported to the Board of Management.

Responsibilities – New Campus Site

- Continued oversight of the Estates Strategy as it relates to the campus.
- Monitor regular budget reports.
- Consideration of any necessary changes and make recommendations to the Board of Management.

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

Delegated Authority

The 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.

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

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

For the New Campus site this would include specifically, but not exclusively:

- Conclusion of any contracts of sale or purchase as previously approved by the Board.
- Ensuring that all final stages of the build were completed to the expected specification.

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
Longman	Poor	To dispose of the site as soon as practically possible	Pursue sale to interested parties ASAP

Regarding Inverness campus and Scottish School of Forestry minor developments are ongoing; the ELCC has now been leased to External Provider from July 2021, the Longman Campus has been demolished and it went on to the market for sale in late January 2021.

BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

GOING CONCERN

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

CONCLUSION

The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2021.

Approved by order of the members of the Board on 31st March 2022 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Section Two: Remuneration and Staff Report

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

Remuneration Policy

Inverness College UHI 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 2021			Year ended to 31 July 2020		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Principal and Chief Executive – Chris O'Neil	105- 110	39	145-150	105 - 110	38	145 - 150
Depute Principal – Planning and Student Experience - Roddy Henry Left 30.06.2021	75-80	23	100-105	75 - 80	22	95 - 100
Depute Principal – Academic Development - Ken Russell Left 30.06.2021	70-75	14	85-90	75 - 80	17	95 - 100
Director of Organisational Development – Lindsay Ferries Resigned 25.09.2020	10-15	5	15-20	65 - 70	26	90 - 95

Director of Curriculum – Gillian Berkeley Left 30.06.2021	50-55	20	70-75	50 - 55	6	60 - 65
Assistant Principal – Academic & Research – Melanie Smith	60-65	16	80-85	50 - 55	13	65 – 70
Assistant Principal – Operations & External Relations Georgina Parker	65-70	23	90-95	55 - 60	22	80 - 85
Assistant Principal – Student Experience & Quality – Lindsay Snodgrass	60-65	22	85-90	50 - 55	20	70 - 75

Executive Management Team went through a restructure in the late spring of 2021 resulting in the loss of 3 posts, being Depute Principal – Planning and Student Experience; Director of Curriculum; and Depute Principal – Academic Development. The College has slimmed down its Senior Team with a more distributed model of leadership. Three new Senior Posts were internally advertised and filled for: Assistant Principal – Academic & Research; Assistant Principal – Operations & External Relations; Assistant Principal – Student Experience & Quality

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

From 1 May 2020 Inverness College shares the post of Finance Director with North Highland College. The remuneration for Roderick Ferrier, (Assistant Principal, Finance & Audit, Inverness) is disclosed in North Highland College's Statutory Accounts. Inverness College pays 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 months' equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2020/21 was £105,000 - £110,000 (2019/20 £105,000 - £110,000). This was 2.9 times (2019/20 - 2.9 times) the median remuneration of the workforce which was £38,264 (2019/20 £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 2021	Accrued lump sum at pension age 31 July 2021	Real Increase in pension 1 August 2020 to 31 July 2021	Real Increase lump sum 1 August 2020 to 31 July 2021	CETV at 31 July 2021	CETV at 31 July 2020	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal and Chief Executive – Chris O’Neil	35-40	80-85	0 - 2.5	0 - 2.5	781	684	35
Depute Principal – Planning and Student Experience - Roddy Henry Left 30.06.2021	20-25	35-40	0 - 2.5	-2.5 - 0	420	391	25
Depute Principal – Academic Development - Ken Russell Left 30.06.2021	10-15	40 - 45	-2.5 - 0	-2.5 - 0	348	358	-20
Director of Organisational Development – Lindsay Ferries Resigned 25.09.2020	20 - 25	15 - 20	0 – 2.5	0 – 2.5	298	287	9
Director of Curriculum – Gillian Berkeley Left 30.06.2021	20 - 25	60 - 65	-2.5 – 0	-5 - 0	492	502	-17
Assistant Principal – Academic & Research – Melanie Smith	15 - 20	25 - 30	0 – 2.5	0 – 5	264	220	42
Assistant Principal – Operations &	5 - 10	0 - 5	0 – 2.5	0 – 2.5	97	77	14

External Relations -Georgina Parker							
Assistant Principal – Student Experience & Quality – Lindsay Snodgrass	5 - 10	0 - 5	0 – 2.5	0 – 2.5	67	52	9

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

37 employees (11 Teaching; 26 Support; 28.09 FTE) agreed terms for voluntary exit terms (scheme approved by the Scottish Funding Council) by 31 July 2021.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	0	23	23
£10,000 - £25,000	0	14	14
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0

Total number of exit packages	0	37	37
Total cost (£)	0	384,162	384,162

Salaries and Related Costs

	2021	2021	2021	2020
	Directly Employed Staff	Seconded and Agency Staff	Total	Total
Wages and salaries	12,886,941	403	12,887,344	14,247,560
Social Security Costs	1,199,328	-	1,199,328	1,240,977
Other pension costs	2,442,452	-	2,442,452	2,545,522
FRS 102 Employer Costs	1,727,000	-	1,727,000	1,572,714
Total	18,255,721	403	18,256,124	19,606,773
Average number of FTE	313	0	313	349

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

The College employed 244 females and 141 males as at 31 July 2021.

In the year ended 31 July 2021 staff turnover was 17.7%

For the year to 31 July 2021, the College lost a total of 1,733.5 working days to sickness absence (2,499 days 2019-20). This is an average absence rate of 1.42% (2.73% 2019-20).

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. The College uses a recording system 'SHE' for incident recording and management and risk assessment recording. 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 2020 was 8.7%.

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

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

<http://www.equalityhumanrights.com>

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

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

We are committed to an active Equal Opportunities Policy.

This doesn't just cover our recruitment and selection procedures, but runs right through learning and development, appraisal, and promotion opportunities. We work hard to cultivate an environment free from discrimination, harassment and victimisation. At Inverness College UHI, everyone can achieve their full potential, regardless of;

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

The college has a duty under the Equality Act 2010 to make reasonable adjustments for disabled employees, to ensure they are not put at a disadvantage in the course of their employment when compared with non-disabled employees. The college is committed to reviewing requests or recommendations for reasonable adjustments on a case by case basis.

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

We published our PSED report in June 2021.

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

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

Our approach to Equalities underpins and guides all we do and provides an umbrella under which every aspect of the student and staff journey is encompassed. We believe that leadership is a shared

responsibility and empower our staff to work together and in partnership with our students to meet their aspirations.

Curriculum and Workforce planning continue to operate hand in glove. 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 2021.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
7	6.8

Percentage of time spent on facility time

Percentage	Number of employees
0%	-
1%-50%	7
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£12,663
Total pay bill	£18,256,124
Percentage of the total pay bill spent on facility time	0.07%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	3%
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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

Mark Sheridan
Chair of Board

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

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 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the College Statement of Comprehensive Income, College Statement of Changes in Reserves, College Balance Sheet, and the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. Procedures include:

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control.

The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

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

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

Statutory other information

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

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Stephen Reid, for and on behalf of Ernst & Young LLP
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX
Date:

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

Statement of Comprehensive Income Year Ended 31 July 2021

	Notes	2021 £	2020 £
Income			
Funding Council Grants	2	22,003,518	21,012,049
Tuition fees and education contracts	3	5,185,883	4,528,855
Other income	4	2,034,345	2,546,054
Investment income	5	774	9,891
Total Income		29,224,520	28,096,849
Expenditure			
Staff costs	6	18,256,124	19,540,773
Other operating expenses	8	6,078,933	5,983,442
Depreciation	11	1,430,462	1,393,595
Impairment	13	401,445	0
Interest payable	9	3,199,901	3,228,220
		29,366,865	30,146,030
Surplus/(Deficit) before other gains and losses		(142,345)	(2,049,181)
Gain/(Loss) on disposal of fixed assets		0	0
Surplus/(Deficit) before tax		(142,345)	(2,049,181)
Corporation tax		0	0
Surplus/(Deficit) for the year		(142,345)	(2,049,181)
Actuarial gain/ (loss) in respect of pensions		3,685,000	(5,777,286)
Total comprehensive Income and Expenditure for the year		3,542,655	(7,826,467)
Represented by:			
Unrestricted funds		3,542,655	(7,826,467)

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect non-cash budget for depreciation in the Statement of Comprehensive Income. The Non-Cash Allocation and Adjusted Operating Position Tables on Page 12 and 13 provides the details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves Year Ended 31 July 2021

	Revaluation Reserve £	Unrestricted Funds £	Total Funds £
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
Other comprehensive income/(expenditure)	0	(5,777,286)	(5,777,286)
Balance at 31st July 2020	6,620,739	(15,729,858)	(9,109,119)
Surplus for the year	0	(142,345)	(142,345)
Revaluation of Land & Buildings	(371,955)	0	(371,955)
Actuarial surplus in respect of pensions	0	3,685,000	3,685,000
Balance at 31st July 2021	6,248,784	(12,187,203)	(5,938,419)

Balance Sheet

Year Ended 31 July 2021

	Notes	2021 £	2020 £
Non-current assets			
Tangible fixed assets	11	<u>52,305,847</u>	<u>53,331,569</u>
Current assets			
Stocks	12	34,160	36,452
Assets held for sale	13	2,000,000	2,773,400
Debtors	14	2,084,820	1,858,474
Cash and cash equivalents		<u>6,203,558</u>	<u>4,065,802</u>
		10,322,538	8,734,128
Creditors:	15	(5,848,562)	(4,509,211)
amounts falling due within one year			
Net current assets		<u>4,473,976</u>	<u>4,224,917</u>
Total assets less current liabilities		56,779,823	57,556,486
Creditors:	16	(44,358,168)	(46,371,518)
amounts falling due after one year			
Provisions	17	<u>(18,360,074)</u>	<u>(20,294,086)</u>
Total net (liabilities)		<u>(5,938,419)</u>	<u>(9,109,119)</u>
Represented by:			
Property revaluation reserves		6,248,784	6,620,739
Unrestricted reserves		<u>(12,187,203)</u>	<u>(15,729,858)</u>
		<u>(5,938,419)</u>	<u>(9,109,119)</u>

The accounts were approved by the Board of Management on 31st March 2022 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Mark Sheridan
Chair of Board

Statement of Cash Flows

Year Ended 31 July 2021

	Notes	2021 £	2020 £
Cashflow from Operating Activities			
Surplus/Deficit for the year		(142,345)	(2,049,181)
Adjustment for non-cash items			
Depreciation and impairment	11	1,430,462	1,393,595
Impairment	13	401,445	0
Pension costs less contributions payable		2,112,000	1,747,717
(Increase) / Decrease in stock	12	2,292	(23,417)
(Increase) / Decrease in debtors	14	(226,346)	636,044
(Decrease) / Increase in creditors – less than one year	15	2,089,993	430,397
Increase / (Decrease) in creditors – more than one year	16	(2,013,350)	(78,914)
Increase / (Decrease) in early retirement & provisions	17	(361,012)	(72,223)
Adjustments for investing or financing activities			
Interest payable	9	262,000	236,000
Interest elements of NPD finance lease	9	2,937,901	2,992,220
Investment Income	5	(774)	(9,891)
Net cash inflow from operating activities		6,492,266	5,202,348
Cash flows from Investing and financing activities			
Interest payable	9	(262,000)	(236,000)
Interest element of NPD finance lease	9	(2,937,901)	(2,992,220)
Capital element of NPD finance lease		(750,644)	(685,520)
Investment Income	5	774	9,891
Proceeds from sales of fixed assets		0	0
Payments made to acquire fixed assets	11	(404,740)	(514,895)
Increase in cash in the year		2,137,756	783,604
Cash at the beginning of the year		<u>4,065,802</u>	<u>3,282,199</u>
Cash at the end of the year		<u>6,203,558</u>	<u>4,065,802</u>

Notes to the Financial Statements for the Year Ended 31 July 2021

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice (SORP) 2019: Accounting in Further and Higher Education and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Government Financial Reporting Manual 2019-20 (FReM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in June 2021.

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

Basis of Accounting

Going Concern

The accounts are prepared on a Going Concern basis. The net liability position reported in these Financial Statements is due to the adoption of the Financial Reporting Standard (FRS) 102 which has resulted in the reclassification of Government Capital 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 £13,195,055 at 31 July 2021. Pension Provisions include a provision for Early Retirements of £2,076,074 and a Pension Liability of £16,284,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LPGS). Once these are accounted for the College's Net Liability position is £5,165,019. 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 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 2021 this amounted to £36,409,587. Projection of income and expenditure to 31 July 2023 indicate that compliance with loan repayments will continue.

Net Current Assets position is £5,250,233. 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 2021-22 and throughout the period to July 2023 at least. The College held cash at 31 July 2021 of £6,203,558. Cash flow projections through the 12 months from the approval of these financial statements forecast the College to hold at least £2,500,000 throughout this period.

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

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

Useful economic lives of buildings

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

Stocks

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

Recoverable amount of trade debtors

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

Obligations under defined benefit pension schemes

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

Recognition of Income

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

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

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

Government Capital grants

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

Government revenue grants

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

Non-Government grants

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

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

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

Tangible Fixed Assets - Land and Buildings

Current Campuses

The College procured its current campus buildings at Balloch and Inverness using the Scottish Futures Trust's Non-Profit Distributing (NPD) model (additionally see Service Concession Arrangements note to the accounts, below). The buildings were handed over to the College in July and August 2015 in time for the 2015/16 academic year. 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. The NPD assets were revalued 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 (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 2021. The value of the land has been transferred to assets held for sale and revalued (by the District Valuer in July 2020).

Assets held for sale

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

Valuation of buildings

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

Tangible Fixed Assets - Equipment

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

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

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

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

Subsequent Expenditure on Existing Fixed Assets

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

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

Leased Assets

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

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

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

Service Concession Arrangements

Fixed assets held under service concession arrangements were revalued in the year ended 31 July 2019.

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

Maintenance of Premises

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

Foreign Currency Translation

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

Provisions

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

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

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

Taxation

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

Agency Arrangements

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

Financial instruments

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

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

Employee benefits

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

Cash and cash equivalents

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

Interest receivable

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

Debtors

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

Creditors

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

Revaluation Reserve

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

PENSION SCHEMES

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

The Scottish Teachers' Superannuation Scheme

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

Local Government Pension Scheme

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

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

2. Funding Council Grants	2021	2020
	£	£
SFC / RSB Further Education Recurrent Grant	9,561,713	10,183,684
UHI Recurrent Grant - HE provision	4,930,225	4,308,533
Childcare funds	144,834	221,138
Other specific SFC / RSB Grants - FE	5,781,506	4,834,293
Other specific UHI Grants - HE	613,960	1,062,904
Release of deferred grants (note 18)	971,280	401,497
	<u>22,003,518</u>	<u>21,012,049</u>

3. Tuition fees and education contracts	2021	2020
	£	£
Higher Education - Home and EU	3,004,656	2,766,120
Higher Education - Overseas	83,068	55,170
Further Education - Home	140,706	119,818
Further Education - Overseas	100	36,647
Education contracts	1,957,352	1,551,100
	<u>5,185,883</u>	<u>4,528,855</u>

4. Other income	2021	2020
	£	£
Other income generating activities	475,821	1,550,431
Foundation Grant Income	7,615	38,944
Research Income	401,314	192,397
Furlough Income	182,213	176,577
Other income	967,383	587,705
	<u>2,034,345</u>	<u>2,546,054</u>

There were 45 staff furloughed within the year 2020-21

5. Investment income	2021	2020
	£	£
Bank interest	<u>774</u>	<u>9,891</u>

6. Staff costs

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

	2021	2020
	Number	Number
Academic/Teaching departments	148	168
Academic/Teaching services	2	13
Research grants and contracts	11	13
Administration and central services	122	132
Premises	8	5
Residences and catering	14	7
Other expenditure	8	11
	<u>313</u>	<u>349</u>

Staff costs for the above persons:

	2021	2020
	£	£
Wages and salaries	12,887,344	14,247,560
Social security costs	1,199,328	1,240,977
Other pension costs	2,442,452	2,545,522
Pension adjustment - Net Service Cost	1,727,000	1,506,714
	18,256,124	19,540,773

	2021	2020
	£	£
Academic/Teaching departments	9,397,322	9,135,396
Academic/Teaching services	1,558,204	707,140
Research grants and contracts	683,183	708,787
Administration and central services	3,777,350	6,238,985
Premises	248,982	259,499
Residences and catering	375,740	368,318
Other expenditure	271,296	615,934
Redundancies	217,047	0
Pension adjustment - Net Service Cost	1,727,000	1,506,714
	18,256,124	19,540,773

Staff costs on permanent contracts	17,894,084	18,857,260
Staff costs for short-term and temporary contracts	362,040	683,513
	18,256,124	19,540,773

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:

	2021	2020
	Number	Number
£60,001 to £70,000	3	1
£70,001 to £80,000	2	2
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	1	1

7. Senior post-holders' emoluments

	2021	2020
	Number	Number
Number of senior post-holders including the Principal	7.6	8
Senior post-holders emoluments are as follows:	£	£
Salaries	509,252	559,398
Pension contributions	109,135	116,055
	618,387	675,453

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

	2021	2020
	£	£
Salary	109,786	109,786
Pension contributions	25,251	24,720
	<u>135,037</u>	<u>134,506</u>

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

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

8. Other operating expenses	2021	2020
	£	£
Academic/Teaching departments and services	1,849,589	1,094,202
Research grants and contracts	157,591	227,388
Administration and central services	1,356,756	1,952,915
Premises	1,838,616	2,007,772
Residences and catering	67,407	304,640
Other expenditure	664,142	175,387
Childcare Funds to Students	144,833	221,138
	<u>6,078,933</u>	<u>5,983,442</u>

Other operating expenses include:

Auditors remuneration (including irrecoverable VAT)		
Internal audit	25,617	23,079
External audit	21,650	36,028
Disbursements of Childcare Funds to Students	144,833	221,138
Rents under operating leases:		
Land and buildings	22,350	25,817
Other assets	15,036	64,696

9. Interest payable	2021	2020
	£	£
Interest on pension liabilities	262,000	236,000
Interest on finance lease NPD concession	2,937,901	2,992,220
	<u>3,199,901</u>	<u>3,228,220</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 2020	53,177,477	5,991,510	59,168,987
Additions	404,740	-	404,740
Revaluations	-	-	-
Disposals	-	-	-
At 31 July 2021	<u>53,582,217</u>	<u>5,991,510</u>	<u>59,573,727</u>
Depreciation			
At 1 August 2020	856,790	4,980,628	5,837,418
Depreciation charge for year	849,691	580,771	1,430,462
Revaluations	-	-	-
Disposals	-	-	-
At 31 July 2021	<u>1,706,481</u>	<u>5,561,399</u>	<u>7,267,880</u>
Net book value at 31 July 2021	<u>51,875,736</u>	<u>430,111</u>	<u>52,305,847</u>
Net book value at 31 July 2020	<u>52,320,687</u>	<u>1,010,882</u>	<u>53,331,569</u>

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

	2021	2020
Stocks	<u>34,160</u>	<u>36,452</u>

13. Assets held for sale

	2021	2020
At 1 August 2020	2,773,400	2,401,445
Revaluation	(371,955)	371,955
Impairment	(401,445)	0
Assets held for sale	<u>2,000,000</u>	<u>2,773,400</u>

The Longman site is classified as an Asset held for sale. The College has actively sought to market and sell the asset since May 2020. A number of third parties have expressed interest in the site but no sale plans have progressed at the year end or subsequently. The site has been valued at 31 July 2021 to reflect the most conservative value included in expressions of interest received, which in management's view represents a prudent valuation of the possible proceeds to be received.

14. Debtors

	2021	2020
	£	£
Trade debtors	473,754	434,587
Accrued income	1,462,797	1,280,688
Financial instrument assets	1,936,552	1,715,276
Prepayments	148,269	143,199
Other Debtors	0	0
	<u>2,084,820</u>	<u>1,858,474</u>

15. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Trade creditors	450,871	361,904
Service concession NPD creditor (see note 16)	821,189	750,644
Accruals	2,632,558	2,076,239
Financial instrument liabilities	3,904,619	3,188,787
Deferred income	913,240	499,587
Deferred capital grant	731,001	338,722
Payroll taxes and social security	289,448	313,368
Other Creditors	10,253	168,747
	<u>5,848,562</u>	<u>4,509,211</u>

16. Creditors: Amounts falling due after one year

	2021	2020
	£	£
Service concession NPD creditor (see note below)	<u>35,588,398</u>	<u>36,409,587</u>
Financial instrument liabilities	35,588,398	36,409,587
Deferred capital grant	<u>8,769,770</u>	<u>9,961,931</u>
	<u>44,358,168</u>	<u>46,371,518</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	821,189	4,114,640	31,473,758	36,409,587
Interest thereon	2,878,555	10,802,040	21,550,565	35,231,160
Service charges	624,927	2,499,708	9,373,905	12,498,540
VAT	<u>864,934</u>	<u>3,483,277</u>	<u>12,479,646</u>	<u>16,827,857</u>
	<u>5,189,605</u>	<u>20,899,665</u>	<u>74,877,874</u>	<u>100,967,144</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 fall 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 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	0	0	0	0
At 31 July 2020	2,314,086	17,857,000	123,000	20,294,086
At 1 August 2020	2,314,086	17,857,000	123,000	20,294,086
Expenditure in period	(135,233)			(135,233)
Provision in period	(102,779)	(1,573,000)	(123,000)	(1,798,779)
Interest charged				0
At 31 July 2021	2,076,074	16,284,000	0	18,360,074

The pension provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was -1.25%. The above liability is in respect of future pension liabilities arising from early retirees.

The pension liability is as per the actuarial report valuation.

18. Deferred Capital Grants

	SFC	Other	Total
	£	£	£
At 1 August 2020			
Land and Buildings	6,254,698	2,669,655	8,924,353
Equipment	1,376,299		1,376,299
Cash received			
Land and Buildings	154,071	17,328	171,399
Equipment			0
Released to income and expenditure			
Land and Buildings	(171,058)	(11,300)	(182,358)
Equipment	(788,922)		(788,922)
Repayment of grant on disposal			0
Release on disposals			0
At 31 July 2021:	6,825,088	2,675,683	9,500,771
Land and Buildings	6,237,711	2,675,683	8,913,394
Equipment	587,376	0	587,376
Due < 1 year (Note 15)			731,001
Due > 1 year (Note 16)			8,769,770
			9,500,771

19. Financial Commitments

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

	2021 £	2020 £
Land and buildings:		
Expiring within one year	15,600	25,817
Expiring between two and five years	0	0
	<u>15,600</u>	<u>25,817</u>
Other:		
Expiring within one year	28,871	34,668
Expiring between two and five years	43,729	0
Expiring after five years	0	0
	<u>72,600</u>	<u>34,668</u>

20. Further Education Bursary and Other Student Support Funds

	2021 Further Education Bursary £	2021 FE Disc £	2021 EMA £	2021 Other HE Disc £	2021 Total £	2020 Total £
Balance b/fwd	0	0	0	4,054	4,054	21,239
Allocation received in year	2,497,069	149,409	90,390	104,712	2,841,580	2,712,208
Expenditure	(2,027,335)	(149,409)	(92,340)	(108,934)	(2,378,018)	(2,586,346)
Repaid to Funding Council as clawback	0	0	0	0	0	(123,518)
College Contribution to funds	0	0	0	0	0	0
Intra-region allocations	0	0	0	0	0	0
Virements	0	0	0	0	0	0
Balance c/fwd	469,734	0	(1,950)	(168)	467,616	0
Represented by:						
Repayable to Funding Council as clawback	0	0	0	0	0	0
Repayable to region	469,734	-	(1,950)	(168)	467,616	0
Retained by College for Students	0	0	0	0	0	23,583

20. Further and Higher Education Childcare Funds (continued)

	2021 Total £	2020 Total £
Balance b/fwd	0	0
Allocation received in year	144,834	221,138
Expenditure	(144,834)	(221,138)
Repaid to Funding Council as clawback	0	0
College Contribution to funds Intra-region allocations	0	0
Virements	0	0
Balance c/fwd	0	0
Represented by:		
Repayable to Funding Council as clawback	0	0
Repayable to region	0	0
Retained by College for Students	0	0

21. Capital Commitments

As at July 2021, there were no capital commitments.

22. Pension Provisions

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

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

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

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

Scottish Teachers Superannuation Scheme (STSS)

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

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

Local Government Pension Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. Employers contribution rates are 17.6%

Contributions for both schemes are set out below:-

Pension Scheme contributions

	Year Ended 31 July 2021 £	Year Ended 31 July 2020 £
The total cost to the College was:		
Contributions to Scottish Public Pensions Agency	1,601,362	1,658,886
Contributions to Highland Council Pension Scheme	839,671	853,681
Contributions to Nest	1,419	32,955
Total pension cost	<u>2,442,452</u>	<u>2,545,522</u>

22. Pension Provisions (continued)

Assumptions

	31 July 2021	31 July 2020
Rate of Increase in Salaries	3.65%	3.1%
Rate of Increase in Pensions	2.85%	2.2%
Inflation Assumption (RPI)	-	-0.5%
Inflation Assumption (CPI)	-	0.5%
Discount rate for scheme liabilities	1.6%	1.4%

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

Equities	70.0%	68.0%
Bonds	14.0%	15.0%
Property	10.0%	11.0%
Cash	6.0%	6.0%

The assumed life expectations on retirement age 65 are:-

	31 July 2021 Years	31 July 2020 Years
Retiring Today		
Males	20.9	21.9
Females	23.5	24.3
Retiring in 20 Years		
Males	22.3	23.3
Females	25.5	26.1

The Employer contributions for the year to 31 July 2022 will be approximately £863,000 for the LGPS.

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

	31 July 2021 £	31 July 2020 £
Current Service Cost	2,659,000	2,357,000
Interest on obligation	681,000	857,000
Interest Income on Plan assets	419,000	621,000
Total	2,921,000	2,593,000
Other Comprehensive Income		
Remeasurements (assets and liabilities)	3,685,000	(5,717,000)

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

Present Value of the Defined Benefit Obligation	(52,212,000)	(47,713,000)
Present Value of Unfunded Benefit Obligations	(107,000)	(123,000)
	<u>(52,319,000)</u>	<u>(47,836,000)</u>
Fair Value of Plan Assets	36,035,000	29,856,000
Net Liability	<u>(16,284,000)</u>	<u>(17,980,000)</u>

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

	31 July 2021	31 July 2020
	£	£
Opening Defined Benefit Obligation	47,836,000	39,797,000
Service Cost	2,659,000	2,357,000
Interest on Pension Liability	681,000	857,000
Contributions by Scheme Participants	291,000	314,000
Actuarial Losses/(Gains)	1,588,000	5,153,000
Unfunded Benefits Paid	(9,000)	(9,000)
Benefits Paid	(727,000)	(633,000)
Closing Defined Benefit Obligation	<u>52,319,000</u>	<u>47,836,000</u>

Reconciliation of Movements in the Fair Value of Scheme Assets

Opening Fair Value of Scheme Assets	29,856,000	29,296,000
Interest on Plan Assets	419,000	621,000
Contributions by Scheme Participants	291,000	314,000
Contributions by Employer	923,000	888,000
Contributions in respect of Unfunded Benefits	9,000	9,000
Expected Return on Scheme Assets	5,273,000	(630,000)
Unfunded Benefits paid	(9,000)	(9,000)
Benefits paid	(727,000)	(633,000)
Closing Fair Value of Scheme Assets	<u>36,035,000</u>	<u>29,856,000</u>

23. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

24. CONTINGENT LIABILITIES

The EIS trade union has made a claim regarding supply hours for teaching staff. The College is in the process of reviewing this and has concluded that no material liability is likely to be realised as at 31 July 2021.

25. RELATED PARTY TRANSACTIONS

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

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

Organisation	Member(s)	Income 2020-21 £	Expenditure 2020-21 £	Balance Due From at 31 Jul 21 £	Balance Due to at 31 Jul 21 £
British Computer Society	Innis Montgomery	33,280	782	0	0
Cap Gemini	Innis Montgomery	4,480	0	625	0
Harper Macleod LLP	Fiona Neilson	500	4,016	0	0
Highlands and Islands	Gillian Galloway	17,944	0	0	0
Scottish Natural Heritage	Sally Blyth	68,442	0	0	0
TESCO	Andrew Gray	0	2,353	0	0
The Highland Council	Tina Stones	35,448	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.

Accounting Estimates and Judgements

The financial statements contain estimated figures that are based on assumptions made by the College about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to the College at the time of preparing the financial statements. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College's Balance Sheet at 31 July 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY

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

The actuarial inputs into the pension liability valuation are subject to annual review and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the year end valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2021 following the updated actuarial valuation was £16,284,000, a decrease of £1,696,000 from 31 July 2020.

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

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

VALUATION OF PROPERTY

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2021 is outlined and broken down by asset category at note 11.

Land and Buildings were independently valued for the purposes of the financial statements by J & E Shepherd, Chartered Surveyors. The basis of valuation was depreciated replacement cost. The latest full valuation for the full fixed asset portfolio was undertaken as at 31 July 2019. A review of the fixed asset year-end valuation as at 31 July 2021 confirmed that there was no impairment to the properties to be recognised in these financial statements. The College did not apply any annual indexation to its Fixed Asset Portfolio at 31 July 2021.

JOB EVALUATION

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and cost to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last three financial years. At 31 July 2021, the College had accrued for income and expenditure of £951,271. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

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

Accounts direction for Scotland's colleges 2020-21

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the chief executive officer/Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

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.