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University of the
Highlands and Islands
Lews Castle College

Oilthigh na Gàidhealtachd
agus nan Eilean
Colaisde a' Chaisteil

LEWS CASTLE COLLEGE

Colaisde a' Chaisteil

STORNOWAY, ISLE OF LEWIS

Charity Registration No. SC021204

LEWS CASTLE COLLEGE**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 JULY 2021**

CONTENTS	PAGE
Performance Report	4
Accountability Report	14
Statement of Responsibilities	16
Governance Statement	18
Remuneration Report	26
Independent Auditor's Report to the Board of Management, The Auditor General for Scotland and the Scottish Parliament	30
Consolidated and College Statement of Comprehensive Income & Expenditure	34
Consolidated and College Statement of Changes in Reserves	35
Consolidated and College Balance Sheet as at 31 July 2021	37
Consolidated Statement of Cash Flows	38
Notes to the Financial Statements	39
Appendix 1 – SFC Accounts Direction	53
Appendix 2 – Board Meeting Dates & Attendance	54

PROFESSIONAL ADVISERS

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

Internal Auditor: TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers: Royal Bank of Scotland
17 North Beach Street
STORNOWAY
HS1 2XH

Solicitors: Macdonald Maciver & Co
20 Francis Street
STORNOWAY
HS1 2NB

Actuaries: Hymans Robertson LLP
163 George Street
GLASGOW
G2 2JJ

PERFORMANCE REPORT

Overview

Principal's Foreword

This Performance Report for the year ended 31 July 2021 provides an overview of the College, its performance over the year, its continuing risks and plans to address these.

During 2020/21, the College continued to operate within the ongoing and ever-changing restrictions of the Covid pandemic. In addition, it was impacted by a serious cyber incident, which affected the whole of the University of Highlands and Islands partnership. Despite these significant challenges, it continued to play its important role in the UHI partnership through its leadership of programmes and modules and research projects. The College continued to develop its curriculum and introduced several new programmes and enhanced its support to students to ensure minimal possible disruption to learning and teaching and the student experience.

The College progressed a number of key strategic developments and plans, implemented new strategies for curriculum, research and Gaelic language provision, submitted a proposal as part of the Islands' Deal, and collaborated in work to consider options for closer alignment with other UHI partner colleges.

Covid-19

The College continued to operate within the Scottish Government guidelines for the college and university sector, which resulted in limitations on the level of on campus student activity for most of the year and a continuation of blended or fully online delivery. Staff worked from home for some of the year, followed by a move to hybrid working. Academic staff continued to adapt learning, teaching and assessment in line with requirements of awarding bodies to ensure students progressed their studies and achieved their qualifications. Students continued to be well supported during this time and the College made effective use of additional student support funding to provide digital devices for home study and increased access to counselling and student finance. Students living away from home, who were required to self-isolate, were supported by a dedicated student engagement officer and the College provided on-campus study spaces for students whose home circumstances were not conducive to remote study.

The College approved a formal hybrid working policy during the 2021/22 academic year and has increased access to on campus working and student activity in line with Government guidance.

Cyber Incident

The university partnership was subject to a serious cyber incident in March. The University and the College implemented disaster recovery plans and put contingencies in place until key services were restored, however staff and student access to campuses was severely restricted whilst College devices were restored and reconfigured. Students continued to access cloud-based systems for learning and teaching but the learner experience was impacted as systems were restored and alternative working practices were implemented. The College had already begun the transfer of networked files to Share Point and increased resource to complete the transfer of critical files to ensure staff had access to key data and files. The incident did not result in any loss of personal data and the College successfully transferred all networked data to Share Point and is now in the process of refining departmental file structures.

Performance and Achievement

The College board of management approved a change plan to improve the resilience and financial sustainability of the College in early 2020. While this was disrupted by Covid and the cyber incident, progress was made in a number of areas:

A new senior management structure was approved ahead of the retirement of the principal and 2 assistant principals in August 2020, and this was partially implemented with the appointment of a new principal and

depute principal. Several other key management posts were appointed throughout the year, including a board secretary, marketing manager and HR manager. The delay to the full implementation of the senior management structure did impact on capacity to deliver the change programme, however this has now been completed with the appointment of a Director of Finance and Resource and Head of Curriculum in academic year 2021/22.

As a result of these changes, the College made significant progress in corporate governance matters, implemented new curriculum strategies and plans, improved partnership working and raised the profile of the college and its services. A refreshed strategic plan for 2021-25 is being implemented and changes will include implementation of an HR system along with a suite of family friendly policies to complement the new hybrid working arrangements.

The College strengthened partnerships and collaborations and increased its range of school provision and number of Modern Apprenticeships over the year. These continue to be strengthened and has resulted in a significant growth of construction and engineering apprentices in 2021/22 and development of a joint strategy and planning framework with Western Isles Education and Skills Department and Skills Development Scotland.

A financial recovery plan was approved by the College Board in March 2020 to improve college finances, which included the decision to apply to the Scottish Funding Council to run a voluntary severance scheme. This was approved in November 2021 and will be implemented over the next 2 years.

The College's activity target for FE was increased in 2020/21 from 5,348 to 5445 following an increase in credits allocated to the region. The College achieved a total of 3,335 credits which was 61% of the revised target (compared to 4157 in 2019/20, achievement of 78% of target). The level of enrolments reflects the impact of Covid-19, which affected the College's ability to deliver a significant proportion of its credits relating to planned practical short course provision, evening classes and school vocational activity. Falling enrolments also reflected the number of pupils who either stayed on a further year at school (rather than opting for college courses) or gained higher than expected exam grades and secured places on degree courses, which led to withdrawals from FE or HNC courses at the College. There has been a significant improvement in full-time FE student enrolments for 2021/22 and the College has already exceeded the total level of credits achieved in 2020/21 and anticipates it will achieve its target of 4760.

The guarantee by the Scottish Funding Council to maintain funding levels for 2020/21 ensured that the Regional Strategic Body received no reduction in funding and the College retained funding levels for FE. However, a change by the regional strategic body to the unit of resource for HE meant the College received a reduced HE resource allocation for this year.

Student achievement for the year was 63%, which decreased from 75% in the previous year. There was also an increase in partial success rates. This was a consequence of a series of late withdrawals towards the end of the year with some correlation to the experience of the pandemic and cyber incident but also to increasing employment opportunities on the islands towards the end of the year.

The national Student Satisfaction and Engagement Survey returned high levels of student satisfaction with 89.7% for full time FE students and 100% for part-time students and students commented that they were highly satisfied with the levels of student support services and with adaptations to learning, teaching and assessment. The College also achieved a 96% satisfaction rating for its HE programmes in the National Student Satisfaction Survey - the College-led BAH Applied Music programme achieved 100% satisfaction rating for the third consecutive year.

The Education Scotland progress visit for 2020/21 was highly positive and recognised the high level of student satisfaction and also identified a number of areas of positive practice and performance for the year. These included the impact of effective leadership in planning and implementing change, the modifications to course delivery and specialist support in response to ongoing Covid protections, the use of Brightspace to support learning, teaching and assessment and our wider support of students, especially services for learning support needs and mental health issues.

Areas for further progress included the role of observation in the evaluation of learning and teaching, the relatively high level of late student withdrawal and use of observation in evaluation of learning and teaching.

There were several key curriculum developments and research projects carried out by the College during the year including the fully online BAH Geography degree, Professional Development Award in Hydrogen, launch of the Uist Virtual Archaeology application and research projects in archaeology, health, digital pedagogy and seaweed applications.

A number of students received national awards and recognition, including achievement of a national Youth Entrepreneurship Award and a place on the prestigious and highly competitive OGT apprenticeship programme.

Despite restrictions, the College continued to engage with students and the wider community through online events including online open days, student music, art and fashion virtual showcase events and regular community arts, Gaelic language and culture, music (including weekly Ceilidhs).

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Date

Sue Macfarlane
Principal

PURPOSES AND ACTIVITIES OF THE ORGANISATION

The Board presents its report and the audited financial statements for the year ended 31 July 2021.

Scope of the Financial Statements

The Financial Statements cover all activities of the College. The College also has a trading company, Lews Castle College (Trading) Limited, which is currently dormant.

Mission Statement

To deliver excellent learning and teaching, research and enterprise: locally, regionally, nationally and internationally.

Strategic Plan

The College Strategic Plan 2018 – 2023 sets out the key aims and objectives of the College. The Board has continued to monitor performance against the key performance indicators in the Plan on an annual basis.

The 4 strategic aims in the Plan are linked to four core values that guide how we make decisions, and how our staff, students and stakeholders will work with each other. These are then underpinned by cross-cutting themes and key strategies and plans for how we will achieve our strategic aims.

Our Strategic Aims	Our values
Have a clear organisational identity with an attractive curriculum offer.	Provide leadership We will strengthen our existing partnerships and inspire those we collaborate with, by example, to achieve our shared vision.
Promote equal opportunities for all staff and students to achieve their personal aims.	Embrace Fairness We will give a high value to inclusiveness and will treat individuals with respect and assist them in the pursuit of their personal objectives.
Match student achievement to local, regional, and national demands.	Pursue Excellence We will seek to help students and staff develop the essential skills to achieve their academic and personal best.
Be a socially responsible and accountable organisation.	Be Accountable We will fulfil our obligations and responsibilities to all stakeholders in the pursuit of a sustainable strategy for educational excellence.

The College revised its strategic plan in September 2021, which outlines its ambition and key objectives for 2021-25.

Implementation of the Strategic Plan

Student Centred Approach

We continue to put our students at the centre of all our activity and have continued to develop our structures and increase resource to ensure an excellent student experience and high level of student success. To this end we will also continue to work closely with the Highlands and Islands Student Association (HISA) to ensure the student voice is central to what we do.

Curriculum and Brand

We will continue to increase our efforts on behalf of the people of the Outer Hebrides and, working with our partners, become a major force for addressing concerns about demographic change. We have begun to develop our curriculum to be more closely in line with local and regional demand to support the needs of our local economy and our communities. We will design, organise and promote our courses to attract students living in the Outer Hebrides and from elsewhere so that we achieve – and grow - the funded student numbers that are conditions of grant from the Scottish Funding Council. In doing this, we will ensure our programmes meet fundability criteria, and regularly monitor progress against targets.

The realisation of our ambitions and vision will require us to make best use of our people, our natural, economic and cultural environment, our expertise in digital learning, the potential of our estate, and our growing reputation for specialist courses. In doing so, we will retain more of our people in the islands and bring increasing numbers of new people to the Outer Hebrides - to learn, to engage in research, and to develop new businesses that will benefit from co-location with innovative applied research.

Our planning will continue to take account of the impact of Covid on the economy and communities we serve, and we will develop our curriculum to ensure we are responsive to the upskilling and reskilling that will be required for the post-Covid recovery.

As part of a UHI-wide rebrand from March 2022, and following consultation with staff, students and key stakeholders, the College will be changing its brand name to UHI Outer Hebrides. This change will better reflect where the College operates and its intention to widen access to learning and teaching provision across all our communities.

Curriculum Developments

Our curriculum strategy and plan has identified priority sectors and an increase in short courses, micro-credentialling and expansion of online provision for wider access in rural areas. These include:

- Health and social care
- Construction, maritime
- Hospitality, food and drink
- Gaelic language in vocational settings
- Renewable energy and sustainability
- Digital skills
- Public administration

The Islands Deal campus redevelopment project and Cnoc Soilleir build will improve the College estate, underpin planned new curriculum and enhance the student experience.

Partnership

The College has strengthened and will continue to strengthen and increase its range of partnerships and collaborations in order to make best use of data and resources and improve impact and outcomes for our communities. It is a key partner in the UHI Islands Strategy and Islands Deal and will continue to work with HIE, SDS and our local council on initiatives and plans to support our learners, our employers and all our island communities.

Long Term Sustainability

The College implemented its financial sustainability plan in 2020/21 with the aim to improve its resilience and sustainability. This includes the decision to explore merger with two of our UHI small partner colleges as a longer-term option. The formal process of examining how a merger could work and development of the outline business cases is currently underway, with the project working towards a proposed vesting date of January 2023. Further updates and communications are published on the dedicated website: www.rural-islands-merger.uhi.ac.uk

Key Issues and Risk

The principal issues and risks for the college relate to:

- demographic and employment issues on the islands
- continued impacts of the pandemic
- impacts of Brexit
- levels of funding for the sector

The four key risks and issues the College currently faces are:

1. Financial risks resulting in failure to achieve a balanced budget:

- a. Failure to continue to fund costs of national bargaining or to fund at the required level
- b. Failure to achieve budgeted FE and HE student enrolments
- c. Failure to achieve planned cost savings
- d. Reduced number of funded European Union students
- e. Lack of distant islands allowance payment to cover cost of DIA paid by the College

2. Failure to achieve FE and HE funded targets

- a. Lack of attractiveness of curriculum offer
- b. Poor estate and student experience
- c. Poor reputation

The College is mitigating these risks through the implementation of its financial sustainability plan, curriculum development and delivery, estates plans and improved marketing and recruitment planning. The College is working in partnership with community agencies to implement strategies to address issues around demographics and employment.

3. Covid-19

- a. Failure to plan or implement effective health and safety protocols and practices
- b. Loss of income
- c. Impact on health of staff and students
- d. Reputational damage arising from potential break-out, shut-downs

The College has robust risk assessments and protocols in place which have been tested and under constant monitoring and review.

4. Estate Not fit for Purpose

- a. Levels of funding not sufficient for maintenance and repair needs
- b. Lack of capital funding for improvements
- c. Inefficient and aging design and infrastructure

The College is currently developing its estates plan and reviewing outstanding backlog and maintenance issues and priorities. This includes working with partners to identify capital funding.

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of that information.

PERFORMANCE SUMMARY

Financial Results

The College made an underlying operating surplus of £615,000. This is based on an operating loss of £199,000 for the year, less adjustments for non-cash accounting adjustments related to FRS 102 pension charges and net depreciation. This compares with an underlying surplus of £21,000 last year. Note 23 of the accounts contains further details on these adjustments, summarised as follows:

	Year to 31 July 2021	Year to 31 July 2020
	£'000	£'000
Surplus/(Deficit) for the year as per statement of comprehensive income	(199)	(737)
Add back:		
Net Depreciation	291	306
Pension Adjustment – Net service cost	505	329
Pension Adjustment – Net interest cost	66	54
Pension Adjustment – Early retirement provision	(48)	69
Underlying operating Surplus / (Deficit)	615	21

One consequence of college reclassification as central government bodies is that from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects amongst other things, the way in which non-cash depreciation charges are treated and how the colleges spend the cash funds earmarked for depreciation. There is potential for this spend to move the college's Statement of Comprehensive Income into a deficit position.

The impact of the above has contributed £291,000 to the reported surplus/deficit for the 2020-21 accounting year. However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance, should be treated as a 'technical' deficit and should not be interpreted on its own, as a challenge to the College's ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern.

There are accumulated reserves of £4,449,000 (2020: £3,070,000). The main balance sheet movements were:

- Fixed Assets – overall decrease of £537,000 due to standard depreciation charges of ££684k, offset by in year additions of £147k. Additions were mainly relating to additional IT equipment (£50k), course equipment £42k (for archelogy and jewellery making) and finally £54k spent on the estate.
- Current Assets – increase of £391,000 due to movement in debtors, largely due to the timing of several higher value sales invoices being raised, and cash in bank has increased £223k in year mainly due to extra funding received because of Covid-19 pandemic.
- Creditors due within one year – increase of £256,000 largely due to changes in the value of deferred capital grant and accruals & deferred income.
- Creditors due after more than one year – decrease of £404,000 due to the release of deferred capital grant within the year.
- Provisions – decrease of £48,000 a direct result of a reduction in the early retirement pension provision cohort.

Cash Budget for Priorities

Following reclassification as a central government body from 1 April 2014, the College is now required to comply with Central Government budgeting rules. In addressing the impact of these rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. The budget was spent as outlined below.

Revenue Priorities	2020/21 £'000	2019/20 £'000
2015/16 Lecturers Pay Award	47	47
Estates costs	96	96
Total	143	143

Taxation Status

The College is registered with the Office of the Scottish Charities Regulator as a Scottish Charity and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

Cash Flows and Liquidity

The nature of the College's operations is such that there can be considerable unpredictable variation in the timing of cash inflows and outflows. The approved cash flow projections for the period to 31 July 2023 indicate no requirement for an overdraft facility, forecasts approved by the Board of Management, as part of its Financial Forecast Return in November 2021. Please refer to the Accounting Note 1, subheading 'Going Concern' on page 40 for further narrative.

Creditor Payment Policy

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of the invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible.

The College's average payment period was 34 days during 2020-21 (42 days in 2019-20). The extended period in prior year was due to the complications of adjusting to home working. This has now been resolved. The College was not required to pay any interest during the year under the late payment of Commercial Debts (Interest) Act 1998.

RESOURCES

We will continue to make the most of our resources and expertise to provide as good a service to our students and other customers as is possible. We will work with our UHI partners to deliver efficiencies in the way we operate as part of our progress towards long-term financial stability and security, so that we can concentrate our energies on learning, teaching, scholarship, research, and commercialisation of that research.

Underpinning our ambitions is our need to grow our staff. We will ensure that continuing professional development is funded and delivered so that we support and sustain the professional development of our staff, and by doing so, continue to offer high quality learning experiences to our students. As a fully committed partner, we will develop our staff as appropriate so that they can contribute to the growth and development of the University of the Highlands and Islands.

The College continues to seek funding to cover the additional costs arising from the requirement to pay Distant Islands Allowance to staff. Discussions with UHI and SFC have clarified that this funding is not currently provided and that the additional cost in 2020/21 to the College of approximately £320,000. Receipt of this additional funding would allow the College to develop its curriculum offer to provide for the needs of the local community and economy.

Value for Money











Value for money (VFM) is considered as a matter of course during the work of Internal Audit and issues identified are reported to the College.

Overall, there was evidence to support the College's achievement of VFM regarding the economy, efficiency, and effectiveness of the systems reviewed.

Performance Indicators

A total of 351 students were recruited on to full time courses throughout the College in session 2020-21, with a further 1121 undertaking part-time courses ranging from short one day courses to Postgraduate level. This compares to 363 full time and 1699 part time students in 2019/20. The reduction in numbers is mostly due to the inability to deliver short courses during the post-lockdown period in 2020/21. Pupils from Secondary Schools throughout the Outer Hebrides are also catered for in timetabled vocational programmes at the College, linked to their school studies.

In accordance with SFC requirements, the College is required to publish and report progress against targets for national priorities. These indicators monitor the implementation of the College's financial objectives. The performance indicators used by the College measure actual results as follows:

KPI	Purpose	Actual 2019-20	Actual 2020-21	Target 2021-22	Trend
FE Activity in Credits	Number of Credits per year	4,157	3,476	4,760	
Student numbers	Students enrolled on FE courses after census date	1,523	875	1,743	
Overall early retention	Measures student retention before cut-off date	97.8%	97.2%	98%	
Overall retention	Measures student retention	94.0%	88.9%	95%	
Student outcome FE	Measures FE student success	89.1%	74.5%	88%	
Operating surplus / (deficit) as a % of income	Measures the surplus on continuing operations as a % of total income	0.30%	3.78%	0%	
Non SFC income as a % of income	Measures non SFC income as a % of total income	27.6%	28.0%	32%	
Staffing costs as a % of total income	Measures staff costs excluding exceptional staff costs as a % of total income	80.4%	78.8%	88.3%	
Current assets : current liabilities	Measures the college's ability to pay its current liabilities	0.63	0.77	1.0	
Days cash	Cash divided by total expenditure less depreciation expressed in days	7.4	20.6	15	
Staff turnover	FTE staff (permanent) that leave during the year divided by total permanent FTE staff	11.8%	5.04%		
Working days lost through sickness absence	Working days lost per staff FTE	9.04	3.11		

I can confirm that the College has complied with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The Schedule to the 2015 Order sets out the required content for the report to Scottish Government and the report was submitted on time on 29 November 2021.

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Date

Sue Macfarlane
Principal

ACCOUNTABILITY REPORT

This report has been prepared in compliance with the Scottish Funding Council's 2020/21 Accounts Direction for Scottish Colleges, the Scottish Government's Scottish Public Finance Manual (SPFM) and the Government Financial Reporting Manual 2020/21.

SECTION ONE: STATEMENT OF CORPORATE GOVERNANCE

(A) Director's Report

(a) Legal Status

The College was established in 1952 and incorporated under the Further and Higher Education (Scotland) Act 1992 on 1 April 1993. It is a registered charity (Scottish Charity Number SC021204) for the purposes of the Charity and Trustee Investment (Scotland) Act and is exempt from corporation tax on charitable activities. The College is recognised by HMRC as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on charitable activities. The College receives no similar exemption in respect of Value Added Tax (VAT). On 31 March 2014 the Office for National Statistics reclassified the Scottish College sector as a department of central government. Under the Assigned Colleges (University of the Highlands and Islands) Order 2014, the College was assigned to the University of the Highlands and Islands as part of the Highlands and Islands Regional Strategic Body (RSB).

(b) Board Members – 1 August 2020 to 31 July 2021

It is legislatively prescribed that the Board should comprise between 13 and 18 members. In addition, its membership must include: a chair appointed by the RSB; the principal of the college; two elected staff members (one teaching and one non-teaching); two nominated student members which in the case of the College comprises the LCC Highlands and Islands Student Association (HISA) Depute, and a Class Representative also nominated by HISA and between 7 and 12 non-executive board members by the RSB.

There were a number of changes in Board membership during Academic Year (AY) 2020/21. In June 2020, the Board had 14 members (9 being non-executive – excluding the Chair). With the two student members having come to the end of their term in June 2020, a new student member was appointed in July 2020 as well as an Interim Principal in August 2020, this took the Board to 13 members at the start of AY 2020/21. A second student representative was appointed in December 2020. A non-executive member of the Board resigned in August 2020 (8 non-executive members), another in December 2020 (7 non-executive members) and another in June 2021 (6 non-executive). The two student representatives came to the end of their term of Office in June 2021 when one new representative was appointed which brought the Board to a membership of 11 (2 staff, 1 student, the Principal, the Chair and 6 non-executive members). It was accordingly agreed to approach the RSB to run a recruitment campaign for non-executive members in July – September 2021. The process was administered by the Board Secretary on behalf of, and under guidance from, the RSB.

The recruitment campaign resulted in the appointment of two non-executive members by the RSB in October 2021 (8 non-executive members) however a further non-executive member resigned in October 2021 (7 non-executive members) along with one of the staff members who was replaced in November following a successful election process. It is anticipated that HISA will shortly nominate a Student Member to the Board from amongst LCC UHI Class representatives which would bring the Board to 13 Members.

Although the Board managed to retain staff and non-executive membership at the prescribed levels until May 2021 and in the new academic year from October 2022, it has agreed to undertake another recruitment campaign in Spring 2022 with a view to augmenting its non-executive membership by a minimum of up to two additional members.

Members are appointed to the Board for an initial period of four years, which can be extended for a further four years. Only in exceptional circumstances, and where compelling reasons exist, may a further extension of up to two years be approved.

During the financial year 2020/21, the membership on the Board was as follows: -

Board Member	Current Status	Committees Appointed	Positions Held	Appointed	End Date
Archie Macdonald, non-executive	Active	F&GP and Remuneration	Board Member	06.11.2018	06.11.2022
			Chair of Board	14.04.2020	13.10.2024
Iain MacMillan Principal	Resigned 09.08.2020	n/a	Principal	01.01.12	n/a
Sue Macfarlane Principal	Active	F&GP, QL&T	Principal (Int)	08.08.2020	30.09.2022
Ian McCulloch Non-executive	Active	F&GP and Remuneration	Chair of F&GP and Senior Independent Member	06.11.2018	06.11.2022
Dr Murdoch Macleod Non-executive	Active	Audit Committee & Remuneration	Chair, Audit	04.2020	04.2024
Georgina Marczak Non-executive	Active	QL&T, Remuneration and Audit	Chair QL&T and Chair Remuneration	03.2020	03.2024
Prof Alison McCleery Non-executive	Active	QL&T and F&GP	n/a	03.2020	03.2024
Fiona Pearson Non-executive	Active	QL&T	n/a	06.11.18	06.11.22
Billy MacKinnon Teaching Rep.		QL&T and Audit	n/a	01.08.18	01.08.22
Norman Macleod Non-Teaching Rep	Resigned 27.10.20	Audit	n/a	01.08.18	n/a
Tyler Daniels Student (HISA) Rep	Active	F&GP	n/a	01.07.2021	30.06.2022
Bill Macmillan Non-executive	Resigned 13.05.2021	Audit	Chair of Audit (until 13.05. 21)	03.2020	n/a
Annie Macsween Non-executive	Resigned 9.12.2021	QL&T and Audit	06.11.2018	06.11.2018	n/a
Christine Morrison Non-executive	Resigned 30.08.2020	Audit	n/a	01.09.2016	n/a
Martin Malcolm Non-executive	Resigned 27.10.2021	Audit	None	03.2020	n/a
Joshua Smith Student (HISA) Rep	End of Term	QL&T	None	01.07.2020	30.06.2021
Selina Scott Student (Class) Rep	End of Term	None	n/a	15.12.2020	30.06.2021

For Information: New Members appointed in 2021/22 include: Fiona Kolontari, non-executive (15.10.2021), Steven Maclellan, non-executive (15.10.2021), and Barbara Keating, staff member (25.11.2021) – Details will be reported in the Annual Accounts 2021/22.

Governance & Management

The Board is the College's governing body. It is responsible for bringing independent judgement to bear on issues pertaining to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and establishing high standards of academic conduct and probity. The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. It is supported by committees with specific areas of remit which are set out in its constitution and Scheme of Delegation. Appendix 2 of this document contains details of meetings attendance in 2020/21. Further information on the Board's Governance arrangements is set out in section 2 below – Governance Report.

Membership of the Executive Leadership Team

The Principal's Executive Leadership Team (ELT) is responsible for the management of the College and considers issues of performance, internal control & risk, and advises the Principal on strategy and any issues relevant to the running of the College. Membership of the ELT from 1 August 2020 to 31 July 2021, and up to the date of the accounts being signed on 24 February 2022, was as follows: -

Name	Role	Appointed/Resigned
Iain Macmillan	Principal	Resigned 09.08.2020
Sue Macfarlane	Principal	Appointed to 30.09.2022
Hannah-Ritchie Muir	Depute Principal	Appointed November 2020
Catherine Barron	Head of Quality and Student Support	Temporary Membership to December 2021
Frank Rennie	Head of Research and Postgraduate Growth	Membership to December 2021
Alasdair MacLeod	Head of Finance and Estates	Membership to December 2021
Kathleen MacDonald	Director of Finance and Resource	Appointed December 2021

The College Management Team (CMT) comprises departmental managers and advises on day-day management concerns, including setting and monitoring of operational plans and risk and resolution of cross-college operational matters.

Statement of Board of Management's responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year. The audited financial statements for 2020/21 were presented to the Board on 24 February 2022.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Regional Strategic Body, the University of the Highlands and Islands, and the College's Board of Management, the Board of Management, through the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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
- Secure the economical, efficient and effective management of the College's resources and expenditure

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & General Purposes Committee
- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose Head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control

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

Register of Interests

The College maintains a Register of Board Members Interests. The register is available to any member of the public who wishes to examine it and a summary is available on the college website. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board and Committee meetings.

Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2020/21, the College had no reported personal data incidents (2019/20 – Nil). Further information on Data security is set out in section 2 below – Governance Statement.

Auditor

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2021 which has been extended to 31 July 2022.

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 each aware, there is no relevant audit information of which the College's auditors are unaware; and that 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 24 February 2022 and signed on its behalf by:

Signed.....

Archie Macdonald
Chair of Lews Castle College UHI Board of Management

(B) Governance Statement

1.0 Scope of responsibility

The Post-16 Education (Scotland) Act makes the Court of the University of the Highlands and Islands accountable for all college and university level education in the Highlands and Islands. Lews Castle College UHI (the College) is assigned to the University of the Highlands and Islands as its RSB.

It is a condition of the Financial Memorandum with the RSB (in accordance with SFC's statutory duty under the Post-16 Education (Scotland) Act 2013 ("the 2013 Act") that the Board meets the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. This statement describes the manner in which the College has applied the principles of good governance, set out in the Code and in the SPFM including the Board's governance structures, the operation of the Board during the period, an assessment of the Board's corporate governance, an assessment of the Board's risk management arrangements and details of significant risk-related matters arising during the period, details of any significant lapses in data security risk, and internal control processes that have been operating in the year ended 31 July 2021 and in the period leading to the external audit for the period which was undertaken in December 2021 – January 2022. The Board has also taken cognisance of Audit Scotland's 2019 advice contained in the Good practice note on improving the quality of college accounts -governance statements (audit-scotland.gov.uk)

2.0 Corporate Governance

Board Membership

In June 2020 the Board of Management consisted of 14 members. Three non-executive Members resigned over the course of the year as detailed in the Director's report above, and by June 2021, the Board had 11 Members comprising: the Chair, the Principal, one student member, two staff members and six non-executive members. In June 2021 a recruitment campaign was undertaken by the RSB (and resourced by LCC Board) which resulted in two new non-executive appointments in October 2021. A further non-executive member resigned in October 2021 taking the non-executive membership, excluding the Chair to 7 and so a campaign is to be undertaken in Spring 2022 with a view to augmenting the non-executive membership on the Board by a minimum of up to two additional members. This would ensure that when vacancies arise in the non-executive membership, the Board is better positioned to accommodate this and can better ensure a balance of membership on its committees comprising a majority of non-executive members.

The non-teaching (Support) Staff member resigned in October 2021. Following an election process (in compliance with the rules for election of staff members to the Board) one nomination was received and the individual was duly elected to the Board as the non-teaching (Support) Staff member. There is a student member vacancy which has, like other colleges, proved difficult to fill (through HISA) and so Management is working locally to address this which would bring the Board to 13 members.

Induction and ongoing training is made available for all Members. Efforts to remove potential barriers include the provision of one-to-one support on Board matters and Governance as requested. The RSB is aware of recurring difficulties in attracting people interested in Board Membership in areas with small population bases. A review of the most recruitment campaign will be undertaken once the induction of the new members is undertaken to inform the Spring recruitment campaign.

The Board is supported in its work by two external observers these being Malcolm Burr, Chief Executive of Comhairle nan Eilean Siar (CnES) and member of the Court of UHI and CnES Councillor, Alasdair Macleod, who is Vice-Chair of the Comhairle's Policy & Resources Committee and a member of the Comhairle's Sustainable Development and Transportation & Infrastructure Committees. The Observers are not counted for the purposes of establishing a quorum and have no voting rights.

The Board considers that each of its non-executive members is independent of management and free from any business or other relationships which could materially interfere with the exercise of independent judgement. The Board's Code of Conduct which is appended to its constitution requires Members to act in accordance with the principles of public life laid down by the Nolan Committee

Constitution

The Board operates according to the terms of its Constitution which includes the Board's Standing Orders and a Scheme of Delegation specifying which decisions are reserved by the Board and those matters delegated to Committees and management. The Board's Standing Orders were reviewed in 2020. The Board Secretary will undertake a full review of all governance material for reporting to the Board in Spring 2022 on the basis that the Board is asked to make any necessary revisions as required prior to the completion of a full review

Meetings of the Board

The full Board holds a minimum four meetings a year and met six times in 2020/21. As a result of the Covid-19 pandemic, the College moved all Board and Committee meetings to virtual platforms. This allowed for the governance structures to be maintained throughout the period of 2020/21, and this has continued into 2021/22. In addition, the Board now holds an annual strategic meeting in August of each year which is dedicated to reviewing the Board's Strategy and discussing the college's strategic development. Meetings take place in the evening to widen access for those with work and/or caring responsibilities etc.,

Chairs meet quarterly before Board and Committee meetings to undertake business/pre-agenda planning. The Chairs, Principal and Board Secretary meet regularly to ensure effective working relationships between members and constructive dialogue with officers. A timetable of deadlines is in operation to ensure Members receive agendas and reports one week before a meeting in compliance with Standing Orders. In compliance with the Code, the Principal supports the Board Secretary in the timeous submission of reports so that board members receive sufficient information in an appropriate form and have sufficient time to monitor, scrutinise or make informed and rigorous decisions in an open and transparent way before meetings. Late reports are a rare occurrence and feedback from the results of the 2020 Board Internal Effectiveness Review (IER) which was undertaken in February 2021 confirmed "*exceptional results (were awarded) for Board meetings including, well-structured papers, virtual meetings, managing the agenda, inclusive discussions, and chairing*".

Agendas and papers are issued using digital technology, but paper copies are also provided on request so as not to exclude any reader. Historically, Committee agendas were never published online, and Board Minutes had not been published online since October 2019. All Board agendas and minutes (in a final Board book) have been uploaded for 2020/21 and agendas, papers and minutes of all Board and Committee meetings, (except those deemed confidential) are available from the Board Secretary on the college website at: <https://www.lews.uhi.ac.uk/about-us/board-of-management/board-and-committee-agendas--minutes/>

Delegation to Committees & Officers

Matters reserved to the Board are set out in its Constitution and include final decisions on issues of corporate strategy, the review and approval of annual budgets, the Annual Accounts and the External Auditor's Report, and the appointment and dismissal of the Principal and Secretary. As required by the Code, the Board has made provision for: an Audit (and Risk Management) Committee; a Remuneration Committee; and a Nominations Committee. There is also a Finance & General Purposes Committee; a Quality, Learning, & Teaching Committee and a Chair's Committee that meets as and when required.

Audit Committee

The Audit Committee has provision for four Members. Following the resignation of the Chair in May 2021, the Board appointed a new Chair who is a qualified Accountant. The Board Chair and the Principal are not members but attend at the invitation of the Committee. The Head of Finance, the internal and external auditors are usually in attendance. Two meetings took place in 2020/21 together with a joint meeting with F&GP. A meeting of scheduled for 1 June had to be cancelled due to the lack of a quorum, with a further meeting in October 2021 being re-scheduled to achieve a quorum. Two of the Committee Members resigned in October 2021 but have been replaced with an additional Members appointed in December 2021 and so the Committee currently has 4 Members which should safeguard the achievement of a quorum at future meetings. Two meetings have already taken place in 2021/22.

The Committee's responsibilities include: the compilation of an annual audit report for consideration by the Board, recommending the approval of the Annual Accounts to the Board, advising and reviewing and monitoring governance arrangements. The Committee also receives and considers reports from the Scottish Funding Council as they affect the College's business, and monitors adherence to the regulatory requirements and has responsibility for reviewing the Board's risk management framework, its strategic risks and consideration of management's review of operational risks.

The Committee advises the College on the appointment and remuneration of internal auditors who have direct access to the Chair of the Board of Management and to the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. The Chair, Board Secretary and the Head of Finance (and from December 2021 the Director of Finance & Resources) meet separately with the External and Internal Auditors before each Committee meeting to review progress on a Corporate Management Team (CMT) Audit Action Tracker (Internal and External Audit recommendations) that is also reviewed regularly in CMT meetings. These arrangements were introduced in the course of 2020/21. The Committee holds an in-camera session annually.

Finance & General Purposes Committee

The F&GP Committee has provision for six Members. During 2020/21 it had 4 members and from December 2021 has 5. The Committee met three times and once jointly with Audit during 2020/21. The Committee's responsibilities include approving all key decisions to be taken in relation to finance; monitoring actual performance against budget and key performance indicators; making recommendations to the Board on capital expenditure, investments and borrowing; setting tuition fee levels and making recommendations with regard to these; overseeing systems of financial control and delegated authority; liaison with External Auditors to ensure that the Annual Accounts show a true and fair view and exhibit regularity of spend; ensuring consideration is given to value for money and compliance with the SFC and UHI Financial Memorandums as well as the College's existing buildings and estates together with responsibility for setting the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff which includes overseeing the development and auditing of all human resource strategies and work streams.

Remuneration (and performance) Committee

The Remuneration Committee comprises the four Chairs on the basis that the Board Chair cannot chair the Committee. The Committee met once during 2020/21 and more recently in September 2021. Two Members and the Board Secretary have completed the mandatory CDN remuneration training. The Committee's terms of reference were revised in June 2021. The Committee is responsible for considering, approving and reporting to the Board on decisions regarding the remuneration package, terms, and conditions (including the annual reviews of such) and, where appropriate, severance payments of the College Principal & Chief Executive and College Executive Team and in so doing ensuring the efficient and effective use of public funds. In addition, the Committee retains an overview of wider HR and workforce issues within the College and must bring any relevant matters to the attention of the Board as well as undertaking robust scrutiny of proposed severance schemes and settlement agreements before recommending approval to the Board and onwards to the RSB/SFC. (in line with the SFC Guidance on Severance).

Quality learning & Teaching Committee

The QL&T Committee has provision for 6 members and comprised 6 to December 2021 and then 5 to June 2021. It met three times in 2020/21. In June 2021 it was agreed that the Committee would meet twice in February and May in each AY. In October 2021 the Committee was temporarily di-solved and two of its members joined the Audit Committee and one the Finance & General Purposes Committee. There is no requirement to have in place a QL&T Committee. All matters requiring Board consideration and approval are to be submitted directly to the Board similar to some other College other Boards. This will however be reviewed in March 2022.

The Chairs/Nominations and Search Committee comprises the Chair. The Principal does not attend meetings of the Committee unless requested to do so. The Committee determines the process for nomination and appointment of the post of Principal and as directed by the RSB, nominates candidates for the approval by the RSB to fill vacancies on the Board. There were no meetings of the Nominations/Chairs Committee in 2020/21 however two members took part in the Nominations Committee constituted by the RSB to run a recruitment campaign for non-executive Board Members in July – September 2021. Further details are available on the College website.

Principal

The Board has delegated day-to-day responsibility to the Principal for maintaining a sound system of internal control which supports the achievement of the College's strategies and policies, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with responsibilities in the Financial Memorandums (FM) between College and UHI and the SFC. In compliance with the FM, the Principal has responsibility for the approval of financial statements for each financial year that give a true and fair view of the state of the affairs of the College and the surplus or deficit for that year for Board consideration and approval.

The Principal is also required to provide an annual Certificate of Assurance to the Scottish Funding Council (to coincide with their Financial Year End of 31 March). The latest return was on 21 April 2021 which confirmed that controls have been, and are, working well.

In line with the Board's process for agreeing performance measures which was recommended by the Remuneration Committee and approved by the Board in October 2021, performance measures were agreed between the Chair and the Principal following the Board Strategy event on 1 October 2021 and approved by the Board in December 2021. The views of Staff and Student board members were sought on these. The process provides for a system of review.

Board Secretary

Following a long vacancy, a Board Secretary was appointed at the end of November 2020. The Secretary's job description reflects responsibility for facilitating good governance and advising board members on: the proper exercise of their powers, including in relation to relevant legislation; the board's compliance with its Financial Memorandum, the Good Governance Code, its Standing Orders and Scheme of Delegation and their behaviour and conduct in relation to the board's Code of Conduct. In compliance with the Code, the Secretary has an unambiguous right to speak at board and committee meetings to convey any concerns they may have about governance and reporting on any unresolved concerns about the governance of the body to the relevant funding body (i.e., SFC or the regional strategic body). All members have access to the advice and services of the Secretary who maintains a register of financial and personal interests of members. The register is available on the College's website. The Board Secretary's Annual Appraisal will take place following the Board meeting on 24 February 2022.

Board Performance

Annual appraisal of all Members has not taken place previously. Using the CDN framework and templates Evaluation Templates were issued to Board Members in November 2021, and one-to-one meetings scheduled for January 2022, Member and Chair review meetings will be undertaken by the Chair on the basis that the Chair's review will be conducted by the Senior Independent member. Board Members comply with the nine principles of public life inherent in its Code of Conduct as evidenced in the Minutes. The Member appraisal process will provide an opportunity to review this.

Compliance with the Code of Governance

An evaluation of compliance with each of the 82 principles contained in the Code was undertaken by the Board in October 2021 and the review findings are available on the agenda for this meeting on the college website. A Red-Amber-Green (RAG) rating assesses the Board's overall performance against the Code with 0

principles graded red, 10 graded amber and 72 graded green. On the basis of this assessment, 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.

External Effectiveness Review

The Board's 2020 Internal Effectiveness Review (IER) took place in February utilising Independent Audit's 'Thinking Board' platform. College Development Network (CDN) were appointed to conduct the 2021 External Effectiveness Review (EER), following competitive tender. The outcomes from the IER informed the EER. The Board confirmed its acceptance of the findings and recommendations of the EER, and the report was submitted to the RSB/SFC on 29 April 2021. In June the Board formally approved the report and in addition to the recommendations set out in the EER, three further observations were accepted as part of the overall findings. All were included in the Board's Rolling Development Plan to facilitate on going monitoring of progress.

Governance Improvement Actions

The Board received a 'red' rating for Governance in the 2019/20 External Audit report (published March 2021) on the basis that previous annual External Audit Reports had reported that a number of areas of good governance had outstanding actions from various external reports and findings, and that progress around these areas had been limited in 2020, resulting from changes in key personnel and the impact of the Covid-19 pandemic on the College Board.

Whilst it was recognised that governance arrangements were appropriate and operating effectively during the lockdown period, the overall pace of improvement on Governance arrangements indicated insufficient management capacity to address the required improvements. Management capacity in the College was subsequently augmented by the appointment of a new Depute Principal (f/t) at the beginning of November 2020, a new Head of Curriculum (f/t) in October 2021 and a new Director of Finance and Resources (p/t) in December 2021. A Senior HR Advisor post is to be recruited with Senior Professional advice currently being provided by another College.

On aspects of governance, the External Auditor's recommendations made specific reference to the Board ensuring:

- a) *"a full assessment of compliance with the code of good governance, including assessment of prior identified non-compliance"* The EER 2021 further recommended that the assessment of compliance with each specific clause of the code should utilise a "comply and explain" mechanism. **Action taken by Board:** An evaluation of compliance with each of the 82 principles contained in the Code was undertaken by the Board in October 2021 and the review findings are available on the agenda for this meeting on the college website. A Red-Amber-Green (RAG) rating assesses the Board's overall performance against the Code.
- b) *"the production of an action plan for addressing remaining areas"* **Action taken by Board** The Board approved a Rolling Board Development Plan – Governance in June 2021 which constituted one definitive plan of action to begin to track more methodically and continue to address outstanding Governance actions, anything arising from the annual review and the recommendations in the EER 2021. The Board agreed to keep the Plan under regular review at each Board meeting. The Rolling Board Development Plan – Governance is a key aspect of ensuring continued review and monitoring of compliance with the provisions of the Code. At the first up-date, nine of the twenty recommendations set out in the Plan were removed as being complete or mainstreamed with agreed actions being implemented. The Plan identifies timescales, priorities, rag ratings and the direct lead for the remainder on which substantial progress is being made – up-dates are on the College's website. An annual calendar of recurring actions in compliance with the code is to be appended to the 3rd up-date.
- c) *"the completion of an externally facilitated review of governance arrangements in line with the three yearly requirement"* **Action taken by Board:** The Board's 2020 Internal Effectiveness Review (IER) took place in February utilising Independent Audit's 'Thinking Board' platform. College

Development Network (CDN) were appointed to conduct the 2021 External Effectiveness Review (EER), following competitive tender. The outcomes from the IER informed the EER. The Board confirmed its acceptance of the findings and recommendations of the EER, and the report was submitted to the RSB/SFC on 29 April 2021. In June the Board formally approved the report and in addition to the recommendations set out in the EER, three further observations were accepted as part of the overall findings. All were included in the Board's Rolling Development Plan to facilitate on going monitoring of progress.

- d) *“up to date posting of key Board and Committee papers and minutes to demonstrate good practice and transparency arrangements”* **Action taken by Board** Complete – see above under ‘Meetings of the Board’.
- e) *“the maintenance of a full list of policies and procedures and ensuring appropriate timely review and updating by the relevant individuals”* **Action taken by Board:** A policy list has been completed and a process for policy review and update is being progressed. This will be kept under review and should remain on the Plan.

As regards the outstanding matters on the Plan, substantial progress is being made on these, which includes the development of a more fully developed Performance Management System (PMS), a planned People Strategy and staff performance framework which is scheduled for completion in March 2022.

External audit Improvement actions

Several actions were included in the wider scope Audit dimensions of the EAs report in March 2021 which were also included in the Board's rolling Development Plan. As regards these, progress has also been made as follows: -

- (a) As part of their review of the prior year accounts the auditor's noted areas of disclosure which needed updating to reflect the requirements of the SFC accounts direction. On 5 October 2021, the F&GP Committee were provided with a copy of the extant Statement of Recommended Practice (SoRP). The Committee were satisfied a review of the SoRP had been undertaken by the Head of Finance in line with the Accounts Direction issued by the SFC.
- (b) Whilst the College prepared its financial statements on a going concern basis as required by the FR&M for a public body, the EA advised that whilst the FFR submission process itself is robust, the College does not explicitly align strategic and operational plans to financial plans, for example through the costing of strategic objectives and reconciliation of forecast expenditure to future funding. The Board approved its FFR on 26 October 2021 which aligns the College's financial forecasts to its Strategy on the basis that the College operates within the wider UHI financial environment and its budgetary processes. The financial management arrangements and in particular progress against key deliverables has been kept under scrutiny throughout 2021.
- (c) The EAs also noted in their report that the timeframe for the preparation of the financial statements, and the underlying supporting schedules, had been significantly delayed compared to previous years due, in part, to the extent of additional pressures on the finance team, and the impact of working from home with limited contingency and less sophisticated online systems compared to some institutions. In consultation with the External Auditors and the RSB on timescales for the 2020/21 Audit, a draft high-level timetable with key milestones, and Board/Committee meeting dates was approved by the Board in October/December to ensure the best use of available resources and timeous preparation of the end of year Accounts to facilitate conduct of the External Audit. A new Director of Finance and Resources(p/t) took up post in December 2021 which has augmented capacity.

COVID-19

As set out in the Performance Report, there was an on-going process for identifying, evaluating, and managing the College's significant risks in response to Covid-19 that was in place for the year ended 31 July 2021. This process involved development and continuous review of high-level risk assessments and actions, a review of process and procedures in light of remote working, including risk of fraud, and establishing robust health and safety protocols, weekly risk monitoring and reporting. In managing the impact of Covid-19, the College has complied with advice and guidance provided by the Scottish Government and statutory agencies.

Strategy

The College recognises the wider Regional and National framework that its governance and management activities operate within together with the challenges and opportunities for UHI and Academic Partners in the wider UHI and regionalisation context. The Chair and Principal continue to be engaged in this and reports on developments at a Strategic level are regularly submitted to the Board so that Members might engage in discussions around such developments. As set out in the Performance Report, a re-scheduled strategy took place on 1 October 2021 when the Board reviewed the College's shared mission, vision, values, aims and objectives ensuring alignment with the UHI Strategic Framework and new Strategic Plan 2022-27 against the background of the ongoing options appraisal and the financial challenges facing the College. The plan is to be underpinned by a number of enabling strategies and plans, including the College Operational Plan and that in turn, these will be reflected in individual staff objectives. The Board also approved measures and reporting on the basis that SMART targets will be set against the Board's priorities and commitments and the level of reporting will be in line with capacity and maturity of college systems whilst ensuring compliance and good governance. Other step-back sessions are to be arranged at the Board's direction.

Internal Control

Assessment of the effectiveness of internal controls

Lews College also has an internal audit service, the work of which concentrates on areas of key activities determined in accordance with the annual internal audit plan approved by the Board. The internal auditors report to the Audit Committee and meet with the Chair of the Audit Committee prior to Committee meetings and at other times if required. In the year ended 31 July 2021 the system of internal financial control was based on administrative procedures, including segregation of duties appropriate to the size of organisation. The Principal continues to monitor and review financial control arrangements and reports to the Board of Management. The system of financial control includes:

- a budget setting process, with the annual budget being approved by the Board of Management
- preparation of regular management accounts
- regular monitoring of budgets by the Board and senior management
- ongoing review of the reporting requirements of the Board
- regular review of the Risk Register by the Board and Audit Committee

The internal auditors issue an annual report that gives an opinion of the adequacy, reliability and effectiveness of the college's internal control system and in their annual review for 2020/21 confirmed that: "TIAA is satisfied that, for the areas reviewed during the year, Lews Castle College has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the College from its various sources of assurance." Despite the challenges presented by the Covid-19 pandemic, the internal auditors were able to complete all the work contained in their 2020/21 annual plan.

Risk

The risk register and mitigating actions are discussed at all Audit and Board meetings. The College currently uses the standard UHI Risk Register format in compiling and presenting the register. A new Risk Policy was

approved in December 2021 in response to an Internal Audit recommendation and the new policy clarifies the role of the Board of Management and its committees in the development and review of risk management. An annual review of the register took place in November 2021 which included considering whether risks were appropriately ranked based on likelihood and impact and considering whether mitigating controls highlighted as being in place were adequate. Risk Management training is to be undertaken early in 2022.

Estates Strategy

As stated in the Performance Report, the College is currently developing its estates plan and reviewing outstanding backlog and maintenance issues, priorities and sources of funding. College buildings have been upgraded since 1999 and provide good quality facilities. A £2 million campus proposal has been secured as part of the Islands Deal which will enhance and expand existing facilities and learning technologies. In addition to its own buildings the College also leases teaching accommodation from Taigh Chearsabhagh in North Uist to deliver art courses. A full revaluation of the College's property assets was completed in 2018/19 by a third-party valuer. An interim valuation is expected to be undertaken in 2022/23.

Data security

As stated in the Principal's report, the UHI Partnership was subject to a serious cyber incident in March 2021. In terms of governance, the College has comprehensive IT policies and procedures in place. All staff are required to undertake IT Security and Data Protection training on induction and refresher within two years. The College has implemented a programme of work to ensure compliance with the General Data Protection Regulations which came into force in May 2018. During the year information registers have been updated to ensure that they are compliant with Article 30 requirements. A suite of guidance documentation is made available to support staff in preparing Privacy Notices, developing Information Sharing Agreements, undertaking Data Protection Impact Assessments, identifying, reporting and managing a potential breach, and complying with legal requirements for a subject data request. Following the recent UHI cyber incident, the College now has stronger controls in place and looks at locking down all forms of removable and cloud-based storage that is no longer required to be accessed. As stated in the Director's report above, there were no lapses of data security in 2020/21.

Going Concern

The Board regularly considers the college's forecasts and financial projections and confirms that the College is a going concern as described in the Code of Good Governance for Scotland's College 2016. The Accounting Policies on page 39 comment on the going concern aspects of the preparation of the accounts.

Conclusion

The college is committed to exhibiting best practice in all aspects of corporate governance. The substantive areas for improvement in Governance arrangements set out in the External Auditor's report to the Board in March 2021 and in the EER 2021 have been addressed or are well underway as set out in the Board's Rolling Board Development Plan which are being monitored at every meeting of the Board and the Audit Committee.

There were no breaches of significance in respect of the principles of the Code in 2020/21.

Any Governance actions identified in the 2020/21 External Audit will be added to the Plan along with any actions agreed following the next IER in Spring 2022. An annual review of compliance with the 82 principles of the code is now to take place annually at the start of each Academic Year and an annual programme of recurring compliance activities will be approved in March 2022 so as not to lose sight of these in future.

Approved by order of the members of the LCC UHI Board of Management on 24 February 2022 and signed on its behalf by:

.....
Archie Macdonald
Chair of Board

Date

SECTION TWO: REMUNERATION AND STAFF REPORT**Introduction****Remuneration arrangements*****Senior Management Team***

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.

The remuneration policy of the College is such that any salary increase is applied equally to all Academic staff, Support staff and Senior Managers. Following agreement for all other staff grades, it is normal practice that a proposal is then put to the Remuneration Committee to recommend that the Principal receives the same settlement. It is then for the Committee to decide whether or not the Principal should receive a pay award.

As set out in the annual Accounts Direction for Scotland's colleges, the College's end of year accounts/financial statements must include details of "the actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind.....and the total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000".

Name	12 Months ending 31 July 2021			12 Months ending 31 July 2020		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Iain Macmillan - Principal (In post until 9 August 2020)	25-30	Nil*	25-30	80-85	30-35	110-120
Sue Macfarlane - Interim Principal (since 10 August 2020)	90-95	75-80	165-170	N/A	N/A	N/A
Hannah Ritchie-Muir – Depute Principal (since 2 November 2020)	55-60	45-50	105-110	N/A	N/A	N/A

*Iain Macmillan retired during the year and so did not accrue any further benefit. Using the UK Government Financial Reporting Manual calculation the pension benefit would be a decrease of £84,032.

As per the UK Government Financial Reporting Manual, the value of the pension benefit is calculated as the real increase in pension over the year multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. Per the manual, disclosed salary covers both pensionable and non-pensionable amounts and should include: gross salaries; overtime; recruitment and retention allowances; payment in lieu of notice; severance or ex-gratia payments.

The x 20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period which is the estimated life span following retirement. This does not represent any actual payment made during the financial year by either the employee or the College. The Principal is an ordinary member of the Scottish Teachers Superannuation

Scheme (STSS) and, as such, pays contributions and receives benefits at the same rate as all other members.

Name	Accrued pension at pension age at 31 July 2021	Accrued lump sum at pension age at 31 July 2021	Real increase (decrease) in pension 1 August 2020 to 31 July 2021	Real increase in lump sum 1 August 2020 to 31 July 2021	CETV at 31 July 2021	CETV at 31 July 2020	Real increase (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Iain Macmillan	15-20	25-30	(2.5)-(5.0)	12.5-15.0	362	390	(28)
Sue Macfarlane	15-20	50-55	2.5-5.0	10.0-12.5	433	340	93
Hannah Ritchie-Muir	15-20	45-50	0-2.5	5.0-7.5	292	243	48

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.

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.

Trade Union Activity

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.

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number
3	0.26
Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	0
1% - 50%	3
51% - 99%	0
100%	0
Percentage of pay bill spent on facility time	
Total cost of facility time	£14,780
Total Pay Bill	£5.25m
Percentage of the total pay bill spent on facility time	0.28%
Paid Trade Union Activities	
Time spent on trade union activities as a % of total paid facility time hours	100%

Median Remuneration

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

Based on the 12-month equivalent figures above, the remuneration of the highest paid official in the organisation in the financial year 2020-21 was £90,000 (2019-20 £79,843). This is the annualised salary for the highest paid official. This was 2.6 times (2019-20 2.4 times) the median remuneration of the workforce which was £34,818 (2019-20 £33,221).

Staff comparison

The College employed 86 (79 in 2019/20) females and 54 (53 in 2019/20) males as at 31 July 2021.

Sickness absence data

The average sickness absence rate over the period 1 August 2020 to 31 July 2021 was 1.5% (2019/20 4.37%).

Staff Policies

The College's Recruitment Policy and procedures provide for the full and fair consideration for employment by the College of applicants who declare a disability. This is undertaken through the application of a guaranteed interview scheme, whereby disabled candidates who (on application) meet the minimum criteria for the job are guaranteed an interview. Disabled employees are protected from discrimination by law and we will implement reasonable adjustments, on a case-by-case basis, to ensure disabled employees are not disadvantaged.

Expenditure on Consultancy

There is nothing to report under the above for Lews Castle College.

Off – Payroll Engagements

There is nothing to report under the above for Lews Castle College.

Parliamentary Accountability Report

There is nothing to report under the above for Lews Castle College.

Compensation for loss of office

There is nothing to report under the above for Lews Castle College.

Other Employee Matters

During the reporting period the college had to continue to respond to the Covid- 19 pandemic and various Government guidelines and requirements. In line with the sector, college activities were delivered remotely with staff working from home or being furloughed for a period from late March 20. Extensive efforts have been made in relation to curriculum and service review and adaption to support learning and teaching activities, on a blended approach in session 20/21 in line with the Scottish Government route map. This has required consultation with trade union and staff representatives and a collaborative approach to the implementation of arrangements to ensure the continued safety and wellbeing of staff, students and those associated with the college.

A national Job Evaluation exercise for support staff roles relevant to the National RPA is underway and is likely to be continue into the next reporting period and beyond.

Please see further staff cost disclosures, in line with the SFC Accounts Direction, within the financial statements at Notes 6 and 7.

.....
Sue Macfarlane
Principal

Date

Independent auditor's report to the Board of Management of Lews Castle 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 Lews Castle College and its group 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 Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated 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 affairs of the College and its Group 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 and its group 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.

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

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

The extent to which 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 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 income and expenditure in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements**Opinions on matters prescribed by the Auditor General for Scotland 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 there is 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 the Performance Report and Governance Statement

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Stephen Reid, for and on behalf of Ernst & Young LLP,

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date: 24 February 2022

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

College and consolidated Statement of Comprehensive Income and Expenditure - 31 July 2021

	Note	Year to 31 July 2021 (Consolidated & College) £'000	Year to 31 July 2020 (Consolidated & College) £'000
Income			
SFC grants	2	4,999	5,036
Tuition fees and education contracts	3	699	760
Other grant income	4	755	644
Other operating income	5	487	515
Total Income		<u>6,940</u>	<u>6,955</u>
Expenditure			
Staff costs	6/8	5,469	5,589
Other operating expenses	8	920	1,364
Depreciation	8/11	684	685
Interest payable	9	66	54
Total Expenditure		<u>7,139</u>	<u>7,692</u>
(Deficit)/Surplus for the year		(199)	(737)
Actuarial (loss) / gain in respect of pension schemes		1,578	(1,658)
Total comprehensive (loss)/gain for the year		1,379	(2,395)
Represented by:			
Unrestricted comprehensive income for the year		1,379	(2,395)
Attributable to the College		1,379	(2,395)

All of the above relate to the continuing activities of the Group and College.

The notes on pages 39-52 form part of the Financial Statements.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 22 provides details of the adjusted operating position on a Central Government accounting basis.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2021

	Income & Expenditure Account Unrestricted £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 August 2019	(2,864)	8,329	5,465
Surplus/(deficit) from the income and expenditure statement	(737)	0	(737)
Other comprehensive income	(1,658)	0	(1,658)
Transfers between revaluation and income and expenditure reserve	132	(132)	0
Total comprehensive income for the year	(2,263)	(132)	(2,395)
Balance at 1 August 2020	(5,127)	8,197	3,070
Surplus/(deficit) from the income and expenditure statement	(199)	0	(199)
Other comprehensive income	1,578	0	1,578
Transfers between revaluation and income and expenditure reserve	132	(132)	0
Total comprehensive income for the year	1,511	(132)	1,379
Balance at 31 July 2021	(3,616)	8,065	4,449

COLLEGE STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2021

	Income & Expenditure Account Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2019	(2,869)	8,329	5,460
Surplus/(deficit) from the income and expenditure statement	(737)	0	(737)
Other comprehensive income	(1,658)	0	(1,658)
Transfers between revaluation and income and expenditure reserve	132	(132)	0
Total comprehensive income for the year	(2,263)	(132)	(2,395)
Balance at 1 August 2020	(5,132)	8,197	3,065
Surplus/(deficit) from the income and expenditure statement	(199)	0	(199)
Other comprehensive income	1,578	0	1,578
Transfers between revaluation and income and expenditure reserve	132	(132)	0
Total comprehensive income for the year	1,511	(132)	1,379
Balance at 31 July 2021	(3,621)	8,065	4,444

CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY 2021

	Note	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
NON-CURRENT ASSETS					
Tangible fixed assets	11	15,186	15,186	15,725	15,725
Investments		1	1	1	1
		<u>15,187</u>	<u>15,187</u>	<u>15,726</u>	<u>15,726</u>
CURRENT ASSETS					
Debtors	13	753	748	585	580
Cash and cash equivalents		365	365	142	142
		<u>1,118</u>	<u>1,113</u>	<u>727</u>	<u>722</u>
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	14	<u>(1,411)</u>	<u>(1,411)</u>	<u>(1,155)</u>	<u>(1,155)</u>
NET CURRENT (LIABILITIES)		<u>(293)</u>	<u>(298)</u>	<u>(428)</u>	<u>(433)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,894	14,889	15,298	15,293
Creditors: amounts falling due after more than one year	15	(6,281)	(6,281)	(6,688)	(6,688)
Provisions					
Pension Provisions	16	(684)	(684)	(1,053)	(1,053)
Defined benefit liabilities	16	<u>(3,480)</u>	<u>(3,480)</u>	<u>(4,487)</u>	<u>(4,487)</u>
Total NET ASSETS		<u><u>4,449</u></u>	<u><u>4,444</u></u>	<u><u>3,070</u></u>	<u><u>3,065</u></u>
RESERVES					
Income and expenditure reserve – unrestricted		(3,616)	(3,621)	(5,127)	(5,132)
Revaluation reserve		<u>8,065</u>	<u>8,065</u>	<u>8,197</u>	<u>8,197</u>
Total Reserves		<u><u>4,449</u></u>	<u><u>4,444</u></u>	<u><u>3,070</u></u>	<u><u>3,065</u></u>

These financial statements on pages 34-52 were approved on 24th February 2022 by the Board of Management and are signed on its behalf by:

.....
Archie Macdonald
Chair of the Board of Management

.....
Sue Macfarlane
Principal

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR TO 31 JULY 2021

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Cash outflow from operating activities		
(Deficit)/Surplus for the year	(199)	(737)
Adjustment for non-cash items		
Depreciation	684	685
Decrease/(Increase) in debtors	(168)	(56)
(Decrease)/Increase in creditors	(151)	(273)
Increase/(Decrease) in pension provision	203	513
Net cash inflow from operating activities	<u>(369)</u>	<u>132</u>
Cash flows from investing activities		
Payments made to acquire fixed assets	(146)	(111)
	<u>(146)</u>	<u>(111)</u>
Cash flows from financing activities		
Interest paid	0	0
	<u>0</u>	<u>0</u>
(Decrease) in cash and cash equivalents in the year	<u>(223)</u>	<u>21</u>
Cash and cash equivalents at beginning of the year	142	121
Cash and cash equivalents at end of the year	365	142

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2021**1 ACCOUNTING POLICIES****Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, and in accordance with applicable Accounting Standards including Financial Reporting Standard 102 (FRS 102). Management have reviewed requirements of the new SORP and have confirmed that no material changes were required. They have been prepared in a form prescribed by the Scottish Ministers and in accordance with paragraph 28 of schedule 2 of the Further and Higher Education (Scotland) Act 1992 and in accordance with the Accounts Direction published by SFC. The accounts have been prepared under the historical cost convention.

The consolidated financial statements, including 2019/20 comparatives, include the College and its subsidiaries, as detailed at note 12. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. All intra-group sales and profits are eliminated fully on consolidation.

The College is a public benefit entity under the requirements of FRS102.

Going Concern

At 31 July 2021 the college reported a deficit of £199,000 and total comprehensive surplus of £1,379,000. After adjusting for non-cash accounting adjustments, the College made an underlying operating surplus of £294,000. At the year-end it held net assets of £4,449,835 and net current liabilities of £293,307. 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 Grants previously disclosed in Reserves, being partly disclosed under liabilities less than one year to the value of £392,998. The college held cash of £364,836 at the balance sheet date and had no bank loans. Subsequent to the yearend the College held £223,770 as at 31 January 2022 and has utilised no further financing support.

Going forward the College forecasts to make a technical accounting deficit of £576,000 in 2021/22, but with a small underlying surplus of around £30,000. The College forecasts to continue to make a small underlying surplus through its going concern assessment period to the end of February 2023. The Board of management monitors the financial position on a routine basis and should the forecast position deteriorate through the year will take appropriate mitigating action to maintain the College's financial position. Should the College forecast a shortfall in liquidity through the going concern assessment period it has confirmed that the Scottish Funding Council and the RSB would provide support through advanced payments of core grant in aid, although this would be an advance of funding and would be recouped by SFC/RSB at a later date.

Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate and basis:**Valuation of buildings:**

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer. The last valuation was carried out in July 2019.

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.

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.

Fixed Assets

By a direction from the SFC, buildings must now be revalued every five years and depreciated in line with their remaining useful life, as assessed by a suitably qualified surveyor.

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition, except where the item forms part of a group costing more than £5,000. All other equipment is capitalised at cost.

Depreciation

Buildings are depreciated based on the value of the building itself and the associated services within it. The life of the buildings is assessed independently of each other. The value of the land is not subject to depreciation. Depreciation is provided only on equipment at the following rates:

Buildings:	Straight line over remaining useful life
Equipment:	15% straight line
Motor Vehicles:	25% straight line
IT Equipment:	25% straight line

Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Scottish Teachers Superannuation Scheme (STSS) and the Highland Council Pension Fund (HCPF).

In the event of staff taking early retirement, the full liability of the College is calculated and charged to the Consolidated Income and Expenditure Account on the year of retirement, with a corresponding provision established in the Balance Sheet. Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

Highland Council Pension Fund (HCPF)

The HCPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Lews Castle College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working

lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

Scottish Teachers Superannuation Scheme (STSS)

Lews Castle College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of Lews Castle College. Lews Castle 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, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Recognition of Income

Government Capital grants

Government Capital Grants are released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Government revenue grants

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

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.

Non-exchange transactions

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

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

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

Taxation

The College has been granted charitable status by HM Revenue and Customs, as determined by the Finance Act 2010. Accordingly, it is exempt from Corporation Tax on the services it provides.

The College however is required to pay VAT. As most of the services provided are exempt VAT supplies, the College is unable to recover all the input VAT it incurs on goods and services purchased.

Investments

The investment in the subsidiary undertaking is stated at cost.

Bursaries and Other Student Support Funds

In accordance with Scottish Funding Council (SFC) guidelines, funds received from SFC and SAAS for the payments of Bursaries and other Student Support awards are not included in the College's Income and Expenditure Account, as the College acts only as paying agent. Some childcare funding and costs are recognised in the income and expenditure, as broken down in note 20.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Provisions

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

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.

Financial assets are de-recognised when the contractual rights to the cash flows from asset to expiration, 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. 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.

Debtors

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

Creditors

Short term creditors are measured at the transaction price.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
2 SFC GRANTS		
SFC recurrent grant (including fee waiver)	3,562	3,511
UHI Millennium Institute recurrent grant	1,031	1,195
Release of deferred capital grants – buildings	174	166
- equipment	60	60
Other SFC grants	173	103
	<u>5,000</u>	<u>5,035</u>
3 TUITION FEES AND EDUCATION CONTRACTS		
FE fees – UK	48	123
HE fees	644	599
Education contracts	7	38
	<u>699</u>	<u>760</u>
4 OTHER GRANT INCOME		
UHI	50	1
Release of deferred capital grants – buildings	159	152
Other grants	546	491
	<u>755</u>	<u>644</u>
 Note: Other grants contains £67,289 received from HMRC Job Retention scheme. This involved up to 27 staff between August 2020 & June 2021.		
5 OTHER OPERATING INCOME		
Catering	14	48
Nursery fees	237	239
Room hire	15	27
Other income	221	202
	<u>487</u>	<u>516</u>
6 STAFF COSTS	Year to	Year to
	31 July 2021	31 July 2020
	£'000	£'000
Wages and salaries	3,928	4,237
Social security costs	365	367
Other pension costs	660	625
(Decrease) / Increase in holiday accrual	11	(30)
	<u>4,964</u>	<u>5,199</u>
Defined benefit pension charges	505	390
Total	<u>5,469</u>	<u>5,589</u>
Academic/teaching departments	3,199	3,185
Academic/teaching services	205	197
Research grants and contracts	113	100
Administration and central services	938	1,094
Premises	415	394
Other expenditure	218	253
Catering and nursery	381	366
Total	<u>5,469</u>	<u>5,589</u>

Analysed as:

Staff on permanent contracts	5,337	5,458
Staff on temporary contracts	132	132
Total	5,469	5,589

The average number of full-time equivalent employees, including higher paid employees, during the year was:

	Number 2021	Number 2020
Academic/teaching departments	50	50
Academic/teaching services	5	5
Research grants and contracts	7	5
Administration and central services	23	23
Premises	11	11
Other expenditure	0	1
Catering and nursery	12	13
Total	108	107

7 EMOLUMENTS OF BOARD MEMBERS AND HIGHER PAID STAFF

No member of the Board of Management received a fee for services (2020: £Nil)

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Travel and subsistence paid to members of the Board	-	2
Hospitality	-	-
	-	2
	£	£
Emoluments of the Principal:		
Salary	91,356	84,783
Employer's pension contributions	21,012	15,007
	112,368	99,789

The Principal is an ordinary member of the Scottish Teachers Superannuation Scheme (STSS).

The number of higher paid staff, including the Principal, who received emoluments (for a 12-month period) in the following ranges was:

	2020/21	2019/20
£60,001 to £70,000	-	-
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-

All higher paid staff are ordinary members of the appropriate pension scheme and contributions were paid at the same rates as other ordinary members. No member of staff received any benefits in kind.

All higher paid staff received the same increase in salaries as other staff.

The Principal is the only senior member of staff who is a member of the Board of Management of the College.

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Oper'g Exps £'000	Depr'n £'000	Interest Payable £'000	Year to 31 July 2021 Total £'000	Year to 31 July 2020 Total £'000
Academic/teaching departments	3,199	97	0	0	3,296	3,335
Academic/teaching services	205	78	0	0	283	245
Research grants and contracts	556	0	0	0	556	100
Administration and central services	494	265	60	66	885	1,828
Premises	415	403	624	0	1,443	1,436
Other expenditure	218	58	0	0	276	339
Catering & nursery	381	13	0	0	395	404
Childcare	0	4	0	0	4	5
	5,469	918	684	66	7,138	7,692

Other operating expenses include:

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Auditor remuneration:		
Internal audit	13	11
External audit	25	26
	38	37

Lease Obligations

Total rentals payable under operating leases:

	2021 £'000	2020 £'000
Payable during the year	13	13
Future minimum lease payments due:		
Not later than 1 year	0	0

The leases are in respect of office printers and photocopiers.

9 INTEREST PAYABLE

	2021 £'000	2020 £'000
Net return on pension assets/liabilities	66	54
	66	54

10 TAXATION

The College is not liable to any corporation tax on its activities.

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11 TANGIBLE FIXED ASSETS OF THE COLLEGE

	Buildings Feudal £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 August 2019	16,185	1,591	16	17,792
Additions	37	74	0	111
At 31 July 2020	16,222	1,665	16	17,903
Depreciation				
At 1 August 2019	0	1,478	16	1,494
Charge for year	624	60	0	684
Revaluation				
At 31 July 2020	624	1,538	16	2,178
Net Book Value At 31 July 2020	15,598	127	0	15,725
At 31 July 2019	16,185	113	0	16,298
Inherited	0	0	0	0
Financed by capital grant	15,598	127	0	15,725
Other	0	0	0	0
At 31 July 2020	15,598	127	0	15,725
	Buildings Feudal £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 August 2020	16,222	1,665	16	17,903
Additions	54	92	0	146
At 31 July 2021	16,276	1,757	16	18,049
Depreciation				
At 1 August 2020	624	1,528	16	2,178
Charge for year	624	60	0	684
At 31 July 2021	1,248	1,588	16	2,852
Net Book Value At 31 July 2021	15,027	169	0	15,196
At 31 July 2020	15,598	127	0	15,725
Inherited	0	0	0	0
Financed by capital grant	15,027	169	0	15,196
Other	0	0	0	0
At 31 July 2021	15,027	169	0	15,196

Buildings of net book value of £3,114,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the proceeds. The Land on which the College is located is owned by the college in terms of a Feu Disposition by the Stornoway Trust which allows use of the land, and the buildings on it, for educational purposes only. Since the abolition of feudal ownership in 2004 however, it is much more doubtful that such pre-2004 restrictions could be enforced.

The College has revalued its property as at 31 July 2019, following the direction of the Scottish Funding Council, using the Depreciated Replacement Cost method of valuation. The valuation was first included in 2015/16 accounts following the transition to the latest Statement of Recommended Practice in accordance with FRS102. The valuation was carried out by a RICS qualified surveyor. Site visits were undertaken during September 2019. An interim valuation is expected to be undertaken in 2022/23.

12 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Lews Castle College has an investment of £2 in Lews Castle College (Trading) Ltd, a company registered in Scotland. Its issued share capital is two ordinary shares of £1 each, both of which are held by Lews Castle College. The company is currently dormant.

Lews Castle College has a 27% interest in Greenspace Live Limited which has an accounting date of 31 March. The College does not participate in the operational or financial policies of Greenspace and therefore does not consolidate their accounting statements with that of the College.

13 DEBTORS

	Group as at 31 July 2021 £'000	College as at 31 July 2021 £'000	Group as at 31 July 2020 £'000	College as at 31 July 2020 £'000
Amounts falling due within one year:				
Trade debtors	84	84	65	65
Prepayments and accrued income	669	664	520	520
	<u>753</u>	<u>748</u>	<u>585</u>	<u>580</u>

Financial instrument assets comprise: cash and cash equivalents, trade debtors and accrued income. The value of these financial instruments is £1,059,401 (2019/20: £690,626).

14 CREDITORS: Amounts falling due within one year

	Group as at 31 July 2021 £'000	College as at 31 July 2021 £'000	Group as at 31 July 2020 £'000	College as at 31 July 2020 £'000
Trade creditors	16	16	20	20
Bursary creditor	335	335	308	308
Other taxation and social security	193	193	184	184
Due to Subsidiary	5	5	5	5
Accruals and deferred income	440	440	243	243
Deferred capital grant	393	393	379	379
Holiday accrual	25	25	14	14
Other creditors	4	4	3	3
	<u>1,411</u>	<u>1,411</u>	<u>1,156</u>	<u>1,156</u>

The bursary creditor balance of £335k as at 31 July 2021 is composed of £122k of in year unspent funds, and a further £213k relating to historic bursary creditors balances which will be resolved in 2021/22 in discussion with SFC and the RSB.

Financial instrument liabilities comprise: trade creditors, bursary creditors, due to subsidiary, accruals and other creditors. The value of these financial instruments is £793,194 (2019/20: £573,644).

15 CREDITORS: Amounts falling due after more than one year

	Group as at 31 July 2021 £'000	College as at 31 July 2021 £'000	Group as at 31 July 2020 £'000	College as at 31 July 2020 £'000
Deferred capital grant	6,281	6,281	6,688	6,688
	<u>6,281</u>	<u>6,281</u>	<u>6,688</u>	<u>6,688</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Costs £'000	Defined Benefit Liability £'000	Total £'000
As at 1 August 2020	1,042	4,487	5,529
Provision in year	(369)	(1,007)	(1,376)
As at 31 July 2021	<u>674</u>	<u>3,480</u>	<u>4,154</u>

The pension provision relates to future pension enhancement costs arising from early retirements. The provision for pension costs includes a decrease of £369K in the year, although only £48k of this movement is applicable to the AOP as shown in note 23.

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Highland Council Pension Fund (HCPF). Details of total pensions costs for each scheme are set out below.

The Scottish Teachers' Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit pension scheme where contributions payable are credited to the Exchequer and a set of investments maintained.

The College paid a contribution rate of 17.2% until 31 August 2019, since then the contribution rate has been 23%. The pension charge recorded by the College during the year was equal to the contributions payable. Contributions paid in the year ended 2021 were £421,891 (2020 £391,953).

The Highland Council Pension Fund (HCPF)

The HCPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2021 was £309,000 of which employer's contributions totalled £233,000 and employees' contributions totalled £76,000.

The actuary estimates that employer's contributions to the scheme will be £233,000 in 2021/22.

Principal Actuarial Assumptions

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.65%	3.1%
Rate of increase for pensions in payment/inflation	2.85%	2.2%
Discount rate for liabilities	1.6%	1.4%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectancies on retirement age 65 are:

	At 31 July 2021	At 31 July 2020
Current pensioners		
Males	20.9	21.9
Females	23.5	24.3
Future pensioners		
Males	22.3	23.3
Females	25.5	26.1

The estimated split of assets as at 31 July 2021 is as shown below:

	31 July 2021	31 July 2020
Equities	70%	68%
Bonds	14%	15%
Property	10%	11%
Cash	6%	6%

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 July 2021

	Assets £'000)	Obligations £'000	Net (liability) / asset £'000
Fair value of plan assets	9,337	-	9,337
Present value of funded liabilities	-	13,743	(13,743)
Present value of unfunded liabilities	-	9	(9)
Opening Position as at 31 July 2020	9,337	13,752	(4,415)
Service cost	-	739	(739)
Net interest			
Interest income on plan assets	131	-	131
Interest cost on defined benefit obligation	-	197	(197)
Total net interest	131	197	(66)
Total defined benefit cost recognised through Income and (Expenditure)	131	936	(805)
Cashflows			
Plan participants' contributions	76	76	-
Employer contributions	233	-	233
Contributions in respect of unfunded benefits	1	-	1
Benefits paid	(220)	(220)	-
Unfunded benefits paid	(1)	(1)	-
Expected closing position	9,557	14,543	(4,986)

Remeasurements

Changes in demographic assumptions	-	(684)	684
Changes in financial assumptions	-	1,260	(1,260)
Other experience	(118)	(474)	356

	1,798	-	1,798
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Return on assets excluding amounts included in net interest

Total remeasurements recognised in Other Comprehensive Income (OCI)	1,680	102	1,578
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Fair value of plan assets	11,237	-	11,237
Present value of funded liabilities	-	14,637	(14,637)
Present value of unfunded liabilities	-	8	(8)
Closing position as at 31 July 2021	11,237	14,645	(3,408)

17 LOSSES AND SPECIAL PAYMENTS

There were no amounts written off during the period in respect of losses and special payments either under a general delegated authority from SFC or on specific authority.

18 CONTINGENCIES AND CAPITAL COMMITMENTS

There were no contingencies or capital commitments at 31 July 2021 (2020: NIL).

19 BURSARIES AND OTHER STUDENT SUPPORT FUNDS

Scottish Funding Council bursary grants and Student Awards Agency for Scotland student support funds are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	Y/E 31/07/21 FE Bursary £'000	Y/E 31/07/21 FE Hardship £'000	Y/E 31/07/21 EMAs £'000	Y/E 31/07/21 Other £'000	Y/E 31/07/21 Total £'000	Y/E 31/07/20 Total £'000
Balance b/f	123	23	3	1	150	137
Funds received in year	147	12	4	36	199	188
Expenditure	(119)	(13)	(5)	(28)	(165)	(175)
Balance c/f	151	22	2	9	184	150
Represented by:						
Retained for students	151	22	2	9	184	150
	151	22	2	9	184	150

20 CHILDCARE FUNDS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Balance b/f	15	16
Funds received in year	7	9
Expenditure	(7)	(10)
Balance c/f	<u>15</u>	<u>15</u>
Represented by:		
Repayable to / (Receivable) from SFC	-	-
Retained for students	<u>15</u>	<u>15</u>
	<u>15</u>	<u>15</u>

21 RELATED PARTY TRANSACTIONS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Payments		
Bayhead Bridge Centre – Rent	15	0
UHI	18	32
Greenspace Live	0	2
Receipts		
UHI	124	120
Stornoway Port Authority	0	3

All transactions involving organisations in which a member of the Board may have an interest, including those identified above, are conducted in accordance with the College's Financial Regulations and usual procurement procedures.

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

The Chair of the Board sits on the FE Regional Board, which allocates the FE funding to Colleges, but there is no equivalent opportunity to influence the allocation of HE funds to Colleges.

22 IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

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

Under the FE/HE SORP, the college recorded an operating deficit of £199,000 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 £92,000 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.

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(199)	(737)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	291	306
Operating surplus/(deficit) on Central Government accounting basis for academic year	92	(431)

23 ADJUSTED OPERATING POSITION

The Adjusted Operating Position in the Performance Summary on page 10 contains the following:

Item	Value £'000	Source
Total depreciation	684	SOCI
Total deferred grant	<u>(393)</u>	Notes 2 & 4
Net depreciation	<u>291</u>	

Depreciation does not have an immediate cash impact on the institution, and, in any case, capital expenditure will largely be funded by government grants, so the charge is taken out.

Pension adjustment - Net service cost 505 Note 16
(FRS102 Staff cost adjustment)

The adjustments to the pensions charge represent the net service cost (i.e., the present value of projected benefits resulting from employee service in the current year less cash contributions paid)

Pension adjustment - Net interest costs 66 Note 16

The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Pension adjustment - Early retirement (48) Note 16
provision year-end revaluation charged to
SOCI

The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or deleting employees.

24 POST BALANCE SHEET EVENTS

There are no Post Balance Sheet events to disclose.

APPENDIX 1

2020-21 Accounts direction for Scotland's colleges

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

Scottish Funding Council
3 June 2021

Appendix 2

Lews Castle College UHI - Board of Management - Meetings Attendance Record - August 2020 to 31 July 2021

Name	25 Aug 2020 Board	15 Sept 2020 F&GP	6 Oct 2020 Q, L&T	26 Oct 2020 Audit	27 Oct 2020 Board	15 Dec 2020 Board	16 Feb 2021 Q, L&T	2 Mar 2021 Audit	2 Mar 2021 Joint Audit & F&GP	Extra-ord. Board 5 Mar 2021	9 Mar 2021 F&GP	23 Mar 2021 Board	11 May 2021 Q, L&T	Extra-ord. Meeting 1 June 2021	15 June 2021 F&GP	22 Jun 2021 Board
Archie Macdonald	X	X	X	IA	X	X		IA	X	X	X	X		X	X	X
Sue Macfarlane	X	X	X	IA	X	X	X	IA	X	X	X	X	X	X	X	X
Billy Mackinnon	X		X		X	X	X			X		X	X	X		X
Murdoch Macleod	X				X	X				O		O		X		X
Norman Macleod	X				X	X		X	X	X		X		X		X
Annie MacSween	X		X	X	X											
Martin Malcolm	O			X	X	X		X	X	O		X		X		O
Georgina Marczak	X		X		X	X	X			X		X	X	O		X
Alison McCleery	X	O			X	X	X	IA (part)	X	X	X	X	LoA	LoA	LoA	LoA
Ian McCulloch	X	X			O	X		IA (part)	X	X	X	X		X	X	X
Bill McMillan	X			X	X	X		X	X	X		X				
Christine Morrison	X															
Fiona Pearson	X		O		X	O	X			X		X	O	X		X
Joshua Smith	X		X		O	X	X			O		X	X	X		X
Selina Ross						X				O		O		O		O

KEY: X – PRESENT; IA – In Attendance; O – ABSENT; LoA – Leave of Absence.**Cancelled Meetings:** F&GP Committee 08.12.2020; Audit Committee 08.12.2020; and Audit Committee 01.06.2021.