

UHI | NORTH HIGHLAND

The North Highland College Report & Financial Statements for the year ended 31 July 2022

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Professional Advisors

External Auditor	-	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
Internal Auditor	-	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Bankers	-	Royal Bank of Scotland 11 Orlig Street Thurso Caithness KW14 7BL
Solicitors	-	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
Insurers	-	Education Protect 180 St Vincent Street Glasgow G2 5SG

Performance Report

OVERVIEW

Principal's Statement

Welcome to our annual report for the academic year 2021/22. This year has continued to challenge us as we adhered to government guidance on managing our college within the limitations of the pandemic. The pandemic has once again had a real effect on our ability to deliver much of our part time learning provision where we work with partners, many of whom are small and faced similar, if not additional, restrictions.

Our staff and students continued to show incredible commitment, innovation and resilience in their approach to teaching, learning and support services. Teaching and support services were delivered through a blended approach and students were again prioritised to ensure practical teaching could take place in safe environments. The College was pleased to receive additional funding throughout the year due to the impacts of covid.

The College is very much focused on continuing to offer and grow opportunities for upskilling and reskilling those looking to move into new sectors or retrain in the sector they are in through innovative teaching practices.

We are also delighted to note the very positive outcomes in delivering both our undergraduate and postgraduate programmes during 2021/22. Please refer to the table below for student activity indicators.

This year we received a satisfactory outcome from the Education Scotland progress visit with areas of positive practice including the enhancement of blended learning approaches which have been very successful during the pandemic, a must for a rural college and university.

We have also invested across the UHI family in new branding which supports our ambitions to strengthen engagement with communities and market our offerings more effectively through a connected and recognisable brand family.

Within our research portfolio we continue to grow. Through our Environmental Research Institute and in partnership with NHS Highland we won a Scottish Knowledge Exchange award for our ground-breaking work improving the quality of hospital waste-water.

During this year we have engaged in a merger process with our colleagues in UHI West Highland and UHI Outer Hebrides colleges. This is a key development for us as we look to create a new college of scale and impact within our region with an ambitious vesting date in August 2023. The North Highland College Board of Management formally approved merger on 2nd November 2022.

We all recognise the need for tertiary provision across a large-distributed area ensuring we continue to support our communities with local provision. Collectively we will continue to support local, regional, national and international opportunities and ambitions which align directly to our vision for the new college.

Over this exceptionally challenging year, I am indebted to the college staff, students, governors and partners who have all seen us through the difficult times and continue to make a better future possible for all.

Debbie Murray
Principal

Performance Report (contd.)

Legal Status

The North Highland College was established under the Further and Higher Education (Scotland) Act 1992. The College is a registered charity (Scottish Charity Number SC021215) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

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

New Strategic Plan

The College has a new Strategic Plan covering the period 2021-25. It has three main Strategic goals:

Goal 1 Learning and Teaching

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

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

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

The results of Covid have provided the opportunity for change, a fork in the road for tertiary education. It has allowed UHI to refocus and to embrace the acceleration to the future of education, and realise the emerging reality that learning is for life.

Few institutions are prepared for 'new' learning of the next 5 years and beyond, that UHI is in a strong position to deliver.

In order to embrace this our learning and teaching has to adopt innovative pedagogy, appropriate technology and using learning spaces f2f, blended, hybrid and hyflex. It requires a complete overhaul of traditional education that equates to one-hour teaching sessions, with 10-20 minute activities, practical exercises, quizzes, facilitating a different type of learning, using formative and summative assessment contextualised in readiness for the world of work. Teaching less and assessing smarter is an approach education institutions need to apply.

Staff have shown they can adapt to the technological based delivery, explored through the pandemic, they are ready to change how we teach, and they are willing to try things differently and to do different things. At North Highland College we must engage with and collaborate with our partners and industry to take on new ways to deliver learning 'anytime, anywhere, anyplace', and develop an accreditation system for students and staff in a 'fit for purpose life and career long learning' model.

Goal 2 Research

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

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

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

Goal 3 Partnerships

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

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

Measured by: Key community projects; Key strategic partnerships

We continued working closely with UHI Outer Hebrides and UHI West Highland on the business case and initial implementation planning for the Rural & Islands College Merger, which will be critical to improving the sustainability and efficiency of College business delivery for the long term. The North Highland College Board of Management formally approved merger on 2nd November 2022. Our partnership with Nigg Skills Academy (NSA) on delivery of apprentice-level Fabrication and Welding courses continued successfully and we began the process of extending the partnership for the next 3 years. This will include development of the format and type of course delivered at NSA to maintain its attractiveness and relevance for providing the future talent to the Energy sector.

In delivering against this strategic goal the College has been a highly proactive member of several key partnership groups. These include: Caithness & North Sutherland Regeneration Partnership, working alongside, Highlands & Islands Enterprise, Dounreay Site Restoration Ltd, Highland Council, Caithness Chamber of Commerce, Skills Development Scotland; Dornoch Focus Group, North Highland & Moray Space Leadership Group, our Principal being a board member of Caithness Chamber of Commerce, and the Dounreay Stakeholders Group.

Given the inexorable growth of Renewables on land and offshore across the Highlands, the College led UHI involvement in the consortium bidding for Green Freeport status for the Inverness & Cromarty Firth region. This has enormous potential to grow high quality jobs and accelerate decarbonisation and inward investment across the Highlands & Islands. At the time of writing, the successful Green Freeport sites had not yet been announced by the UK and Scottish governments.

Principal Risks and Uncertainty

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit and Risk Management Committee as well as being reported to the Board of Management. A review of the Strategic Risk Register was completed by the College Board in August 2022.

The main risks to North Highland College are:

- Covid 19 and its residual effect on student numbers, college finances and the delivery of curriculum and student experience. Covid 19 has affected recruitment over at least a few years, and there is the possibility of clawback for FE shortfall in Credit numbers. Risk Mitigation - There have been representations made on behalf of UHI colleges to SFC regarding mitigating potential clawback of FE funding.
- Meeting student targets for both FE and HE given the demographics in schools, and the buoyant job market. Risk Mitigation - Student nos have increased for FE in 2022-23. Clawback of funding has an adverse effect on financial performance. The college is seeking to merge to mitigate some of the effects of this.
- Financial sustainability due to pay inflation for staff, the impact of Job Evaluation for Support staff and the financial repercussions following therefrom. Risk Mitigation – Merger with Outer Hebrides and West Highland College. Also UHI Revitalisation programme.
- Increasingly tighter funding announced from the Scottish Government to the university and college sectors. Risk Mitigation – see actions above re Financial sustainability. Also MSPs may have to be lobbied. The sector is making representations to the Scottish Government.
- Wider International situation of Ukraine leading to higher fuel prices and contributing to higher inflation; also the possibility of increased cyber threats. Risk Mitigation – UHI and College IT teams have been carrying out continuous cyber security work and testing. Some wider international risks are very difficult to mitigate.

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

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

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

Going Concern

The College made a better year-end position than budget even with a 100% FE clawback provision for under-delivery of FE target. However, the Adjusted Operating Position was still a deficit. Looking forward to 2022-23 the College has prepared a deficit budget - there are efforts to review its staff base and further reduce its vehicles. The College would hope that the Scottish Funding Council would approve the merger proposals with Outer Hebrides College and West Highland College, and that efficiencies would be materialised. If the Scottish Funding Council does not approve merger, then with indicative funding parameters the College will struggle to be financially sustainable and will require another merger option. For a wider assessment of Going Concern, see note 1 to the Accounts under Statement of Principal Accounting Policies.

The wider economy, fuel cost inflation due to the Ukraine War and supply chain issues after Covid lockdown mean inflation drivers are high at present. Also pay rise requests from unions is another major concern. In the spring of 2022, the Scottish Government announced indicative flat funding for the Scottish Funding Council to 2026-27. This was before the effects of the Ukraine War were being felt. However, the whole college and university sector is facing a major financial challenge.

The UHI partnership has done further review and proposed various pieces of work to identify cost savings. However apart from the recent Shetland merger and the proposed three college merger there has been little progress on governance changes to meet the increasing challenges. The concern is that wider partnership change is simply not coming soon enough. Although the College has liquidity to sustain its operations to 31 July 2023, beyond that projections show declining liquidity and cash heading into deficit, and increasing financial unsustainability.

PERFORMANCE ANALYSIS

Performance Indicators and Activity Review

Further education activity amounted to 11,210 credits in 2021/22, compared to 10,932 credits in academic year 2020/21. Activity was delivered under the collaborative further education arrangements with Argyll College. The Further Education activity target for The North Highland College was 12,565 (delivered 11,210). Credits were as follows:

	2022 Nos
The North Highland College	<u>11,210</u>
	11,210
Argyll College	6,611
West Highland College	<u>7,925</u>
	<u>25,746</u>

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

Higher Education activity as measured by full time equivalents (FTEs) amounted to 380 FTEs compared with 384 FTEs in 2020/21. The Higher Education activity target was 384. Figures exclude international and RUK students, postgraduate taught programmes and controlled numbers, e.g. in primary education, which are reported separately.

Student Activity Indicators

The trend of College enrolments and student activity is as set out below. Higher education activity is reported separately and funded through UHI. The tables below disclose Credits and Higher Education figures from 2017/18 to 2021/22 for North Highland College only. The College under-delivered on the 2020/21 FE Target. The Scottish Funding Council did not apply clawback relating to this under-delivery of FE activity because of the impact of COVID 19. For 2021/22 there is still uncertainty about whether the Scottish Funding Council will apply clawback on under-delivery of FE. This amounts to £582,388. This potential clawback has been included in the Financial Statements.

Analysis of College Further Education Enrolments 2020/21 & 2021/22				
Year	2020/21 Actual	2020/21 Target	2021/22 Actual	2021/22 Target
Mode of attendance	Count	Count	Count	Count
Full-time	454		494	
Part-time	1,684		1,531	
Total Enrolments	2,138		2,025	
Credits Delivered	10,932	12,558	11,210	12,565
Analysis of College Higher Education Enrolments 2020/21 & 2021/22				
Year	2020/21 Actual	2020/21 Target	2021/22 Actual	2021/22 Target
Mode of attendance	Count	Count	Count	Count
Full-time	259		233	
Part-time	288		330	
Total enrolments	547		563	
Total FTEs	384	371	380	384

Current and Future Developments

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

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

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

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

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

The under-representation of 18-35 year olds is expected to increase. It is important that attractive and sustained employment opportunities are created to encourage them to remain in the area and to encourage immigration. It is imperative to establish a knowledge-based economy as competition increases from both within the European Union and the rest of the world.

Opportunities to improve accessibility of programmes and open new markets through alternative delivery models are now actively being developed and implemented. In parallel, the financial sustainability of programmes will continue to be considered along with opportunities to improve the efficiency of the various curriculum delivery models, working with partners across UHI. The college is actively participating in the major tertiary curriculum review, started late 2020/21, being completed at both FE and HE levels across the UHI partnership. This will have a significant impact on college operations and will provide further opportunities to improve access to curriculum and the sustainability of programmes across the region.

A Net-Zero Future

This year saw dramatic developments across the Energy landscape locally and internationally, which underlined the significance of this industry and business sector to the College in terms of curriculum, skills and innovation. Key headlines of the external picture are as follows:

- The progress of Offshore Wind growth under the ScotWind and INTOG programmes. 25GW of OW sites were awarded in January 2022 of which 14.6GW will be floating OW. The INTOG scheme is intended to generate clean energy to decarbonise Oil & Gas operations and 5.7 GW of floating OW sites will be awarded later this year. Scotland plans for 20GW of floating offshore wind by the 2030s. Equated to 15MW turbines, the overall demand will total the manufacture, installation, operation and maintenance of 1,350 wind turbines.
- Scottish Renewables believes this presents the biggest industrial opportunity Scotland has ever had: approximately £1B per GW.
- If successful, the planned [Green Freeport in the Highlands](#) projects the creation of over 20,000 high quality green jobs for the Highlands and over £6Bn in GVA.

- Due to war in Ukraine, the UK Govt increased its focus on Energy Security, including a five-fold increase in offshore wind capacity by 2030.

What does this mean for North Highland College? Decommissioning of the Dounreay site is continuing apace but the interim end state date may slip, so it is vital the College continues to support DSRL with the relevant skills and curriculum throughout. In parallel we have developed and revised our courses to become increasingly relevant to the renewables sector. Wind energy is the immediate target but we will also develop plans to support the growing green hydrogen and electrification economies. We have revised the composition of some engineering courses to be multi-disciplinary which is attracting interest from wind energy companies, and for School Senior Phase courses we have introduced a National 5 Energy Engineering course for next academic year, which we are delighted to see has attracted a greater number of female students than comparable courses.

Commercial Courses

COVID 19 effects continued to impinge on our efforts to plan for becoming an accredited training centre for Global Wind Organisation courses, which are mandatory courses for technical staff in the industry. We are now focused on introducing those courses in the next year.

The College continues to offer a route to subsidised professional development training for SMEs through the [Flexible Workforce Development Fund](#), and during the year we provided bespoke courses and workshops for major local businesses in topics from Innovation to Food Hygiene to Leadership. At our Dornoch campus the Golf team are now able to take hire bookings for the state of the art Golf simulator facilities there, which can be booked out of hours when not needed for student use. Our Business Development staff are supporting academic colleagues considering embarking on Knowledge Exchange projects in support of SMEs, and we have worked closely with Knowledge Exchange and Business Development colleagues at the merger partner colleges to plan how best to pool our combined resources in the future. This will enable us to position ourselves to provide enhanced skills and innovation support to the business community as our region develops in sectors from Space to Renewables, from decommissioning to the NC500 – and with a potential UNESCO World Heritage Site on our doorstep in the Flow Country.

Research

The Environmental Research Institute

The Environmental Research Institute (ERI) is based in Thurso, Scotland and is part of the University of the Highlands and Islands, North Highlands. Since 1999 our multidisciplinary team has sought to transcend scientific boundaries to undertake and promote high-calibre research, innovation, and education in the environmental sciences that 'makes a difference'. We aspire to excellence in all we do. We seek to advance scientific understanding of contemporary environmental issues using our proximity to outstanding natural resources combined with state-of-the-art facilities. We advance our goals through development of networks with strong, strategic partnerships and collaborations with academic, commercial and stakeholder organisations within regional, national and international contexts.

We aim to ensure that our work has tangible value to society, helping address new societal, economic and policy challenges related to use and management of the natural environment and its resources, and responding to changes in the environmental, organisational, financial and political landscapes. In doing so, we seek to contribute to the University mission of having a transformational impact on the region's economy, people and communities ([strategic-plan-2021-25.pdf \(uhi.ac.uk\)](#))

Activity is focussed on the thematic priorities of: Renewable Energy & the Environment

Financial Performance

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2022 shows a deficit of £1,739,605 (2020/2021: £767,530 deficit). This was largely attributable to an Adjusted Operating Deficit of £254,181 after loan capital repayment, together with net depreciation charge of £156,629 (£916,088 - £759,459), plus adjustments for the College's share in Highland Council's Pension Scheme amounting to £2,596,000. There was a favourable actuarial movement of £10,964,000 in this same scheme (2020/21 – actuarial valuation decrease of £3,056,000). The College's total comprehensive income for the year was £16,567,561 surplus (2020/21 £2,338,354 surplus). Total income increased from £11.47 million to £11.67 million, and expenditure has increased from £12.24 million to £13.4 million.

Non-cash Allocation

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

	2021/22 £'000	2020/21 £'000	Notes
(Deficit) before other gains and losses (FE/HE SORP basis) for academic year	(1,740)	(767)	SEE SOCI
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	157	226	SEE NOTE 12
Operating (deficit) on Central Government accounting basis for the academic year	(1,583)	(541)	

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

Under the FE/HE SORP, the College recorded an operating deficit of £1,739,605 for the year ended 31 July 2022. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" deficit of £1,582,976 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 contributing to FE Curriculum targets not being met and a provision for clawback included in the accounts.

Adjusted Operating Position (AOP) Note

SFC approval of the Adjusted Operating Position was given on 9th December 2022

	2021-22 £'000	2020-21 £'000
Surplus/(deficit) before other gains and losses	(1,739)	(767)
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 12)	157	226
- Revaluation of Property	0	100
- Exceptional non-restructuring costs - Impairment		
- Pension adjustment – Net service cost (Note 19)	1,321	968
- Pension adjustment - Net interest cost (Note 19)	162	164
- Pension adjustment - Early retirement provision (Note 16)	(83)	35
- Donation to Arms-Length Foundation (ALF)*	0	0
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	0	0
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim	0	0
- CBP allocated to loan repayments and other capital items* (Note 10)	71	67
Adjusted Operating Deficit	(254)	659

Creditor Payment Policy

It is the policy of North Highland College to pay invoices promptly and within one month. Monthly runs of purchase payments are made. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998. Year-end creditors represented 10.3% (2020/21 6.9%) of the aggregate purchases invoiced during the year. The College is currently unable to provide information in the year on performance against creditor payment target within one month.

Spend of Cash Budget for Priorities

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

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

Table of cash budget for priorities spend		
Revenue Priorities	2021/22 (£'000)	2020/21 (£'000)
Voluntary severance	0	14
Estates Costs	26	16
Total impact on operating position	26	30
Capital Priorities		
Loan repayments (including PFI, NPD repayments)	71	67
Total Capital	71	67
Total cash budget for priorities spend	97	97

Sustainability Strategy

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

North Highland College confirms compliance with Scottish Government sustainability reporting in line with requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government.

The College prepared a revised Carbon Management Plan in November 2017 covering the period 1 August 2017 – 31 July 2021. Its main focus is on seeking to reduce emissions from its estates, as properties are the biggest emitters. The College complies with the reporting of carbon emissions under The Climate Change (Scotland) Act 2009. Reporting for the year to 31 July 2022 showed a 54% reduction in property emissions since 2015-16, and a near 67% reduction of emissions from estates and transport since 2008-09.

The College sold Ross House, Dornoch in October 2021 thus meaning its operations in Dornoch are on one site at Burghfield House. This therefore means one less property to heat and power thus continuing progress in lessening carbon emissions. Wick College, Wick continues to be on the market with a view to sell.

The College is conscious that the current Carbon Management Plan is now out of date. Consideration is being given to preparing a Sustainability Plan but this will be progressed in conjunction with the development of a merged College with UHI West Highland and UHI Outer Hebrides.

Disclosure of Information to Auditors

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

Approved by order of the members of the Board on 14th December 2022 and signed on its behalf by:

Debbie Murray
Principal

Robbie Rowantree
Chair of Board

Accountability Report

Section One: Statement of Corporate Governance

DIRECTORS' REPORT

Members of the Board of Management

The North Highland College Board of Management is populated by the Board Chair; the Principal of the College; two elected staff members; a nominated student member provided by HISA; and between seven and twelve non-executive board members. At 31 July, 2022, there were sixteen members on the Board, namely the Chair, the Principal, two staff members, a student member and eleven non-executive Board members. The members of the Board of Management during the year to 31 July 2022 are listed below. The list includes all members who served for part or the whole of the reporting period. The respective Register of Interests for the Board members is available on the College website:

[Governance - Board of Management \(uhi.ac.uk\)](http://uhi.ac.uk)

Name	Designated Role	Committee Membership	Start Date	End Date
Robbie Rowantree	Interim Chair of the Board from 1 st July 2021; Chair of the Board from December 2021	Remuneration, Finance and General Purposes, Nominations	July 2014	N/A
Debbie Murray	Principal and Chief Executive	Finance & General Purposes Human Resources Audit and Risk Management (in attendance) Remuneration (by invitation and in attendance only)	October 2020	N/A
Heather Mclean	Chair of Learning, Teaching and Research Committee	Learning, Teaching and Research, Remuneration and Nominations	April 2017	N/A
Graham Birnie	Chair of Finance and General Purposes Committee Chair of Remuneration Committee Vice Chair of the Board and Senior Independent Member	Finance and General Purposes, Remuneration, Audit and Risk Management until 11 August 2021	January 2017	N/A
Shona MacDougall	Chair of Human Resources Committee until 11.8.21 Interim Chair of Audit and Risk Management Committee until 11.08.21; Chair of Audit and Risk Management Committee from 11.08.21	Human Resources until November 2021 Audit and Risk Management Remuneration	August 2020	N/A
John Hook	Vice Chair of Learning, Teaching and Research Committee Vice Chair of Human Resources Committee until 11 August 2021	Learning, Teaching and Research Human Resources	August 2020	October 2022

	Chair of Human Resources Committee from 11 August 2021			
Cllr Jim McGillivray	Independent Member	Audit and Risk Management Human Resources	June 2014	N/A
David Cargill	Independent Member	Finance and General Purposes Human Resources	February 2021	September 2021
Magnus Davidson	Staff Member	Human Resources Learning, Teaching and Research	April 2018	31 March 2022
Dr Peter Hylton	Staff Member	Learning, Teaching and Research Nominations	March 2020	N/A
Sophie-Ann Bain	HISA Depute (student member)	Finance and General Purposes Learning, Teaching and Research	June 2021	June 2022
Anna McInnes	Independent Member	Audit and Risk Management Learning, Teaching and Research	June 2021	N/A
David Beaton	Independent Member	Audit and Risk Management Human Resources	June 2021	N/A
Ian MacEachern	Independent Member	Audit and Risk Management until December 2021 Human Resources from December 2021 Finance and General Purposes	June 2021	N/A
Judith Crow	Independent Member	Learning, Teaching and Research Finance and General Purposes	June 2021	N/A
Stephen Murby Wright	Independent Member	Human Resources Finance and General Purposes	June 2021	N/A
Ken Wong	Independent Member	Audit and Risk Management Human Resources (Co-opted Member of Audit and Risk Management from August 2021 until he joined Board in Jan 2022)	January 2022	N/A
Darren MacLeod	Staff Member	Human Resource Learning, Teaching and Research from August 2022	April 2022	N/A
Andrew Skene	HISA Depute and Student Member from 20 June 2022	Finance and General Purposes Learning, Teaching and Research from August 2022	June 2022	October 2022

Following a successful recruitment campaign for new Board members conducted in the early summer of 2021, five new Board members, and a co-opted member of the Audit and Risk Management Committee were appointed. These six undertook a comprehensive programme of induction during July and August of 2021. Subsequently, following the resignation of an existing Board member, the candidate who had been co-opted to the Audit and Risk Management Committee was on the recommendation of the members of the Nominations Committee appointed to the Board of Management by the University of Highlands and Islands as Regional Strategic Body in December 2021.

A summary of the Board members, and meetings attended during 2020/21 and 2021/22 is shown below:

Member	Board	ARM	F&GP	HR	LTR	Remuneration	Nominations
Debbie Murray	8/9		4/5	3/4	2/4		
Robbie Rowantree	9/9		5/5			2/2	1/1
Graham Birnie	7/9		4/5			2/2	1/1
Heather McLean	9/9				4/4	2/2	1/1
Shona MacDougall	7/9	4/4		2/2		2/2	
John Hook	8/9			4/4	4/4	2/2	
Jim McGillivray	7/9	4/4		4/4			
David Cargill	0/1		1/1	0/1			
Magnus Davidson	3/5			3/3	3/3		
Dr Peter Hylton	7/9				4/4		1/1
Anna McInnes	6/9	3/4			3/4		
David Beaton	6/9	2/4		4/4			
Ian MacEachern	9/9	2/2	5/5	2/2			
Judith Crow	8/9		4/5		4/4		
Ken Wong	4/5	4/4*		1/2			
Sophie-Ann Bain	6/8		4/4		3/4		
Stephen Murby Wright	8/9		5/5	4/4			
Darren MacLeod	1/4	<i>Committee Membership agreed August 2022</i>					
Andrew Skene	0/1	<i>Committee Membership agreed August 2022</i>					

*Ken Wong attended two meetings as a co-opted member of the ARM Committee and two meetings as a Board member after he joined the Board in January 2022.

	2020-21	2021-22
Board of Management	81.7%	80.1%
Committees		
Audit & Risk Management	72.0%	86.4%
Finance & General Purposes	80.0%	91.4%
Human Resources	92.6%	90.0%
Learning, Teaching & Research	86.7%	87.1%
Remuneration	90.0%	100%

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

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

Members of the Executive Group during 2021/22 are shown below:

Debbie Murray	Principal and Chief Executive
Anne Bremner	Director of Learning and Teaching until retirement January 2022
Tom Duff	Director of Learning and Teaching from May 2022
Roderick Ferrier	Director of Finance and Audit (Shared with Inverness College)
Giles Huby	Director of External Engagement and Facilities
Professor Stuart Gibb	Director of Research and Innovation

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

- clear definitions of responsibilities of, and the authority delegated to, College management;
- a comprehensive planning process supplemented by detailed annual income, expenditure, and capital budgets;
- regular reviews of key performance indicators and business risks and monthly financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Finance and General Purposes Committee;
- A professional internal audit service whose annual programme is established by the Audit & Risk Management Committee has reported reasonable and effective risk management, control and governance is in place. This has been endorsed by the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control.

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

GOVERNANCE STATEMENT

Introduction

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

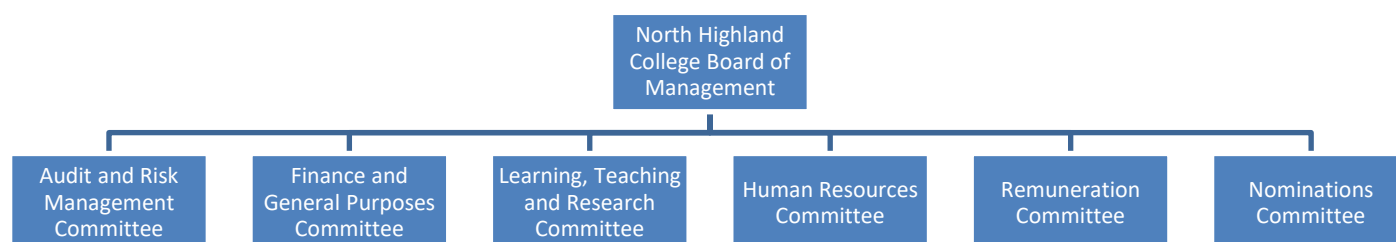
Statement of Compliance with the 2016 Code of Good Governance for Scottish Colleges

North Highland College, now trading as UHI North Highland, complies with all principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2022.

BOARD OF MANAGEMENT

The membership of the Board of Management during the year to 31 July 2022 is outlined at page 14 and includes all members who served on the Board for part or the whole of the reporting period. The respective Register of Interests for these members is available on the College website.

The College's Board of Management meets at least four times per year and has six committees: - Audit and Risk Management Committee; Finance and General Purposes Committee; Remuneration Committee; Learning, Teaching and Research Committee; Human Resources Committee; and Nominations Committee. In addition, the Board of Management holds informal meetings of its members throughout the year for the purpose of briefing its members on relevant matters. Board members are also encouraged to attend training events during the course of the year for the purposes of training, self-evaluation, and development. The role of the Board of Management is the strategic overview of the College.



The core College committees (Audit and Risk Management; Finance and General Purposes; Learning, Teaching and Research; and Human Resources) meet four times a year in line with the Board of Management cycle, with the Audit and Risk Management Committee also meeting with the College's external and internal auditors in attendance as appropriate. The Board of Management held extraordinary meetings to deal with items of business requiring a decision outwith the normal cycle of Board meetings, for example in relation to the proposed Rural and Islands College Merger. The Finance and General Purposes Committee met outwith the normal Committee cycle to consider the annual budget. Covid 19 had no significant impact on governance during the current year. Meetings took place in accordance with the approved schedule of meeting dates using a combination of face-to-face, hybrid and Teams meetings.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. The Internal Auditors report their findings to the Executive Group and the Audit and Risk Management Committee. The College Internal Auditors, Wylie & Bisset reported in their annual report dated June 2022 for the year 2021/22, as follows:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion UHI: North Highland did have adequate and effective risk management, control and

governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We would however highlight that we provided 'weak' assurance for the Follow Up Review as 8 of the 10 recommendations were outstanding. This should be followed up during the follow up review for 2022/23. Our fieldwork was carried out between September 2021 and April 2022 and we have not undertaken any further internal audit assignments at the time of this report."

The "weak" assurance arose from outstanding internal audit recommendations in relation to Opportunity Management. The Executive Group had followed through on Opportunities through the Business Development route, while a new Strategic Plan was published in September 2021 in terms of which Opportunities Management was no longer a strategic priority for the College. Staff were then focusing on developing operational plans. This work had superseded the requirement for an Opportunities Management Framework. As Opportunity Management was no longer a strategic priority for the College, the Executive Group had taken the decision not to proceed with developing an Opportunities Management Framework in the current year. The Audit and Risk Management Committee had agreed to the Audit actions in relation to Opportunity Management being removed from the Internal Audit Action Tracker believing that the actions had been completed, when in fact, the request from the Executive Group to remove the actions had been made on the basis that the work was not to be completed due to Opportunities Management no longer being a strategic priority. The Audit Partner explained to the Committee that the "weak" rating was included in the Report as that was the position at the time of the Review albeit that the situation was later superseded by further and detailed discussion and the decision of the Audit and Risk Management Committee as at 18th May 2022. The Audit Partner gave the Audit Committee an assurance that these recommendations will be marked as "closed" in the Follow Up Internal Audit report next year."

The Executive Group is responsible for the implementation of agreed audit recommendations and Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Management Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business, and monitors adherence to the regulatory requirements.

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

TRANSPARENCY ARRANGEMENTS

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

The North Highland College
Ormlie Road
Thurso
Caithness
KW14 7EE

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

ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

Finance and General Purposes Committee

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its Terms of Reference, taking account of the Financial Memorandum between the SFC and the College and the College's own Financial Regulations. It is authorised to seek any information it requires

from any employee and all employees are directed to co-operate with any request made by the Committee in pursuit of its duties. The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

- Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters
- Allocate the Estates capital formula funding on an annual basis against which projects can be prioritised
- Approve capital projects and co-ordinate the Estates Strategy
- Consider the Health & Safety Policy and Fire Safety Policy annual review prior to recommendation to the Board of Management
- Monitor and review all College Health & Safety statistics and Fire Safety statistics on an annual basis
- Monitor progress against Equalities schemes and Action Plans ensuring these are integrated into College policy, processes and procedures
- Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs
- Consider the annual accounts and make recommendation of these for approval
- Advise the Board of Management with regard to College compliance with all statutory requirements relating to the college accounts and application of appropriate best practice in accounting procedures
- Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis
- Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend
- Advise the Board of Management that the allocation of resources is in accordance with college priorities as defined in the strategic plan
- Make recommendations to the Board on capital expenditure, investments and borrowing
- Set the levels of course fees, as appropriate
- Approve amendments to the Fee Waiver Policy
- Consider/approve any College developments and initiatives not covered by the above and, in addition, not covered by the remit of the Human Resources or Learning, Teaching and Research Committees
- Review the status of the risk cluster assigned to the Finance and General Purposes Committee from the College Risk Register and make recommendations for associated amendments to the Audit and Risk Management Committee

Learning, Teaching and Research Committee

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

- Assist with setting the College's academic and research aims and objectives
- Monitor the academic, student support and research aspects of College operational planning to ensure consistency with the Strategic Plan
- Oversee all matters relating to the academic progress and achievement of students by monitoring key performance indicators (KPIs) relating to learning, teaching and research, and requesting specific action plans, as necessary
- Monitor the College's arrangements for improving learning and teaching and the overall quality of the student experience
- Jointly monitor the College's arrangements for teaching spaces with the Finance and General Purposes Committee
- Monitor the implementation of key academic, learner engagement and research strategies.
- Monitor research activities to ensure they are consistent with College and University aims and objectives
- Make approval recommendations for learning, teaching and research policies to the Board of Management

- Review the status of the risk cluster assigned to the Learning, Teaching and Research Committee from the College Risk Register and make recommendations for associated amendments to the Audit and Risk Management Committee

Human Resources Committee

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

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

Remuneration Committee

This Committee shall determine and review the structure of the Executive Group and the remuneration packages offered to the Executive Group and the Principal. The Executive Group comprises, the Principal, the Director of Learning and Teaching, Director of External Engagement and Facilities, Director of Research and Innovation, and the Director of Finance (Shared) and Audit, taking into account:

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

Audit and Risk Management Committee

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

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

CORPORATE STRATEGY

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

ESTATES STRATEGY

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

The College Estate is a strategic enabler of its business and is defined in the 2021-25 College strategy as follows:

We will create a safe, flexible and inclusive estate to be proud of; well-equipped and adaptable to our evolving tertiary learning and research ambitions.

To achieve this we will:

- In collaboration with local stakeholders, develop a business case to build a smarter and efficient estate in Caithness and Ross and Cromarty that mutually benefits our collective business and community needs
- Develop and invest in an affordable estate that takes account of changing learning and working environments; net zero ambitions and supports smarter and efficient business operations
- Foster a mature College-wide safety culture amongst all staff and students which supports good physical and mental health and social wellbeing for all.

This year the main focus of our activity was - following the withdrawal of most of the especially challenging COVID19 measures - to re-baseline practices of how the Estate is utilised and maintained, including:

- Implementing changes to the staffing composition in the Estates and Site Services teams. following a detailed review of what was needed to provide the required levels of service across all College sites.
- Establishing a new process to prioritise, contract and monitor major maintenance tasks.
- Developing and trialling the College's model for Hybrid Working and implementing that across all sites.

In parallel with the above change management activity the Estates team successfully overcame numerous major challenges to maintain the sites in a safe, functional and legally-compliant condition. Major projects have focused on improving and repairing ventilation, improving accessibility, fire safety, replacing emergency lighting, completing drainage repairs and upgrading student social space at Tern House and the Dornoch campus.

For the coming year the College will develop its new Estates Strategy. It is vital to get this right because the variety in age and condition of our widespread sites means that it is extremely difficult to manage competing external and internal factors: eg condition, flexibility, usage, carbon impact, Health & Safety, Fire Safety, maintenance and affordability.

Based on changes to curriculum delivery and Hybrid Working, the strategy will need to be taken forward by developing data-driven plans and a business case for the Future Estate. The strategy will need to consider how best to contribute to the net-zero goals of the College, and the affordability of maintaining the legacy estate; it will also need to complement the Caithness Place-Based Initiative and integrate with the emergent Estates strategy for the Rural & Islands College Merger with our partners at UHI Outer Hebrides and UHI West Highland. The Scottish Government has implemented a Place-Based Investment Programme to support the needs and aspirations of local communities and accelerate ambitions for community-led regeneration and community wealth building. Community planning partners in Caithness, including the College, are working on a Place-based Review and have developed recommendations to collaborate on several redesign opportunities to address key challenges in Caithness communities including: health & wellbeing; skills, employability and economic development; physical and digital infrastructure; and cost of living disadvantages. The main partners in the region are the College, HIE, NHS Highland and The Highland Council. As part of this work to lay foundations for

Place-based investment beyond April 2023, partners will seek to identify and redesign several spaces to help ease pressures e.g. through co-location, integration, repurposing spaces to provide new and different education and skills support, health & social care, and other wellbeing advice.

BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Board acknowledges and recognises the continuing impact of the Cyber Incident of March 2021 on College staff and systems. The Board recognises the way that College students and staff access, store and use data has changed in order to mitigate the chances of a further incident. It would also record its appreciation of the UHI and College IT teams in their efforts to mitigate the worst effects of the incident.

All scheduled Board and Committee meetings, informal meetings and staff drop-in sessions from August 2021 until July 2022 were arranged in such a way that it was possible for Board members and other attendees to attend virtually using Microsoft Teams. As Board members reside throughout the North Highland area and beyond, Microsoft Teams became the preferred medium for many members although attendance at the College was also possible when national covid restrictions permitted. A planned tour of the Dornoch Campus and in-person Board meeting in December 2021 was cancelled, and the Board meeting was held over Teams following a risk assessment and Health and Safety advice. In the interests of ensuring transparent decision making and in compliance with the Code of Good Governance, all agendas, minutes and relevant reports from Board and Committee meetings continue to be published on the College website. Board members continue to use the Admincontrol meeting portal to facilitate the prompt issue of meeting papers and sharing of documents. The use of the meeting portal has been widely regarded as a success and has continued beyond the Covid-19 restrictions. The Board has paid regard to the College Development Report on Governing a College Using Virtual Meetings. An Action Plan following the report prepared in May 2021 by the College Development Network who conducted an Externally Facilitated Effectiveness Review of the Board of Management is available for members' inspection on Admincontrol. There were no delays to planned governance work during the current year due to Covid-19.

GOING CONCERN

The Board considers that the College accounts should continue to be prepared on a Going Concern basis. See Note 1 Accounting Policies for a detailed consideration of Going Concern.

CONCLUSION

The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2022.

Approved by order of the members of the Board on 14th December 2022 and signed on its behalf by:

Debbie Murray
Principal

Robbie Rowantree
Chair of Board

Section Two: Remuneration and Staff Report

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

Remuneration Policy

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

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

Remuneration including salary and pension entitlements

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

Senior Management comprises Debbie Murray - Principal; Roderick Ferrier - Director of Finance and Audit (shared with Inverness College); Anne Bremner - Director of Learning and Teaching retired January 2022; Tom Duff – Director of Learning and Teaching from May 2022; Giles Huby – Director of External Engagement and Facilities; Stuart Gibb - Director of Research and Innovation.

Salary entitlements¹

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

Name	Year ended 31 July 2022			Year ended 31 July 2021		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Debbie Murray, Principal – Actual	80-85	63	145-150	75-80	101	180-85
Roderick Ferrier, Director of Finance & Audit - Actual	80-85	33	115-120	85-90	231	320-325
Anne Bremner, Director of Learning & Teaching – Actual (retired January 2022)	25-30	15	40-45	60-65	23	85-90
Stuart Gibb, Director of Research & Innovation - Actual	70-75	57	125-130	75-80	38	115-120
Giles Huby, Director of External Engagement & Facilities	70-75	0	70-75	70-75	0	70-75
Tom Duff – Director of Learning & Teaching (from May 2022)	15-20	6	20-25	0	0	0

Fair Pay – Pay Multiples

The 2021-22 FReM has introduced new requirements around disclosures of 25th and 75th percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanations of any changes. The following table details these new requirements and the ratios between the highest paid official and the total pay and benefits for each category.

	2021-22 £'000	2020-21 £'000	Change %
Range of workforce remuneration	18 to 82	17-87	
Highest paid official remuneration	82	87	-5.7%
Median (total pay and benefits)	30	29	3.4%
Median (salary only)	30	29	3.4%
Ratio	2.7:1	2.8:1	
25 th percentile (total pay and benefits)	22	21	4.8%
25 th percentile (salary only)	22	21	4.8%
Ratio	3.7:1	3.8:1	
75 th percentile (total pay and benefits)	39	38	2.6%
75 th percentile (salary only)	39	38	2.6%
Ratio	2.1:1	2.1:1	
Explanation of changes (per FReM 6.5.26)	In 2020-21 the highest paid official received back dated pay hence the decrease percentage change.		

¹ Note:

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

The banded remuneration of the highest paid official in the organisation in the financial year 2021/22 was £80,000 - £85,000 (2020/21: £85,000 - £90,000). This was 2.7 times (2020/21: 3 times) the median remuneration of the workforce which was £30,225 (2020/21: £29,139).

Accrued Pension Benefits

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

Both STSS and LGPS were final salary pension schemes until 31 March 2015. From 1 April 2015 they are Career Average Revalued Earnings (CARE) pension schemes. This means that pension benefits are based on the average earnings over the person's time of being a member of the scheme.

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2022	Accrued lump sum at pension age at 31 July 2022	Real increase in pension 1 August 2021 to 31 July 2022	Real increase in lump sum 1 August 2021 to 31 July 2022	CETV at 31 July 2022	CETV at 31 July 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debbie Murray, Principal	30 - 35	35 - 40	2.5 - 5	0 - 5	495	451	37
Roderick Ferrier, Director of Finance & Audit	35 - 40	60 - 65	0 - 2.5	0 - 2.5	729	673	49
Anne Bremner, Director of Learning & Teaching retired January 2022	5 - 10	0	0 - 2.5	0	127	117	8
Stuart Gibb, Director of Research & Innovation	30 - 35	40 - 45	2.5 - 5	0 - 2.5	508	471	33
Giles Huby, Director of External Engagement & Facilities	0	0	0	0	0	0	0
Tom Duff, Director of Learning & Teaching from May 2022	0 - 5	0	0 - 2.5	0	6	0	5

Cash equivalent Transfer Value (CETV)

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its

payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government Scheme service and not just their current appointment.

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No employees left under voluntary exit terms in Academic Year 2021/22 (2020/21: zero)

No employees left under voluntary redundancy terms in Academic Year 2021/22 (2020/21: 3)

Salaries and Related costs

	2022	2022	2022	2021
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	£6,155,160	£0	£6,155,160	£5,855,204
Social security costs	£581,312	£0	£581,312	£528,010
Other pension costs	£2,409,356	£0	£2,409,356	£1,994,882
Total	£9,145,828	£0	£9,145,828	£8,378,096
Average number of FTE	163	0	163	154

The college employed 186 females and 99 males as at 31 July 2022.

In the year ended 31 July 2022 staff turnover was 15.8%

Facility time

In accordance with the Trade Union (Facility Time Publication Requirements)

Regulations 2017, the College provided the following support through paid facility time

for union officials working at the College during the year ended 31 March 2022

Relevant union officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time:	£1,823.51
Total pay bill:	£9,145,828
Percentage of the total pay bill spent on facility time:	0.02%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	5.5%
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Sickness absence data

Short-term absences: a total of 524 days were lost in 2021/22. Long-term absences (> 4 weeks): a total of 692 days were lost in 2021/22. The Employee Absence Rate was 2.76%.

Staff Policies

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

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

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

Equality, Diversity and Inclusivity

The Equality, Diversity and Inclusivity policy shows our commitment to equality for our students, staff, visitors, contractors and others who engage with us through any activity. The purpose is to specify the Equality, Diversity and Inclusivity Policy of North Highland College UHI, identify protected characteristics under the Equality Act (2010); outline the principles, responsibilities and commitments of the institution in realising the statutory obligations of the Equality Act (2010). The policy applies to all current and prospective students and employees. This includes temporary staff, agency staff, consultants, Board Members, volunteers and collaborators at the University of the Highlands and Islands and all Academic Partners.

Expenditure on Consultancy

North Highland College incurred £46,706 on consultancy in 2021/22 (£45,157 2020/21).

Off – Payroll Engagements

There is nothing to report under the above for North Highland College for 2021/22 or 2020/21.

Parliamentary Accountability Report

There is nothing to report under the above for North Highland College for 2021/22 or 2020/21.

Debbie Murray
Principal

Robbie Rowantree
Chair of Board

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of North Highland College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 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 for 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 six years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report, 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 there is an intention to discontinue the college's operations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting 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 in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the 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.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on 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:

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

Statement of Comprehensive Income Year Ended 31 July 2022

	Notes	2022 £	2021 £
Income			
SFC Grants	2	5,483,681	6,234,772
UHI Grants	3	1,994,697	1,856,497
Education Contracts, Tuition Fees & Charges	4	2,041,636	1,702,942
Other Grant Income	5	1,107,038	860,278
Other Operating Income	6	1,038,629	823,401
Total Income		11,665,681	11,477,890
Expenditure			
Staff costs	7	9,145,828	8,378,097
Other Operating Expenses	9	3,112,325	2,737,607
Depreciation	12	916,088	792,846
Impairment of Fixed Assets	12	0	100,000
Interest payable and other finance costs	10	231,045	236,870
Total Expenditure		13,405,286	12,245,420
Deficit before other Gains and Losses		(1,739,605)	(767,530)
Gain on Sale of Property	12	426,880	0
Deficit before Taxation		(1,312,725)	(767,530)
Taxation	11	0	0
Deficit for the Year		(1,312,725)	(767,530)
Actuarial Gain/(Loss) in respect of Pension Scheme	19	10,964,000	3,056,000
Unrealised Surplus on revaluation of land and buildings	12	6,916,286	49,884
Total Comprehensive Income and Expenditure for the year		16,567,561	2,338,354
Represented by:			
Unrestricted Comprehensive Income for the year		16,567,561	2,476,358
Revaluation Reserve		0	(138,004)
Total Comprehensive Income and Expenditure for the year		16,567,561	2,338,354

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect non-cash budget for depreciation in the Statement of Comprehensive Income. The Non-Cash Allocation and Adjusted Operating Position Tables on Page 10 & 11 provides the details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves

Year Ended 31 July 2022

	Income & Expenditure Reserve £	Revaluation Reserve £	Total £
Balance at 1st August 2020	<u>(12,528,681)</u>	<u>6,973,686</u>	<u>(5,554,995)</u>
Deficit from Statement of Comprehensive Income	(767,530)	0	(767,530)
Other Comprehensive (Loss)/Gain	3,056,000	49,884	3,105,884
Transfers between revaluation and income and expenditure reserve	187,888	(187,888)	0
Total Comprehensive Loss for the year	<u>2,476,358</u>	<u>(138,004)</u>	<u>2,338,354</u>
Balance at 31st July 2021	<u>(10,052,323)</u>	<u>6,835,682</u>	<u>(3,216,641)</u>
Balance at 1st August 2021	<u>(10,052,323)</u>	<u>6,835,682</u>	<u>(3,216,641)</u>
Deficit from Statement of Comprehensive	(1,312,725)	0	(1,312,725)
Other Comprehensive Gain	10,964,000	6,916,286	17,880,286
Transfers between revaluation and income and expenditure reserve	0	0	0
Total Comprehensive Gain for the year	<u>9,651,275</u>	<u>6,916,286</u>	<u>16,567,561</u>
Balance at 31st July 2022	<u>(401,048)</u>	<u>13,751,968</u>	<u>13,350,920</u>

Balance Sheet

Year Ended 31 July 2022

	Notes	As at 31 July 2022 £	As at 31 July 2021 £
Non-current assets			
Tangible fixed assets	12	<u>26,182,894</u>	<u>19,587,174</u>
Current assets			
Stocks		17,996	13,993
Trade Debtors and Other Receivables	13	1,656,691	1,494,099
Assets held for sale	12	0	441,000
Cash and cash equivalents	17	<u>1,132,563</u>	<u>585,656</u>
		<u>2,807,250</u>	<u>2,534,748</u>
Creditors: amounts falling due within one year	14	<u>(3,559,277)</u>	<u>(3,255,578)</u>
Net Current (Liabilities)		<u>(752,027)</u>	<u>(720,830)</u>
Total Assets less Current Liabilities		25,430,867	18,866,344
Creditors: amounts falling due after more than one year	15	(11,389,201)	(11,768,360)
Provisions			
Pension Provision	16	<u>(690,746)</u>	<u>(10,314,545)</u>
TOTAL NET ASSETS / (LIABILITIES)		<u>13,350,920</u>	<u>(3,216,561)</u>
UNRESTRICTED RESERVES			
Income and Expenditure Reserve		(401,048)	(10,052,244)
Revaluation Reserve		13,751,968	6,835,683
TOTAL RESERVES		<u>13,350,920</u>	<u>(3,216,561)</u>

The financial statements were authorised for issue and approved by the Board of Management on 14th December 2022 and were signed on its behalf on that date by:

Debbie Murray
Principal

Robbie Rowantree
Chair of Board

Statement of Cash Flows

Year Ended 31 July 2022

	Notes	2022 £	2021 £
Cashflow from Operating Activities			
Surplus/Deficit for the year		(1,312,725)	(767,601)
Adjustment for non-cash items			
Depreciation and impairment	12	916,088	792,846
Revaluation of Property	12	0	100,000
(Increase) / Decrease in stock		(4,004)	8,141
(Increase) / Decrease in debtors	13	(162,592)	(427,997)
(Decrease) / Increase in creditors – less than one year	14	232,510	839,705
Increase / (Decrease) in creditors – more than one year	15	(379,159)	0
Increase / (Decrease) in pension provision	16	(142,799)	(24,520)
LGPS Pension costs less contributions payable	19	1,321,000	968,000
Other		(13,687)	0
Adjustments for investing or financing activities			
Interest payable	10	231,045	236,870
Capital Grant Income	2,5	(759,459)	(567,321)
		(73,782)	1,158,123
Cash flows from Investing Activities			
Capital Grant receipts		488,565	1,303,132
Proceeds from Sale of Property		867,880	0
Payments made to acquire fixed assets	12	(595,523)	(2,162,711)
		760,922	(859,579)
Cash flows from Financing Activities			
Interest Paid on loan		(69,045)	(72,870)
Repayment of loan		(71,189)	(66,311)
		(140,234)	(139,181)
Increase in cash and cash equivalents in the year		546,907	159,361
Cash and cash equivalents at the beginning of the year		585,656	426,295
Cash and cash equivalents at the end of the year	17	1,132,563	585,656

Notes to the Financial Statements

1a. Statement of Principal Accounting Policies

BASIS OF PREPARATION

The Financial Statements are prepared in accordance with Further and Higher Education (Scotland) Act 1992 and the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2019), the Financial Reporting Standards FRS102 and the Government Financial Reporting Manual 2021/22 (FREM) where applicable.

BASIS OF ACCOUNTING

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

GOING CONCERN

The accounts are prepared on a Going Concern basis. This is based on UHI providing short term cash support in the year to 31 July 2024. It also assumes the merger of the college will assist in delivering some efficiencies through Voluntary Severance.

The net liability position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 which has resulted in the reclassification of Government Capital Grants previously disclosed in Reserves, being disclosed under liabilities less than one year and greater than one year. Pension Provisions include a provision for Early Retirements of £475,746 and a Pension Liability of £215,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LGPS). Once these are accounted for the College's Net Asset position is £13,350,920. To the extent that the pension is not met from the College's other sources of income, it may only be met by future grants or Grant in Aid from the Scottish Funding Council via UHI as the Regional Strategic Body. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Net Current Liabilities position is £752,027. The College considers that with careful financial monitoring this position will be manageable in 2022-23. The bank at 31 July 2022 is £1,132,563. Cash flow projections to 31 July 23 projects cash of £217,550 at 31 July 23 being the lowest monthly balance for the coming year. Part of this reduction is due to anticipated clawback of £582,388 re FE under-delivery, although the College has made representations through UHI that this was affected by Covid 19. It has also projected cash flow through to 31 July 2024 which shows a deficit in the bank of £370,094 at 31 July 2024. UHI through the SFC has indicated short term support if the college requires this as the college has previously received such support in the past if it has required this. There is a lot of uncertainty about staff costs inflation, and overhead inflation. The sector expects to face at least flat funding in 2023-24. However, it is hoped the college will have merged by then.

The loan outstanding to the Bank of Scotland as at 31 July 2022 is £1,076,011. Given the Adjusted Operating Surplus in the year ended 31 July 2021, the College is not aware of any breaches in covenants in the year to 31 July 2022. This may be more challenging in the year to 31 July 23. And there may be a covenant breach then.

With flat funding for the foreseeable future and increasing pressure on costs, then the College will struggle. There is a programme being developed by all partners to make UHI partnership become more efficient and resilient in terms of governance and finances. Three colleges – North Highland College, Lews Castle College, and West Highland College have made a business case to the SFC to merge, and the College Board of Management has formally approved merger.

RECOGNITION OF INCOME

Government Revenue Grants

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

Government Capital Grants

Government Capital Grants are released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate. Grants of £438,039 are due to be released in 2022/23; £3,884,872 in future years.

Non-Government Grants

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

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. Grants of £150,646 are due to be released in 2022/23; £6,504,037 in future years.

Non-Exchange Transactions

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

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

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

PENSION SCHEMES

The College participates in two multi-employer defined benefit pension schemes; more details are in note 19.

The Scottish Teachers' Superannuation Scheme

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

Local Government Pension Scheme

Support and Research staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in

return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. The future long-term obligation in respect of early retirees who retired in the 1990s, which is not funded by the aforementioned pension schemes, is provided for on the Balance Sheet. This provision is valued annually in accordance with guidance issued by the Scottish Funding Council.

TANGIBLE FIXED ASSETS

a. Land and Buildings

Land and Buildings are shown in the balance sheet at valuation, on the basis of depreciated replacement cost. Buildings are depreciated over their expected useful life to the College. The properties were revalued in July 2022. The properties were split into component parts being: main building; roof; windows; and plant and ventilation. This revaluation exercise saw an increase in valuation due mostly to construction inflation.

b. Plant and equipment

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

c. Computer equipment

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

d. Motor vehicles

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

e. Assets Held for Sale

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

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

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

Where assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to Deferred Capital Grants and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. A review for impairment of fixed assets is carried out if events or changes

in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Land and Buildings were revalued at 31 July 2022 under the terms of Depreciated Replacement Cost Accounting by Graham and Sibbald, Registered Valuers. This was to ensure compliance with the Scottish Public Finance Manual. In line with the requirements of the FReM, the College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. An annual indexation exercise is completed in intervening years.

SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

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

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

MAINTENANCE OF PREMISES

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

LEASED ASSETS

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

INVESTMENTS

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

STOCKS

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

FOREIGN CURRENCY TRANSLATION

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

TAXATION

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

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

PROVISIONS

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

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

REVALUATION RESERVE

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

AGENCY ARRANGEMENTS

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts as the College is not subject to risks relating to the income and expenditure. The Funds are Bursary, Discretionary and Educational Maintenance Allowance. See Note 24.

2. SFC Grants	2022	2021
	£	£
Recurrent Grant FE Grant	4,605,532	5,341,979
Estates Maintenance Grant	90,269	75,523
FE and HE Childcare Funds	67,866	55,000
Release of Deferred Capital Grants (SFC)	491,084	405,002
Other Grants	228,930	357,269
	<u>5,483,681</u>	<u>6,234,772</u>
3. UHI Grants		
Recurrent HE Grant	1,638,532	1,389,505
Other UHI Grants	356,165	466,992
	<u>1,994,697</u>	<u>1,856,497</u>
4. Tuition Fees and Charges	2022	2021
	£	£
Further Education Fees - UK	165,206	145,260
Further Education Fees - EU	0	360
Further Education Fees - non EU	0	0
Higher Education Fees	902,181	845,893
Skills Development Scotland Contracts	198,665	118,899
Education contracts	449,754	497,589
Arms Length Foundation Income	138,831	61,052
Local Enterprise Company and Other Contracts	131,494	31,767
Kickstart Income	55,505	2,123
	<u>2,041,636</u>	<u>1,702,942</u>
5. Other Grant Income	2022	2021
	£	£
European Funds	49,045	0
Other Funds	764,993	593,963
Student Allowances	24,625	17,246
Furlough Income	0	86,750
Release of Deferred Capital Grants (Non-SFC)	268,375	162,319
	<u>1,107,038</u>	<u>860,278</u>
6. Other Operating Income	2022	2021
	£	£
Catering and Residences	53,952	790
Other Income Generating Activities	300,766	197,795
Other Income	683,911	624,815
	<u>1,038,629</u>	<u>823,401</u>

7. Staff costs

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

	2022	2021
	Number	Number
Executive Management	5	5
Academic/Teaching departments	64	60
Academic/Teaching Services	15	19
Administration and central services	32	37
Premises	18	11
Research Grants and Contracts	26	18
Apprentices	1	1
Catering and Residences	2	3
	163	154
Staff on permanent contracts	140	136
Staff on temporary contracts	23	18
	163	154

Staff costs:

	2022	2021
	£	£
Executive Management	399,890	391,211
Academic/Teaching departments	3,981,147	3,904,807
Academic/Teaching Services	649,791	426,677
Administration and central services	1,021,924	1,214,738
Premises	504,102	377,025
Research Grants and Contracts	1,168,423	1,032,857
Apprentices	20,513	12,402
Catering and Residences	79,038	50,381
Other Pension Costs	1,321,000	968,000
	9,145,828	8,378,096
	£	£
Wages and salaries	6,155,160	5,852,309
Social security costs	581,312	530,514
Other pension costs	1,088,356	1,027,273
Pension adjustment - Net Service Cost	1,321,000	968,000
	9,145,828	8,378,097

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

	2022	2021
	Number	Number
£60,001 to £70,000	2	2
£70,001 to £80,000	1	2
£80,001 to £90,000	2	1
£90,001 to £100,000	0	0
	5	5

8. Senior post-holders' emoluments

	2022	2021
	Number	Number - restated
Senior post-holders including the Principal:	5	5
	£	£
Senior post-holders emoluments including the Principal:		
Salaries	351,563	334,211
Pension contributions	50,400	57,000
	401,963	391,211

8. Senior post-holders' emoluments (continued)

Emoluments paid to the Principal:

	2022	2021
	£	£
Salary	82,172	75,515
Pension contributions	14,709	13,517
	<u>96,880</u>	<u>89,032</u>

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

9. Other operating expenses

	2022	2021
	£	£
Academic/Teaching departments and services	1,220,211	1,047,413
Administration and central services	753,119	739,064
FE & HE Childcare Funds	67,866	54,996
Other Income Generating Activities	12,931	8,633
Premises	931,988	815,761
Other expenditure	70,159	63,676
Residences and catering	56,051	8,064
	<u>3,112,325</u>	<u>2,737,607</u>

Other operating expenses include:

Auditors remuneration		
external audit	26,020	23,230
internal audit	8,820	9,240
project audit	7,714	4,000
Disbursements of Childcare Funds to Students	67,866	55,000
Hire of land and buildings	130,800	130,813
Hire of plant and machinery	72,979	101,940

10. Interest payable and other finance costs

	2022	2021
	£	£
Loan Interest	69,045	72,870
Net charge on pension scheme	162,000	164,000
	<u>231,045</u>	<u>236,870</u>

11. Taxation

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

12. Tangible fixed assets

	Land & Buildings £	Computer Equipment £	Plant & Equipment £	Motor Vehicles £	Total £
Cost / Valuation					
At 1 August 2021	24,905,701	1,045,031	4,617,750	42,851	30,611,333
Additions	519,771	1,460	74,292	0	595,523
Revaluation	6,916,286				6,916,286
Disposal	0	0	0	0	0
At 31 July 2022	32,341,758	1,046,491	4,692,042	42,851	38,123,142
Depreciation					
At 1 August 2021	5,436,422	1,045,030	4,504,452	38,255	11,024,159
Charge for Year	845,355	487	67,949	2,298	916,088
Revaluation	0	0	0	0	0
Disposal	0	0	0	0	0
At 31 July 2022	6,281,777	1,045,517	4,572,401	40,553	11,940,247
Net Book Value					
At 31 July 2022	26,059,982	974	119,641	2,298	26,182,894
At 1 August 2021	19,469,280	1	113,298	4,595	19,587,174
Analysis					
Inherited	5,125,296	0	0	0	5,125,296
Financed by Capital Grant	10,856,253	974	119,641	2,298	10,979,166
Other	10,078,431	0	0	0	10,078,431
At 31 July 2022	26,059,981	974	119,641	2,298	26,182,894

Burghfield House Extension completed in the summer of 2021, and its use commenced at 1 August 2022. Depreciation on this property is now being applied.

Land and buildings were revalued in July 2022 by Graham and Sibbald, independent valuers. The basis of valuation was depreciated replacement cost. The property valuations were split into component parts being:- Main Building, Roof, Windows, and Plant & Ventilation.

The College's property of Wick College is disclosed under Current Assets being Assets for Sale at £0 (2020/21: £100,000). It is included at the lower of either Market Value or Depreciated Replacement Cost. Ross House was sold in October 2021 for £878,000 which realised a gain on disposal of £426,880. Sale proceeds were reinvested in the Burghfield Extension project.

If inherited land and buildings had not been revalued they would have been included at 31 July 2022 as:

Cost	£
	506,502
Aggregate depreciation based on cost	(267,000)
Net book value based on cost	<u>239,502</u>

13. Trade Debtors and other receivables

	2022	2021
	£	£
Trade Debtors	610,054	397,216
Prepayments and accrued income	1,043,609	1,096,575
Other Debtors	3,028	308
	<u>1,656,691</u>	<u>1,494,099</u>

14. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank Loans and overdrafts	75,719	71,189
Trade Creditors	490,022	301,181
Other Creditors	403,311	524,346
Other taxation and social security	208,393	130,227
Accruals and deferred income	1,793,147	1,672,496
Deferred income - government capital grants (SFC)	438,039	418,144
Deferred income - government capital grants (Non SFC)	150,646	137,995
	<u>3,559,277</u>	<u>3,255,578</u>

15. Creditors: Amounts falling due after one year

	2022	2021
	£	£
Bank loan	1,000,292	1,076,011
Deferred income - government capital grants (SFC)	3,884,872	3,936,521
Deferred income - government capital grants (Non SFC)	6,504,037	6,755,828
	<u>11,389,201</u>	<u>11,768,360</u>

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

	£	£
In one year or less	75,719	71,189
Between one and two years	80,209	75,719
Between two and five years	274,872	256,652
In five years or more	645,212	743,640
	<u>1,076,011</u>	<u>1,147,200</u>

The term loan is held with Bank of Scotland. Per the original loan agreement the principal sum is due to be repaid in monthly instalments over a 25 year period at a fixed rate of interest it interest calculated monthly in instalments outlined above. There is no security given over assets, but covenants have been agreed. The College paid £71,189 in loan capital in the year ended 31 July 2022 and this is shown on the Statement of Cash Flows.

16. Provision for Liabilities and Charges

	2022	2021
	£	£
Enhanced Pensions - Early Retirement		
Opening Provision	618,545	643,065
Additional Provision	<u>(83,017)</u>	<u>34,496</u>
	535,528	677,561
Charged to Provision in Year	<u>(59,782)</u>	<u>(59,016)</u>
Closing Provision	<u>475,746</u>	<u>618,545</u>
Local Government Pension Scheme - Provision		
Opening Provision	9,696,000	11,620,000
Contributions in the year	<u>(549,000)</u>	<u>(512,000)</u>
	9,147,000	11,108,000
Additions in the year	2,032,000	1,644,000
Remeasurements in the year	<u>(10,964,000)</u>	<u>(3,056,000)</u>
Closing Provision	<u>215,000</u>	<u>9,696,000</u>
Total Provision	<u>690,746</u>	<u>10,314,545</u>

The Provision for Enhanced Pensions has been revalued using actuarial tables provided by the SFC. The net interest rate applied was 0.75%.

The LGPS Pension Provision relates to the liabilities under the college's membership of the Local Government defined benefit pension scheme. Further details are given in Note 19.

17. Cash and cash equivalents

	At 1 August		Other		At 31 July
	2021	Cashflows	Charges		2022
	£	£	£		£
Cash at bank and in hand	585,656	546,907			1,132,563
	<u>585,656</u>	<u>546,907</u>	-		<u>1,132,563</u>

18. Capital Commitments

At 31 July 2022 the College had capital commitments contracted of £252,642 (2021 - £34,578)

19. Pension and similar obligations

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

Scottish Teachers Superannuation Scheme (STSS)

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

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

Local Government Pension Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2022 were £729,000 (2021 - £681,000) of which Employer's contributions totalled £543,000 (2021 - £506,000) and Employees' contributions totalled £186,000 (2021 - £175,000). The current contribution rates are variable rates for employees based on salary ranges, and Employers' contribution rate is 17.9%.

19. Pension and similar obligations (continued)

Total pension cost for the year	2022 £	2021 £
Teachers' Pension Scheme: contributions paid	544,419	523,016
Local Government Pension Scheme:		
Contributions paid	543,000	506,000
FRS102 charge	1,321,000	968,000
Charge to the Statement of Comprehensive Income	1,864,000	1,474,000
Total Pension Cost for Year within Staff Costs	2,408,419	1,997,016

The following information is based upon a full actuarial valuation of the Fund at 31 July 2022 by a qualified independent actuary for the purpose of FRS102.

Principal Actuarial Assumptions at the Balance Sheet Date:-

	2022	2021
Rate of Increase in Salaries	3.55%	3.65%
Rate of Increase in Pensions	2.75%	2.85%
Inflation Assumption (RPI)	-	-
Inflation Assumption (CPI)	-	-
Discount rate for scheme liabilities	3.5%	1.6%

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

Equities	68.0%	70.0%
Bonds	11.0%	14.0%
Property	17.0%	10.0%
Cash	4.0%	6.0%

The assumed life expectations on retirement age 65 are:-

	2022 Years	2021 Years
Retiring Today		
Males	20.8	20.9
Females	23.3	23.5
Retiring in 20 Years		
Males	22.0	22.3
Females	25.3	25.5

The Employer contributions for the year to 31 July 2023 will be approximately £543,000

19. Pension and similar obligations (continued)

The analysis of amounts charged to the Statement of Comprehensive Income (SOCl) are as follows:

	Year ended 31 July 2022 £	Year ended 31 July 2021 £
Charged to staff costs:		
Current service costs	(1,870,000)	(1,480,000)
Past service costs	0	0
Total charged to staff costs	(1,870,000)	(1,480,000)
Credit/charge for net return on pension scheme:		
Interest income	410,000	298,000
Interest cost	(572,000)	(462,000)
Net interest charged	(162,000)	(164,000)
Credit/charge to other comprehensive income:		
Return on assets	(961,000)	4,216,000
Other experience	(68,000)	432,000
Gains and losses arising on changes in financial assumptions	11,866,000	(3,079,000)
Gains and losses arising on changes in demographic assumptions	127,000	1,487,000
Actuarial Gain/(Loss)	10,964,000	3,056,000
Total charge to the SOCl	8,932,000	1,412,000

Analysis of the movement in deficit during the year:	Year ended 31 July 2022 £	Year ended 31 July 2021 £
Deficit in scheme at start of year	(9,696,000)	(11,620,000)
Service costs	(1,870,000)	(1,480,000)
Employer contributions	549,000	512,000
Net interest costs	(162,000)	(164,000)
Actuarial gain/(loss)	10,964,000	3,056,000
Deficit in scheme at end of year	(215,000)	(9,696,000)

20. Financial Commitments

At 31 July 2022 the College had annual commitments under non-cancellable operating leases as shown:

	2022 £	2021 £
Land and buildings:		
Payable during the year	130,800	130,813
Future minimum lease payment due:		
Not later than 1 year	130,800	130,800
Later than 1 year and not later than 5 years	111,600	242,400
Later than 5 years	0	0
Total lease payments due	242,400	373,200
Other:		
Payable during the year	72,979	101,940
Future minimum lease payment due:		
Not later than 1 year	66,652	64,609
Later than 1 year and not later than 5 years	266	39,454
Later than 5 years	0	0
Total lease payments due	66,917	104,063

21. Losses and Special Payments

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

22. Post Balance Sheet Events

The North Highland College Board of Management formally approved merger on 2nd November 2022 but final approval is still pending with SFC.

23. Related Party Transactions

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

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

Member	Organisation	Position
J McGillivray	Highland Council	Councillor
D Beaton	Stagecoach Highland	Managing Director

Expenditure transactions totalling £44,310 were made with Highland Council and £37,041 with Stagecoach. There were no income transactions. At 31 July 2022 our Highland Council creditor balance was £1,579 and Stagecoach creditor balance was zero.

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.

24. Bursary and Other Student Support Funds

	2021-22 FE Bursary £	2021-22 EMAs £	2021-22 Other £	2021-22 Total £	2020-21 Total £
Balance b/fwd	0	0	0	0	0
Allocation received in year	(1,680,387)	(49,350)	(141,039)	(1,870,776)	1,801,000
Expenditure	1,344,911	53,400	141,039	1,539,349	(1,487,000)
Repaid to Funding Council as clawback	0	0	0	0	0
College Contribution to funds	0	0	0	0	0
Intra-region allocations	0	0	0	0	0
Virements	0	0	0	0	0
Balance c/fwd	(335,477)	4,050	0	(331,427)	314,000
Represented by:					
Repayable to Funding Council as clawback	0	0	0	0	0
Repayable to region	(335,477)	4,050	0	(331,427)	314,000
Retained by College for Students	0	0	0	0	0

FE and HE childcare funds

	2022 Total £	2021 Total £
Balance b/fwd	0	0
Allocation received in year	67,866	(55,000)
Expenditure	(67,866)	55,000
Repaid to Funding Council as clawback	0	0
College Contribution to funds Intra-region allocations	0	0
Virements	0	0
Balance c/fwd	0	0
Represented by:		
Repayable to Funding Council as clawback	0	0
Repayable to region	0	0
Retained by College for Students	0	0

Accounting Estimates and Judgements

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

The items in the College's Balance Sheet at 31 July 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY

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

The actuarial inputs into the pension liability valuation are subject to annual review and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the yearend valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension deficit at 31 July 2022 following the updated actuarial valuation was £215,000, an increase(improvement) of £9,481,000 from 31 July 2021.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward. More information on the key assumptions used in the actuarial valuation of the estimates is available in note 19 to the accounts, including information on the key assumptions, risks and sensitivities.

VALUATION OF PROPERTY

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2022 is outlined and broken down by asset category at note 12.

Land and Buildings were independently valued for the purposes of the financial statements by Graham & Sibbald, Chartered Surveyors at 31 July 2022. The basis of valuation was depreciated replacement cost. A review of the fixed asset year-end valuation as at 31 July 2022 confirmed that there was no further impairment to the properties to be recognised in these financial statements.

JOB EVALUATION

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and costs to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last three financial years. At 31 July 2022, the College had accrued for income and expenditure of £726,036. Payment of both the grant income and costs will not be made until the exercise has fully concluded. As the exercise has not yet concluded, the estimated income and costs are subject to change.

Accounts direction for Scotland's colleges 2021-22

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
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
18 July 2022

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

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