Report and Financial Statements

for the Year Ended 31 July 2023

The North Highland College

Charity Registration No. SC021215

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PERFORMANCE REPORT

Performance Overview

Principal's Performance Statement

Welcome to our annual report for the academic year 2022/23. This year has seen us open our doors to our new and continuing students without the restrictions of the pandemic which has been very welcome.

Our staff and students have shown incredible commitment over the last year as well as continued innovation in their approach to teaching, learning and support services. Teaching and support services continued to deliver against set targets but there were new challenges with the cost-of-living crisis which saw many students having to make the choice between taking on additional employment opportunities or continuing to study. Staff stepped in again with innovative methods to allow many of our students to continue with us on a part time basis

A large focus of the year, whilst delivering on our commitments, has been to ensure that the merger project between North Highland, West Highland and Outer Hebrides was delivered on our planned vesting date of 1st August 2023 and at the time of writing I am pleased to advise that has been the case. Throughout academic year 2022/23, the College has 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 2022/23. Please refer to the table below for student activity indicators.

This year we received another satisfactory outcome from the Education Scotland progress visit with many 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.

Throughout the year we have seen increases in activity and opportunity right across the region, with Greenport status announced for the Cromarty Port in January 2023 which was a huge boost to the area and for UHI. Our Director of External Engagement has been a key part of the team developing the OBC for the port which will complete in September 2023.

This year our research activity has been very successful with two Scottish Knowledge Exchange Awards for innovation being presented to teams within the ERI who have worked on water innovation projects and a biochar nutrient recovery project. We hosted the Peatlands Conference in Thurso in November 2022 which allows the scientific community to celebrate the progress made in understanding peatland function over the last decade, and to identify new challenges ahead as the Flow Country continues its journey to be considered as UNESCO World Heritage Site.

We 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.

The College Board agreed to merge with UHI Outer Hebrides and UHI West Highland colleges during academic year 2021/22. Scottish Government approved the full business case, and the new college vested on 1st August 2023 to form UHI North, West and Hebrides. With regards to the merger, this Performance Overview is signed by Lydia Rohmer, Principal and Chief Executive Officer of UHI North, West and Hebrides (see note 24).

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Lydia Rohmer
Principal and Chief Executive Officer
UHI North, West and Hebrides

Statement of Purpose and Activities

Legal Status

The College was established in 1993 and incorporated under the Further and Higher Education (Scotland) Act 1992 on 1 April 1993. It is a registered charity (Scottish Charity Number SC021215) and is recognised by HMRC as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on charitable activities. The College receives no similar exemption in respect of Value Added Tax.

On 31 March 2014, the Office for National Statistics reclassified the Scottish College sector as a department of central government. Under the Assigned Colleges (University of the Highlands and Islands) Order 2014, the College was assigned to the University of the Highlands and Islands as part of the Highlands and Islands Regional Strategic Body (RSB).

On 1 August 2023, the College merged with Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College transferred to UHI North Highland College on 1 August 2023. UHI North Highland College has subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides.

Strategic Plan

The College developed a 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.

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

- The North Highland College Board of Management formally approved merger on 2nd November 2022, with Vesting on 1st August 2023.
- Nigg Skills Academy: The partnership, for the delivery of apprentice-level Fabrication and Welding courses has been extended for the next 3 years.
- Partnership groups: The College is a proactive member of several key partnership groups. These include: Caithness & North Sutherland Regeneration Partnership, 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.

Key Risks and Opportunities

The main risks to North Highland College and the new college are:

- Meeting student targets for both FE and HE given the demographics in schools, and the buoyant job market. Risk Mitigation - Student no's 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.
- School demographics may mean a more challenging target for curriculum enrolments. There is greater emphasis on part time learners and Continuous Professional Development.

Performance Analysis

Key Performance Indicators

Further education activity amounted to 11,838 credits in 2022/23, compared to 11,210 credits in academic year 2021/22. Activity was delivered under the collaborative further education arrangements with Argyll College. The Further Education activity target for The North Highland College was 12,400 (delivered 11,838).

Credits for 2023 were as follows:

	Number
North Highland College	11,838
Argyll College	7,072
West Highland College	7,760
	26,670

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 360 FTEs compared with 380 FTEs in 2021/22. The Higher Education activity target was 380. Figures exclude international and RUK students, postgraduate taught programmes and controlled numbers, e.g. in primary education, which are reported separately.

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.

The College has continued to enhance our curriculum portfolio through creating full new programmes to updating individual modules to meet industry needs and again this year we 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.

The College has now piloted and is continuing to deliver a new access level programme in partnership with Highland Council, My Future My Success, which has some challenges, but we will continue to find new methods to ensure no one is left behind in the education system.

We continue to engage and support the 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 have extended the reach of senior phase partnership, offering courses at higher education level as well as further education.

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 continues to actively participate in the UHI major tertiary curriculum review, 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.

Net Zero Future

This year we 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 17 initial projects in the Scotwind leasing round- out of a total of 20 - have submitted updates to their Supply Chain Development Statements (SCDSs). The SCDSs outline critical early-stage project information that can then be used to coordinate, support, and grow the supply chain in Scotland. SCDSs are designed to provide a structure for project specific supply chain information to be communicated with government and industry, through the initial stages of project development, to deployment and into operations. These updates record a slight change to the figure for anticipated average investment in Scotland. The previous figure of £1.4bn per project has been revised to £1.5bn per project, clearly a real opportunity for the whole region.
- Green Freeport in the Highlands is still projecting the creation of over 20,000 high quality green jobs for the Highlands and over £6Bn in GVA with the OBC now in the advanced stages.
- Due to the war in Ukraine, the UK Government 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 date has slipped, 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 in partnership with both West Highland and Outer Hebrides, we are developing plans to support the growing green hydrogen and electrification economies.

Commercial Courses

COVID 19 did affect 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 with support from the new merged college.

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 (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 though 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 eri.ac.uk/wp-content/uploads/2022/12/ERI-Strategic-Plan-2022-2025.pdf
Activity is focussed on the thematic priorities of: Renewable Energy & the Environment, Environmental Contamination and Ecological Health, Carbon Water and Climate.

Student Recruitment, Achievement and Retainment

The trend of 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 for North Highland College only. The College under-delivered on the 22/23 FE Target.

Mode of attendance	2022/23	2022/23	2021/22	2021/22
	Actual	Target	Actual	Target
	Count	Count	Count	Count
Further Education Enrolments				
Full-time	489		494	
Part-time	1,436		1,517	
Total Enrolments	1,925		2,011	
Credits Delivered	11,838	12,400	11,210	12,565
Higher Education Enrolments				
Full-time	212		233	
Part-time	317		330	
Total enrolments	529		563	
Total FTEs	360	380	380	384

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2022/23 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards. They conform to the 2022/23 Accounts Direction for Scotland's Colleges and other guidance issued by the SFC.

On 13 November 2024 the Scottish Funding Council issued amended Accounts direction to the college sector in Scotland. These amended directions set out new requirements for how colleges should account for the national job evaluation exercise. The direction requires colleges to recognise the costs of the job evaluation exercise as a liability and provide for the total costs of the exercise to date. Previously colleges had also recognised the funding for these costs as income and a debtor in their financial statements. The accounts direction requires colleges to no longer recognise this income and asset.

As this direction has been received from the SFC prior to the signing of these accounts, adjustments have been made in the year ended 31 July 2023 to reflect the revised accounting treatment for the National Job Evaluation Scheme. The change in the accounts direction has resulted in a significant change in the College's financial statements. The net impact on the operating deficit for the year ended 31 July 2023 is to increase the deficit for the year by £923k from £1,773k to £2,696k.

The amended SFC Accounts Direction states the following:

"It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with [the Government] until the process is complete."

The College reported a deficit for the year of £2,922k (2021/22 deficit £1,957k) for the year ended 31 July 2023. This compares to an underlying operating deficit of £767k (2021/22 surplus of £173k) after adjustment for the non-cash items, specifically net depreciation, pension adjustments and other provisions.

Adjusted Operating Position		**Restated**
	2022/23	**2021/22**
	£'000	**£'000**
Deficit for the year before other gains and losses	(2,922)	(1,957)
Add back:		
Net Depreciation – net of deferred capital grant release	763	374
Gain on sale of property	-	427
Pension adjustment – net service cost	410	1,321
Pension adjustment – net interest cost	15	162
Other provision – early retirement provision	120	(83)
Other provision – job evaluation	923	-
Bank loan repayments	(76)	(71)
Underlying Operating (Deficit) / Surplus	**(767)**	**173**

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

However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance, should be treated as a 'technical' deficit and should not be interpreted on its own, as a challenge to the College's ongoing financial sustainability.

There are accumulated reserves of £13,478k (2022: £12,369k).

The main movements in the Statement of Financial Position were:

- Fixed Assets – a overall decrease of £480k. New fixed asset additions were only £641k in the year and were exceeded by the annual depreciation charge.
- Current Assets – a decrease of £1,502k, this is mainly attributable to the release in accrued income of £923k previously held for the job evaluation exercise and a reduction in cash and cash equivalents of £474k, due to the College's negative cash flow during the year.
- Creditors due within one year – a decrease of £437k, this is mainly attributable to the release in accruals of £923k previously held for the job evaluation exercise and the inclusion within accruals of £579k for the expected liability in reference to the ongoing national pay bargaining negotiations.
- Creditors due after more than one year – a decrease of £154k due to bank loan repayments and the release of deferred capital grants within the year.

- Pension provision – The FRS 102 valuation of the Highland Pension Fund reported a movement from deficit to surplus in the year. The pension provision for the deficit has thus been reduced by £215k to £nil and been replaced by a pension asset of £3,265k.
- Other provisions – an increase of £980k attributable by the creation of a provision for job evaluation of £923k and an increase in the early retirement provision of £57k due to changes in assumptions driven by movements in external financial markets.

Cash Budget for Priorities

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

Revenue Priorities	**2023**	**2022**
	£'000	**£'000**
Estates costs	21	26
Bank loan repayments	76	71
Total	**97**	**97**

Cash Flows and Liquidity

The nature of the College's operations is such that there can be considerable unpredictable variation in the timing of cash inflows and outflows.

Value for Money

The College works with Advance Procurement for Universities and Colleges (APUC) and seeks to embed sustainability and value for money in its procurement function. Value for Money (VfM) is considered as a matter of course during the work of Internal Audit and issues identified are reported to the College. Overall, there was evidence to support the College's achievement of VfM regarding the economy, efficiency, and effectiveness of the systems reviewed.

Payment Performance

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of the invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The College's average payment period during the year was 32 days (2022: 37 days). The College was not required to pay any interest during the year under the late payment of Commercial Debts (Interest) Act 1998.

Estates Strategy

Estates' reporting is reported to the Finance and General Purposes Committee. The College Estate is considered a strategic enabler, 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 and research ambitions."***

The strategy contains three primary objectives:

1) Develop, in collaboration with local stakeholders, 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.

   During 2022-23 this objective was progressed with the development of a new integrated Estate Strategy for UHI North, West and Hebrides, with the following strategic objectives being identified:

   - ***Fit for purpose***. To provide places and spaces that meet our teaching, learning, research and support service requirements., recognising the need for flexibility, agility, student and staff experience and future changes in learning. Through the use of technology to help generate engaging, exciting and innovative learning opportunities. Ensure that our spaces meet all estates health and safety and fire safety requirements.

   During the year the College has reviewed its estate which has resulted in the following outcomes:

- Alness: Consolidation of activities in Tern House, enabling withdrawal from a separate nearby leased property
- Wick: A new Estate Agent has been appointed to sell our disused property
- Dornoch: A new Estate Agent has been appointed to sell an unused building and land

- ***Sustainability***. To ensure we achieve our climate change responsibilities reducing carbon use and analysis of the environmental impact of our activities, undertaking an inclusive approach that will involve our staff, students, partners and communities.

- ***Cost effectiveness***. To ensure the alignment of estate planning in the context of a merged college with refreshed, unified strategic directions and options which reduce property costs.

Climate Change

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 2022 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.

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 within the new merged college. The new merged college have adopted the UHI Sustainability strategy and are actively engaged in developing a partnership plan that is both realistic and affordable.

Digital Strategy

The college has continued to participate within UHI to achieve cyber essentials status as a mark of excellent practice and procedure when it comes to cyber security compliance.

Equality and Diversity

The College has a strong commitment to equality and diversity, and this is set out in the Equality, Diversity and Inclusivity policy. This policy applies to all current and prospective students and employees

Non-financial Matters

There are no non-financial matters to disclose.

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Lydia Rohmer
Principal and Chief Executive Officer
UHI North, west and Hebrides

ACCOUNTABILITY REPORT

Corporate Governance Report

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Corporate Governance Statement
- a Statement on Internal Control

Directors' Report

The membership of the Board of Management during the year and as at 31 July 2023 is set out on page 16.

The Board meets the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. The College has worked over recent years towards implementing all the changes recommended by the Cabinet Secretary's Good Governance Task Force to ensure compliance in all areas of the Code.

The respective Register of Interests for these members is available from the Board Secretary to any member of the public who wishes to examine it. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board and Committee meetings.

The Board's authority, reserved matters and the delegation of authority are set out in the Scheme of Delegation. Delegation of authority in relation to financial decision-making is further detailed in the College's Financial Regulations and available from the Board Secretary.

The Executive Leadership Team

The Principal's Executive Leadership Team is responsible for the operational management of the College and considers issues of performance, internal control & risk, and advises the principal on strategy and any issues relevant to the running of the College. Membership during the reporting period was as follows: -

Role	Name	Appointed	Resigned
Principal and Chief Executive	Debbie Murray		31-Jul-23
Director of Learning and Teaching	Tom Duff		30-Sep-22
Human Resources Manager	Vicky Ferguson		31-Jul-23
Director of Finance and Audit	Roddy Ferrier		31-May-23
	Niall McArthur	01-Jun-23	31-Jul-23
Director of External Engagement and Facilities	Giles Huby		31-Jul-23

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

Statement of the Board of Management's responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Regional Strategic Body, the University of the Highlands and Islands, and the College's Board of Management, the Board, through the Principal and Chief Executive, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Secure the economical, efficient, and effective management of the College's resources and expenditure.

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

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

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

Corporate Governance statement

Introduction

The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of North Highland College, and the 2016 Code of Good Governance for Scotland's Colleges. It is a condition of the Financial Memorandum that the College meets the principles of good governance set out in the Code of Good Governance for Scotland's Colleges.

Governance Framework

The Board and its committees play a vital role in the oversight of college business and hold management accountable for performance against targets and performance indicators, specifically Regional Outcome Agreement targets, the recommendations of self-evaluation activity against the 'How Good is Our College' framework and the delivery of key College strategies and plans.

All committees operate under the authority of, and with terms of reference approved by, the Board and minutes are available from the Board Secretary.

Audit and Risk Management Committee

The Audit and Risk Management Committee's responsibilities included the compilation of an annual audit report for consideration by the Board, recommending the approval of the Annual Accounts to the Board as well as advising and reviewing and monitoring governance arrangements.

The Committee also received and considered reports from the Scottish Funding Council as they affected the College's business and monitored adherence to the regulatory requirements and had responsibility for reviewing the Board's risk management framework, its strategic risks and consideration of management's review of operational risks.

The Committee advised the Board on the appointment and remuneration of internal auditors who had direct access to the Chair of the Board of Management and to the Audit and Risk Management Committee. The Chair of the committee met with the Internal and External Auditors prior to each Committee meeting. Management was responsible for the implementation of agreed audit recommendations and the Internal Auditors undertook periodic follow-up reviews to ensure that such recommendations had been implemented. The Audit and Risk management Committee considered detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

The Committee, which comprises four non-executive members, met four times in 2022/23.

Finance and General Purposes Committee

The Finance and General Purposes Committee's responsibilities included approving all key decisions to be taken in relation to finance, monitoring actual performance against budget and key performance indicators, making recommendations to the Board on capital expenditure, investments and borrowing, setting tuition fee levels and making recommendations with regard to these, overseeing systems of financial control and delegated authority, liaison with External Auditors to ensure that the Annual Accounts showed a true and fair view and exhibited regularity of spend, ensuring consideration was given to value for money and compliance with the SFC and UHI's Financial Memorandums as well as the College's existing buildings and estates.

The Committee also had responsibility for setting the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff which included overseeing the development and auditing of all human resource strategies and work streams.

Staff were of critical importance in the delivery of learning and teaching services, and this cost represented a significant resource. By taking a more holistic perspective in the scrutiny of high-level aspects of the finance, estates, and HR functions and their inter dependencies, and despite challenging financial circumstances, the Committee helped the Board fulfil its statutory responsibilities in these areas to best effect so as to progress the achievement of its strategic aims.

The Committee, which comprises five non-executive members, one staff member (the Principal and Chief Executive) and one student member, met four times in 2022/23.

Remuneration Committee

The Remuneration Committee's responsibilities include considering, approving, and reporting to the Board on decisions regarding the remuneration package, terms, and conditions (including the annual reviews of such) and, where appropriate, severance payments of the College Principal & Chief Executive and College's Executive Leadership Team and in so doing ensuring the efficient and effective use of public funds.

In addition, the Committee retained an overview of wider HR and workforce issues within the College and was required to bring any relevant matters to the attention of the Finance & General Purposes Committee and the Board. It also undertook scrutiny of proposed severance schemes and settlement agreements before recommending approval to the Board and onwards to the RSB/SFC (in line with the SFC Guidance on Severance).

In compliance with the Code the Chair of the Board of Management does not chair the Committee.

The Committee, which comprises five non-executive members, met three times in 2022/23.

Board of Management

The authority for appointments to the Board of Management, from 1 August 2014, resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

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

The Board comprises a Chair appointed by the Regional Strategic Body, the Principal and Chief Executive, 9 non-executive members whose appointments are made in accordance with the relevant guidance, 2 staff members elected respectively by the academic and support staff of the College and 2 student members nominated by the Students' Association of the College.

The Board has in place a board secretary whose duties are consistent with those set out in the Code of Good Governance for Scotland's Colleges.

The members who served the College during the year were as follows:

Board Member	Standing Committee Appointments	Position Held	Appointed	End Date
Robbie Rowantree Non-Executive (external)	Finance & GP Nominations Remuneration	Board member	Jul-14	31-Jul-23
		Chair of Board	Dec-21	31-Jul-23
David Beaton Non-Executive	Audit & Risk Management Human Resources	n/a	Jun-21	31-Jul-23
Graham Birnie Senior Independent Member	Finance & GP Remuneration	**Vice Chair** of the Board **Chair** of Finance & GP **Chair** of Remuneration	Jan-17	31-Jul-23
Judith Crow Non-Executive	Finance & GP Learning, Teaching & Research	n/a	Jun-21	
John Hook Non-Executive	Learning, Teaching & Research Human Resources	**Vice Chair** of Learning, Teaching & Research **Chair** of Human Resources	Aug-20	29-Sep-22
Shona MacDougall Non-Executive	Audit & Risk Management Remuneration	**Chair** of Audit & Risk Management	Aug-20	
Ian MacEachern Non-Executive	Finance & GP Human Resources	n/a	Jun-21	
Heather McLean Non-Executive	Learning, Teaching & Research Nominations Remuneration	**Chair** of Learning, Teaching & Research Committee	Apr-17	31-Jul-23
Cllr Jim McGillivray Non-Executive	Audit & Risk Management Human Resources	n/a	Jun-14	31-Jul-23
Anna McInnes Non-Executive	Audit & Risk Management Learning, Teaching & Research	n/a	Jun-21	31-Jul-23
Ken Wong Non-Executive	Audit & Risk Management Human Resources	n/a	Jan-22	03-Nov-22
Stephen Wright Non-Executive	Finance & GP Human Resources	n/a	Jun-21	31-Jul-23
Debbie Murray	Finance & GP Human Resources	Principal & Chief Executive	Oct-20	31-Jul-23
Dr Peter Hylton Staff Member	Learning, Teaching & Research Nominations	n/a	Mar-20	31-Jul-23
Darren MacLeod Staff Member	Human Resources	n/a	Apr-22	31-Jul-23
Sophie-Ann Bain Student Member	Finance & GP Learning, Teaching & Research	n/a	18-Oct-22	31-Jul-23
Andrew Skene Student Member	Learning, Teaching & Research	HISA Depute	Jun-22	24-Oct-22
Matthew Bain Student Member	Learning, Teaching & Research	HISA Depute	Dec-22	31-Jul-23
The Board meets government recommendations on gender split. On 31 July 2023 the split was 9 men and 6 women.				

Professional Advisors

Internal Auditor: Wylie & Bisset, Glasgow

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Anderson and Strathern, Glasgow

External Audit: Deloitte UK, Cardiff (The Auditor General for Scotland has appointed Deloitte UK to undertake the audit for the year ended to 31 July 2023.)

Committees

The following table shows the committees that each current member of the Board of Management served on during the year:

Name	Board of Management	Audit & Risk Management	Finance & General Purposes	Remuneration	Human Resources	Learning, Teaching & Research
Robbie Rowantree	6/6	-	4/4	3/3	-	-
David Beaton	2/6	2/4	-	-	1/4	-
Graham Birnie	5/6		4/4	3/3		
Judith Crow	6/6		3/4			4/4
John Hook	1/1				1/1	1/1
Shona MacDougall	6/6	4/4		3/3		
Ian MacEachern	6/6		3/4		4/4	
Heather McLean	6/6			3/3		4/4
Cllr Jim McGillivray	6/6	4/4			4/4	
Anna McInnes	3/6	4/4	-	-	-	3/4
Ken Wong	1/2	1/1			1/1	
Stephen Wright	5/6		3/4	3/3	3/4	
Debbie Murray	6/6		4/4		4/4	4/4
Dr Peter Hylton	2/6					4/4
Darren MacLeod	6/6	-	-	-	3/4	0/4
Sophie-Ann Bain	5/5		3/3			3/3
Andrew Skene						
Matthew Bain	3/3					0/2

Meetings of the Board

The full Board holds a minimum of four meetings a year. In 2022/23, four ordinary meetings took place and two extra-ordinary meetings.

Covid 19 had no impact on governance during the year to 31st July 2023. Due to the size of the geographical area covered by UHI North Highland, it is not practical for members to attend all meetings to which they are invited. All meetings took place in accordance with the approved schedule of meeting dates, using a combination of hybrid meetings and Teams meetings.

In addition, the Board of Management holds development planning days and training events during the course of the year for the purposes of training, self-evaluation and development.

Chairs meet quarterly before Board and Committee meetings to undertake business/pre-agenda planning. The Chairs, Principal and Board Secretary meet regularly to ensure effective working relationships between members and constructive dialogue with officers.

Evaluation

An External Effectiveness Review [EER] was undertaken in was undertaken in 2021 and in the executive summary the Assessor indicated that the Board was operating effectively and had responded well to a high level of change over the past year.

The Assessor made ten recommendations, of these seven had been implemented by July 2023 and the remaining three actions will be carried forward into the newly merged college, UHI North, West and Hebrides.

Risk Management

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

An annual review of the register took place in August 2022 which included considering whether risks were appropriately ranked based on likelihood and impact and considering whether mitigating controls highlighted as being in place were adequate.

Covid-19

In managing the impact of Covid-19, the College complied with advice and guidance provided by the Scottish Government and statutory agencies with monitoring and reporting to the senior management as required.

Statement of Internal Control

The Board is the College's governing body. It is responsible for bringing independent judgement to bear on issues pertaining to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and establishing high standards of academic conduct and probity.

The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. It is supported by committees with specific areas of remit which are set out in its constitution and Scheme of Delegation.

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

Review of Effectiveness

The College has responsibility for reviewing the effectiveness of the systems of internal control. The review of the effectiveness of the systems of internal control is informed by:

- the work of the internal auditor. The conclusion in their annual report was that North Highland College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.
- the work of the Executive Leadership Team and senior managers within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements.
- comments and recommendations made by the College's external auditor.
- The risk register.

The College has an internal audit service, who report to the Board, the work of which concentrates on areas of key activities determined in accordance with the annual internal audit plan approved by the Board. In 2022/23 the system of internal financial control was based on administrative procedures, including segregation of duties appropriate to the size of organisation.

The Principal and Chief Executive continued to monitor and review financial control arrangements and reports to the Board of Management. The system of financial control included:

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

Internal Control Statement

In their annual report for the year-ended 31 July 2023 the internal auditors' opinion, as expressed by TIAA's Head of Internal Audit is:

> *"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, North Highland College 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 Estates Management review. During this review, we raised a high-grade recommendation on overdue statutory obligations. Our fieldwork was carried out between September 2022 and April 2023, and we have not undertaken any further internal audit assignments at the time of this report."*

The "weak" assurance arose from a recommendation in the Estates Management report being categorised as high risk as it related to two areas of statutory non-compliance. Actions are in place to address this high-risk recommendation.

Going Concern

On 1 August 2023, the College merged with UHI Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College transferred to UHI North Highland College on 1 August 2023. UHI North Highland College has subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides. The accounts have been prepared on a going concern basis.

Disclosure of information to auditors

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

Conclusion

The Board of Management is content that the arrangements in place relating to corporate governance are effective.

The Board members of UHI North, West and Hebrides have determined that given the guidance there is no need to prepare a Parliamentary Accountability Report. There are no significant losses or special payments that need to be reported in accordance with Managing Public Money. The College's Contingent Liabilities are detailed in note 19.

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management of UHI North, West and Hebrides that there was an ongoing process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2023 and that there has been an ongoing process for identifying, evaluating and managing UHI North, West and Hebrides' significant risks in place up to the date of approval of the annual report and accounts.

With regard to the note on the merger at Note 24 to the Financial Statements, this Corporate Governance Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on [ ] March 2025 and signed on its behalf by Derek Lewis, Chair of Board.

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Derek Lewis
Chair of Board
UHI North, West and Hebrides

Remuneration and Staff Report

The Remuneration Committee, which comprises five non-executive members, met three times during the year. The role of the remuneration committee is to determine the salary scales for key staff, and the remuneration within these scales of the most senior post-holders, including the Principal and Chief Executive.

The Remuneration of the Principal and Chief Executive and senior post holders is based upon the following:

- Formal salary review process.
- The gathering of evidence in consideration of SFC guidance.
- Current Scottish Public Pay Sector Policy’
- Benchmarking from other colleges; and
- Any relevant submissions from staff and students.

In addition to the above the Remuneration Committee also considers any additional responsibility payments (or other non-consolidated payment) recommended by the Principal and Chief Executive for Director level posts.

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

The following table provides detail of the remuneration and pension interests of senior management of the College. The information disclosed within the tables below are subject to audit by the College’s external auditor, and all other sections of the Remuneration and Staff Report are reviewed for consistency.

	12 Months ending 31 July 2023			12 Months ending 31 July 2022		
Name	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£’000	£’000	£’000	£’000	£’000	£’000
Tom Duff (1) Director of Learning and Teaching (to 31-Jul-23)	80-85	20-25	100-110	15-20	5-10	20-30
Roderick Ferrier (2) Director of Finance and Audit (to 31-May-23)	105-110	50-55	155-165	80-85	30-35	110-120
Stuart Gibb Director of Research and Innovation (to 31-Jul-23)	70-75	85-90	155-165	70-75	55-60	125-135
Giles Huby Director of External Engagement and Facilities (to 31-Jul-23)	70-75	10-15	80-90	70-75	-	70-75
Debbie Miller Principal and Chief Executive (to 31-Jul-23)	80-85	65-70	145-155	80-85	60-65	140-150

(1) *In 2022-23 in post in 2022-23 for 12 months, whereas in 2021-22 in post for 3 months*
(2) *Remuneration for 2022-23 includes £33,000 as compensation for loss of office*

The non-executive members of the Board of Management listed in Accountability Report are not included in this remuneration report and did not receive any salary or benefits.

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

The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period which is the estimated life span following retirement. This does not represent any actual payment made during the financial year by either the employee or the College. The Principal and Chief Executive is an ordinary member of the Scottish Teachers Superannuation Scheme and, as such, pays contributions and receives benefits at the same rate as all other members.

	At 31 July 2023		1 August 2022 to 31 July 2023		At 31 July 2023	At 31 July 2022	
Name	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension	Real increase in lump sum	CETV	CETV	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tom Duff	2	-	1	-	32	6	21
Rodderick Ferrier	42	64	3	1	821	729	89
Stuart Gibb	35	43	4	3	664	508	155
Giles Huby	1	-	1	-	11	-	8
Debbie Miller	34	37	4	1	630	495	131

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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

- 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.
- the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

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

Trade Union Activity
In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2023.

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number
3	0.09
Percentage of time spent on facility time	
Percentage:	**Number of employees:**
0%	-
1% - 50%	3
51% - 99%	-
100%	-
Percentage of pay bill spent on facility time	
Total cost of facility time	£9,521
Total Pay Bill	£9,300,630
Percentage of the total pay bill spent on facility time	0.10%
Paid Trade Union Activities	
Time spent on trade union activities as a % of total paid facility time hours	8.57%

Fair Pay – Pay Multiples

Colleges are required to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce, summarised as follows:

	2022-23	2021-22	Change
	£'000	£'000	%
Range of workforce remuneration	18-84	18-82	
Highest paid official remuneration	84	82	2.4
Median (total pay & benefits)	31	30	3.3
Median (salary only)	31	30	3.3
Ratio	2.7:1	2.7:1	
25th Percentile (total pay & benefits)	22	22	-
25th Percentile (salary only)	22	22	-
Ratio	3.8:1	3.7:1	
75th Percentile (total pay & benefits)	39	39	-
75th Percentile (salary only)	39	39	-
Ratio	2.2:1	2.1:1	

Based on the 12-month equivalent figures above, the remuneration of the highest paid official in the College in the financial year 2022-23 was £84k (2022: £82k). This is the annualised salary for the highest paid official. This was 2.7 times (2022: 2.7 times) the median remuneration of the workforce which was £31k (2022: £30k).

Staff comparison

The College employed 189 females and 104 males as at 31 July 2023 (2022: 186 female and 99 male).

Sickness absence data

The average sickness absence rate over the period 1 August 2022 to 31 July 2023 was 1.75% (2022: 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. Disabled employees are protected from discrimination by law, and we will implement reasonable adjustments, on a case-by-case basis, to ensure disabled employees are not disadvantaged.

Expenditure on Consultancy

There is nothing to report under the above for North Highland College.

Off – Payroll Engagements

There is nothing to report under the above for North Highland College.

Compensation for loss of office

One employee left under redundancy terms on 31 May 2023 at a cost of £33k.

Exit package by cost band		Voluntary redundancies & other departures	Total
		Number	Number
£30,001 - £35,000		1	1
Total		**1**	**1**
Total severance cost		**£32,500**	**£32,500**

In addition to the severance costs staff received additional payment for accrued annual leave, which would take the total of payments made to £41k.

Other Employee Matters

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

Please see further staff cost disclosures, in line with the SFC Accounts Direction, within the financial statements at Notes 6 and 7. Specifically, staff costs distinguished between those on permanent and temporary contracts are disclosed in in note 6 and the number of senior staff in each pay band is disclosed in note 7.

With regard to the note on the merger at Note 24 to the Financial Statements, this Remuneration and Staff Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on [ ] March 2025 and signed on its behalf by: Derek Lewis Chair of the Board, and Lydia Rohmer, Principal & Chief Executive Officer.

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Derek Lewis
Chair of Board
UHI North, West and Hebrides

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Lydia Rohmer
Principal and Chief Executive Officer
UHI North, West and Hebrides

Independent auditor's report to the Board of Management of Lews Castle 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 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)I of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, 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 of the state of the college's affairs as at 31 July 2023 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 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. 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 separate 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:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on 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.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the resource limit allocated by the Scottish Funding Council. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk, we obtained confirmation of the resource limit allocated by the Scottish Funding Council and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In addition, we identified a potential fraud risk in relation to the completeness of income. The risk is that management may be incentivised to allocate revenue to future years given future year financial pressures. Hence, there is a risk that the revenue recognised is not complete, and that the cut-off of income recognised at the year-end is inaccurate. In response to this risk, we have performed testing of a sample of income recognised around the year end to assess whether it has been recorded in the correct period.

In common with audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud.

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 parts 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 parts of the Remuneration and Staff Report have 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 the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts 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 parts 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 108 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.

Ian Howse, CA, CPFA (for and on behalf of Deloitte LLP)
Fusion Point
Dumballs Road
Cardiff
CF10 5BF
United Kingdom
[ ] March 2025

Ian Howse CA CPFA is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Statement of Comprehensive Income
for the year ended 31 July 2023

	Note	2023 £'000	Restated 2022 £'000
Income			
Funding body grants	*2*	7,802	7,252
Tuition fees and education contracts	*3*	1,834	2,041
Other grant income	*4*	672	1,116
Other income	*5*	1,025	1,039
Total Income		**11,333**	**11,448**
Expenditure			
Staff costs	*6/7*	9,300	9,146
Other operating expenses	*8*	3,628	3,112
Depreciation	*11*	1,247	916
Interest payable	*9*	80	231
Total Expenditure		**14,255**	**13,405**
Deficit before other gains		**(2,922)**	**(1,957)**
Gain on sale of property		-	427
Deficit for the year		**(2,922)**	**(1,530)**
Actuarial gain in respect of pension schemes	*17*	3,905	10,964
Unrealised surplus on revaluation of tangible assets		126	6,369
Total comprehensive income for the year		**1,109**	**15,803**
Represented by:			
Unrestricted comprehensive income for the year		1,363	9,434
Revaluation reserve		(254)	6,369
		1,109	**15,803**

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

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 25 provides details of the adjusted operating position on a Central Government accounting basis.

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements. Note 27 provides details of the restatement in the prior year.

Statement of Changes in Reserves
for the year ended 31 July 2023

	Income & Expenditure Account Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2021 – (Restated)	**(10,270)**	**6,836**	**(3,434)**
Deficit for the year - restated	(1,530)	-	(1,530)
Other comprehensive income - restated	10,964	-	10,964
Gain on revaluation - restated	-	6,369	6,369
Transfers between revaluation and income & expenditure reserve	-	-	-
Total comprehensive income for the year	9,434	6,369	15,803
Balance at 31 July 2022 (Restated)	**(836)**	**13,205**	**12,369**
Deficit for the year	(2,922)	-	(2,922)
Other comprehensive income	3,905	126	4,031
Transfers between revaluation and income & expenditure reserve	380	(380)	-
Total comprehensive income for the year	1,363	(254)	1,109
Balance at 31 July 2023	**527**	**12,951**	**13,478**

Statement of Financial Position
as at 31 July 2023

	Note	2023 £'000	Restated 2022 £'000
Non-current assets			
Tangible fixed assets	*11*	25,156	25,636
Pension asset		3,265	-
		28,421	25,636
Current assets			
Stock		-	18
Debtors	*12*	647	1,657
Cash and cash equivalents	*13*	658	1,132
		1,305	2,807
Current liabilities			
Creditors: amounts falling due within one year	*14*	(2,898)	(3,335)
Net current liabilities		(1,593)	(529)
Total assets less net current liabilities		26,828	25,108
Creditors: amounts falling due after more than one year	*15*	(11,894)	(12,048)
Provisions			
Pension provision	*16*	-	(215)
Other provisions	*16*	(1,456)	(476)
Total net assets		13,478	12,369
Unrestricted Reserves			
Income and expenditure reserve		527	(836)
Revaluation reserve		12,951	13,205
Total reserves		13,478	12,369

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements, which were approved by the Board of Management of UHI North, West and Hebrides on [   ] March 2025 and signed on its behalf by:

……………………………………………

Derek Lewis
Chair of the Board of Management
UHI North, West and Hebrides

……………………………………………

Lydia Rohmer
Principal and Chief Executive
UHI North, West and Hebrides

Statement of Cash Flows
for the year ended 31 July 2023

	Note	2023	Restated 2022
		£'000	£'000
Cashflow from operating activities			
Deficit for the year		(2,922)	(1,530)
Adjustment for non-cash items			
Depreciation	*11*	1,247	916
Decrease / (Increase) in stock		18	(4)
Decrease / (Increase) in debtors	*12*	1,010	(162)
(Decrease)in creditors	*14/15*	(545)	(147)
Increase /(decrease) in other provisions	*16*	1,043	(83)
Other		-	(15)
Pension adjustment less employer contributions	*17*	410	1,321
Adjustments for investing or financing activities			
Capital grant income		(484)	(542)
Interest payable		80	231
Net cash inflow used in operating activities		**(143)**	**(15)**
Cash flows from investing activities			
Capital grants received		514	488
Payments made to acquire fixed assets		(641)	(595)
Payments made for early retirement		(63)	(60)
Proceeds from sale of property		-	868
		(190)	701
Cash flows from financing activities			
Interest paid		(65)	(69)
Repayment of bank loan		(76)	(71)
		(1414)	**(140)**
(Decrease) / increase in cash and cash equivalents in the year		**(474)**	**546**
Cash and cash equivalents at beginning of the year		1,132	586
Cash and cash equivalents at end of the year		658	1,132
(Decrease) / increase in cash and cash equivalents in the year	*13*	**(474)**	**546**

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements.

Statement of Accounting Policies
for the year ended 31 July 2023

1 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, and in accordance with applicable Accounting Standards including Financial Reporting Standard 102 (FRS 102). They have been prepared in a form prescribed by the Scottish Ministers and in accordance with paragraph 28 of schedule 2 of the Further and Higher Education (Scotland) Act 1992 and in accordance with the Accounts Direction published by SFC. The accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed assets. The College is a public benefit entity under the requirements of FRS102.

The College has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College's Statement of Financial Position discloses cash at both the current and preceding reporting dates.

Going Concern

The College reported a deficit for the year ended 31 July 2023 of £2,922k and an underlying deficit of £767k after adjusting for non-cash accounting adjustments. At the year-end date it held net assets of £13,478k and net current liabilities of £1,593k. The College held cash balances of £658k at the year-end date and had a 25-year term loan repayable by 2032 of £1,000k.

On 1 August 2023, the College merged with Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College transferred to UHI North Highland College on 1 August 2023. UHI North Highland College has subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides.

This merger will significantly strengthen the Balance Sheet of the College as a consolidated entity, with UHI Outer Hebrides transferring net assets of £11,193k and UHI West Highland College transferring net assets of £2,640k.

The key element of the merger business case was the benefits and efficiencies that would be possible through combining the three colleges into one entity. These benefits include consolidation and enhancement of the academic curriculum, a more focussed approach to commercial and research activities, and the opportunity to make significant cost savings through a more efficient consolidated operating structure.

The economic position has deteriorated since the original merger business plan was completed, and this made the case for merger even stronger. Continued independent operation would have created a highly uncertain future with a higher funding requirement, and the merged college is in a significantly better position to address the huge challenges currently facing the college sector.

The merger was enabled by the provision of a substantial financial support package by UHI, and the business plan is based on creating a financially sustainable college that will continue to provide an essential service in the communities previously served by the three legacy colleges.

The opening cash position on 1 August 2023 of the merged college was £1,195k, and this along with the financial support package from UHI will provide sufficient cash to cover projected operating activities for 2023/24.

The accounts have therefore been prepared on a going concern basis.

Accounting Policies

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value has been used.

It is the College's policy, in accordance with the direction given by the Scottish Funding Council, to ensure that a full revaluation takes place at least every five years, with an interim valuation in year there of each five-year cycle.

Land is not subject to depreciation.

Buildings are split into component parts and are subject to depreciation. The increase in valuation and write back of depreciation charged since the last valuation have been transferred to the revaluation reserve, with depreciation being subsequently charged on the revalued amount on a straight-line basis over the remaining life of the assets.

Freehold buildings:	24-95 years
Building - roof:	4-55 years
Building - windows:	4-25 years
Building – heating systems:	3-20 years
Building – plant & machinery:	3-20 years
Building – kitchens:	2-21 years

Assets under construction

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

Assets held for sale

Assets on the market for sale are accounted for at the lower of Market Value or Depreciated Replacement Cost.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £2,500 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

Plant and equipment:	2-10 years
Motor vehicles:	4 years
IT equipment:	3-years

Impairment

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.

Investments

The investments are carried stated at historical cost less any provision for a permanent diminution in their value

Stocks

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

Debtors

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

Creditors

Short term creditors are measured at the transaction price.

Retirement Benefits

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

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

Highland Pension Fund (HPF):

The HPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. The pension scheme's assets are measured using market values and are disclosed, as required by FRS 102. Pension scheme liabilities are measured using projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

Contributions to the Scheme are calculated to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary based on triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

Where the valuation results in a net asset, recognition of the asset is limited to the extent to which the College can recover its share of the surplus, either through reduced contributions in the future or through refunds from the plan.

Scottish Teachers Superannuation Scheme (STSS):

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College.

The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

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.

Government grants

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.

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.

Grant funding for the National Job Evaluation Scheme has been subject to a change in Accounts Direction from the Scottish Funding Council, and the revised accounting policy is explained in the Job Evaluation accounting policy note.

Job Evaluation

The National Job Evaluation Scheme is an exercise that was initiated in 2018 whereby job roles and salary costs are being reviewed and aligned for support staff and middle management across the College sector in Scotland.

From 2018/19 financial year an accrual was made on an annual basis for the estimated cost of the job evaluation exercise on staff costs in the college. An equivalent amount was accrued each year as a debtor for the grant funding that was receivable from the Scottish Funding Council (SFC) to cover the costs. There was therefore no net impact on the reported operating result of the college each year.

On 13 November 2024 the SFC issued amended Accounts Direction to the college sector. These amended directions set out new requirements for how colleges should account for the national job evaluation exercise. The direction requires colleges to recognise the costs of the job evaluation exercise as a liability and provide for the total costs of the exercise to date. However, where previously colleges had also recognised the funding for these costs in their financial statements, the accounts direction now requires colleges to no longer recognise this asset.

As this direction has been received from the SFC prior to the signing of these accounts, adjustments have been made to reflect the revised accounting treatment for the National Job Evaluation Scheme. The change in the accounts direction has resulted in a significant change in the College's financial statements. The net impact on the operating deficit for the year ended 31 July 2023 is to increase the deficit by £923k from £1,773k to £2,696k.

The amended SFC accounts direction states the following:

"It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with [the Government] until the process is complete."

The full harmonisation costs of National Pay Bargaining support staff and middle management will not be confirmed until the national job evaluation exercise is concluded, the outcome of which would be implemented as from 1 September 2018.

In previous years, the SFC have held in reserve grant funding provided by the Scottish Government that relates to the National Job Evaluation Scheme, but these funds were returned to the Scottish Government in 2023, with the Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete.

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.

Tuition fees and education contracts

Tuition fee income is stated net of any discounts and is recognised over the period for which the students are studying.

Bursaries and Other Student Support Funds

In accordance with Scottish Funding Council (SFC) guidelines, funds received from SFC and the Student Awards Agency Scotland (SAAS) for the payments of Bursaries and other Student Support awards are not included in the College's Income and Expenditure Account, as the College acts only as paying agent.

Other income

Income from the sale of goods or rendering of services is recognised when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

Employee benefits

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

Leased assets

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

Maintenance of premises

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

Non-exchange transactions

Non-exchange transactions, such as donations of cash, goods, assets or services, are recognised using the performance model. Non-exchange transactions that impose specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met. Non-exchange transactions with restrictions attached are recorded within the income on entitlement. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions

Taxation

The College has been granted charitable status by HM Revenue and Customs, as determined by the Finance Act 2010. Accordingly, it is potentially exempt from Corporation Tax on the services it provides, to the extent that such income and expenditure is applied for charitable purposes.

The College is partially exempt in respect of VAT. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate.

Financial instruments

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

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

Judgements in applying policies and key sources of estimation uncertainty

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

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

Valuation of buildings:

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer. The last full valuation was carried out in July 2019, with an interim valuation being undertaken in July 2021.

Useful economic lives of land and buildings:

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

Obligations under defined benefit pension schemes:

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

Notes to the financial statements
for the year ended 31 July 2023

2 Funding body grants

	2023 £'000	Restated 2022 £'000
SFC recurrent grant (including fee waiver)	5,739	4,606
UHI Millennium Institute recurrent grant	1,961	1,638
Release of deferred capital grants - buildings - restated	196	205
- equipment	87	60
Other SFC grants	(181)	743
	7,802	**7,252**

3 Tuition fees and education contracts

	2023 £'000	2022 £'000
FE fees – UK	73	165
HE fees	822	902
Education contracts	939	974
	1,834	**2,041**

4 Other grant income

	2023 £'000	Restated 2022 £'000
Release of deferred capital grants – buildings - restated	201	277
Other grants	471	839
	672	**1,116**

5 Other income

	2023 £'000	2022 £'000
Catering & residences	152	54
Other income	873	985
	1,025	**1,039**

Notes to the financial statements
for the year ended 31 July 2023

6 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	7,117	6,144
Social security costs	615	581
Other pension costs	1,188	1,089
(Decrease) / increase in holiday accrual	(30)	11
	8,890	7,825
Pension adjustment – net service cost	410	1,321
	9,300	**9,146**
By staff category:		
Academic/teaching departments	4,446	3,981
Academic/teaching services	788	650
Research grants and contracts	1,242	1,169
Administration and central services	1,698	1,442
Premises	609	504
Catering and residences	74	79
	8,857	7,825
Pension adjustment – net service cost	410	1,321
Voluntary severance and termination costs	33	-
	9,300	**9,146**
Analysed as:		
Staff on permanent contracts	149	140
Staff on temporary contracts	18	23
	167	**163**

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

	2023 Number	2022 Number
Academic/teaching departments	64	64
Academic teaching services	24	15
Research grants and contracts	25	26
Administration and central services	38	38
Premises	13	18
Catering and residences	3	2
	167	**163**

Notes to the financial statements
for the year ended 31 July 2023

7 Emoluments of members of the Board and higher paid staff

No member of the Board of Management received a fee for services in the year (2022: £nil).

	2023 £'000	2022 £'000
Travel & expenses paid to Board members	1	1

Remuneration of the Principal

	2023 £'000	2022 £'000
Salary	84	82
Employers' pension contribution	11	15
	95	97

The Principal is an ordinary member of the Highland Pension Fund and the College's contributions to the scheme, in relation to the Principal, are paid at the same rate as for other members of Academic Staff.

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

	2023 Number	2022 Number
£60,001 to £70,000	-	2
£70,001 to £80,000	2	1
£80,001 to £90,000	2	2
£100,000 to £110,000	1	-

There are additional remuneration disclosures are made in the remuneration and staff report on pages 21 to 24.

8 Other operating expenses

	Staff costs £'000	Oper'g exps £'000	Dep'n £'000	Interest payable £'000	2023 Total £'000	2022 Total £'000
Academic/teaching departments	4,651	1,396	-	-	6,047	5,873
Academic/teaching services	824	-	-	-	824	760
Research grants and contracts	1,299	-	-	-	1,299	1,365
Admin and central services	1,811	961	-	80	2,852	2,821
Premises	638	1,128	1,247	-	3,013	2,438
Catering & residences	77	143	-	-	220	148
	9,300	**3,628**	**1,247**	**80**	**14,255**	**13,405**

Notes to the financial statements
for the year ended 31 July 2023

Other operating expenses include:

	2023 £'000	2022 £'000
External auditor's remuneration:		
- audit and assurance related services	28	26
- project audit	-	8
Internal auditor's remuneration:		
- audit and assurance related services	23	9
Operating lease rentals		
- land and buildings	131	73
- plant and machinery	66	131

9 Interest payable

	2023 £'000	2022 £'000
Loan interest	65	69
Net return on pension assets	15	162
	80	231

10 Taxation

	2023 £'000	2022 £'000
UK corporation tax at 19% (2022: 19%)	-	-

Notes to the financial statements
for the year ended 31 July 2023

11 Tangible fixed assets

	Restated Land and buildings £'000	Plant & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 August 2022	25,532	4,692	1,046	43	31,313
Additions	492	149	-	-	641
Revaluations	126	-	-	-	126
At 31 July 2023	**26,150**	**4,841**	**1,046**	**43**	**32,080**
Depreciation:					
At 1 August 2022	19	4,572	1,046	40	5,677
Charge for the year	1,149	95	-	3	1,247
Revaluation	-	-	-	-	-
At 31 July 2023	**1,168**	**4,667**	**1,046**	**43**	**6,924**
Net Book Value:					
At 31 July 2023	**24,982**	**174**	**-**	**-**	**25,156**
At 31 July 2022	25,513	120	-	3	25,636

	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 August 2021	24,906	4,618	1,045	43	30,612
Additions	520	74	1	-	595
Revaluations	106	-	-	-	106
At 31 July 2022	**25,532**	**4,692**	**1,046**	**43**	**31,313**
Depreciation:					
At 1 August 2021	5,437	4,504	1,045	38	11,024
Charge for the year	845	68	1	2	916
Revaluation	(6,263)	-	-	-	(6,263)
At 31 July 2022	**19**	**4,572**	**1,046**	**40**	**5,677**
Net Book Value:					
At 31 July 2022	**25,513**	**120**	**-**	**3**	**25,636**
At 31 July 2021	19,469	114	-	5	19,588

Notes to the financial statements
for the year ended 31 July 2023

Wick College is included at the lower of Market Value or Depreciated Replacement Cost as an asset for sale within current assets at £nil (2022: £nil).

Ross House was sold in October 2021 for £878k which realised a gain on disposal of £427k, with the proceeds being reinvested in the Burghfield Extension project.

The Burghfield Extension project was completed in summer 2021 and came into use on 1 August 2022.

The College's property portfolio underwent a full revaluation at 31 July 2019 and an interim valuation at 31 July 2022.

The interim valuation was undertaken by an independent valuer, Graham and Sibbald, on the basis of fair value (market value or depreciated replacement costs where appropriate), with the values being computed in accordance with the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance notes.

For land and buildings stated at revalued amounts the carrying amount that would have been recognised had the assets been carried at historic cost at is £233k (2022: 239k).

12 Debtors

	2023 £'000	2022 £'000
Trade debtors	413	610
Other debtors	1	3
Prepayments and accrued income	233	1,044
	647	**1,657**

Financial instrument assets comprise; trade debtors, other debtors, accrued income and cash and cash equivalents of £848k (2022: £2,138k).

13 Cash and cash equivalents

	2023 £'000	2022 £'000
At 1 August	1,132	586
Cash (outflow) / inflow for the year	(474)	546
At 31 July	**658**	**1,132**

Notes to the financial statements
for the year ended 31 July 2023

14 Creditors: Amounts falling due within one year

	2023 £'000	Restated 2022 £'000
Bank loan	80	76
Trade creditors	290	490
Other taxation and social security	172	208
Other creditors	444	403
Deferred income – capital grants - restated	469	365
Accruals and deferred income	1,443	1,793
	2,898	**3,335**

Contained within accruals and deferred income is £579k in respect of the expected liability in reference to the ongoing national bargaining negotiations. At the date of signing the accounts the senior management have estimated this expected cost based on the best available information. However, as negotiations are ongoing, this is a best estimate which may differ based on the outcome of the negotiations.

Financial instrument liabilities comprise of trade creditors, other taxation and social security and other creditors of £906k (2022: £1,101k).

15 Creditors: Amounts falling due after more than one year

	2023 £'000	Retated 2022 £'000
Bank loan	920	1,000
Deferred income - capital grants - restated	10,974	11,048
	11,894	**12,048**

The bank loan repayable as follows:	2023 £'000	Retated 2022 £'000
- In one year or less	80	76
- Between one and two years	85	80
- Between two and five years	291	275
- On five years or more	544	645
	1,000	**1,076**

The college holds an unsecured 25-year term loan with the Bank of Scotland, repayable in monthly instalments, which attracts a fixed rate of interest.

Notes to the financial statements
for the year ended 31 July 2023

16 Provisions for liabilities and charges

Pension provision

	2023 Pension £'000	2022 Pension £'000
At 1 August	215	9,696
(Decrease) in provision	(215)	(9,481)
Charged in the year	-	-
At 31 July	**-**	**215**

Other provisions

	Early retirement £'000	Job evaluation £'000	2023 Total £'000	2022 Total £'000
At 1 August	476	-	476	619
Increase / (decrease) in provision	120	923	1,043	(83)
Charged in the year	(63)	-	(63)	(60)
At 31 July	**533**	**923**	**1,456**	**476**

The early retirement provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the College. The cost is charged against the provision established to meet the cost when it arose.

The provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.75%. This interest rate is higher than the previous year due to CPI inflation increasing. The above liability is in respect of future pension liabilities arising from early retirals.

The job evaluation provision relates to the cost of undertaking a college wide job evaluation exercise. In determining these costs, the College has placed reliance on an assessment performed by the Scottish Funding Council using 2016-17 and 2017-18 payroll information.

17 Pension schemes

The College participates in the following pension schemes:

- The Highland Pension Fund [HPF]
- The Scottish Teachers' Superannuation Scheme [STSS]

Total pension costs for the year were:

	2023 £'000	2022 £'000
HPF – charge to income statement	990	1,870
STSS – contributions paid	608	540
Total pension costs at 31 July	**1,598**	**2,410**

At 31 July 2023 HPF had a net surplus of £3,265k (2022: £215k - deficit). This surplus is recognised as a pension asset in the financial statements as it meets the recognition criteria set out in FRS 102.

Notes to the financial statements
for the year ended 31 July 2023

Highland Pension Fund

The HPF is an externally funded multi-employer defined-benefit scheme that covers both past and present employees, that was contracted out of the State Second Pension (S2P) until 31 March 2016. The HPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other related benefits are paid out in accordance with the provisions of the Local Government Pension Scheme.

Total contributions made for the year are £777,000 (2022: £726,000), of which there are employers' contributions of £580,000 (2022: £540,000) and employees' contributions of £197,000 (2022: £186,000).

The College paid employer contributions of 17.9% of pensionable salaries and staff paid employee contributions in the range of 5.5% to 9.0%.

A valuation of the College's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2020 valuation results, rolled forward onto the following assumptions used as at 31 July 2023:

	2023	**2022**
Discount rate	5.05%	3.50%
Rate of increase in salaries	3.80%	3.55%
Rate of increase in pensions in payment/inflation	3.00%	2.75%

The weighted average life expectancies used to determine benefit obligations are as follows:

	2023	**2022**
Current pensioners		
Male	20.7	20.8
Female	23.5	23.3
Future pensioners		
Male	21.6	22.0
Female	25.1	25.3

	2023 %	**2022 %**
The assets in the scheme were:		
Equities	69%	68%
Bonds	10%	11%
Property	15%	17%
Cash	6%	4%

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

Total market value of assets	25,457	25,175
Present value of liabilities	(22,192)	(25,390)
Surplus in the scheme	3,265	(215)
Restriction applied to surplus recognition	-	-
Net pension asset / (deficit) under FRS 102	**3,265**	(215)

No restriction has been applied to the recognition of the surplus in the scheme as it does meet the recognition criteria set out in FRS 102.

Notes to the financial statements
for the year ended 31 July 2023

Amount charged to operating deficit:

	2023 £'000	2022 £'000
Staff costs:		
Current service cost	(990)	(1,870)
Total operating charge	(990)	(1,870)
Interest and other financial costs:		
Expected return on scheme assets	884	410
Interest on scheme liabilities	(899)	(572)
Total net return	(15)	(162)
Total HPF pension cost recognised in the statement of total comprehensive	**(1,005)**	**(2,032)**

Other comprehensive income (OCI):

	2023 £'000	2022 £'000
Actual return on assets exc. amounts	(800)	(961)
Actuarial gain on scheme	4,705	11,925
	3,905	10,964
Restriction applied to recognition of actuarial gain on scheme assets	-	-
Actuarial gain recognised in the OCI	**3,905**	**10,964**

	2023 £'000	2022 £'000
Movements in present value of scheme assets during the year:		
Assets at the beginning of the year	25,175	25,526
Movement in the year		
Interest income	884	410
Actual return on assets (excl. amounts included in net interest)	(800)	(961)
Contributions by the employer	580	549
Contributions by scheme participants	197	186
Benefits paid	(579)	(535)
Assets at the end of the year	**25,457**	**25,175**

Notes to the financial statements
for the year ended 31 July 2023

	2023 £'000	2022 £'000
Movements in present value of scheme liabilities during the year:		
Liabilities at the beginning of	25,390	35,010
Movement in the year		
Current service cost	990	1,870
Interest cost	899	572
Actuarial (gain) / loss	(4,705)	(11,713)
Contributions by scheme	197	186
Benefits paid	(579)	(535)
Liabilities at the end of the year	**22,192**	**25,390**

Details of the experience gains and losses for the years:

	2023 £'000	2022 £'000
Fair value of scheme assets	25,457	25,175
Present value of scheme	(22,192)	(25,390)
Surplus / (deficit) in the scheme	**3,265**	**(215)**

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK. The impact of the case is continuing to be assessed and any potential impact on the College accounts will be considered in future years.

Scottish Teachers Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit only pension scheme that was contracted out of the State Second Pension (S2P) until 31 March 2016.

The scheme closed to new members from 1 April 2015 with existing members transitioning to the Scottish Teachers Pension Scheme 2015, but with transitional protection on a tapered basis for members based on the number of years until their normal retirement age. Members who were within 10 years of their normal retirement age as at 1 April 2012 retain continued membership of their existing scheme.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer defined benefit scheme and as the College is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme

The latest actuarial assessment was carried out as at 31 March 2016. The Scheme had total liabilities, for service to 31 March 2016 of £22.8 billion and notional assets of £21.5 billion giving a notional past service deficit of £1.3 billion

The main financial assumptions adopted for the latest actuarial assessment were:

Discount rate:	
For liabilities and contribution	2.8% p.a. real: 4.86% p.a. nominal until 2019
	2.4% p.a. real: 4.45% p.a. nominal thereafter
For cost cap rate	2.4% p.a. real; 4.45% p.a. nominal
Pension increases	2% p.a.
Long term salary growth	4.2% p.a.; 2.2% p.a. in excess of assumed CPI

Notes to the financial statements
for the year ended 31 July 2023

Scottish Teachers Pension Scheme 2015

The Scottish Teachers' Pension Scheme 2015 (STPS) is an unfunded multi-employer career average defined benefit only pension scheme.

The College paid employer contributions of 23% of pensionable salaries and staff paid employee contributions in the range of 7.2% to 10.4%.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer career average defined benefit scheme and as the College is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme

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	2.4% p.a. real: 4.45% p.a. nominal thereafter
For cost cap rate	2.4% p.a. real; 4.45% p.a. nominal
Pension increases	2% p.a.
Long term salary growth	4.2% p.a.; 2.2% p.a. in excess of assumed CPI

Total contributions made for the year are £840,000, of which there are employers' contributions of £606,000 and employees' contributions of £234,000.

18 Commitments

The College has annual commitments under non-cancellable operating leases as follows:

	2023 £'000	2022 £'000
Land and buildings:		
Payable during the year	131	131
Future minimum lease payments due:		
Not later than 1 year	111	131
Later than 1 year and not later than 5 years	-	111
Total lease payments due	**111**	**242**
Other:		
Payable during the year	67	73
Future minimum lease payments due:		
Not later than 1 year	**-**	67
Total lease payments due	**-**	**67**

Notes to the financial statements
for the year ended 31 July 2023

19 Contingent liabilities (Consolidated and College)

There are no contingent liabilities.

20 Losses and special payments

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

21 Related party transactions

	Member(s)	Position	Sales £'000	Purchase £'000
Highland Council	J McGillivray	Independent Member	-	29
Stagecoach	D Beaton	Independent Member	-	11

At 31 July 2023 the College's creditor balance with Highland Council was £nil (2022: £1,579) and with Stagecoach was £nil (2022: £nil).

Due to the nature of the College's operations and the composition of the 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 Board of Management may have an interest.

All transactions involving organisations in which a member of the board of governors or the Senior Management Team may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures

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

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

Notes to the financial statements
for the year ended 31 July 2023

22 Bursaries and other student support funds

	Bursary	HE Hards	FE Hardship	EMA	2023 Total	2022 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August	288	-	-	(4)	284	-
Allocation received in year	1,546	71	248	47	1,912	1,870
Expenditure	(1,167)	(71)	(248)	(47)	(1,533)	(1,539)
Repaid to SFC/UHI	(335)	-	-	-	(335)	(47)
At 31 July	332	**-**	-	(4)	328	284

The College acts as an agent in the receipt and disbursement of Bursary and other student support funds. These funds are excluded from the Statement of Comprehensive Income.

Represented by:

	Bursary	HE Hards	FE Hardship	EMA	2023 Total	2022 Total
Repayable to SFC/UHI	332	-	-	-	332	288
Other amounts	-	-	-	(4)	(4)	(4)
	332	**-**	-	(4)	328	284

23 Childcare funds

	2023	2022
	£'000	£'000
At 1 August	-	-
Allocation received in year	19	68
Expenditure	(19)	(68)
At 31 July	**-**	**-**

Childcare funds are available solely for students, the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account

Represented by:

	2023	2022
Repayable to SFC/UHI	-	-
Other amounts	-	-
At 31 July	**-**	**-**

Notes to the financial statements
for the year ended 31 July 2023

24 Events after the reporting period

UHI North, West and Hebrides merger

From 1 August 2023, the existing staff and assets, including personal data, of Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College have transferred to UHI North Highland College.

On 1 August 2023, the College merged with Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has subsequently applied to formally change its name to The Board of Management of UHI North, West and Hebrides. No adjustments were required to write down any assets or reclassify any liabilities to current as part of the merger process.

Derek Lewis and Lydia Rohmer are therefore approving these reports and financial statements on behalf of the Board of UHI North, West and Hebrides in their respective roles as Chair of Board and Principal/CEO.

Local Government Pension Scheme Valuation

The 2023 local government pension scheme triennial valuation was completed post year in March 2024. The valuation had a material change to the 2022/23 pension balances and disclosures and has been judged to be an adjusting post balance sheet event. The 2022/23 financial statements have been adjusted to consider the results of the valuation.

National Job Evaluation Scheme

In March 2023 funding relating to the National Job Evaluation Scheme was transferred from the Scottish Funding Council to the Scottish Government. Colleges were informed of this transfer in April 2024. This transfer represents a material change to the 2022/23 balances and has been assessed as meeting the criteria for an adjusting post balance sheet event. The College has reduced funding body grants income, accrued income and accruals by £923k and has established a provision of £923k.

25 Contingent asset

A full job evaluation exercise with the purpose of harmonising support and middle management staff costs across the College sector in Scotland was started in 2018. The responsibility for funding the exercise now sits with Scottish Government. The full extent of the costs to be worked through with National Pay Bargaining will not be confirmed until the job evaluation exercise is concluded, the outcome of which will be implemented as from 1 September 2018. Since 2018-19 colleges have accrued support staff and middle management costs and associated grant funding based on Colleges Scotland’s February 2019 staff costings. For the College this resulted in accumulated cost accrual and debtor balances of £923k to 31 July 2023.

The 2023-24 Accounts Direction from the Scottish Funding Council (SFC) signals a change in the accounting for the funding and costs of the job evaluation exercise, with a central focus on the Scottish Government being clear that responsibility for job evaluation funding commitments now rests with it until the process is complete.

As the Accounts Direction has been received from the SFC prior to the signing of these accounts for the year ended 31 July 2023, adjustments have been made to reflect the revised accounting treatment for the National Job Evaluation Scheme.

The job evaluation exercise is a past event where an obligation exists, its impact can be reliably measured, and it is likely to result in an outflow of benefits in future periods. On this basis, the costs of the exercise have been recognised as a provision for the total estimated cost of the exercise to date. The valuation of the provision is based on the figure originally provided in February 2019 with annual inflationary adjustments to align with uplifted payments to staff over the period. As the timing of the outflow of benefits remains uncertain, the previously accrued costs have been reclassified as a provision. This treatment is considered to be compliant with the SORP and the relevant underlying accounting standards.

Notes to the financial statements
for the year ended 31 July 2023

The recognition of the revenue is not as clear due to the change in the funding arrangements. The SFC no longer hold the reserved cash funding, and although responsibility for job evaluation funding now sits with the Scottish Government, insufficient evidence has been provided for this income to be recognised in the financial statements. On this basis, the revenue element has been de-recognised in the accounts. There is however sufficient basis upon which to recognise a contingent asset of the value equal to that of the provision (£923k), to be recognised on the balance sheet at such time realisation of cash-flows become virtually certain and quantifiable.

26 Government non-cash allocation for depreciation

	2023 £'000	Restated 2022 £'000
Deficit for the year before other gains and losses (FE-HE SORP basis) - restated	(2,922)	(1,530)
Add back: Non-cash allocation for depreciation	1,247	916
Add back: Deferred capital grants - restated	(484)	(542)
Operating deficit on Central Government accounting basis	**(2,159)**	**(1,156)**

Colleges receive 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.

27 Prior year adjustments

Land and buildings

The financial statements for 2021-22 are restated due to prior year adjustment of the carrying value of land and buildings. This effects the Statement of Comprehensive Income on page 30, the Statement of Changes in Reserves on page 31, the Statement of Financial Position on page 32, Note 11 'tangible fixed assets' on page 44.

Tangible fixed asset additions have been adjusted as at 31st July 2022 to:

- Write back accumulated depreciation of £6,263k at the date of the 2022 valuation
- Recalculate the gain on the 2022 revaluation with additions between 2017/18 and 2021/22 included

	2022 £'000
<u>**Statement of Comprehensive Income**</u>	
Unrealised surplus on revaluation of tangible fixed assets	6,916
Recalculate gain on 2022 revaluation	(547)
Unrealised surplus on revaluation of tangible fixed assets - restated	**6,369**

**Notes to the financial statements
for the year ended 31 July 2023**

	2022 £'000
Statement of Changes in Reserves	
Gain on revaluation	6,916
Recalculate gain on 2022 revaluation	(547)
Gain on revaluation - restated	**6,369**
Statement of Financial Position	
Tangible fixed assets	26,183
Recalculate gain on 2022 revaluation	(547)
Tangible fixed assets - restated	**25,636**
Notes to the Accounts	
Note 11 – tangible fixed assets	
Land and buildings - cost	32,342
Write back accumulated depreciation	(6,263)
Recalculate gain on 2022 revaluation	(547)
Land and buildings – cost - restated	**25,532**
Tangible fixed assets - depreciation	6,282
Write back accumulated depreciation	(6,263)
Land and buildings – depreciation - restated	**19**

Deferred capital grants

The financial statements for 2021-22 are restated due to prior year adjustment of the carrying value of deferred capital grants. This effects the Statement of Comprehensive Income on page 30, the Statement of Changes in Reserves on page 31, the Statement of Financial Position on page 32, the Statement of Cash Flows on page 33, Note 2 'funding body grants' on page 40, Note 4 'other grant income' on page 40, Note 14 'creditors: amounts falling due within one year' on page 46, Note 15 'creditors: amounts falling due after more than one year' on page 46, and Note 26 'government non-cash allocation for depreciation' on page 55.

Deferred capital grants have been adjusted as at 1st August 2021 to:

- Recalculate and reverse the over release of grants of £218k between 2018-19 and 2020/21
- Recalculate and reverse the over release of grants of £217k in 2021/22

Notes to the financial statements
for the year ended 31 July 2023

	2022 £'000
Statement of Comprehensive Income	
Funding body grants	7,748
Recalculate grant release for 2021/22	(226)
Funding body grants - restated	**7,252**
Other income	1,107
Recalculate grant release for 2021/22	9
Other income - restated	**1,116**
Statement of Changes in Reserves	
Income and Expenditure (unrestricted) - At 1 August 2021	(10,052)
Recalculate grant release for 2018/19 to 2020/21	(218)
Income and Expenditure (unrestricted) - At 1 August 2021 - restated	**(10,270)**
Other comprehensive income	(1,313)
Recalculate grant release for 2021/22	(217)
Other comprehensive income - restated	**(1,530)**
Statement of Financial Position	
Creditors: amounts due within one year	**(3,559)**
Recalculate deferred capital grant liability	224
Creditors: amounts due within one year - restated	**(3,335)**
Creditors: amounts due after more than one year	(11,389)
Recalculate deferred capital grant liability	(659)
Creditors: amounts due after more than one year - restated	**(12,048)**
Income and expenditure reserve	(401)
Recalculate grant release for 2018/19 to 2020/21	(218)
Recalculate grant release for 2021/22	(217)
Income and expenditure reserve - restated	**(836)**
Statement of Cash Flows	
Deficit for the year	(1,313)
Recalculate grant release for 2021/22	(217)
Deficit for the year - restated	**(1,530)**

Notes to the financial statements
for the year ended 31 July 2023

	2022 £'000
Capital grant income	(759)
Recalculate deferred capital grant liability	217
Creditors: amounts due after more than one year - restated	**(542)**

Note 2 – funding body grants

Release of deferred capital grants - buildings	431
Recalculate grant release for 2021/22	(226)
Release of deferred capital grants – buildings - restated	**205**

Note 4 – funding body grants

Release of deferred capital grants - buildings	268
Recalculate grant release for 2021/22	9
Release of deferred capital grants – buildings - restated	**277**

Note 14 – creditors – amounts falling due within one year

Deferred income – capital grants	589
Recalculate grant release for 2021/22	(224)
Deferred income – capital grants - restated	**365**

Note 15 – creditors – amounts falling due after more than one year

Deferred income – capital grants	10,389
Recalculate grant release for 2021/22	659
Deferred income – capital grants - restated	**11,048**

Note 26 – government non-cash allocation for depreciation

Deficit for the year before other gains and losses	(1,740)
Recalculate grant release for 2021/22	(217)
Deficit for the year before other gains and losses - restated	**(1,957)**
Add back: Deferred capital grants	(759)
Recalculate grant release for 2021/22	217
Add back: Deferred capital grants - restated	**(542)**

Appendix 1
Accounts Direction for Scotland's Universities 2022-23

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts

2. Institutions must comply with this accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council

3. The annual report and accounts should be signed by the Chief Executive Officer and by the Chair, or one other member of the governing body

Scottish Funding Council
20 July 2023