North Highland College

Accounts for the Year Ended 31 July 2023

1. Deficit for the financial year

The attached report and financial statements for the year ended 31 July 2023 are presented for approval.

The College reported a deficit for the year of £2,696k (2021/22 deficit £1,313k) for the year. The underlying operating deficit was £767k after adjustment for the non-cash items, specifically net depreciation, pension adjustments and other provisions, compared to a surplus of £173k in 2021/22.

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**

2. Late accounts adjustments

There have been significant adjustments made to the accounts since the draft accounts figures were reported within financial papers previously presented to the Board. These adjustments can be summarised as follows:

	Income	**Staff Costs**	**Other Op Costs**	**Depn**	**Interest**	**Deficit**
Initial Draft Accounts	12,331	(9,316)	(3,589)	(1,227)	(65)	**(1,865)**
Adjustments						
Deferred capital grants reconciliation	(232)					(232)
Fixed asset schedule reconciliation				(20)		(20)
Research contract income reconciliation	158					158
Job Evaluation - release accrued income	(923)					(923)
Pension scheme FRS17 adjustments		15				15
Adjust rates accrual			(20)			(20)
Write-off catering stocks			(19)			(19)
FRS17 interest adjustments					(15)	(15)
Sundry adjustments			(1)			(1)
Total Adjustments	(997)	15	(40)	(20)	(15)	**(1,057)**
Final Accounts	**11,334**	**(9,301)**	**(3,628)**	**(1,247)**	**(80)**	**(2,922)**

3. National Job Evaluation Scheme

The main late adjustment to the accounts relates to the National Job Evaluation Scheme for support staff across the Scottish college sector. On 13 November 2024 the Scottish Funding Council issued amended accounts direction to the college sector. This amended direction 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 an increase in the reported deficit for the year of £923k.

This revised accounts direction reflects a change in proposed funding for the National Job Evaluation Scheme. Previously, colleges held a debtor in their accounts for the income that would be paid to them by the Scottish Funding Council to cover the payroll costs of the scheme, and this debtor was underwritten by ringfenced funding held by the SFC. However, these funds are no longer held by the SFC and liability for the cost of the scheme now sits with the Scottish Government, who are not underwriting the scheme with specifically ringfenced funds.

4. Prior Year Adjustments

The completion of the accounts and the audit was affected by the need for adjustments to be made to correct significant errors within the previous year accounts for 2021/22. There were two areas where adjustments were required:

I. Fixed Assets

   The college properties were revalued in 2022 but the accounting entries for the revaluation adjustment were not posted correctly in the accounts to 31 July 2022. The correcting adjustments have been made to the prior year figures in these accounts, and they are detailed in Note 27 to the accounts.

II. Deferred Capital Grants

   Significant amounts of capital grants received by the college in previous years were accounted for as income in the year of receipt instead of being held as a deferred asset and released to income at the same annual rate as depreciation is charged on the assets that were purchased using the capital grants.

   The correcting adjustments have been made to the prior year figures in these accounts, and they are detailed in Note 27 to the accounts.

   As part of this work, there was a reconciliation and recalculation of the amount of deferred grant income released in the current year, and this resulted in a reduction of £232k in income.

Derek Bond, Interim Vice Principal – Resources and Enterprise (CFO)
21st February 2025