

# **Annual Report and Accounts for the Year Ended 31 July 2019**

## **Inverness College UHI – SC021197**

<b>Contents</b>	<b>Page</b>
Key Management Personnel, Board of Management and Professional Advisors	3
Performance Report	4
Accountability Report	22
Independent Auditor’s Report to the Board of Management, the Auditor General for Scotland and the Scottish Parliament	40
Statement of Comprehensive Income	44
Statement of Changes in Reserves	45
Balance Sheet	46
Statement of Cash Flows	47
Notes to the Financial Statements	48

## **Key Management Personnel, Board of Management and Professional Advisors**

### **Key Management Personnel**

Principal and Chief Executive	Professor Christopher O’Neil
Depute Principal – Planning & Student Experience	Roddy Henry
Depute Principal - Academic Development	Professor Ken Russell
Director of Finance	Fiona Mustarde
Director of Organisational Development	Lindsay Ferries
Director of External Relations	Georgie Parker
Director of Curriculum	Gill Berkeley
Director of Research and Innovation	Melanie Smith
Director of Student Experience	Lindsay Snodgrass

### **Board of Management**

A full list of the membership of the Board of Management is given in the Accountability Report. The Chair of the Board of Management is Neil Stewart.

### **External Auditor**

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

### **Internal Auditor**

BDO LLP  
4 Atlantic Quay  
70 York Street  
Glasgow G2 8JX

### **Bankers**

Royal Bank of Scotland Plc  
29 Harbour Road  
Inverness IV1 1NU

### **Solicitors**

Anderson Strathern LLP  
1 Rutland Court  
Edinburgh EH3 8EY

## **Performance Report**

The Board of Management of Inverness College UHI present their report and the audited financial statements for the year ended 31 July 2019.

### **OVERVIEW**

The overview section is designed to aid the reader in understanding our College including; the context in which we operate, our main objectives, our performance during the year and the key challenges and risks facing the College.

### **PRINCIPAL'S STATEMENT**

2018/19 has been a positive but financially challenging year for Inverness College UHI.

Despite these challenges, there have been a number of very successful and gratifying developments ranging from Inverness College UHI being recognised as one of the highest performing colleges in Scotland by Education Scotland's endorsement of our Evaluative Report and Enhancement Plan (EREP) through to ongoing development as a tertiary institution because of, in particular, our significant growth in the apprenticeship offer which spans traditional FE and HE delivery. As a part of this growth we have negotiated with Skills Development Scotland (SDS) to deliver modern apprenticeships in construction. This will have a positive impact upon our finances.

Another radical and positive development is a BSc in Optometry which, through a partnership with the Federation of Dispensing Optometrists (FODO) and the General Optical Council (GOC), we will deliver a non-standard degree using an innovative apprenticeship type model to train optometrists in the community. This model can and should be applied to other professionally validated courses and we are considering how and where this should be done.

We have appointed a Depute Principal – Academic Development supported through investment from the UHI Strategic Investment Fund. This has led to the College reviewing the structure of the Senior Management Team and redefining the academic units as schools, each of which has a Head of School with most schools also being assigned Depute Heads.

The new academic structure has given us the capacity and focus to drive a curriculum review which is and continues to be informed by data, market intelligence and capacity. A number of programmes have been developed and adjustments are being made to existing programmes to ensure that those reaching the end of product lifecycle can be refreshed or "retired".

The existing provision has been reviewed and additional courses made available for international students. The Deputy Principal has been invited to take the lead on a UHI work package entitled "Internationalising the Curriculum". This work, including the development of value propositions to support marketing our provision, is now underway and is proving relevant to attracting RUK as well as international students to UHI.

## **Inverness College UHI – SC021197**

The work undertaken to produce a new financial strategy led to increasing emphasis around overarching strategic risks. This drives our financial planning and provides focus on key actions to support the overall Strategic Plan. The development of the next Strategic Plan has followed a similar pattern to the last strategic development process. This includes Board involvement, external stakeholder involvement, cross college working and reference to national and local imperatives and strategies.

During the latter part of 2018, a UHI Programme Board was set up. The purpose of the Programme Board is to develop, consult and bring forward recommendations on partnership-wide options for change that address the challenges identified by students, staff, non-executive directors and stakeholders.

Four areas were identified as priorities and working groups were established to take these forward. Each working group contained a mix of representatives from the overall Programme Board. The working groups were:

- Financial sustainability and efficiency
- Governance and accountability
- Staff development and progression
- Student equivalence and experience

These groups provided recommendations to the Programme Board which in turn presented these to the UHI Assembly in November 2019.

The former Longman campus has now been demolished, creating an open space for future development. This has been a time and resource hungry process over an extended period of time which has created risk through requiring the focus of senior management and the Board of Management on an activity which does not have learners at its heart.

The funding environment we operate in continues to pose a financial challenge. Whilst the Scottish Funding Council have provided current funding towards the costs of the academic staff national bargaining outcomes relating to pay model changes, there is significant pressure on staffing budgets. Recent funding settlements have not taken account of inflationary movements and future funding streams are uncertain. The Scottish Funding Council intention to move to a new activity based funding model in future could disproportionately disadvantage the Highlands and Islands region.

### **PURPOSE AND ACTIVITIES OF THE COLLEGE**

The Board of Management of Inverness College was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of conducting Inverness College UHI. The College is a public benefit entity and a registered charity (Scottish Charity Number SC021197) having its registered offices at 1 Inverness Campus, Inverness, IV2 5NA.

The Post 16 Education (Scotland) Act 2013 identified the University of the Highlands and Islands as a Regional Strategic Body with responsibilities for planning, delivery, monitoring and efficiency savings in further education across the Highlands and

## **Inverness College UHI – SC021197**

Islands area. The main provisions of this Act came into force on 1 August 2014 and further education for the area has been funded through the University from that date.

In accordance with the Act further education funding for the Highlands and Islands is distributed by UHI to eight assigned colleges (who are existing academic partners of UHI). Inverness College UHI is one of these assigned colleges. The University Court is the accountable body for both higher and further education performance in line with a single regional outcome agreement with the Scottish Funding Council (SFC).

### **Purpose**

Inverness College UHI is one of the largest academic partners in the University of the Highlands and Islands (UHI) and our purpose is to have a transformational impact on the development and prospects of the Highlands and Islands region through the provision of excellence in education, training and research, encouraging individual attainment and driving economic and community development.

We will inspire each other, and our community, providing a safe and supportive environment within which we nurture ambition at every opportunity.

We will enrich our Highland community and have national and international reach, putting Inverness College UHI and the University of the Highlands and Islands on the world map and encouraging inward migration.

The College fulfils its purpose through operating as a truly tertiary institution, with students ranging from senior phase school pupils through to postgraduate research students. On our main Inverness campus, our iconic building is clearly visible from a range of aspects, providing an accessible and inclusive environment to engage with students, staff and the wider community. The dedicated forestry campus at Balloch, Inverness enables a clear focus on the external environment whilst still providing high quality teaching facilities.

In order to ensure that it provides educational opportunities that meet the social and economic needs of the area, the College works closely with a number of key regional stakeholders, including Highland Council, Highlands and Islands Enterprise, NHS Highland, Highland Community Planning Partnerships, and of course the other academic partners within UHI. We have a number of other key stakeholders, including the Scottish Funding Council and Skills Development Scotland, as well as local schools, employers, other educational institutions, and the local community.

### **Public Benefit Statement**

In setting and reviewing the College's strategic objectives, the Board of Management has had due regard for the Scottish Charity Regulator's (OSCR's) guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion

## Inverness College UHI – SC021197

- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

### **Strategic Plan 2017/20**

Our Strategic Plan for 2017 to 2020 is closely aligned to the UHI Strategic Plan and provides a framework to respond to the Highland Single Outcome Agreement and the regional Skills Investment Plan.

The development of the Strategic Plan for the College for the three year period 2017 to 2020 involved extensive consultation and was approved by the Board of Management in November 2016. We have six key themes within our Strategic Plan and within these our key strategic aims, as noted below:

- **Opportunity and growth in student life** – we will build a vibrant campus community that all of our students are proud of, and within which they are engaged and supported to reach their potential. We will strengthen our existing relationships between our students, staff, employers and the wider community to further increase student participation and the student voice.
- **Opportunity and growth in curriculum** - we will offer a progressive curriculum that is valued by our students, employers and the communities we serve, and that is delivered in a variety of ways to make it accessible to all. We will ensure the curriculum remains relevant, responsive to demand and aligned with employment opportunities, providing a range of progression pathways that contribute to the economic growth and social cohesion of our region.
- **Opportunity and growth in professional practice** - Recognising that people have the greatest influence on our success, we will operate in a positive culture where we stretch ourselves to deliver the highest standards of service, support and delivery that exceeds expectations.
- **Opportunity and growth in organisational development** - As a highly regarded organisation, we will attract and retain talented employees committed to achieving shared goals. We will create a supportive, collaborative and dynamic environment where students and staff are inspired to learn and develop. Our high performance culture will be underpinned by a dispersed leadership model, within which teams are empowered to deliver and share accountability for outcomes.
- **Opportunity and growth in research and innovation** - We will build upon our successes in research by strengthening our impact and excellence and growing our regional and international reputation. We will continue to support and grow an innovative and inspired postgraduate researcher community. Our research will directly inform innovation and entrepreneurship activity in key sectors regionally and internationally.
- **Opportunity and growth in sustainability** - We will ensure our continuing financial stability by developing income streams and promoting efficient, effective service delivery. We will work collaboratively to enhance the prosperity of the regional economy. We are committed to acting responsibly

## **Inverness College UHI – SC021197**

by protecting our environment, maintaining and developing our infrastructure and managing our risks.

The Strategic Plan is supported by a range of enabling strategies creating the link between overall strategy and operational effectiveness.

The College is working on the development of the next Strategic Plan and is following the same process that was adopted for the 2017-2020 plan. A key element of this is extensive engagement with our many stakeholders.

### **Equality and Diversity**

Inverness College UHI is committed to promoting equality and positive relations and values diversity. A comprehensive approach is intended to meet the needs of individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across the nine protected characteristics reflected in the Equality Act, these include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. The College also provides a holistic support package to individuals who are care experienced and in 2018/19, the College added student and staff carers to our areas of focus and achieved both the Going Higher and Going Further Awards in 2018/19. Where barriers to learning or employment are identified for an individual, the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

The College is committed to ensuring effective engagement and support for students with disabilities. Information on sources of support are provided at various stages of the learner journey from pre-entry to exit and by different means. The college also recognises the prevalence of mental health as a disability and provides a high level of support to students through a robust wellbeing service. An active Students' Association is effective in engaging across student the student body. The Student Association Executive Committee includes three officers who all have equality embedded in their roles.

### **KEY ISSUES AND RISKS**

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

The College has Risk Management and Business Continuity policy statements which are reviewed regularly by the Audit Committee. The Senior Management Team monitors key performance and risk indicators and considers possible control issues.

A strategic risk register based on the UHI agreed format is maintained at the College level and is reviewed every quarter by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact

## **Inverness College UHI – SC021197**

on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The risk register is regularly reviewed by the Senior Management Team.

The Senior Management Team and Audit Committee also receive regular reports from internal audit and health and safety which include recommendations for improvement. The internal audit service concentrates on areas of key activities in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion on the adequacy, reliability and effectiveness of the College's internal control systems. The Audit Committee also meets annually with the internal and external auditors without the Senior Management Team.

Outlined below is a description of principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **1. Government funding**

The College is assigned to the UHI Regional Strategic Body which distributes Further Education funding on behalf of the Scottish Funding Council. The Scottish Funding Council provides the UHI Regional Strategic Body with an allocation of funding for the region and associated outcomes, including credit targets. The UHI Regional Strategic Body then determines how this overall allocation, including the allocation of credit targets, should be apportioned amongst the relevant assigned Colleges.

A similar process is followed for the distribution of Higher Education funding in that the apportionment of funding is determined through UHI. However, this funding is subject to a significant 'top-slice' to fund the UHI Executive Office services before being allocated to the academic partners.

The College has considerable reliance on continued government funding through the UHI Regional Strategic Body. For 2018/2019, this equated to 71% of the College's revenue (71% for 2017/18) and in the medium term, this level of requirement is not expected to significantly diminish. Given the current tightening of government spending, there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The key risks which might impact on future government funding available to the College are:

- The Scottish Government / Scottish Funding Council reduces HE / FE funding, including through the reduction of activity targets
- The Scottish Government does not provide funding to match the increase in employer pension scheme contribution rates for teaching staff pensions
- Flat cash settlements leaving the sector to absorb inflationary increases whilst also requiring efficiency savings
- Distribution of regional funding allocations within UHI
- UHI increases its top-slice

## **Inverness College UHI – SC021197**

These risks are mitigated in a number of ways:

- Regular finance monitoring reports circulated to budget holders, SMT and Board of management.
- Monitor KPI's reported to Board to ensure we are meeting College activity targets.
- Ensure all budget holders are aware of College financial regulations.
- More efficient working practices, e.g. further savings in procurement.
- Further increase in non-SFC funding, including international and research.
- Monitor class sizes to ensure optimum efficiencies while taking account of access issues and the quality of the student experience.
- Effective partnership working across UHI.

### **2. Financial Stability of the UHI Partnership**

The UHI partnership is constituted from a diverse range of institutions ranging from niche providers such as Highland Theological College, through FE and HE colleges of varying size and complexity, to more research focussed institutions such as the Scottish Association for Marine Science.

This, combined with the unique delivery mechanisms for delivery of quality education provision across the Highlands and Islands, provides a challenging environment for agreement of distribution of grant funding.

Economies of scale are difficult to achieve across such a wide range of institutions and further work is required to consider future models for efficiency, for example, possible integration of services or institutions. The Principal's statement makes reference to the UHI Programme Board. The focus is to ensure that there is parity of access and experience for students across our region and we must work collectively to realise this ambition.

The key risks are:

- rising costs and flat cash or reduced government funding combine to threaten the financial sustainability of individual partners thereby impacting on the entire partnership
- no funding for cost of living pay awards
- inability to generate efficiency savings within current structures
- the partnership does not respond rapidly to changing demand
- lack of funding leads to poor student experience
- time taken to realise UHI Programme Board outcomes

These risks are mitigated through:

- full participation in partnership wide agreements
- efforts to remove the split between FE and HE and instead be fully tertiary
- collaborative procurement
- partnership working to enact Programme Board outcomes

## **Inverness College UHI – SC021197**

### **3. National Pay Bargaining / Support Staff Job Evaluation**

As a signatory to the National Recognition and Procedures Agreement (NPRA), the College is bound to implement the outcomes from the national pay bargaining process. The new teaching pay scale was implemented on a transitional basis over a three year period, with the first transition having taken effect from 1 April 2017 and the final transition in April 2019.

Support staff job evaluation is a national project which is currently underway. The outcomes from this project will take effect from 1 September 2018 but it is likely to have a significant adverse impact on pay costs across the UHI partner colleges.

The Scottish Funding Council have allocated funding specifically in respect of national pay bargaining.

Going forwards there is a risk that:

- Outcomes of nationally negotiated and agreed pay and conditions result in a model that is unaffordable, unsustainable and does not meet the College's needs.
- Additional funding to cover the increased pay costs resulting from national agreements for support staff job evaluation is not sufficient.
- The future Scottish Funding Council credit funding model is detrimental to the Highlands and Islands region through the removal of specific national bargaining funding.

This risk is mitigated by:

- Ensuring representation on employer's association, NJNC representation, workforce for the future and other groups as management side develop management side consultation arrangements.
- Continued dialogue with the Scottish Funding Council on the financial implications resulting from these national agreements.

### **4. Curriculum Offer**

With the continued challenge posed by the lack of increase in government funding through the Scottish Funding Council, it is essential that the curriculum offered by the College is updated and refreshed to meet stakeholder requirements.

Changing requirements such as the growth in apprenticeships, demographic movements, employer and industry expectations present both challenges and opportunities.

The key risks are:

- The College is slow to respond to changing requirements
- Processes at university level too slow to be fully effective
- Curriculum offer does not meet demand
- Curriculum offer not sufficiently competitive to attract full fee paying students
- Reduced funding leading to lack of investment in equipment and digital resources inhibiting innovation and creating a barrier to recruitment

## **Inverness College UHI – SC021197**

These risks are mitigated through:

- Understanding stakeholder requirements
- Reviewing the curriculum offer ensuring currency
- Moving the loci of effort to address expectations
- Providing an excellent student experience

### **5. Brexit**

The lack of clarity surrounding the impacts and the scale of these that will result from Brexit creates difficulty in planning effective mitigation. It is anticipated that Brexit is likely to impact negatively on the college sector, although due to commitment from the Scottish Government to EU students, the full impact will be delayed. A number of risks have been identified and the key risks to Inverness College UHI are:

- Reduction in students
- Loss of key staff who are EU nationals
- Availability / increased cost of supplies / services
- Loss of access to EU funding for research projects
- Loss of funding source for student activity

These risks are mitigated through:

- Working with Colleges Scotland and the Scottish Funding Council
- Procurement and supply chain review
- Ensuring provision of accurate information and guidance to existing staff and students who are EU nationals
- Maximising alternative funding sources
- Participating in collaborative research funding bids

## **PERFORMANCE SUMMARY**

The Statement of Comprehensive Income shows a deficit for 2018/19 of £0.335m. However, this includes non-cash items such as depreciation and pension adjustments and once all relevant items have been excluded, there is an underlying surplus of £0.329m.

The College successfully delivered against its FE student activity targets for 2018/19 with a final outturn of 29,211 credits compared with an outturn for 2017/18 of 29,548 credits. The College delivered 1,578 undergraduate FTEs compared with an outturn of 1,609 FTEs for 2017/18, but did not achieve its HE undergraduate target, see table on page 14 for further detail. The College did however exceed its HE postgraduate target by delivering 64 FTEs against a target of 34 FTEs, compared with an outturn of 44 FTEs in 2017/18.

The College's academic performance is pleasing, particularly in relation to completion rates and student satisfaction, as evidenced by the Strategy and KPI table on page 14, although there remains room for improvement.

## **Inverness College UHI – SC021197**

### **GOING CONCERN BASIS**

At 31 July 2019 the College had net liabilities of £1,654,607, due to the College's share in the Highland pension scheme liability of £12.8m. The college had net current assets of £1,025,418 at 31 July 2019, as well as significant cash balances to pay liabilities as they fall due. In 2018/19 the College made a deficit of £335k, however after removal of non-cash accounting adjustments made an underlying operating surplus of £329k. On this basis, as outlined in page 38, it is our opinion the College remains a going concern.

### **PERFORMANCE ANALYSIS**

#### **Performance Measures**

The College measures performance using a number of key performance indicators which broadly fall into three categories: student activity, financial and human resources.

For student activity, these measures include:

- Activity measures
- Retention and attainment rates
- Satisfaction rates
- Progression to positive destinations

Financial measures include:

- Operational surplus/deficit as a % of turnover
- Liquidity – current assets to liabilities ratio
- Staff costs – as a % of total college turnover

Human resources measures include:

- Health and wellbeing - % days sickness
- Resourcing - % turnover of staff
- Professional development - % of permanent full time lecturers holding recognised teaching qualification

Performance against these measures is monitored on a regular basis and reported to the relevant Board of Management Committees. For example, there is considerable focus on activity targets in the early part of year. This detailed focus enables the College to identify emerging risks and plan mitigation to address these. The College seeks to understand any additional underlying factors over and above the known risks posed by changing demand and demographics.

#### **Student Activity**

After four successive years of growth in student recruitment for HE, 2018/19 presented a different picture. With a declining and changing demographic and increased competitor reach, HE student numbers failed to meet the target set. FE activity exceeded the allocated credit target for the fifth year running, despite the

## **Inverness College UHI – SC021197**

increasing challenges around attracting FE students. Activity delivered within the apprenticeship range from foundation through to graduate apprentices continues to grow and in particular, the attraction of graduate apprenticeships is moving demand at HE level.

As part of the University of the Highlands and Islands partnership, the College HE activity is measured in full time equivalents (FTEs) rather than credits.

The College fully participates in addressing opportunities and concerns at a regional level by working closely with our UHI academic partners to match resources with demand.

<b>Student Activity</b>	<b>Target 2018/19</b>	<b>Outturn 2018/19</b>	<b>Target 2017/18</b>	<b>Outturn 2017/18</b>
FE Credits	29,211	29,211	29,507	29,548
HE UGT FTEs	1,618	1,578	1,595	1,609

The College is highly focussed on quality, as evidenced through our involvement in the national College Improvement Project and the Sparqs action-learning project on student engagement in How Good is Our College (HGIOC). The student satisfaction and success rates overall evidence the effectiveness of our quality enhancement arrangements.

	<b>Actual 2018-19</b>	<b>Actual 2017-18</b>
<b>Strategy and KPI</b>		
<b>Learning and Teaching</b>		
Student retention rates:		
FE	89%	88%
HE	90%	89%
Student successful completion rates:		
FE	80%	81%
HE	79%	79%
Student satisfaction rates overall:		
National Student Survey (NSS) HE only	83%	80%
Student Satisfaction and Engagement Survey (SSES) FE	93%	95%
Student Satisfaction and Engagement Survey (SSES) HE	85%	90%
<b>Student Engagement</b>		
Student satisfaction (SSES ratings):		
Services to support learning	91%	93%
Students' ability to influence learning	83%	86%
College response to learner views	89%	80%

In 2018/19, the College completed an extensive review of our curriculum offer for future years. This review involved a wide range of stakeholders, encompassing both local and national priorities and drivers, to ensure that the curriculum offered is progressive and relevant to the needs of our students and wider stakeholders.

At FE level, the continued growth in demand for apprenticeships will form an important feature of the College curriculum offer. Demand for graduate level apprenticeships is also growing as this becomes embedded in our offer and more employers recognise the benefits.

## **Inverness College UHI – SC021197**

### **Finance**

The Statement of Comprehensive Income for 2018/19 reflects a deficit for the year of £334,976, a significant improvement on the deficit of £1,443,198 achieved in 2017/18. This does however include £1.2m of non-recurring capital grant funding from the Scottish Colleges Foundation for capital assets. This grant funding has been accounted for in full during 2018/19 and the corresponding expenditure is included within the fixed assets note.

<b>KPI</b>	<b>Actual 2016/17</b>	<b>Actual 2017/18</b>	<b>Actual 2018/19</b>
<b>Operational Surplus/Deficit</b>			
Amount as % of turnover	0.63%	-5.48%	-1.43%
<b>Liquidity</b>			
KPI: Current assets to liabilities ratio	0.59	0.78	1.22
<b>Staff Costs</b>			
KPI: Staff cost as % of total college turnover	54.94%	60.06%	60.89%

2018/19 was the final year of transition for teaching staff pay to the nationally agreed pay scale. The implementation of national pay and conditions have been recognised as one of the key risks faced by colleges across Scotland.

### **Financial Planning**

Future financial sustainability is a primary area of focus for the College and the challenge is how we meet the aims of our Strategic Plan within the resources available to deliver against this, balancing this against a number of risks.

Responding to this challenge led to extensive work from the Senior Management Team throughout 2018/19 to develop a Finance Strategy to act as an enabler to the overall Strategic Plan. This forms the cornerstone of the future financial planning to address funding challenges.

As part of the financial planning, there are key work streams being taken forward such as further curriculum review and detailed workforce planning projections. The Financial Forecast Return (FFR) prepared for the Scottish Funding Council (SFC) projects a breakeven adjusted operating position which requires success across all the work streams ranging from increased non-SFC income to the realisation of operational efficiencies. Uncertainties around core funding allocations, particularly the UHI regional impact from the move to a new teaching grant funding model, and funding for the additional costs of teaching staff employer pension contributions, present additional risks over and above the requirement to achieve savings of £1.5m by the end of 2024.

## Inverness College UHI – SC021197

### Human Resources

KPI	Actual 2016/17	Actual 2017/18	Actual 2018/19
<b>Resourcing</b>			
% Turnover of staff	13.3%	14%	14.5%
<b>Health &amp; Wellbeing</b>			
% Days sickness	3.1%	3.5%	3.5%
Number of reported accidents	175	340	280
<b>Professional Development</b>			
% of permanent full-time teachers holding recognised teacher qualification or studying towards TQFE / PDA	99%	98%	94%

The College has invested significantly in staff development in recent years. This positively benefits both the staff and the students by enabling the College to provide the best service possible.

The College investment in online health and safety systems and training, readily accessible by all staff is clear to see. This has fostered a positive health and safety culture with an increased staff awareness of reporting all accidents and incidents, including near misses. The information available has also enabled staff to be proactive in their approach, identifying key risk areas and mitigating these.

The College is progressing with detailed workforce planning which is integral to the curriculum offer, our ability to meet both the targets agreed by UHI and demand from our stakeholders, and the effective use of financial resources.

These performance measures flow from the relevant enabling strategies and are reported to the Board of Management.

### **Corporate Social Responsibility**

The college is a living wage employer.

We evaluate community benefit as part of the public procurement evaluation process through to contract award. Wherever possible we encourage working with small and medium enterprises in our region to ensure we build capacity for these suppliers to engage in public procurement.

Our IIP gold annual review also considered corporate social responsibility. Our staff continue to demonstrate pride in the impact that education has on our local communities. A number of collaborations with schools, local third sector agencies and public services has enhanced the life and work of the College.

## **Inverness College UHI – SC021197**

### **Environmental Impact**

The College has a carbon management plan which provides baseline data in respect of the performance of all of its estates and its current carbon reduction targets, plans and projects. The College is working alongside students, staff and contractors to reduce waste and increase recycling with a target to achieve a 10% reduction in personal waste for every student and staff member and a 95% recycling target by 2020. Utility costs are reviewed on a monthly basis and strategies have been put in place to reduce our energy consumption. The College utilise the Scottish Government national framework agreements against utilities including gas, electricity and water.

The College has an active travel plan which includes strategies to increase cycling and improve pedestrian access to the campus.

We are developing a car park strategy to address environmental and financial sustainability of this asset in line with encouraging active travel.

The College complies with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

### **Other Matters**

With regard to social matters and human rights, Inverness College UHI is committed to the values of respect, integrity, accountability and passion that underpin our culture and behaviours. Our Financial Regulations have a fraud and corruption provision, and require our procurement activity to take account of all relevant legislation, including the Modern Slavery Act 2015.

## **FINANCIAL POSITION**

### **Financial Results**

The deficit on continuing operations, including depreciation charges, for the financial year ended 31 July 2019 is £334,976, compared to a deficit of £1,443,198 for the year ended 31 July 2018. A positive cash position has been maintained.

The College ended the 2018/19 financial year with an accumulated reserve deficit of £1,654,607 (PY £2,824,415 deficit). This is due to the pension liability of £10,332,000 (PY liability £4,349,000).

The new NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings; as required by FRS102 the NPD assets are stated at fair value. The related debt is included in the balance sheet as a creditor and is repaid over a 25 year term. The College makes monthly unitary charge payments which include the capital element of the loan and interest. FRS102 requires the NPD assets to be accounted for as if they were finance leases. As a result, higher interest levels are charged in to the statement of comprehensive income during the initial years and the reverse will happen in the final years of the lease when there will be small amounts of interest and high capital repayments.

## **Inverness College UHI – SC021197**

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out-with the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. The College's 2018/19 adjusted operating position has been agreed with the Scottish Funding Council and is summarised as follows:

<b>Adjusted operating position</b>		
	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
(Deficit) before other gains and losses	(335)	(1,443)
<b>Add back:</b>		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets (Note 1)	1,053	1,134
- Exceptional non-restructuring costs	-	-
- Pension adjustment- net service cost (Note 2)	1,110	903
- Pension adjustment – net interest cost (Note 3)	137	294
- Pension adjustment – early retirement provision (Note 4)	190	(60)
<b>Deduct:</b>		
- Non-government capital grants (eg ALF) (Note 5)	1,201	-
- NPD income applied to reduce NPD balance sheet debt (Note 6)	625	523
<b>Adjusted operating surplus</b>	<b>329</b>	<b>305</b>

Commentary on adjusting items:

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 4: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year and other non-cash movements (if charged to staff costs / other operating costs).

## **Inverness College UHI – SC021197**

Note 5: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 6: NPD grant income is included in the SOCI but the payment is applied to reduce the balance sheet liability and, as this would overstate the position, is therefore adjusted.

### **Cash Budget for Priorities**

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

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

<b>Table of cash budget for priorities spend</b>		
<b>Revenue Priorities</b>	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
Student Support		
2015-16 pay award	378	378
Estates Costs	118	118
Other		
<b>Total impact on operating position</b>	496	496
<b>Capital Priorities</b>		
Loan repayments	-	-
Provisions pre 1 April 2014	-	-
<b>Total Capital</b>	-	-
<b>Total cash budget for priorities spend</b>	496	496

### **Taxation Status**

The College is a registered charity and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

### **Treasury Policy**

Treasury management is the management of the College's cash flows, its banking and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has separate treasury management procedures in place.

## **Inverness College UHI – SC021197**

### **Cash Flows**

The opening cash balance for the year was £4,060,499. The year-end cash balance was £3,282,199, compared with a budget cash balance of £3,049,568. The cash flow position of the College is monitored on a daily basis and has largely followed the expected pattern throughout the year. The positive variance is due to a number of factors, principally in relation to better than forecast cash flow relating to the College's capital planning / service concession and contracts with third parties.

### **Liquidity**

The College had net current assets of £1,025,409 at the year end, compared with net current liability of £1,380,921 in 2017/18. The increase is largely down to an increase in debtors for income due but not received until after 31 July 2019, and a reduction in creditors due to the resolution of a capital expenditure accrual.

### **Creditor Payment Policy**

The College seeks to comply with the CBI Prompt Payment Code and aims to pay its suppliers within 30 days of receipt of invoice, unless the invoice is contested. The College's average creditor payment period was 32 days over the 12 month period to July 2019, compared with the figure of 28.9 days in the 12 months to July 2018. The College paid interest of £8,728 during the year under the late payment of Commercial Debts (Interest) Act 1998 in relation to the settlement of balances due to the GTEI Ltd.

## **RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main College campuses at Inverness and Balloch.

### **Financial**

The College has £3,282,199 cash and no long term private sector or bank debt apart from the NPD creditor.

### **People**

The College employs 375 people (expressed as full time equivalents), of whom 187 are teaching staff.

### **Reputation**

The College has now built up a strong reputation, both locally and nationally and works closely with its stakeholders. Maintaining a quality brand is essential for the College's success.

### **Stakeholder Relationships**

In line with other colleges and universities, Inverness College UHI has many stakeholders. These include:

- Students

## **Inverness College UHI – SC021197**

- Staff
- Scottish Funding Council
- Local and national employers
- Local authorities
- Community Planning Partnerships
- Government Offices/ Regional Development Agencies
- The local community
- Partner institutions of UHI
- Scotland's Colleges, other FE and HE institutions
- Trade unions
- Business groups
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College website and meetings.

### **Disclosure of Information to Auditor**

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

**Approved by order of the members of the Board on 17 December 2019 and signed on its behalf by:**



Neil Stewart  
Chair



Professor Christopher O'Neil  
Principal and Chief Executive Officer

## **Accountability Report**

The Accountability Report consists of the Remuneration and Staff Report, the Statement of the Board of Management's Responsibilities and the Corporate Governance Report.

### **REMUNERATION AND STAFF REPORT**

#### **Remuneration Policy**

Inverness College UHI is committed to the principle of equality of treatment in relation to pay for all employees. We aim to ensure that procedures are in place to determine pay and conditions of employment which do not discriminate unlawfully and are free from gender bias. In order to ensure that the College pay system delivers equal pay for work of equal value and that jobs are fairly graded, the College has implemented an analytical job evaluation process. This policy therefore ensures a continuous focus on the job evaluation process as the means of reviewing relative pay in an objective and systematic manner.

The Performance Review and Remuneration Committee consider and make decisions on the remuneration package and conditions of service, and any changes thereof, of the College Principal and such other senior staff as is considered appropriate.

#### **Remuneration including salary and pension entitlements**

The College's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in their report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are therefore subject to audit.

#### **Salary entitlements**

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

	Year ended 31 July 2019			Year ended to 31 July 2018		
<b>Name</b>	<b>Salary £'000</b>	<b>Pension Benefit £'000</b>	<b>Total £'000</b>	<b>Salary</b>	<b>Pension Benefit £'000</b>	<b>Total £'000</b>
Principal and Chief Executive – Chris O'Neil	105 - 110	84	189 - 194	95 - 100	59	154 - 159
Depute Principal – Planning and Student Experience - Roddy Henry	75 - 80	9	84 - 89	75 - 80	(20)	55 - 60

## **Inverness College UHI - SC021197**

Depute Principal – Academic Development - Ken Russell (from Jan 2019)	40 - 45	14	54 - 59	-	-	-
Director of Finance – Fiona Mustarde	65 - 70	41	106 - 111	60 - 65	148	208 - 213
Director of Organisational Development – Lindsay Ferries	65 - 70	35	100 - 105	60 - 65	35	95 - 100
Director of Curriculum – Gillian Berkeley	50 - 55	9	59 - 64	50 - 55	(36)	14 - 19
Director of Research and Innovation – Melanie Smith	50 - 55	13	63 – 68	50 - 55	8	58 - 63
Director of External Relations – Georgina Parker	55 - 60	22	77 - 82	55 - 60	21	76 - 81
Director of Student Experience – Lindsay Snodgrass	50 - 55	21	71 - 76	50 - 55	20	70 - 75

Movements in the pension benefit figures above also reflect changes relating to job role where these impacted on salaries and corresponding pension contributions. Specifically this has impacted on the pension benefit in the prior year to 31 July 2018 for the Depute Principal (Planning and Student Experience) and the Director of Curriculum as they stepped down from additional responsibilities once the Principal started in post, and the full year impact of the Director of Finance stepping up into post on 1 July 2017.

### **Median Remuneration**

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

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2018/19 was £105,000 - £110,000 (2017/18 £95,000 to £100,000). This was 2.9 times (2017/18, 2.9 times) the median remuneration of the workforce which was £37,514 (2017/18, £36,385).

## **Inverness College UHI - SC021197**

### **Accrued Pension Benefits**

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The LGPS scheme's normal retirement age is 65 for pre 1 April 2015 benefits. For post 31 March 2015 benefits, unless a member is aged 60 by 31 March 2020 and retirement age is protected, then normal retirement age will be linked to State Pension Age.

Contribution rates are set annually for all employees and can be found in note 22.

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

### **Senior Officials Pension**

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

<b>Name</b>	<b>Accrued pension at pension age at 31 July 2019</b>	<b>Accrued lump sum at pension age 31 July 2019</b>	<b>Real Increase in pension 1 August 2018 to 31 July 2019</b>	<b>Real Increase lump sum 1 August 2018 to 31 July 2019</b>	<b>CETV at 31 July 2019</b>	<b>CETV at 31 July 2018</b>	<b>Real Increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Principal and Chief Executive – Chris O'Neil	44	0	5	0	630	549	81
Depute Principal – Planning and Student Experience - Roddy Henry	20	39	1	(1)	351	334	17
Depute Principal – Academic Development - Ken Russell (from Jan 2019)	14	41	1	3	325	301	15

## **Inverness College UHI - SC021197**

Director of Finance – Fiona Mustarde	27	45	2	1	425	357	64
Director of Organisational Development – Lindsay Ferries	19	19	2	0	264	215	43
Director of Curriculum – Gillian Berkeley	20	61	1	2	470	445	19
Director of Research and Innovation – Melanie Smith	12	23	1	0	200	185	15
Director of External Relations – Georgina Parker	5	0	1	0	59	39	15
Director of Student Experience – Lindsay Snodgrass	4	0	1	0	40	26	11

### **Cash Equivalent Transfer Value (CETV)**

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

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

### **Real increase in CETV**

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

## **Inverness College UHI - SC021197**

### **Compensation for loss of office**

No employees left under voluntary exit terms during the year.

### **Salaries and Related Costs**

	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	Directly Employed Staff	Seconded and Agency Staff	<b>Total</b>	<b>Total</b>
<b>Wages and salaries</b>	12,916,698	-	12,916,698	11,480,497
<b>Social Security Costs</b>	1,214,985	-	1,214,985	1,100,927
<b>Other pension costs</b>	2,043,295	-	2,043,295	1,883,981
<b>FRS 102 Employer Costs</b>	1,110,000	-	1,110,000	-
<b>Total</b>	17,284,978	-	17,284,978	14,465,405
<b>Seconded and Agency Staff</b>	-	139,660	-	194,208
<b>Average number of FTE</b>	375	-	375	368

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

The College employed 259 females and 152 males as at 31 July 2019.

For the year to 31 July 2019, the College lost a total of 3,125 working days to sickness absence. This is an average absence rate of 3.55%.

### **Employee Matters**

Employee and student representation is provided at Board level and the college operates a joint consultative committee structure for formal consultation with staff recognised trade unions. The College Committee structure also involves staff and students across the college (including trade union representation) in areas including equalities and health and safety.

The Audit Committee of the Board of Management oversees and scrutinises the performance of the College in light of the Health and Safety Management System. Quarterly PIs are reported to the Health and Safety Committee, SMT and the Board of Management. The College utilises the HASMAP (Health and Safety Management Profile) audit tool as defined by Universities Safety and Health Association (USHA) and is committed to achieving the highest level of quality assurance. In 2016, a new recording system 'SHE' for incident recording and management and risk assessment recording and management was introduced. As a result of this, 2017/18 saw an improvement in PIs relating to incident recording, in particular near miss recording which flowed through to improved action planning to mitigate risk. 2018/19 saw a levelling off of incident recording and improvement in some areas, of note being hand injuries. The audit schedule introduced in 2016 has progressed over the last

## **Inverness College UHI - SC021197**

two years in line with our risk profiling and the first set of audits and follow up activity was completed in 2018/19. Further improvements in the use of SHE as a recording and management tool continue.

The College use a job evaluation system 'Evaluate', to evaluate all new posts and changes to posts. The gender pay gap as published in April 2018 was 8.8%, a significant decrease from the gender pay gap at the same point in 2013 of 11.27% and in 2014 of 11%.

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

Curriculum and Workforce planning continue to operate hand in glove. Our staff development priorities continue to focus on all our teaching staff having a recognised teaching qualification and all managers having a recognised management qualification. Higher level qualifications and research to grow our HE provision have also been a focus for the year. Furthermore 18/19 has considered other opportunities for leadership at every level and cross college projects to further enhance capacity and capability.

### **Trade Union Facility Time**

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2019.

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
4	3.6

#### Percentage of time spent on facility time

Percentage	Number of employees
0%	-
1%-50%	4
51%-99%	-
100%	-

#### Percentage of pay bill spent on facility time

Total cost of facility time	£24,935
Total pay bill	£16,174,978
Percentage of the total pay bill spent on facility time	0.15%

#### Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	100%
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# Inverness College UHI - SC021197

## CORPORATE GOVERNANCE REPORT

### DIRECTORS REPORT

#### Membership of the Board of Management

The Members, who served on the Board of Management during the year 2018-19, and up to the date of the accounts being signed on 17 December 2019, were as follows:

Name	Date of Appointment	Date of Resignation/ end of term	Status of Appointment	Committees Served	Board/ Committee Attendance
John Wilson	11 June 2007  Appointed 1 August 2016	End of term 31 July 2016	Senior Independent member	Board Human Resources Search and Nomination New Campus Project Board Chairs Committee (Vice Chair) Longman Disposal Project Board	4/4 3/4  1/2  4/6 3/3  5/8
Hazel Allen	13 May 2014  Appointed 1 August 2016	End of term 31 July 2016	Independent member	Board Audit (Chair) Performance Review and Remuneration Search and Nomination Chairs Committee New Campus Project Board Longman Disposal Project Board	3/4 4/4   2/2 3/4  3/6 4/8
Neil Stewart	13 May 2014  Appointed as Chair 1 January 2016		Independent member	Chair of Board Search and Nomination (Chair) Performance Review and Remuneration Chairs Committee (Chair) New Campus Project Board (Chair) Longman Disposal Project Board (Chair)	4/4  2/2  2/2  3/4 4/6 6/8
Helen Miller	1 August 2015	End of term 31 July 2019	Support Staff Member	Board Finance and General Purposes Learning, Teaching & Research	4/4 4/4 4/4
Kelly MacKenzie	1 August 2019		Support Staff member	Finance and General Purposes Learning, Teaching & Research	
Brian Henderson	1 January 2016	Resigned 12 October 2019	Independent member	Board Finance & General Purposes (Chair)	4/4 3/4

## Inverness College UHI - SC021197

				Performance Review and Remuneration	1/2
				Search and Nomination	1/2
				Chairs	2/4
Steve Walsh	1 January 2016		Independent member	Board	3/4
				Human Resources (Chair)	4/4
				Audit	3/4
				Chairs	3/4
				Performance, Review and Remuneration (Chair)	1/2
Jaci Douglas	1 June 2016		Independent member	Board	3/4
				Audit	3/4
Gavin Ross	1 June 2016		Independent member	Board	3/4
				Finance & General Purposes (Vice Chair)	3/4
				Learning, Teaching & Research	2/4
				New Campus Project Board	4/6
				Longman Disposal Project Board	5/8
Gabriel Starr	1 September 2016 Reappointed 1 September 2017	End of term 31 August 2018	Student Member	Learning, Teaching & Research	
Sarah Burton	12 April 2017		Independent Member	Board	4/4
				Vice Chair of Board	
				Learning, Teaching & Research (Chair)	4/4
				New Campus Project Board	4/6
				Audit	2/4
				Chairs	3/4
				Longman Disposal Board	5/8
Andrew Gray	12 April 2017		Independent Member	Board	4/4
				Finance & General Purposes	2/4
				Human Resources	3/4
Innes Montgomery	12 April 2017		Independent Member	Board	3/4
				Audit	3/4
				Human Resources	4/4
Fiona Neilson	12 April 2017		Co-opted member	Board	4/4
	20 November 2017		Independent member	Audit	3/4
				Learning, Teaching & Research	2/4
Carron McDiarmid	12 April 2017	Resigned 10 October 2019	Co-opted member	Board	2/4
	6 November 2017		Independent member	Finance & General Purposes	0/4
				Human Resources	3/4
Ollie Bray	19 June 2017	Resigned 2 October 2018	Independent member	Learning, Teaching & Research	
Tom Speirs	12 June 2017		Co-opted Member	Board	4/4

## **Inverness College UHI - SC021197**

	11 October 2018		Independent Member	Learning, Teaching & Research Finance & General Purposes	4/4 4/4
Chris O'Neil	1 September 2017		Principal	Board Human Resources Finance and General Purposes Learning, Teaching and Research (ex officio member) New Campus Project Board Longman Disposal Project Board	4/4 2/4 4/4 3/4 5/5 7/8
Robyn Kennedy	21 March 2018		Teaching Staff Member	Board Learning, Teaching and Research	3/4 4/4
Chris Shaw	1 January 2018	End of term 31 August 2018	Student Member	Learning, Teaching and Research	
Andrew Bowie	1 September 2018	End of term 31 August 2019	Student Member	Board Learning, Teaching and Research	2/4 3/4
Shawna-Leigh MacKinnon	1 September 2018	End of term 31 August 2019	Student Member	Board Learning, Teaching and Research	3/4 2/4
George Gunn	1 September 2019		Student Member	Learning, Teaching & Research	
Viv MacKie	1 September 2019		Student Member	Learning, Teaching & Research	

The Board Secretary maintains a register of financial and personal interests of the Board members. The Register is available for inspection at:

Inverness College UHI  
1 Inverness Campus  
INVERNESS IV2 5NA

or on the College Website - [www.inverness.uhi.ac.uk/about-us/board-of-management](http://www.inverness.uhi.ac.uk/about-us/board-of-management)

## **Inverness College UHI - SC021197**

### **Senior Management Team**

Members of the Senior Management Team who influence the decisions of the college as a whole

Name	Position held	Date appointed	Date resigned
Roddy Henry	Depute Principal - Planning and Student Experience	26 August 2013	
Lindsay Ferries	Director of Organisational Development	30 July 2007	
Georgie Parker	Director of Business Development	7 September 2015	
Fiona Mustarde	Director of Finance	1 July 2017	
Chris O'Neil	Principal and Chief Executive	1 September 2017	
Ken Russell	Depute Principal - Academic Development	28 January 2019	

## **Inverness College UHI - SC021197**

### **STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES**

The members of the Board of Management of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the revised financial memorandum agreed between the University of the Highlands and Islands (Regional Strategic Body) and the Board of Management of the College, the Board, through its Principal, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Board is required to:

- Select suitable accounting policies and then 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 assume that the College will continue in operation.
- Indicate how the College has complied with good practice in corporate governance.

The Board 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 comply with the Further and Higher Education (Scotland) Act 1992 together with the Financial Memorandum issued thereunder, also having regard to compliance with the Scottish Public Finance Manual, and are presented in accordance with the Accounts Direction issued from time to time by the SFC.

It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities including any significant problems disclosed in the annual financial statements.

Members of the Board are responsible for ensuring that funds are used only in accordance with the Financial Memorandum with the University of the Highlands and Islands and any other conditions which the University may from time to time prescribe. Members of the Board must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available.

In addition, members of the Board are responsible for securing the economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Board are not put at risk.

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

# **Inverness College UHI - SC021197**

## **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 Inverness College UHI, and the 2016 Code of Good Governance for Scotland's Colleges. Their purpose is to help the reader of the financial statements understand how the principles have been applied. It is a condition of the Financial Memorandum with the University of the Highlands and Islands (RSB) that the governing body of Inverness College UHI meets the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management also takes cognisance of the Guide for Board Members in the College Sector, which complements the Code of Good Governance for Scotland's Colleges and also guidance notes as issued from time to time by Colleges Scotland and applies good practice recommendations where appropriate.

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the year ended 31 July 2019 and up to the date of the approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and it accords with the guidance as issued by the Scottish Funding Council.

### **Governing Body**

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters, student activity and performance, human resources performance indicators and health and safety matters. The Board of Management met four times in 2018/19.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include:

- Audit Committee.
- Finance and General Purposes Committee
- Performance Review and Remuneration Committee
- Learning, Teaching & Research Committee
- Human Resources Committee
- Search and Nomination Committee
- Chairs Committee
- New Campus Project Board
- Longman Disposal Project Board

Committee membership is agreed by the Board and comprises Board members, one of whom is appointed the committee Chair and one the Vice Chair, and are attended and supported by appropriate senior managers at the College.

## **Inverness College UHI - SC021197**

The Board is supported by an independent Board Secretary. There is a clear division of responsibility in that the roles of the Chair and Principal are separate. The Board considers that each of its non-executive members is independent of management and free from any business or other relationships which could materially interfere with the exercise of independent judgement.

The Board operates according to the terms of its Constitution and Standing Orders. The College has an approved Scheme of Delegation specifying which decisions are reserved by the Board and those matters delegated to management. The final part of the Articles of Governance, namely the Terms of Reference of the Board of Management and its Committees were reviewed in June 2019.

The Board has had stability of independent membership throughout 2018-19. The student board members came to the end of their term at 31<sup>st</sup> August 2018. The Highlands and Islands Student Association nominated replacements. The Support Staff member came to the end of their term on 31<sup>st</sup> July 2019. Following an election process (which complied fully with the rules for election of staff members to the Board) two nominations were received. An election was then held and an individual was duly elected as Support Staff member. Subsequently two members resigned and the Board are recruiting replacements.

Board development is recognised as an integral part of board membership. Board Members and members of the Senior Management Team attended a Board Development day in January 2019 which focussed on financial strategy and planning, curriculum review and risk appetite. Board Members have received development briefings throughout the year including Education Scotland and Curriculum Review. A number of online training modules are available to Board Members and include topics such as GDPR and Information Security.

Attendance records of Board members at Board and committee meetings are maintained by the Board Secretary and reviewed by the Chair.

The agendas, papers and minutes of all meetings, except those deemed to be confidential by the Board, are available from the Board Secretary at:

Inverness College UHI  
1 Inverness Campus  
INVERNESS IV2 5NA

or on the college website at

[www.inverness.uhi.ac.uk/about-us/board-of-management](http://www.inverness.uhi.ac.uk/about-us/board-of-management)

Formal agendas, papers and reports are issued electronically to Board members in a timely manner prior to meetings. Briefings are also provided on an ad hoc basis.

The Audit, Finance and General Purposes, Learning, Teaching and Research and Human Resources Committees each carried out an annual appraisal of their effectiveness in 2018-19. Board Chair and Committee evaluations have also been completed.

## **Inverness College UHI - SC021197**

### **Audit Committee**

The Audit Committee comprises at least five non-executive members of the Board of Management (excluding the Principal and Chair of the Board). The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met five times in 2018/19.

The Committee is established in accordance with the Financial Memorandum between the University of the Highlands and Islands and the Board of Management of Inverness College UHI. Its remit is to review and monitor governance, risk management, adequacy of financial management, consider value for money and receive reports and monitor progress on recommendations from internal and external audit and advise the Board appropriately. The Audit Committee advises the College on the appointment of the internal auditors and the auditors' remuneration. The Committee prepares an annual audit report for consideration by the Board of Management.

### **Finance and General Purposes Committee**

The Finance and General Purposes Committee comprises at least five non-executive members of the Board of Management. The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met five times in 2018/19.

The Finance and General Purposes Committee amongst other matters, recommends to the Board of Management the College's annual revenue and capital budgets, monitors performance in relation to the approved budgets, considers issues relating to the operation of the College estate and reviews other matters of general purpose which are not covered under other committees' terms of reference.

### **Performance Review and Remuneration Committee**

The Performance Review and Remuneration Committee comprises seven non-executive members of the Board of Management. The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met twice in 2018/19. All members of the Committee have completed the mandatory remuneration training.

The Committee monitors the performance review and remuneration of the Principal and such other senior staff as is considered appropriate

### **Statement of Compliance**

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2019.

### **Corporate Strategy**

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and mission. The College Strategic Plan for 2017/20 was approved by the Board of Management in December 2016. A number of supporting strategies were developed over the early part of 2017 and were

## **Inverness College UHI - SC021197**

approved by the Board of Management at its meeting in June 2017. The International Strategy was approved by the Board of Management at its meeting in June 2018. The Finance Strategy was approved at the Board of Management meeting in March 2019.

For senior management appointments there is at least one Board member representative on the interview panel.

The Board maintains a comprehensive area of the College website, which includes information on the Board members, the committee structure, committee membership and board and committee minutes and agendas.

### **Estates Strategy**

The Estates Strategy 2017/20 has been developed to support the strategic aims and objectives of the College. The provision of high quality buildings, facilities and equipment to support learning and teaching is fundamental to all aspects of the College's Strategic Plan, Values, Vision and Commitments. The Estates Strategy takes into account the current and anticipated environmental context facing the College. This includes:

- The continued pressures on Government funding and activity levels,
- The College's Regional Outcome Agreement (2017-20); and
- Scottish Government Priorities including Developing the Young Workforce.

The aim of the Estate Strategy is to:

- Ensure the College provides fit for purpose learning and working accommodation;
- Ensure the College has high quality buildings, facilities and equipment which support the curriculum offer;
- Utilise building capacity and space efficiently;
- Maximise the value of the estate for existing uses and consideration of alternative uses and partnership working, co-location or shared services;
- Ensure the College is managing its environmental impact and has appropriate carbon reduction plans in place; and
- Protect the public sector investment in the estate operated by the College for the long term.

### **Risk Management and Internal Control**

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

The Board of Management has delegated day-to-day responsibility to the Principal to maintain a sound system of internal control that supports the achievement of the College's aims and objectives whilst safeguarding the public funds and assets, in accordance to the responsibility assigned in the Financial Memorandum between the University of the Highlands and Islands and Inverness College UHI. He is also responsible for reporting to the Board of Management any material weakness or breakdowns in internal control.

## **Inverness College UHI - SC021197**

The Board has adopted the strategic risk register format which is consistent across the UHI Partnership and has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Management is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts.

The system of internal control is based on a framework of management information, administrative processes including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Clear definitions of the responsibilities of, and the authority to delegate to the Depute Principal and other members of the Senior Management Team.
- 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;
- Comprehensive Financial Regulations approved by the Board of Management
- The adoption of formal project management disciplines.

Inverness College UHI appoints a professional Internal Audit service. Its work is informed by an analysis of risks to which the College is exposed and development of an annual programme of work approved by the Audit Committee and endorsed by the Board of Management. The Internal Auditors provide the Board of Management with reports on internal audit activity within the College. These reports include an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The Audit Committee considers risk at each Committee meeting and reports annually to the Board of Management. The Internal Auditors have direct access to the Chair of the Board of Management and to the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

The Internal Auditor has expressed an opinion that based on the reviews undertaken during the period, and in the context of materiality:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.

## **Inverness College UHI - SC021197**

- Based on our verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

The Board of Management recognise that the most significant risk to the College relates to financial sustainability. Whilst this risk has been present on the risk register for some time, it is becoming a higher risk due to a number of factors, the combined effects of which pose serious challenges for the UHI partnership and the College. The Board have approved a new Finance Strategy and action against this strategy that will provide risk mitigation. Positive engagement with UHI Executive Office and partner institutions will form a key element to minimise this risk. The Internal Auditors have direct access to the Chair of the Board of Management and to the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

### **Significant lapses of data security**

There were no significant lapses of data security in 2018/19.

### **Going Concern**

In August 2015, the College moved into 1 Inverness Campus and the balance sheet reflected the capitalisation of the new assets. This development was funded through an NPD arrangement and the College pays a unitary charge for these assets. The accounting treatment for this is as for a finance lease. The structure is such that in the initial years the capital repayment is low with the interest being higher. During the course of the contract, this will reverse with the capital repayment increasing and the interest element decreasing.

Whilst this impacts on the presentation of our financial position, in cash terms there is little impact as the unitary charge payments are largely funded by the Scottish Funding Council.

Ongoing financial sustainability in the college sector is proving challenging in light of funding settlements and budgetary constraints. Inverness College UHI is working hard to mitigate these impacts and is progressing activity against a number of work streams with a view to reducing the cost base and increasing non-SFC income.

At 31 July 2019 the College had net liabilities of £1,654,607, due to the College's share in the Highland pension scheme liability of £12.8m. The college had net current assets of £1,025,418 at 31 July 2019, as well as significant cash balances to pay liabilities as they fall due. In 2018/19 the College made a deficit of £335k, however after removal of non-cash accounting adjustments made an underlying operating surplus of £329k. The Board of Management considers that the College is a going concern as it has adequate resources to continue in operational existence and the financial statements have been prepared on this basis.

**Inverness College UHI - SC021197**

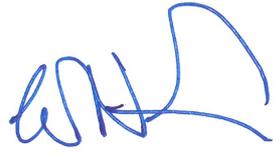
**Conclusion**

The Board of Management has therefore concluded that the College has effective systems and processes in place to manage corporate governance and internal controls.

**Approved by order of the members of the Board of Management on 17 December 2019 and signed on its behalf by:**



Neil Stewart  
Chair



Professor Chris O'Neil  
Principal

## **Independent Auditor's Report 2018-19**

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

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Inverness College for the year ended 31 July 2019 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college as at 31 July 2019 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### **Basis of opinion**

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

## **Independent auditor's report to the members of the Board of Management of Inverness College, the Auditor General for Scotland and the Scottish Parliament (continued)**

### **Conclusions relating to going concern basis of accounting**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

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

### **Responsibilities of the Board of Management for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditor's report to the members of the Board of Management of Inverness College, the Auditor General for Scotland and the Scottish Parliament (continued)**

### **Other information in the annual report and accounts**

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. 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 matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

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

#### **Responsibilities for regularity**

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

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

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

## **Independent auditor's report to the members of the Board of Management of Inverness College, the Auditor General for Scotland and the Scottish Parliament (continued)**

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of our report**

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



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

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

19 December 2019

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

**Statement of Comprehensive Income**  
**Year Ended 31 July 2019**

	Notes	2019 £	2018 £
<b>Income</b>			
Funding Council Grants	2	20,057,075	18,813,814
Tuition fees and education contracts	3	4,285,104	4,374,985
Other income	4	4,034,445	3,141,750
Investment income	5	10,939	4,197
<b>Total Income</b>		<b><u>28,387,563</u></b>	<b><u>26,334,746</u></b>
<b>Expenditure</b>			
Staff costs	6	17,284,978	15,818,251
Other operating expenses	8	6,715,575	6,799,274
Depreciation and impairment	11	1,534,708	1,736,365
Interest payable	9	3,187,278	3,424,054
		<b><u>28,722,539</u></b>	<b><u>27,777,944</u></b>
<b>Deficit before other gains and losses</b>		<b>(334,976)</b>	<b>(1,443,198)</b>
Gain/(Loss) on disposal of fixed assets		-	-
<b>Deficit before tax</b>		<b><u>(334,976)</u></b>	<b><u>(1,443,198)</u></b>
Corporation tax		-	-
<b>Deficit for the year</b>		<b><u>(334,976)</u></b>	<b><u>(1,443,198)</u></b>
Actuarial (loss)/gain in respect of pensions		<u>(4,744,000)</u>	<u>7,157,000</u>
<b>Total comprehensive (expenditure)/income for the yr</b>		<b><u>(5,078,976)</u></b>	<b><u>5,713,802</u></b>
<b>Represented by:</b>			
Unrestricted funds		<b><u>(5,078,976)</u></b>	<b><u>5,713,802</u></b>

The statement of comprehensive income is in respect of continuing activities and is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 1b provides details of the adjusted operating position on a Central Government accounting basis.

**Inverness College UHI – SC021197**

**Statement of Changes in Reserves  
Year Ended 31 July 2019**

	<b>Unrestricted Funds £</b>
Balance at 1st August 2017	(8,538,217)
Deficit for the year	(1,443,198)
Actuarial gain in respect of pensions	<u>7,157,000</u>
Balance at 31st July 2018	(2,824,415)
Deficit for the year	(334,976)
Revaluation of Land & Buildings	6,248,784
Actuarial loss in respect of pensions	<u>(4,744,000)</u>
<b>Balance at 31st July 2019</b>	<b><u>(1,654,607)</u></b>

## Inverness College UHI – SC021197

### Balance Sheet

Year Ended 31 July 2019

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Tangible fixed assets	11	<u>56,611,716</u>	<u>50,933,057</u>
<b>Current assets</b>			
Stocks	12	13,035	-
Debtors	13	2,494,518	815,921
Cash and cash equivalents		<u>3,282,199</u>	<u>4,060,499</u>
		5,789,752	4,876,420
<b>Creditors:</b>	14	(4,764,334)	(6,257,341)
Amounts falling due within one year			
<b>Net current assets / (liabilities)</b>		<u>1,025,418</u>	<u>(1,380,921)</u>
<b>Total assets less current liabilities</b>		<b>57,637,134</b>	<b>49,552,136</b>
<b>Creditors:</b>	15	(46,450,432)	(45,595,141)
Amounts falling due after one year			
<b>Provisions</b>	16	<u>(12,841,309)</u>	<u>(6,781,410)</u>
<b>Total net (liabilities)</b>		<u><b>(1,654,607)</b></u>	<u><b>(2,824,415)</b></u>
<b>Represented by:</b>			
Property revaluation reserves		6,248,784	-
Unrestricted reserves		<u>(7,903,391)</u>	<u>(2,824,415)</u>
		<u><b>(1,654,607)</b></u>	<u><b>(2,824,415)</b></u>

The accounts were approved by the Board of Management  
on 17 December 2019 and signed on its behalf by:



Neil Stewart  
Chair



Professor Christopher O'Neil  
Principal and Chief Executive Officer

**Statement of Cash Flows**  
**Year Ended 31 July 2019**

	Notes	2019 £	2018 £
<b>Cashflow from Operating Activities</b>			
Deficit for the year		(334,976)	<b>(1,443,198)</b>
<b>Adjustment for non-cash items</b>			
Depreciation and impairment	11	1,534,708	1,736,365
Pension costs less contributions payable		1,239,000	1,197,000
(Increase) in stock	12	(13,035)	-
(Increase) in debtors	13	(1,678,597)	(364,385)
(Decrease) in creditors – less than one year	14	(1,493,007)	(860,156)
Increase in creditors – more than one year	15	855,292	678,247
Increase / (Decrease) in early retirement & provisions	16	76,898	(230,004)
<b>Adjustments for investing or financing activities</b>			
Interest payable	9	137,000	294,000
Interest elements of NPD finance lease	9	3,050,278	3,130,054
Investment Income	5	<u>(10,939)</u>	<u>(4,197)</u>
<b>Net cash inflow from operating activities</b>		<b>3,362,622</b>	<b>4,133,726</b>
<b>Cash flows from Investing and financing activities</b>			
Interest payable	9	(137,000)	(294,000)
Interest element of NPD finance lease	9	(3,050,278)	(3,130,054)
Investment Income	5	10,939	4,197
Proceeds from sales of fixed assets		-	-
Payments made to acquire fixed assets	11	<u>(964,583)</u>	<u>(416,563)</u>
<b>(Decrease)/Increase in cash in the year</b>		<b>(778,300)</b>	<b>297,306</b>
Cash at the beginning of the year		<u>4,060,499</u>	<u>3,763,193</u>
<b>Cash at the end of the year</b>		<b><u>3,282,199</u></b>	<b><u>4,060,499</u></b>

**Notes to the Financial Statements for the Year Ended 31 July 2019**

**1a. STATEMENT OF ACCOUNTING POLICIES**

**Basis of Preparation**

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice (SORP) 2015: Accounting in Further and Higher Education and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Government Financial Reporting Manual 2018-19 (FReM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in July 2019.

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

**Basis of Accounting**

The financial statements are prepared on a going concern basis in accordance with historical cost convention modified by the revaluation of certain fixed assets.

**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.

**Useful economic lives of buildings**

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

**Stocks**

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

**Recoverable amount of trade debtors**

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

## **Inverness College UHI – SC021197**

### **Obligations under defined benefit pension schemes**

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

### **Recognition of Income**

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

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

### **Government Capital grants**

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

### **Government revenue grants**

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

### **Non-Government grants**

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

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

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

### **Pension Schemes**

The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPS). Inverness College is unable to identify its share of the underlying assets and liabilities of the

## **Inverness College UHI – SC021197**

STSS on a consistent and reasonable basis and therefore, as required by FRS 102 'retirement benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

The pension provision shown in the balance sheet has been calculated in accordance with instructions issued by the Scottish Funding Council, using an updated set of actuarial factors that reflect a trend of increased life expectancy.

The College contributes to a NEST scheme in relation to a small number of staff who transferred under TUPE arrangements in a previous year. No provision is required in respect of this scheme.

### **Tangible Fixed Assets - Land and Buildings**

#### **Current Campuses**

The College procured its current campus buildings at Balloch and Inverness using the Scottish Futures Trust's Non-Profit Distributing (NPD) model (additionally see Service Concession Arrangements note to the accounts, below). The buildings were handed over to the College in July and August 2015 in time for the 2015/16 academic year. Each building design combines an inspirational external appearance with a technologically advanced and functional fit-out to cater for the College's broad FE and HE curricula.

These NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings. The buildings will be depreciated over their expected useful lives of 60 years on a straight line basis. As required by FRS102 the NPD assets are stated at fair value; they were valued by J & E Shepherd, Chartered Surveyors using the UKGN2 Depreciated Replacement Cost method of valuation as at 31 July 2019.

The related debt is included in the balance sheet as a creditor and is repaid over a 25 year term. The College makes monthly unitary charge payments which include the capital element of the loan together with interest, facilities management and building lifecycle costs which are reported in the income and expenditure account. The Scottish Funding Council provides the College with grants to fund the unitary charge payments with the exception of the facilities management costs and 50% of the building lifecycle costs.

## **Inverness College UHI – SC021197**

### **Former Campus**

Land and Buildings inherited from the local authority are stated in the balance sheet at valuation (by Shepherd, Chartered Surveyors, in September 2015) less amounts written off by way of depreciation. In 2015/16 the former Longman Campus buildings were fully written down. An SFC funded project was commenced during 2018/19 to demolish the former campus buildings to enable a clear development site to be presented for disposal. This project did not complete until November 2019 and therefore the balance sheet reflects the position as at 31 July 2019.

### **Tangible Fixed Assets - Equipment**

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

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

Equipment	6.7 years (15% per year)
Fixtures and Fittings	5 years (20% per year)
Computer equipment	3 years (33.3% per year)

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

### **Subsequent Expenditure on Existing Fixed Assets**

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

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

### **Leased Assets**

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

Leasing agreements, which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged

## **Inverness College UHI – SC021197**

to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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

### **Service Concession Arrangements**

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

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

### **Maintenance of Premises**

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

### **Foreign Currency Translation**

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

### **Provisions**

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

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

### **Taxation**

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the income and expenditure account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed,

## **Inverness College UHI – SC021197**

and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College income and expenditure account.

### **Financial instruments**

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

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

### **Employee benefits**

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

### **Cash and cash equivalents**

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

### **Interest receivable**

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

### **Debtors**

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

### **Creditors**

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

### **Going concern**

At 31 July 2019 the College had net liabilities of £1,654,607, due to the College's share in the Highland pension scheme liability of £12.8m. The college had net current assets of £1,025,418 at 31 July 2019, as well as significant cash balances to pay liabilities as they fall due. In 2018/19 the College made a deficit of £335k, however after removal of non-cash accounting adjustments made an underlying operating surplus of £329k. On this basis, as outlined in page 38, it is our opinion the College remains a going concern.

## **Inverness College UHI – SC021197**

### **1b Non-cash Budget**

	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
Deficit before other gains and losses (FE/HE SORP basis)	(335)	(1,443)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	496	496
Operating surplus/(deficit) on Central Government accounting basis for academic year	161	(947)

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

Under the FE/HE SORP, the College recorded an operating deficit of £334,976 for the year ended 31 July 2019. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" surplus of £161,024 on a Central Government accounting basis.

The deficit is attributable to other factors that are reflected in the adjusted operating table on page 18. The College is therefore operating sustainably within its funding allocation.

## Inverness College UHI – SC021197

<b>2. Funding Council Grants</b>	<b>2019</b>	<b>2018</b>
	£	£
SFC / RSB Further Education Recurrent Grant	9,241,196	7,999,542
UHI Recurrent Grant - HE provision	4,131,381	4,427,655
Childcare funds	234,264	256,192
Other specific SFC / RSB Grants - FE	4,868,732	4,898,007
Other specific UHI Grants - HE	1,099,947	630,014
Release of deferred grants (note 17)	481,555	602,404
	<b><u>20,057,075</u></b>	<b><u>18,813,814</u></b>

<b>3. Tuition fees and education contracts</b>	<b>2019</b>	<b>2018</b>
	£	£
Higher Education - Home and EU	2,717,098	2,751,008
Higher Education - Overseas	52,105	39,523
Further Education - Home	176,198	703,344
Further Education - Overseas	57,575	-
Education contracts	1,282,128	881,110
	<b><u>4,285,104</u></b>	<b><u>4,374,985</u></b>

<b>4. Other income</b>	<b>2019</b>	<b>2018</b>
	£	£
Other income generating activities	1,680,935	1,754,833
Foundation Grant Income	1,364,229	92,957
Other Grant Income	-	12,568
Research Income	466,384	425,120
Other income	522,897	856,272
	<b><u>4,034,445</u></b>	<b><u>3,141,750</u></b>

<b>5. Investment income</b>	<b>2019</b>	<b>2018</b>
	£	£
Bank interest	<b><u>10,939</u></b>	<b><u>4,197</u></b>

## **6. Staff costs**

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

	<b>2019</b>	<b>2018</b>
	Number	Number
Academic/Teaching departments	187	186
Academic/Teaching services	17	12
Research grants and contracts	12	9
Administration and central services	105	109
Premises	9	9
Residences and catering	17	19
Other expenditure	28	24
	<b><u>375</u></b>	<b><u>368</u></b>

## Inverness College UHI – SC021197

<b>Staff costs for the above persons:</b>	<b>2019</b>	<b>2018</b>
	£	£
Wages and salaries	12,916,698	11,916,675
Social security costs	1,214,985	1,110,291
Other pension costs	2,043,295	1,897,285
FRS 102 Employer Costs	1,110,000	894,000
	<b>17,284,978</b>	<b>15,818,251</b>

	<b>2019</b>	<b>2018</b>
	£	£
Academic/Teaching departments	8,804,444	8,521,655
Academic/Teaching services	807,143	771,611
Research grants and contracts	655,363	514,889
Administration and central services	5,773,282	4,826,216
Premises	270,066	270,300
Residences and catering	354,490	408,349
Other expenditure	620,190	505,232
	<b>17,284,978</b>	<b>15,818,251</b>

Staff costs on permanent contracts	16,580,702	15,210,834
Staff costs for short-term and temporary contracts	704,276	607,417
	<b>17,284,978</b>	<b>15,818,251</b>

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

	<b>2019</b>	<b>2018</b>
	Number	Number
£60,001 to £70,000	2	2
£70,001 to £80,000	1	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	1
£100,001 to £110,000	1	0

The outcome of the national bargaining pay negotiations led to a transitional salary scale to be applied during the implementation period. The transitional scale came into effect on 1 April 2017 and the final transition took place in April 2019.

### **7. Senior post-holders' emoluments**

	<b>2019</b>	<b>2018</b>
	Number	Number
Number of senior post-holders including the Principal	9	8
Senior post-holders emoluments are as follows:	£	£
Salaries	582,256	521,252
Pension contributions	99,903	89,417
	<b>682,159</b>	<b>610,669</b>

## **Inverness College UHI – SC021197**

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

	<b>2019</b>	<b>2018</b>
	£	£
Salary	109,119	97,704
Pension contributions	18,769	16,805
	<b><u>127,888</u></b>	<b><u>114,509</u></b>

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

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

<b>8. Other operating expenses</b>	<b>2019</b>	<b>2018</b>
	£	£
Academic/Teaching departments and services	875,032	671,465
Research grants and contracts	282,441	385,571
Administration and central services	3,662,964	3,584,711
Premises	1,452,081	1,614,573
Residences and catering	391,836	491,976
Other expenditure	51,221	50,978
	<b><u>6,715,575</u></b>	<b><u>6,799,274</u></b>

### **Other operating expenses include:**

Auditors remuneration (including irrecoverable VAT)		
Internal audit	32,770	23,440
External audit	17,378	16,090
EMA Audit	1,362	1,362
Rents under operating leases:		
Land and buildings	10,000	12,000
Other assets	70,667	63,518

<b>9. Interest payable</b>	<b>2019</b>	<b>2018</b>
	£	£
Interest on pension liabilities	137,000	294,000
Interest on finance lease NPD concession	3,041,549	3,130,054
Interest on late settlement	8,729	-
	<b><u>3,187,278</u></b>	<b><u>3,424,054</u></b>

### **10. Taxation**

As a registered charity, the College is exempt from corporation tax on the income it receives from tuition fees, interest and rents and therefore the College Board believes it has no liability in this regard.

## Inverness College UHI – SC021197

<b>11. Tangible fixed assets</b>	<b>Land and Buildings</b>	<b>Equipment</b>	<b>Total</b>
	£	£	£
<b>Cost or valuation</b>			
At 1 August 2018	51,430,473	5,917,949	57,348,422
Additions	950,412	14,171	964,583
Revaluations	3,059,212	-	3,059,212
Disposals	-	-	-
<b>At 31 July 2019</b>	<b>55,440,097</b>	<b>5,932,120</b>	<b>61,372,217</b>
<b>Depreciation</b>			
At 1 August 2018	2,706,474	3,708,891	6,415,365
Depreciation charge for year	799,777	734,932	1,534,708
Revaluations	(3,189,571)	-	(3,189,571)
Disposals	-	-	-
<b>At 31 July 2019</b>	<b>316,680</b>	<b>4,443,823</b>	<b>4,760,502</b>
<b>Net book value at 31 July 2019</b>	<b>55,123,417</b>	<b>1,488,297</b>	<b>56,611,714</b>
Net book value at 31 July 2018	48,723,999	2,209,058	50,933,057

Land and buildings with a net book value of £1,947,064 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with UHI as the Regional Strategic Body, to surrender the proceeds.

<b>12. Stocks</b>	<b>2019</b>	<b>2018</b>
Stocks	<b>13,035</b>	-
<b>13. Debtors</b>	<b>2019</b>	<b>2018</b>
	£	£
Trade debtors	403,400	351,424
Accrued income	1,876,147	328,104
Financial instrument assets	2,279,547	679,528
Prepayments	168,907	136,393
Other Debtors	46,064	-
	<b>2,494,518</b>	<b>815,921</b>
<b>14. Creditors: Amounts falling due within one year</b>	<b>2019</b>	<b>2018</b>
	£	£
Trade creditors	706,921	1,039,800
Service concession NPD creditor (see note 15)	685,520	580,172
Accruals	2,026,129	3,411,624
Financial instrument liabilities	3,418,570	5,031,596
Deferred income	338,455	311,187
Deferred grant income	479,656	591,849
Payroll taxes and social security	375,154	322,709
Other Creditors	152,499	-
	<b>4,764,334</b>	<b>6,257,341</b>

## Inverness College UHI – SC021197

<b>15. Creditors: Amounts falling due after one year</b>	<b>2019</b>	<b>2018</b>
	£	£
Service concession NPD creditor (see note below)	<u>37,160,231</u>	<u>36,891,054</u>
Financial instrument liabilities	37,160,231	36,891,054
Deferred grant income	<u>9,290,201</u>	<u>8,704,087</u>
	<b><u>46,450,432</u></b>	<b><u>45,595,141</u></b>

### **Service Concession Arrangements**

The new Campuses are held under a Service Concession Arrangement which, at a minimum, will be repaid as follows:

	Within One Year £	Two - Five Years £	More than Five Years £	<b>Total</b> £
NPD liability creditor repayment	685,520	3,449,748	33,710,483	37,845,751
Interest thereon	2,992,099	11,372,756	26,796,305	41,161,160
Service charges	649,459	2,764,313	14,013,389	17,427,161
VAT	865,416	3,517,363	14,904,035	19,286,814
	<u>5,192,494</u>	<u>21,104,180</u>	<u>89,424,212</u>	<b><u>115,720,886</u></b>

Under the arrangements the College makes monthly Service Charge "Unitary Charge" payments. These include capital repayment element of the liability which reduces the amount outstanding in Creditors in the Balance Sheet.

Also within the Unitary Charge are charges for interest on the debt outstanding together with premises service charges both of which are included within the Statement of Comprehensive Income, under Interest payable and Other operating expenses respectively.

The term of the debt is 25 years and the contract end date is 30 April 2040.

The College could deduct amounts where Availability and Performance fell short of contract, during the early period of occupancy.

The Scottish Funding Council provides the College with grants to fund the Unitary Charge with the exception of facilities management costs and 50% of lifecycle costs.

**16. Early Retirement and Other Provisions**

	<b>Early Retirement Pension</b>	<b>Defined Pension Liability</b>	<b>Other Provisions</b>	<b>Total</b>
	£	£	£	£
At 1 August 2017	2,211,425	10,309,000	450,989	12,971,414
Expenditure in period	(117,581)	-	-	(117,581)
Provision in period	(59,612)	(5,960,000)	(52,811)	(6,072,423)
Interest charged	-	-	-	-
<b>At 31 July 2018</b>	<b>2,034,232</b>	<b>4,349,000</b>	<b>398,178</b>	<b>6,781,410</b>
At 1 August 2018	2,034,232	4,349,000	398,178	6,781,410
Expenditure in period	(120,893)	-	-	(120,893)
Provision in period	189,792	5,983,000	8,000	6,180,792
Interest charged	-	-	-	-
<b>At 31 July 2019</b>	<b>2,103,131</b>	<b>10,332,000</b>	<b>406,178</b>	<b>12,841,309</b>

The pension provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.0%. The above liability is in respect of future pension liabilities arising from early retirals.

The pension liability is as per the actuarial report valuation.

The other provisions mainly relate to the potential for ESF clawback and a pension strain provision.

**17. Deferred Capital Grants**

	<b>SFC</b>	<b>Other</b>	<b>Total</b>
	£	£	£
<b>At 1 August 2018</b>			
Land and Buildings	4,947,375	2,473,140	7,420,515
Equipment	1,875,421	-	1,875,421
<b>Cash received</b>			
Land and Buildings	805,192	150,285	955,477
Equipment	-	-	-
<b>Released to income and expenditure</b>			
Land and Buildings	(46,070)	(71,034)	(117,104)
Equipment	(364,451)	-	(364,451)
Repayment of grant on disposal	-	-	-
Release on disposals	-	-	-
<b>At 31 July 2019:</b>	<b>7,217,467</b>	<b>2,552,391</b>	<b>9,769,858</b>
Land and Buildings	5,706,497	2,552,391	8,258,888
Equipment	1,510,970	-	1,510,970
Due < 1 year (Note 14)			479,657
Due > 1 year (Note 15)			9,290,201
			<b>9,769,858</b>

## Inverness College UHI – SC021197

### 18. Financial Commitments

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

	<b>2019</b>	<b>2018</b>
	£	£
Land and buildings:		
Expiring within one year	12,000	12,000
Expiring between two and five years	-	-
	<u>12,000</u>	<u>12,000</u>
Other:		
Expiring within one year	67,447	70,472
Expiring between two and five years	6,561	72,091
Expiring after five years	-	-
	<u>74,008</u>	<u>142,563</u>

### 19. Further Education Bursary and Other Student Support Funds

	2019	2019	2019	2019	<b>2019</b>	<b>2018</b>
	Further	FE	EMA	Other	<b>Total</b>	<b>Total</b>
	Education	Disc		HE		
	Bursary			Disc		
	£	£	£	£	£	£
1 August 2018	-	-	10,994	885	11,879	9,975
Allocation	2,139,740	156,950	121,320	99,674	2,517,684	2,210,869
Expenditure	(2,130,408)	(156,950)	(108,270)	(100,557)	(2,496,185)	(2,184,164)
Repaid to	(18,920)	-	-	(2)	(18,922)	(47,124)
College Cont	9,588	-	-	-	9,588	28,135
Virements	-	-	-	-	-	(5,812)
<b>31 July 2019</b>	<b>-</b>	<b>-</b>	<b>24,044</b>	<b>-</b>	<b>24,044</b>	<b>11,879</b>

Represented by:

Clawback	-	-	-	-	-	885
Retained	-	-	24,044	-	24,044	10,994
	<u>-</u>	<u>-</u>	<u>24,044</u>	<u>-</u>	<u>24,044</u>	<u>11,879</u>

#### Further and Higher Education Childcare Funds

	<b>2019</b>	<b>2018</b>
	£	£
1 August 2018	-	-
Allocation	234,264	250,380
Expenditure	(234,264)	(256,192)
Virements	-	5,812
<b>31 July 2019</b>	<u>-</u>	<u>-</u>

### 20. Capital Commitments

As at July 2019, there were capital commitments of £413,493.

## **Inverness College UHI – SC021197**

### **21. PENSION PROVISIONS**

#### **Scottish Teachers' Superannuation Scheme (STSS, Teaching Staff)**

The Scottish Teachers' Superannuation Scheme (STSS), in common with most other public service superannuation schemes, has no real fund and is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

Under the definitions set out in Financial Reporting Standard 17: Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

The 2018/19 contribution rates are:

Employees

<b>Actual Pensionable Pay Min</b>	<b>FTE Pay Max</b>	<b>Contribution rate</b>
up to & including	27,047	7.20%
27,048	36,410	8.70%
36,411	43,172	9.70%
43,173	57,216	10.40%
57,217	78,022	11.50%
78,023	and above	11.90%

Employers 17.2%

#### **Pension and Similar Obligations**

##### **Local Government Pension Scheme (Administrative Staff)**

The Highland Council LGPS is a funded defined benefit scheme, with the assets held in separate administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 2018. The pension figures include the assets and liabilities relating to employees previously employed by Jet 2000 Limited.

The projected pension expense for the year to 31 July 2020 for employer contributions is £813,000 (2019 £786,000).

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 July 2018 for the year to 31 July 2019, or date of joining the fund if later).

## **Inverness College UHI – SC021197**

**Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):**

	<b>2019</b>	<b>2018</b>
Discount rate at 31 July	2.4%	2.4%
Future salary increases	3.4%	3.4%
Future pension increases	2.1%	2.8%
Life expectancy from age 65 (years):		
Retiring today	31 July 2019	31 July 2018
Males	21.9	21.9
Females	24.3	24.3
Retiring in 20 years		
Males	23.3	23.3
Females	26.1	26.1

### **Return on Plan Assets**

The return on the Fund in market value terms for the period to 31 July 2019 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

- Actual Returns from 1 July 2018 to 30 June 2019 were 5.6%
- Total Returns from 1 August 2018 to 31 July 2019 were 6.6%

As per the actuary's report.

## Inverness College UHI – SC021197

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 July 2019

Period ended 31 July 2019	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	27,023	-	27,023
Present value of funded liabilities	-	31,381	(31,381)
Present value of unfunded liabilities	-	120	(120)
<b>Opening Position as at 31 July 2018</b>	<b>27,023</b>	<b>31,501</b>	<b>(4,478)</b>
<b>Service Cost</b>			
Current service cost	-	1,640	(1,640)
Past service cost (including curtailments)	-	247	(247)
Effect of settlements	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>1,887</b>	<b>(1,887)</b>
<b>Net Interest</b>			
Interest income on plan assets	763	-	763
Interest cost on defined benefit obligation	-	900	(900)
Impact of asset ceiling on net interest	-	-	-
<b>Total Net Interest</b>	<b>763</b>	<b>900</b>	<b>(137)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>763</b>	<b>2,787</b>	<b>(2,024)</b>
<b>Cashflows</b>			
Plan participants' contributions	277	277	-
Employer contributions	777		777
Contributions in respect of unfunded benefits	9		9
Benefits paid	(574)	(574)	-
Unfunded benefits paid	(9)	(9)	-
Effect of business combinations and disposals	-	-	-
<b>Expected Closing Position</b>	<b>28,266</b>	<b>33,982</b>	<b>(5,716)</b>
<b>Remeasurements</b>			
Changes in demographic assumptions		-	-
Changes in financial assumptions	-	5,763	(5,763)
Other experience	-	11	(11)
Return on assets excluding amounts included in net interest	1,030	-	1,030
Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>1,030</b>	<b>5,774</b>	<b>(4,774)</b>
Fair value of assets	29,296	-	29,296
Present value of funded liabilities	-	39,628	(39,628)
Present value of unfunded liabilities	-	128	(128)
<b>Closing position as at 31 July 2019</b>	<b>29,296</b>	<b>39,756</b>	<b>(10,460)</b>

## **Inverness College UHI – SC021197**

### **Pension and Similar Obligations (continued)**

The estimated asset allocation of Inverness College as at 31 July 2019 is as follows:

	<b>31 July 2019</b>		<b>31 July 2018</b>	
	£ 000's	%	£ 000's	%
Equities	21,093	72	19,186	71
Bonds	4,394	15	3,783	14
Property	3,223	11	3,243	12
Cash	586	2	811	3
<b>Total</b>	<b>29,296</b>	<b>100</b>	<b>27,023</b>	<b>100</b>

### **Enhanced early retirements**

In the interests of efficiency and effectiveness, certain employees have retired early with enhanced pensions. The cost of the enhancements is borne directly by the College. Provisions include £2,103,130 (2018 £2,034,232) being the valuation of the pension enhancements (Note 16). These liabilities are historical and the College no longer offers enhanced pensions on early retirement.

### **Pension Scheme Contributions**

The total cost for the College was:

	<b>Year Ended 31 July 2019</b>	<b>Year Ended 31 July 2018</b>
	£	£
Contributions to Scottish Public Pensions Agency	1,220,331	1,182,776
Contributions to Highland Council Pension Scheme	820,227	711,714
Contributions to NEST	2,737	2,795
<b>Total pension cost</b>	<b>2,043,295</b>	<b>1,897,285</b>

### **Impact from McCloud / Sargeant on the LGPS Scheme**

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

The Government Actuary's Department (GAD) has estimated that the impact of the McCloud/Sargeant rulings for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The actuary preparing the College's accounting pension disclosure has adjusted GAD's estimate to better reflect the College's local assumptions, particularly withdrawal rates and salary increases. The College's approach has therefore been to include an estimated cost of the impact of the McCloud judgement in 2018/19 financial statements. This impact has been recognised as a past service cost for 2018/19 of £0.247 million. These numbers are high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key

## **Inverness College UHI – SC021197**

assumptions which may or not be borne out in practice. Further uncertainties affecting the final cost relate to the number of members who will ultimately be affected and the precise way in which they will be compensated. The estimate will continue to be updated in the College's financial statements as more information on the nature of payments due become clearer.

### **Guaranteed Minimum Pension (GMP)**

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The College considers that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. The scheme actuaries have not made an adjustment to our scheme liabilities in this respect for the period ended 31 July 2019 and therefore the impact from GMPs is not currently reflected in the closing net liability position. Further work has been undertaken by the scheme actuaries to assess the impact arising from this. This has clarified that the impact on the scheme liabilities to 31 July 2019 would be a further increase to the net liability of approximately £41,000. This is not considered material to the value of the scheme at less than 0.5% of scheme liabilities due from the College. Future actuarial reports will include adjustment for GMPs as they become known.

## **22. EVENTS AFTER THE REPORTING PERIOD**

In order to facilitate the disposal of the former main campus site at Longman Road, Inverness, the College is undertaking a demolition project to present a cleared site to market. Disposal proceeds, less costs, will be returned to the Scottish Funding Council in line with the funding agreement in respect of the new campus buildings.

On 1 August 2019, the College entered into a three year lease agreement with Workshop and Artists Studio Provision Limited, otherwise known as Wasps, for space within the Inverness Creative Academy situated in the redevelopment of the former College campus at Midmills, Inverness. This provides the College with additional estates capacity for art and design related activity within a city centre location.

The College is continuing dialogue with our building provider to bring closure to legacy issues in relation to the project agreement.

## **23. RELATED PARTY TRANSACTIONS**

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

## **Inverness College UHI – SC021197**

Where the College had transactions during the year, or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold official positions and the aggregate exceeded £5,000, the total values are noted below.

<b>Organisation</b>	<b>Member(s)</b>	<b>Income 2018-19 £</b>	<b>Expenditure 2018-19 £</b>	<b>Balance due from at 31 July 2019 £</b>	<b>Balance due to at 31 July 2019 £</b>
NHS Highland	Neil Stewart Lindsey Mitchell	26,244	3,962	2,245	-
Highland Council	Steve Walsh Carron McDiarmid Ollie Bray	86,545	24,123	11,779	-
SGL Carbon Fibres	Gavin Ross	5,322	-	243	-
Cap Gemini	Innis Montgomery	825	-	200	-
Tesco Plc	Andy Gray	-	3,731	-	-
SQA	Tom Speirs	-	180,092	-	12,138
CALA	Jaci Douglas	-	220	-	-
Birchwood Highland	Sarah Burton	8,897	-	-	-

No Board of Management members, with the exception of the Principal and staff, receive emoluments other than travel and subsistence expenses. The volume of voluntary commitment made was considerable and is greatly appreciated.

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

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

## **Inverness College UHI – SC021197**

### **2018-19 Accounts direction for Scotland’s colleges and Glasgow Colleges’ Regional Board**

1. It is the Scottish Funding Council’s direction that institutions<sup>1</sup> comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
2. A new SORP (“the 2019 SORP”) was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 (‘Transition to the 2019 SORP’) of the 2019 SORP.
3. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
4. Incorporated colleges and Glasgow Colleges’ Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
5. Incorporated colleges and Glasgow Colleges’ Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.
6. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
7. Incorporated colleges and Glasgow Colleges’ Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
5 July 2019

<sup>1</sup> The term “institutions” includes colleges and Glasgow Colleges’ Regional Board.

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

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