

UHI | INVERNESS

Meeting	Finance and General Purposes Committee
Date and time	Monday 03 February 2025 at 3.00 p.m.
Location	Virtually – via Microsoft Teams

Governance Officer
28 January 2025

AGENDA

Welcome and Apologies

Declaration of Interests and/or any Statement of Connections or Transparency Statements.

ITEMS FOR DECISION

1. **MINUTES**
 - a. Minutes of the Meeting held on 12 September 2024
 1. Confidential Note of Meeting CN-01-092024 held on 12 September 2024
 - b. Minutes of the Meeting held on 24 September 2024
 2. Confidential Note of Meeting CN-02-092024 held on 24 September 2024
2. **OUTSTANDING ACTIONS**
3. **FINAL FINANCIAL STATEMENTS 2023/2024**
Report by Director of Finance and Estates.
4. **FINAL EXTERNAL AUDIT REPORT 2023/24**
Report by Director of Finance and Estates
5. **LETTER OF REPRESENTATION 2023/24**
Report by Director of Finance and Estates

- 6. SFC ANNUAL ACCOUNTS RETURN 2023/24**
Report by Director of Finance and Estates

ITEMS FOR DISCUSSION

- 7. BUDGET MONITORING – NOVEMBER 2024**
Report by Director of Finance and Estates
- 8. STUDENT RECRUITMENT UPDATE 2024/25**
Report by Information Systems Manager
- 9. ESTATE CAMPUS REPORT**
Report by Estates and Campus Services Manager

ITEMS FOR NOTING

- 10. AOCB**
- 11. DATE OF NEXT MEETING – F&GP Committee Meeting Thursday 6th March 2025**

If any member wishes to add an item of business to the Agenda, please inform the Chair and the Governance Officer as soon as possible. Additional items of business will only be considered for inclusion in the agenda in advance of the start of the meeting.

UHI | INVERNESS**Outstanding Actions from Finance and General Purposes Committee**

Item	Action	Responsibility	Timeline	Actioned
07 March 2024				
UHI Research funding	Regional funded research and its redistribution to be looked at across UHI.	Principal	May '24	
12 September 2024				
Financial Forecast Return June 2024	The Chair asked the Governance Officer to email all Committee Members with agenda item 4, specifically Appendix A, for their approvals to be sent back via email.	Gov Officer	September '24	Complete 12/09/2024

Finance and General Purposes Committee

Subject/Title:	Final Audited Financial Statements for the Year-Ended 31 July 2024
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Finance and General Purposes Committee
Meeting Date:	3 February 2025
Date Paper prepared:	29 January 2025
Brief Summary of the paper:	<p>To present the final audited financial statements for the year ended 31 July 2024.</p> <p>The Joint Audit and FGPC meeting held on 9 December 2024 and the Board meeting held on 17 December 2024 approved the 2023/24 financial statements, subject to no significant changes being made to the financial statements following completion of the external audit.</p> <p>Deloitte have now confirmed there are no further audit adjustments and their opinion on the financial statement is unqualified.</p>
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Financial sustainability		
Resource implications:	Yes – monitoring of Financial Resources If yes, please specify:		
Risk implications:	Yes If yes, please specify: Financial Operational		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

The committee approve the final audited financial statements for the year ended 31 July 2024 and note that there have been no further significant changes to the financial statements and that Deloitte have provided an unqualified opinion on the financial statements.

Purpose of report

To present the final audited financial statements for year ended 31 July 2024 to the committee and for the committee to note that only minor changes were made to some disclosures and notes to the accounts and no adjustment has been made to the main statements and figures.

Income & Expenditure Account Summary

The final operating surplus for 2023/24 was £0.157 million, compared to the operational deficit of £3.449 million in 2022/23. The reason for the increased operational deficit in 2022/23, compared to the approved financial statements for 2022/23, is due to a prior year adjustment for the costs of support staff job evaluation. A note on the adjustments made, from guidance provided by SFC, is appended to this report.

Total income for the year was £30.509 million (2022/23 - £29.176 million), with expenditure of £30.352 million (2022/23 - £32.625 million). The main reason for the increase in total income compared to the previous year of £1.333 million was the increase in funding council grant income, which was related to the previous year adjustment for job evaluation. The main reasons for the decrease in expenditure of £2.273 million was due to a decrease in staff costs of £1.017 million and no impairment charge in 2023/24, compared to the previous year charge of £1.060 million.

Total staff costs for the year were £19.194 million, compared to £20.211 million the previous year, a decrease of £1.017 million. The main reasons for the decrease in staff costs was a reduction in the overall staff fte for the college and a reduction in the pension adjustment related to the LGPS.

The overall total comprehensive income for the year was £4.148 million, compared to £4.305 million the previous year, which was due to a fall in the actuarial gain in respect of pensions from £7.754 million to £1.738 million and the unrealised surplus on revaluation of £2.720 million.

The underlying position for the college, called the adjusted operating position (AOP) by SFC, for 2023/24 was a deficit of £621,558, compared to a deficit of £390,024 in the previous year. The calculation for this is shown in the accounts on page 10 of the financial statements, and is the adjusted surplus/ deficit figure in the accounts, after stripping out the pension, depreciation, deferred grant and job evaluation adjustments, which are non-cash items.

Balance Sheet Summary

The total net asset position at the end of 2023/24 was £23.221 million, compared to £19.846 million in the previous year, an increase of £3.375 million. The main reason for the increase is due to the increase in the revaluation reserve of £2.7 million and the increase in the pension assets of £0.661 million.

In terms of the other key balance sheet items, these are noted below:

- Fixed assets, which include the main campus building and the school of forestry buildings, plus college equipment, increased from £56.231 million to £57.869 million, an increase of £1.638 million, which was due to the increase in the revaluation of the buildings and capital additions, offset by the depreciation charge for the year.
- Current assets increased from £9.212 million to £9.869 million, an increase of £0.657 million and was mainly due to an increase in cash of £1.844 million, which was offset by the sale of the Longman site asset, which was being held in current assets.
- Creditors due within 1 year have increased by £0.783 million, from £6.769 million in 2022/23 to £7.552 million in 2023/24. The main reason for this is an increase in deferred income relating to the ALF funding.
- Creditors due after 1 year have decreased by £1.202 million, from £40.295 million to £39.093 million. The main reason for the decrease is the reduction in the NPD creditor.
- Provisions have increased from an asset of £1.467 million in 2022/23 to a net asset of £2.129 million, a positive movement of £0.662 million. This is due to the movement of the LGPS asset figure, which has increased from £4.890 million to £6.672 million, an increase of £1.782 million. Within the provisions figure, there is also a long-term pension provision of £1.750 million, which relates to college staff who left the college in the late 1990's and received enhanced pensions, the provision for support staff job evaluation of £2.019 million, and a provision for potential SFC recovery of the sale of proceeds from the Longman sale.

Year-end Cash Balances & Net Current Assets

Overall, the college end of year bank balance increased, from £6.774 million to £8.619 million, an increase of £1.845 million. The main reason for this was the college was still holding cash balances in relation to the following items:

- Back-pay for 2022/23 and 2023/24 for academic staff.
- ALF funding for estates projects
- Recovery of student support fund underspend
- Proceeds from sale of Longman site.

Once these are taken into account, the net cash balance is £5.1 million, which was in line with the original forecast.

The college also reported net current assets of £2.317 million, which reflects the positive liquidity for the college at the present time.

Student Support Funding Summary

Overall, the college received £2.736 million of student support funds for 2023/24, with total expenditure being £2.153 million, an underspend of £0.583 million. This will be recovered by the SFC during the 2024/25 academic year.

Appendix 1 – Job Evaluation Adjustment

Background

1. In previous years, SFC has held in reserve grant funding provided by the Scottish Government that relates to the middle management and support staff job evaluation exercise. These funds were returned to Scottish Government in 2023 with Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete.
2. The published 2023-24 FE Accounts Direction recommended that the costs of the middle management and support staff job evaluation exercise should be treated as a contingent liability. Based on discussions with relevant parties, the treatment was initially thought to be reasonable. Auditors have recently expressed a view that this treatment may not comply with the FE/HE SORP treatment for contingent liabilities and an alternative approach should be adopted.
3. SFC, Audit Scotland and the firms auditing colleges have recently discussed the accounting treatment for the middle management and support staff job evaluation exercise. The treatment advocated at that meeting was that a liability relating to the costs of implementing the middle management and support staff job evaluation exercise outcome should continue to be recognised.
4. The rationale is that the job evaluation exercise is a past event which, where an obligation exists its impact can be reliably measured and is likely to result in an outflow of benefit in future periods. Given the timing of the outflow is uncertain, a provision is likely to be the appropriate treatment. This treatment is considered by auditors to be compliant with the SORP and the relevant underlying accounting standards.
5. It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with it until the process is complete.

Amendment to 2023-24 Accounts Direction

6. Paragraphs 7 to 10 below replace paragraphs 21 to 23 of Appendix 1 (page 9) of the published FE Accounts Direction 2023-24 ([Accounts Direction for Scotland's Colleges 2023-24 - Scottish Funding Council](#)).
7. The middle management/support staff exercise is a past event where an obligation exists, its impact can be reliably measured, and it is likely to result in an outflow of benefits in future periods. On this basis, the costs of the exercise should be recognised and a liability provided for the total cost of the exercise to date. Colleges should use the funding figures for job evaluation previously provided by SFC to arrive at their valuation of the liability. Given the timing of the outflow of benefits remains uncertain, a provision is likely to be the appropriate treatment of this liability. This treatment is considered to be compliant with the SORP and the relevant underlying accounting standards.
8. The recognition of the revenue is not as clear due to the change in the funding arrangements not providing sufficient audit evidence for it to be recognised in the financial statements. On this basis, any revenue element previously recognised should be derecognised. Where a college has previously presented the liability as an accrual, this

ITEM 03.

should be derecognised and recognised as a provision. The de-recognition of the previously recognised asset and potential re-recognition of the liability as a provision, will require a prior period adjustment to be made due to the change in funding circumstances and the accounting treatment having occurred in the 2022-23 financial year.

9. Colleges should consider whether separate disclosure of the impact of these transactions is necessary on the face of the Statement of Comprehensive Income and Expenditure due to the materiality requiring such a disclosure to be made.
10. The liability for the cost of earlier years and the current year cost provision should be adjusted through the college's adjusted operating position calculation for 2022-23 and 2023-24 (see the amended Appendix 4 of the Accounts Direction). Colleges should adjust for this item through the adjusted operating position calculation as the Scottish Government has agreed that responsibility for the job evaluation funding commitments rests with the Scottish Government until the process is complete.



**Inverness College Annual Report & Financial
Statements for the year ended
31 July 2024**

SCOTTISH CHARITY NUMBER SC021197

CONTENTS	PAGE
Professional Advisors	3
Performance Report	4
Accountability Report	17
Independent auditor's report to the Board of Management of Inverness College, the Auditor General for Scotland and the Scottish Parliament	42
Statement of Comprehensive Income	46
Statement of Changes in Reserves	47
Balance Sheet	48
Statement of Cash Flows	49
Notes to the Financial Statements	50

Professional Advisors

External Auditor	-	Deloitte 1 Trinity Gardens Newcastle Upon Tyne NE1 2HF
Internal Auditor	-	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Bankers	-	Royal Bank of Scotland 29 Harbour Road Inverness IV1 1NU
Solicitors	-	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
Insurers	-	Arthur J. Gallagher Insurance Brokers Spectrum Building, 55 Blythswood Street Glasgow G2 7AT

Performance Report

Principal's Statement

The purpose of this report is to provide a short summary of Inverness College's performance during the 2023/34 year. UHI Inverness is one of the best performing colleges in Scotland. We perform well against Scottish Funding Council sector benchmarks across all key measures. Over the past 3 years, together with all our colleagues we have transformed the performance and culture of our institution through:

- Employing a distributed collaborative model of leadership.
- Investing in staff professional development as part of our new Talent Management Strategy.
- Implementing a streamlined curriculum management model.
- Embedding and extending our model of student support.
- Introducing new curriculum design principles across all level 4/5 provision to support improved outcomes.
- Engaging curriculum managers to participate in data analysis to support continuous improvement.
- Further developing our quality enhancement planning and a new quality enhancement tracker.
- Developing and maintaining a KPI matrix, linked to strategic plans.
- Implementing a new curriculum planning and review process, including course level costing and staff deployment, informed by Sector Development Plans.
- Embedding mechanisms which put the student voice at the centre of our work.
- Sharing information widely across our staff body so everyone feels empowered.
- Investing in our world-leading, nationally and locally relevant research centres.
- Adapting our estate to meet the changing needs of the region.

Each of these approaches are under constant review to support continuous improvement and many have been highlighted as sector leading in successive Education Scotland reviews and SFC data.

Our Context

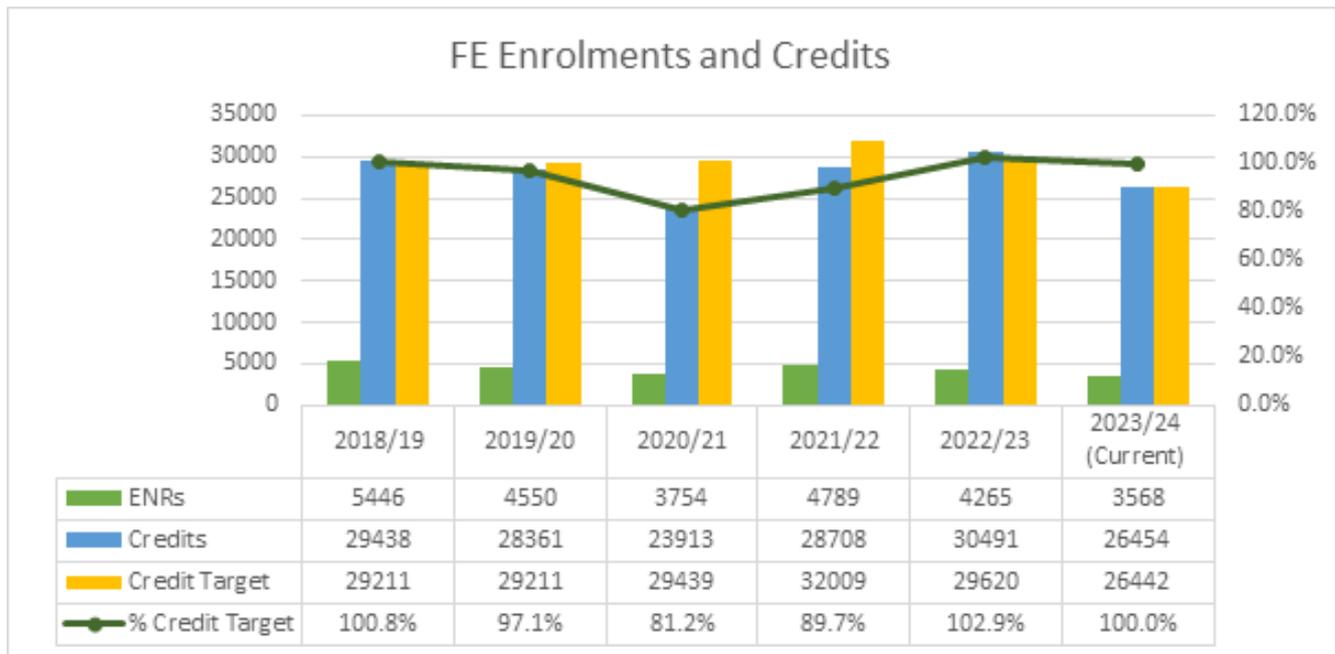
UHI Inverness is one of the largest academic partners of the University of the Highlands and Islands (UHI) and delivers over one-quarter of the region's further education (FE) provision. The college employs circa 348 FTE staff on permanent & fixed term contracts, of which 171 FTE are teaching staff and has an annual turnover of £30m.

UHI is the Regional Strategic Body for the Highlands and Islands region and distributes SFC funding to the partnership.

UHI Inverness delivers over one-quarter of the region's further and higher education provision spanning across the entirety of the SCQF levels 1-12. The college currently has circa 5,436 learners, 3,568 of whom are currently enrolled on FE programmes, over 700 of whom are our own modern apprentices, with >300 more being managing agents' apprentices and 2,256 of whom are on HE programmes as part of the University's provision.

We have seen a significant recovery post pandemic, and the college exceeded our target of 29,620 credits in 2022/23 and our target of 26,442 credits in AY 2023/24. Demand for Full Time Further Education (FT FE) continues to outstrip our credit allocation following a reduction of circa 10% in Academic Year (AY) 2023/24.

The chart below illustrates the College Enrolments over the past 5 years, previous years are year-end, 2023/24 is year to date:



Our Learners

Over 40% of our learners are between the ages of 16 and 19 and 30% of our activity is delivered to learners living in remote and rural areas, 4% being delivered to those living in the 10% most deprived postcode areas, which reflects the Highland/Inner Moray Firth area demographic. The college currently delivers 4% of our activity to care experienced learners. Our learners are split between 42.1% female, 57.3% male, and 0.6% other.

Our Curriculum

Our curriculum is delivered through 4 broad curriculum Schools:

- Care, Sports, Arts, Drama and Humanities
- Hair, Beauty, ESOL, Business and Hospitality
- Applied Science, Forestry, Computing and Education
- Engineering & Construction

Within the 4 Schools, our provision covers 16 subject areas and includes specialist provision within the Scottish School of Forestry and a significant and growing number of work-based learners. Circa 750 school pupils, aged 15-17, are enrolled on Senior Phase school-link programmes. We have a growing demand for places and have witnessed a 17% increase in applications over the last 3 years. We are sadly unable to meet this growing demand, largely due to restrictions in our FE credit allocation and the recent introduction of an FE top-slice by UHI as the RSB.

Our Research

We have continued to invest in the further development of our two research centres, including over £350K investment in 2023/24. The Institute for Biodiversity & Freshwater Conservation seeks to understand how biodiversity is generated and maintained with the aim of guiding its conservation and management. It is of growing importance to our region, providing research and commercial services to public and private institutions. Additional investment was made to upgrade its laboratory facilities and equipment on Inverness Campus. The Centre for Living Sustainability aims to amplify the voices of marginalised people in communities across the Highlands and Islands and internationally. It takes an interdisciplinary and creative approach to research and innovation to understand complexity, change and uncertainty, delivering a number of projects in-year including those focussed on local change.

External Environment

The employment rate among 16–24-year-olds is very high locally at 69.4% compared to the Scotland average of 52.9%. The demand for labour in and around Inverness poses an ongoing challenge to retention and progression particularly in Healthcare/Care, ICT, Construction, Forestry, and Hospitality. The college continues to note a correlation in the challenges around retention in some of these areas.

We invested in the expansion of our Business Solutions Team, resulting in significant growth in Modern Apprentices to over 750, in response to employer demand. As a partnership, UHI is now the largest college provider of work-based learning in Scotland, with Inverness College being the lead deliverer. However, the reduction in SDS funding has meant that we are not able to meet employer demand for MA places across the region. A further >300 electrical and plumbing modern apprentices were trained by the UHI Inverness under managing agent agreements with private providers.

The announcement of the Cromarty Firth Green Freeport in 2023/24, coupled with significant economic development activity in our region, is increasing an already high demand for skills, particularly in construction, engineering and business. UHI Inverness is well placed to meet this demand, if funding is made available, with 46% of our FE and 39% of our HE delivery focussed on these sectors in 2023/24. Apprenticeships, both at Modern and Graduate level, are an important growth area for UHI Inverness as a key aspect of our response to local, regional and national skills needs, alongside full and part-time FE and HE, schools programmes, short courses and re-training.

Professor Christopher O'Neil
Principal and Chief Executive Officer

Performance Report (contd.)

Legal Status

Inverness College was established under the Further and Higher Education (Scotland) Act 1992. The College is a registered charity (Scottish Charity Number SC021197) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

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

The Financial Statements cover all activities of the College.

Strategic Plan 2021-2025

Inverness College Board approved the Strategic Plan and its sub-strategies in December 2021. Each of the strategic aims in these plans is mapped to a KPI, reported through our KPI matrix at relevant Board Committees. Updates are published on a monthly basis.

Our Strategic Purpose states "As leaders in tertiary thinking and tertiary delivery, we will have a transformational impact on the development and prospects of the people, communities and economy of the Highlands and Islands. We will design and deliver an innovative, integrated curriculum that spans all levels and types of qualifications, providing world class education, training and research with local, national and international sustainable value."

Core Values 2021-2025

- Be Ambitious – through teamwork and partnership we have a desire and determination to collectively succeed.
- Be Bold – we have passion and courage to do what we say we will do and exceed expectations.
- Be Creative – we use our collective expertise and imagination to create new things and continuously improve what we do.

The Strategic Aims cover: Tertiary Education; Organisational Development; Research and Innovation; Student Experience; and Finance and Sustainability.

Aim 1 Tertiary Education

"To increase our reputation and reach by offering a progressive and accessible tertiary curriculum that is relevant and attractive to local, national and international students, and which enables personal development, economic growth and social cohesion.

Tertiary Education and Research have a shared vision which guides the integrated and interdisciplinary approach in all aspects of delivery of curriculum and research activity.

We will be nationally and internationally recognised for impactful, interdisciplinary research and teaching in biodiversity, ecology, sustainability, culture, equity and social justice that informs innovative tertiary education. This will deliver on sustainable development goals which address the biodiversity and climate emergencies and empower communities across our region."

Performance in relation to this aim and each element in the sub-strategy is monitored by the Learning, Teaching & Research Committee.

Aim 2 Organisational Development

“We will attract and retain talented employees committed to achieving our 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 distributed leadership model, which empowers teams to deliver; and share accountability for outcomes. We will support our workforce to be agile, resilient and responsive to opportunities.”

The development and implementation of our Talent Management strategy and framework is key to achieving this aim and the action plan for this is reviewed at the HR Committee.

Aim 3 Research and Innovation

“Research and innovation will define the tertiary environment and have relevance to and impact upon our staff, students and the communities we serve.” Performance against this aim is monitored by the Learning, Teaching & Research Committee.

Aim 4 Student Experience

“We will create a vibrant student experience that is underpinned by creative learning and teaching and proactive student support, designed through collaboration between students, staff and the wider community. We will ensure that all our students are supported at every stage of their journey to achieve their full potential.” Performance against this aim is monitored by the Learning, Teaching and Research Committee.

Aim 5 Finance and Sustainability

“We will continually review our service delivery to ensure our financial sustainability. We will plan and manage our resources to be efficient and effective, prioritising investment to improve our student experience and achieve our vision. We will respect and protect our environment, as we work towards achieving net zero carbon.

Financial sustainability is a priority aim, which underpins our entire strategy. Following the development of our course costing model, our new Curriculum Planning Review approach, together with Monthly Data Presentation meetings and KPI matrix, will enable us to monitor the efficiency of our service delivery. The Sustainability Working Group is leading the development of an environmental sustainability strategy, encompassing every aspect of our business, as we work towards our net zero carbon goal.”

Performance against this aim is monitored by the Finance and General Purposes Committee.

Principal Risks and Uncertainty

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management and to UHI as the Regional Strategic Body..

The main risks to Inverness College are: -

- Financial instability of UHI and impact of financial decisions made by UHI – resulting from the financial instability of UHI academic partners and Executive Office (EO) due to increased cost base, reduced income and/or ineffective business models. Concerns around decisions on top slice, leadership payments, shared services, actions from UHI curriculum review and other strands of UHI 2024 which are still to be progressed. Risk mitigation - close monitoring of funding and allocations, to ensure we are able to challenge unsustainable activities, proactive lobbying of stakeholders to put forward the case for UHI Inverness students, employers and communities and to continue to support and promote the delivery of the curriculum review.
- College does not achieve allocated HE student number targets – resulting from the failure to recruit sufficient students due to various factors such as: over ambitious target, poor marketing, curriculum gaps, poor NSS result, poor relationship with schools, inability of UHI to react swiftly impacting on

ability to convert applications to enrolments, and not addressing the changing demographic across the region. Other factors include employment and demographic trends and the ineffective UHI EO-driven curriculum review. Risk mitigation - UHI curriculum review – must be delivered, increased resource in UHI Inverness marketing department and development of work-based degrees and graduate apprenticeship programmes to reflect the high employment rates across the region.

- College does not achieve allocated FE Credit targets – resulting from failure to recruit sufficient students due to various factors such as: reduction in school leaver numbers, curriculum that lacks relevance to local economy, curriculum gaps, ineffective marketing and engagement with local schools/employers, environmental shift from FE to HE recruitment pattern. Risk mitigation – includes enhanced curriculum planning review process, sector development planning process provides early indication of employment related trends, to inform curriculum development and monitoring and supporting those at risk from early or further withdrawal through INSIGHT and Monthly Data Presentations, which include FE & HE Student enrolments against targets for current year, along with actual targets for previous years/summary of early and further withdrawals for both FE & HE for current year and FE & HE recruitment numbers for the next academic year.
- Financial failure/operating loss. Inability to achieve a balanced budget – resulting from uncontrollable increasing pay costs as a result of national bargaining, job evaluation, unfunded pay awards impacting on the whole sector, as well as reduced FE and HE funding. Other factors include potential clawback on historical FE and HE under recruitment and UHI funding models and mechanisms. Risk mitigation - Financial monitoring and control of staff resources through Staff Resource Panel (SRP), strengthened following Financial Recovery Plan (FRP) in 2021. Fully costed curriculum underpinning curriculum planning review process. Move of (Graduate Apprenticeships) GA responsibility from UHI hub to Business Solutions Team.
- The College fails to make fully informed financial management decisions – resulting from poor financial monitoring and lack of understanding of funding and finance. Risk mitigation - close resource management via SRP, monthly financial monitoring, the Board of Management committees are updated within the committee cycle and a fully costed curriculum, used to inform the curriculum planning review.

Going Concern

The net asset position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 (2015/16) which has resulted in the reclassification of government capital grants previously disclosed in reserves, being disclosed under liabilities less than one year and greater than one year. The net assets include a pension provision for early retirements of £1,750,525 and a Pension Asset of £6,672,000 for the College's share in the Highland Council Local Government Pension Scheme (LGPS). It is recognised that the College's position in the LGPS is a long- term asset and this figure can change from year to year depending on actuarial assumption, including assumptions about inflation and interest rates.

The College reported an operating surplus of £157,062, compared with an operating deficit of £3,449,329 in 2022/23 and an Adjusted Operating Position (AOP) deficit of £621,558, compared with an AOP deficit of £390,024 in 2022/23 (See table on Page 11). The college maintains a good level of cash balances, at £8.6 million at July 2024. Also see Page 43 for a fuller assessment of going concern.

PERFORMANCE ANALYSIS

Student Activity Indicators

UHI Inverness delivers over one-quarter of the region's further and higher education provision spanning across the entirety of the SCQF levels 1-12. The college currently has circa 5,436 learners, 3,568 of whom are currently enrolled on FE programmes, over 700 of whom are our own modern apprentices, with approximately 300 more being managing agents' apprentices, and 2,256 of whom are on HE programmes as part of the University's provision.

We have seen a significant recovery post pandemic, and the college exceeded our target of 29,620 credits in 2022/23 and our target of 26,442 credits in 2023/24. Demand for FT FE continues to outstrip our credit allocation following a reduction of circa 10% in 2023/24

Recruitment for Higher Education (HE) across UHI has been challenging, due to the cost-of-living crisis, competition across the sector and high employment levels. UHI Inverness responded by implementing a strategy to follow its traditional student base into the workplace, developing a range of Graduate Apprenticeship programmes, which align well to the skills and education needs of the region.

The College participates fully in maximising opportunities at a regional level, working closely with our UHI academic partners to match resources with demand. 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.

Student Activity	Target 2023/24	Outturn 2023/24	Target 2022/23	Outturn 2022/23
FE Credits	26,442	26,523	29,620	30,500
HE UGT FTEs	1,418	1,259	1,441	1,290

Quality and the Student Experience

UHI Inverness has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. This was evidenced by the most recent external review of Inverness College by Education Scotland In April 2024, where they found major strengths in the college's work. This recognised the range of mechanisms which have been introduced to support our continuous improvement. A new approach to quality enhancement planning was introduced in 2021/22 which saw the introduction of a live dashboard to monitor and track quality improvement activity across the entirety of the organisation. This has been identified by Education Scotland in successive reviews as highly effective practice and foundational to our continued cross-organisation quality culture.

We have also worked closely with Curriculum Leaders to roll out new *Curriculum Design Principles* across all of our SCQF level 4/5 programmes which have levered out greater levels of successful outcomes as well as supporting the college's approach to trauma-informed practice. Our design principles have been instrumental in the significant improvement in FT FE outcomes and in particular the outcomes of learners with care experience which sit 5.2% above the most recently published 2022/23 sector benchmarks. In parallel to this work, we have introduced a new process to examine programmes with stubborn KPIs. The *On Trend* process has supported a range of programmes to identify solutions to their underlying reasons for underperformance. This solution focussed staff driven process has seen improved outcomes on all programmes involved.

Student Satisfaction

UHI Inverness engages annually in three key student surveys covering FE and HE provision, including apprenticeships. UHI Inverness oversee and runs the *Early Student Experience Survey (ESES)* and the *Student Satisfaction and Engagement Survey (SSES)* which includes only Inverness enrolled students

and Executive Office oversee the *National Student Satisfaction Survey (NSS)* which is for all final year HN and degree students across the partnership.

There has been focus on improving the response rates in the ESES and the SSES since Academic Year 2022/23 through the innovative approach in working with a charity partner chosen by students. This has led to the highest response rates recorded for UHI Inverness in Academic Year 2023/24 and well beyond the SFC's target of 50%. Conversely, partnership wide response rates in the NSS, whilst being higher, have been on a downward trend. UHI Inverness response rate is +2% on the overall UHI response rate.

Satisfaction rates remained high in 2023/24 at 92% in the SSES. Satisfaction rates were 82% in the NSS, an improvement of 1% in 2023/24. This led to UHI being ranked 7th in the NSS rankings of Scottish Universities.

The *Postgraduate Taught Experience Survey (PTES)* is an annual survey of all postgraduate taught programmes across the UHI partnership and is led by Executive Office. The UHI partnership did very well in this survey and achieved the highest satisfaction rate of any Scottish institution for the third consecutive year.

In addition, Postgraduate research student views are captured in the biennial *Postgraduate Research Experience Survey (PRES)*. The response rate in the last survey was 54% (UK response rate is 28%) and the satisfaction rate was 83%. This was up 9% on 2022/23 and is 1% above the Scottish sector satisfaction rate.

Current and Future Developments

Learner Outcomes and Forecast for AY 23/24

Our key focus in AY 2022/23 was on *readjustment and recovery* and the support provided to learners in the first normal year since the pandemic. We have seen an improvement in retention since AY 2022/23, a reduction in Partial Success, and an improvement in Successful Outcomes which were 68.5% for Full Time FE (our largest student type) in the 2023/24 AY. This puts us as third in the sector for comparable colleges. We made a further improvement in our FT FE outcomes in AY 2023/24 and had an out-turn of 71.4%. Outcomes for Apprentices in Construction and Hospitality are below the national benchmark and plans to improve these are in place.

Learner Satisfaction

The college has seen high rates of learner satisfaction in both the Early Student Experience Survey (ESES), at 96% and the end of year Student Satisfaction and Engagement Survey (SSES) at 93% satisfaction last AY. The college, as part of the wider UHI partnership, performs very well in the National Student Satisfaction survey (NSS) where satisfaction rates were 82%, an improvement of 1% in AY 2023/24 and this led to UHI being ranked 7th in the NSS rankings of Scottish Universities.

The *Postgraduate Taught Experience Survey (PTES)* is an annual survey of all postgraduate taught programmes across the UHI partnership and is led by Executive Office. The UHI partnership did very well in this survey and achieved the highest satisfaction rate of any Scottish institution for the third consecutive year.

In addition, Postgraduate research student views are captured in the biennial *Postgraduate Research Experience Survey (PRES)*. The response rate in the last survey was 54% (UK response rate is 28%)

and the satisfaction rate was 83%. This was up 9% on 2022 and is 1% above the Scottish sector satisfaction rate.

Evolution of our Management Structure

Our management structure continues to evolve in response to the on-going need for efficiency, in recognition of critical areas of our work which we want to bolster and further resource, and to support our culture of distributed and collaborative leadership. A further review of our EMT and curriculum management structures in AY 2022/23, reducing our EMT to consist of the Principal and two Vice Principals enabled us to invest in:

- A new curriculum leadership structure, with 2 Tertiary Education Leaders managing 4 Curriculum Leaders, supported by Depute Curriculum Leaders.
- A new role, *Curriculum Quality Leads*, specifically focussed on quality enhancement, digital technology, and student recruitment across our 4 curriculum areas.
- New permanent staffing resource in Wellbeing & Learning Support and Access & Transitions services, to meet the growing demands and complexity of student need.

Planning & Managing Performance

An enhanced annual process for Curriculum Planning and Review was introduced in AY 2021/22, encompassing Sector Development Planning and a detailed review of course level data, supported by new course costing and workforce planning tools. This approach was further developed in 2023/24, to allow for greater data triangulation and analysis.

KPI targets are set for each sub-strategy, contained in a single document. This document is updated on a monthly basis, with extracts presented to board committees and the full set of measures to the Board of Management. These are also presented to staff at regular briefings and available via SharePoint.

Monthly data presentations provide an opportunity for curriculum managers to analyse and present an annual cycle of measures to the Vice Principals and Tertiary Education Managers each month, together identifying strengths and actions where improvement is required.

All budget holders present a review of their budget to the Vice Principals, the Operations and Commercial Manager and the Finance Director at Budget review meetings, to enable early identification and management of any variances.

2023/24 saw the first year of a three-year planned deficit budget, to allow the College to invest in programme development and research. The deficit had arisen largely due to a recent top-slice applied to FE funding by the RSB and the failure of payments from the RSB for Module and Programme Leadership to keep pace with the 50% increase in associated staff costs over a period of >10 years. The deficit budget and a three-year plan to reduce this was approved by the Board to ensure that we were able to grow and adapt to meet local need as much as possible whilst addressing the operating deficit.

Quality Improvement

A range of mechanisms have been introduced in AY 2023/24 to support our continuous improvement. A new approach to quality enhancement planning was introduced in AY 2021/22 which saw the introduction of a live dashboard to monitor and track quality improvement activity across the entirety of the organisation. This has been identified by Education Scotland in successive reviews as highly effective practice and foundational to our continued cross-organisation quality culture.

Our Quality Enhancement Process for 2023/24 identified the following five themes to support our continuous improvement:

- Improvement in successful outcomes.
- Sharing emerging practice in learning and teaching to support retention and successful outcomes.
- Improvement in the consistent use of learning technologies to support learning & teaching.

- Improvement in student voice representation & working with students in partnership.
- Develop a common approach to skills delivery and visibility across curriculum.

These have shaped the further improvement which the college have seen across our KPIs. We have also engaged closely with circa 20 of the Highland Council's 29 secondary schools to deliver a rich offer of programmes for school pupils in the Senior Phase, from SCQF level 1-7 including vocational pathways, Foundation Apprenticeships, Skills for Work, National Progression Awards, N5s and Highers, HNCs and Degree modules.

The post-Covid employment market is booming across a wide range of sectors and with new sectors emerging, our challenge is to adapt. Foreign Direct Investment associated with the Cromarty Green Free Port, coupled with the expansion of local businesses and skills required to support net zero carbon targets have increased demand for delivery across a wide range of STEAM related subjects. The buoyant local employment market, which in some cases provides relatively high wages for low skilled employment, also represents a challenge to our student retention with young people feeling the pull to employment, particularly as the cost-of-living increases. To meet this challenge the college continues to offer a variety of cost-of-living supports including a free breakfast and lunch to all students.

We worked closely with Curriculum Leaders to roll out new *Curriculum Design Principles* across all of our SCQF level 4/5 programmes which have levered out greater levels of successful outcomes as well as supporting the college's approach to trauma-informed practice. Our design principles have been instrumental in the significant improvement in FT FE outcomes and in particular the outcomes of learners with care experience which sit 6.3% above the latest published sector benchmark (2023). Indeed, outcomes for all protected characteristics groups sit above the sector benchmarks. In parallel to this work, we have introduced a new process to examine programmes with stubborn KPIs. The *On Trend* process has supported a range of programmes to identify solutions to their underlying reasons for underperformance. This solution focussed staff driven process has seen improved outcomes on all programmes involved.

Investment in our Staff Development

In support of our move to a more distributed leadership model we have rolled out a *Collaborative Leaders* programme to all operational and line managers.

We have made significant investments in the professional development of all our staff and in particular have been recognised by Education Scotland as being sector leading in our numbers of TQFE qualified staff and GTCS registered staff.

We have embedded a research culture across the organisation and have developed a *Research Pathway* for all staff. As part of this we have completed the first cohort of the Enquiring Minds programme where staff across both curriculum and professional services are sponsored to undertake a research project which will have demonstrable impact on student and or staff experience. This is now into its second year and our Research Pathway has been shortlisted for a CDN Award.

Research

The following summarises current activity against the performance indicators of Research Excellence Framework, Post-Graduate Researchers, and Knowledge Transfer Partnerships. Strategically the College aims to further enhance our research excellence capacity to inform and develop the 'currency' of the curriculum.

1. Research Excellence Framework

The outcome of the 2021 Research Excellence Framework review was announced in May 2022. UHI as a whole achieved an exceptionally good outcome across nearly all Units of Assessment submitted. The Research Excellence Grant allocation for each of the UHI Academic Partners was finalised in July 2022, with Inverness receiving £133,000 for 2023/24. We are working toward the next REF return which will be in 2028/29.

2. Number of Postgraduate Research Students

The total number of Postgraduate Research Students in 2022/23 was 20, which is broadly in line with our target. 3 students successfully completed their research degrees in 2023/24.

3. Number of Knowledge Transfer Partnerships

Two Knowledge Transfer Partnerships have been completed and a third is underway.

4. Research Centres

The work of the Institute to the Institute for Biodiversity and Freshwater Conservation is thriving under the leadership of Dr Bernd Haenfling, as is the Centre for Living Sustainability led by Professor Vicky Johnson. Both centres are subsidised by HE funding, in recognition of the value they bring to our tertiary curriculum.

Financial Performance

Non-cash Allocation

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

	2023/24 £'000	2022/23 £'000	Notes
Surplus/(Deficit) before other gains and losses (FE/HE SORP basis) for academic year	157	(3,449)	See SOCIE
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	(286)	59	See Note 11
Impairment	0	1,060	See Note 13
Operating Surplus/(deficit) on Central Government accounting basis for the academic year	(129)	(2,330)	

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 a surplus of £157,062 (2022/23 – deficit £3,449,329) for the year ended 31 July 2024. After adjusting for the non-cash allocation provided under government rules, the College shows an “adjusted” deficit of £621,558 (2022/23 - deficit of £390,024) on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating position below.

Adjusted Operating Position (AOP) Note

SFC approval of the Adjusted Operating Position was given on 22 November 2024.

	2023/24 £'000	2022/23 £'000
Surplus/(deficit) before other gains and losses	157	(3,449)

Add back:		
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 11)	(286)	59
Impairment (Note 13)	0	1,060
Pension adjustment – Net service cost (Note 6)	198	742
Pension adjustment - Net interest cost (Note 9)	(242)	84
Pension adjustment - Early retirement Provision (Note 17)	126	279
Costs of middle management job evaluation exercise not matched by revenue	367	1,653
Deduct:		
Non-Government capital grants (e.g. ALF capital grant)	(941)	(818)
NPD income applied to reduce NPD balance sheet debt		
Adjusted operating (deficit) surplus	(621)	(390)

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2024 shows a surplus of £157,062, (2022/23 £3,449,329 deficit). There were adjustments for the College's share in Highland Council's Pension Scheme amounting to a credit of £44,000 (2022/23 – cost of £826,000). There was a favourable actuarial movement of £1,738,000 in this same scheme (2022/23 – actuarial valuation increase of £7,754,000). Total income increased to £30.5 million (2022/23 £29.2 million) and expenditure has decreased to £30.3 million (2022/23 £32.6 million). The increase in income is due to an adjustment made in the previous year relating to accrued income for the job evaluation exercise and the decrease in expenditure is related to an adjustment made for job evaluation expenditure which had been accrued in previous years.

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 25 days over the 12 month period to July 2024, compared with the figure of 26 days in the 12 months to July 2023.

Sustainability Strategy

The Environmental Sustainability Strategy for Inverness College was approved by the Board in December 2022. The strategy covers four core areas to support our desire to reduce impact on the environment and achieve net zero carbon emissions by 2040:

- Leadership and Governance,
- Sustainable Procurement,
- Estates and Campus Operations,
- Curriculum: Teaching and Learning.

Over the course of the year, we have:

- Continued the work of our Sustainability Working Group, led by the Health, Safety & Sustainability Manager.
- Held two workshops at our staff conference aimed at all staff titled 'Engaging with sustainability: Colleges as champions & enablers' led by EAUC

- Held three more workshops led by EAUC titled 'Monitoring and Evaluating ESD' for lecturing staff and curriculum managers, looking at how we ensure sustainability is fully embedded in our curriculum activities.
- Worked with our facilities management company to replace light fittings on the 2nd floor, the car parks and some workshops with more efficient LED fittings. The 2nd floor lights alone will save around 34,000 kilowatt hours per year.
- With the support of our waste management contractor, we have further developed our recycling efforts and now send zero waste to landfill.
- Continued to work with GTFM to optimise our heating and cooling schedules further to reduce carbon emissions whilst maintaining comfort.

The College reports on its performance in line with the requirements of the Climate Change (Scotland) Act 2009. For the Academic Year 23/24 the College reported 2,648 tonnes of CO₂ equivalent (tCO₂e) emissions compared to 2,915 tonnes in 22/23. The College is continuing to refine its carbon reporting processes to give the most accurate representation possible of its emissions.

Disclosure of Information to Auditors

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

Approved by order of the members of the Board on 31st January 2025 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Dee Bird
Interim Chair of Board

Accountability Report
Section One: Statement of Corporate Governance

DIRECTORS' REPORT

Members of the Board of Management

The UHI Inverness College Board of Management is populated by the College Principal, non-executive Board Members, two staff members and two student representatives taken from the Highlands and Islands Student Association (HISA).

The Members, who served on the Board of Management during the year 2023/24, and up to the date of the accounts being signed on 31st January 2025 were as follows:

Name	Designated Role	Membership	Start Date	End Date
Victoria Erasmus	Chair of Board of Management	Board of Management Chairs Committee Performance Review and Remuneration Board S&N Committee Finance & General Purposes Committee (ex officio member) Audit Committee (by open invitation) HR Committee (ex officio member) Learning, Teaching and Research Committee (ex officio member)	01 January 2025	
Mark Sheridan	Chair of Board of Management	Board of Management Chairs Committee Performance Review and Remuneration Board S&N Committee	01 July 2021	08 July 2024
Dee Bird	Interim Chair of the Board of Management Vice Chair of the Board of Management Chair of Learning, Teaching and Research Committee	Board of Management Learning, Teaching and Research Committee Chairs Committee S&N Committee PR&R Committee	08 July 2024 26 March 2024 31 March 2022	

Chris O'Neil	Principal	Board of Management Human Resources Committee Finance and General Purposes Committee Learning, Teaching and Research Audit Committee (ex officio member)	01 September 2017	
Innis Montgomery	Chair of Human Resources Committee Senior Independent Member	Board of Management Audit Committee Human Resources Committee Chairs Committee PR&R Committee S&N Committee	12 April 2017	
Donald MacKenzie	Chair of Finance and General Purposes Committee Independent Member	Board of Management Finance and General Purposes Committee Chairs Committee PR&R Committee S&N Committee	18 June 2020	
Tina Stones	Chair of Audit Committee Independent Member	Board of Management Audit Committee HR Committee Chairs Committee PR&R Committee S&N Committee	01 February 2021 September 2022	05 September 2023
Janette Campbell	Chair of Audit Committee Independent Member	Board of Management Audit Committee Chairs Committee S&N Committee PR&R Committee	19 December 2023 27 June 2023	
Sally Blyth	Vice Chair of Audit & HR Committees Independent Member	Audit Committee Board of Management HR Committee	01 December 2019	
Russell Edwards	Vice Chair of Finance and General Purposes Committee Independent Member	Board of Management Finance and General Purposes Committee Learning, Teaching and Research Committee	01 February 2021	

Arvinder Kainth	Vice Chair Learning, Teaching and Research Committee Independent Member	Board of Management Learning, Teaching and Research Committee	01 February 2021	
Gillian Galloway	Independent Member	Board of Management Audit Committee Human Resources Committee	01 December 2019	
James Millar	Independent Member	Board of Management Audit Committee Learning, Teaching and Research Committee	10 February 2022	07 July 2024
Stephen Sheridan	Independent Member	Board of Management Finance and General Purposes Committee Learning, Teaching and Research Committee	10 February 2022	28 June 2024
Wendy Grindle	Independent Member	Board of Management Audit Committee Learning, Teaching and Research Committee	27 June 2023	
Rojan Kumar Subramani	Independent Member	Board of Management Finance and General Purposes Committee	31 March 2022	
Michael Beveridge	Co-opted Member of the Audit Committee	Audit Committee Board of Management	31 March 2022	06 August 2024
Pauline Tuthill	Professional Services Representative	Board of Management F&GP Committee Learning, Teaching and Research Committee	27 June 2023	
Matthew Millward	Academic Representative	Board of Management Learning, Teaching and Research Committee	17 March 2022	
Elizabeth Keegan	Student Representative	Board of Management LT&R Committee	01 August 2023	
Holly Pearce	Student Representative	Board of Management LT&R Committee	01 August 2023	
Jane Davidson	Co-opted Member of the F&GP Committee	F&GP Committee Board of Management	27 June 2023	
Amy Goodbrand	Co-opted Member of the Audit Committee	Audit Committee Board of Management	01 January 2021	

A link to our Board of Management Register of Interests can be found here: [Register of Interests \(uhi.ac.uk\)](https://uhi.ac.uk)

A summary of the Board members, and meetings attended during 2023/24 is shown below:

Member	BoM	HR	Audit	F&GP	Chairs	LT&R	S&N	PR&R
Mark Sheridan	5/5	1/4			4/4	2/3	1/1	3/3
Dee Bird	5/5				4/4	3/3	0/1	1/3
Chris O'Neil	5/5	3/4	1/3	3/3	4/4	3/3		
Innis Montgomery	5/5	4/4	2/3		3/4		1/1	3/3
Donald MacKenzie	3/5	4/3		3/3	4/4		1/1	3/3
Tina Stones	0/5		1/3		0/4		0/1	0/3
Janette Campbell	5/5		3/3		3/4		1/1	0/3
Sally Blyth	5/5	3/4	2/3					
Russell Edwards	5/5			2/3		1/3		
Arvinder Kainth	4/5					2/3		
Gillian Galloway	4/5	3/4	1/3					
James Millar	4/5		2/3			2/3		
Stephen Sheridan	5/5			0/3		0/3		
Wendy Grindle	5/5		2/3			2/3		
Rojan Kumar Subramani	5/5			3/3				
Michael Beveridge	4/5		2/3					
Pauline Tuthill	3/5			3/3		0/3		
Matthew Millward	4/5					3/3		
Elizabeth Keegan	4/5					2/3		
Holly Pearce	2/5					1/3		
Jane Davidson	4/5	2/4		2/3				
Amy Goodbrand	1/5		1/3					

Each of our Committees have allocated to them lead officers from the Executive Management Team (see below). All of the Executive Management Team are invited to attend Board of Management Meetings.

- Vice Principal – Curriculum, Operations and External Relations: Lead for the Finance and General Purposes Committee and HR Committee.
- Vice Principal – Curriculum, Student Experience and Quality: Lead for the HR Committee, Learning, Teaching and Research Committee and Audit Committee.

The Governance Officer for the Academic year 23/24 was Ludka Orłowska-Kowal. The Governance Officer maintains a register of financial and personal interests of the Board members. The Register is available for inspection at:

UHI Inverness
1 Inverness Campus
INVERNESS IV2 5NA
or on the College Website - www.inverness.uhi.ac.uk/about-us/board-of-management

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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

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

GOVERNANCE STATEMENT

Statement of Compliance with the 2022 Code of Good Governance for Scottish Colleges

UHI Inverness complies with all principles of the 2022 Code of Good Governance for Scottish Colleges and has complied throughout the year ended 31 July 2024. The Code of Good Governance for Scotland's Colleges "the Code" has been developed and is owned by the College Sector. The Code establishes the standards of good governance for the Board and provides the essential foundations for compliance within the legislation framework. Part of the code requires that UHI Inverness has in place a robust self-evaluation process which comprises of an annual internal review and an externally facilitated effectiveness review every 3 years.

UHI Inverness carries out the annual review of the Code by asking Board Members to express a level of agreement with a series of statements representing good governance and practice. The information provided by Board Members informs our self-evaluation report and indicates areas of strength and highlights where further development for the Board is required. The review of the Code provides Board Members the opportunity to express their views with regards to how we comply with the code in respect of Leadership and Strategy, Quality of Student Experience, Accountability, Effectiveness and Relationships and Collaboration. This ensures that our evaluation report and any development actions are aligned to the requirements of the code.

In order to ensure that we are compliant with the Code our Annual Review is included within the Board's yearly calendar of submissions and any recommendations which come out of this review are incorporated into the ongoing Board of Management Action Plan.

The Audit Committee have met with Auditors without the Executive Team present as part of the scheduled cycle of Board of Management meetings.

During autumn 2020 Professor Ron Hill, on behalf of Colleges Development Network (CDN) was commissioned to undertake an 'Externally Facilitated Board Effectiveness Review' of Inverness College. The final report dated 21 January 2021 and the development plan which the Board of Management has drawn up from this review is available on the College's website. The development plan is reviewed and updated every 6 months.

Prior to the start of the academic year 2023/24 a review of each of our Committees took place. As part of this each Committee's Terms of Reference were reviewed and updated to ensure that there was no duplication and that the aims and objectives of each Committee was clear. The language within each Committee's Terms of Reference were updated to support, challenge and enhance the work of the College and to ensure a pro-active approach is taken by Board Members. They will next be reviewed in March 2025. The review of the Committees has also allowed for the creation of creative space within each meeting.

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

The Board has adapted to a new way of working following the Covid-19 pandemic. All Committee meetings remain fully digital and are conducted via Microsoft Teams. Board Meetings are hybrid with members being encouraged to attend in person but with the option to dial in if needed. The induction process for new members remains online. The Board was able to come together for their Board Away Day in February 2024.

The Board undertook a successful recruitment campaign in Autumn 2024 and were able to recruit two non-executive members.

Introduction

The Board has welcomed the value of the confidential closed sessions which has provided them with the space to discuss and identify areas of good practice and areas for development.

The focus of the Board this year has been in respect of finances with the reduction of funding, the impact of the cost-of-living crisis on both our students and staff, the development of our KPI Matrix. The Board continues to be updated by management in respect of our efforts to manage the College with the Board remaining cognisant of the mitigating and ongoing actions being taken in respect of our delivery effectiveness.

BOARD OF MANAGEMENT

The College's Board of Management meets four times per year and has a number of committees:

- Audit Committee
- Finance & General Purposes Committee
- Performance Review and Remuneration Committee
- Learning, Teaching and Research Committee
- Human Resources Committee
- Search and Nominations Committee
- Estates Legacy Project Board

In addition, the Board of Management held development planning days and training events during the course of the year for the purposes of training, self-evaluation and development. The role of the Board of Management is the strategic overview of the College.

The core College Committees (Audit; Finance and General Purposes; Learning, Teaching and Research; and Human Resources) meet four times a year in line with the Board of Management cycle, with the Audit Committee also meeting with the College's external and internal auditors as appropriate.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to both the Executive Management Team and the Audit Committee. The College Internal Auditors reported as follows for 2023/24:

'In our view, based on the reviews undertaken during the period, and in the context of materiality:

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

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

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

TRANSPARENCY ARRANGEMENTS

The Board of Management conducts its business through a number of committees. Each committee has formally constituted Terms of Reference. Minutes of all Board of Management meetings (except the confidential Estates Legacy Project Board) are available from the Governance Officer at the following address or on the College's website:

Inverness College
1 Inverness Campus
Inverness
IV2 5NA

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

ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

Audit Committee

The Audit Committee has overall strategic responsibility for developing, monitoring and enhancing the following aspects of the College's operations and to advise the Board appropriately on:

- The comprehensiveness, reliability and integrity of assurance of the governance and management of the College.
- The comprehensiveness, reliability and integrity of assurance of the risk management and business continuity of the College.
- The comprehensiveness, reliability and integrity of the College's financial management and other internal control and management systems.
- The effectiveness of arrangements for safeguarding the assets of the College and the public funds at its disposal.
- The economy, efficiency and effectiveness of the College's activities, including value for money.
- The effectiveness of the corporate governance and conduct of the College operations.
- All aspects of the provision of an effective Internal audit service.
- All aspects of the provision of an effective External audit service.
- Public Interest Disclosure (Whistleblowing) arrangements.

Specifically, the Audit Committee shall:

- Monitor, develop, enhance and review the contents of the risk register maintained by the College.
- Receive, consider and discuss the reports submitted by the College's Internal Auditors and progress reports from College Management on the Internal Audit recommendations.
- Jointly with the Board's Finance and General Purposes Committee support, challenge and enhance the development and implementation of the annual report of the College's external auditors and the associated College financial statements on which that report is based.
- Support, challenge and enhance the development of an annual report for the Board of Management which once approved will be shared with the Head of Internal Audit at University of the Highlands and Islands.
- Sit privately without any non-members present for all or part of the meeting if it so decides. The Committee will meet privately with the internal and external auditors at least annually.
- The Audit Committee shall conduct its business in accordance with the requirements of any guidance and/or codes of practice issued from time to time by the SFC and/or any other relevant statutory or regulatory authority as directed by the Board of Management.
- The Audit Committee will observe that the University of the Highlands and Islands are provided with appropriate updates and access to all papers and business to ensure that they are appraised of all aspects being monitored by the Committee.

Human Resources Committee

The HR Committee has overall strategic responsibility for developing, monitoring and enhancing the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff.

The Committee shall support, scrutinise and enhance the development and auditing of all human resource strategies and work streams and this shall include:

- The development and implementation of the Organisational and Professional Development Strategy, Annual Action Plan and the monitoring of actual performance against KPIs.
- The development and implementation of human resources measures surrounding turnover, absence, diversity and teaching qualifications.
- Monitor and observe that the College has appropriate succession plans in place for senior management, teaching and support staff.
- Receive, consider and discuss all Human Resources policies within the College.
- Support, scrutinise and enhance the provision of occupational health support, the provision of legal services and consideration of legal guidance provided to us, the provision of computerised human resources systems and a Job Evaluation system.

- Monitor, develop and enhance progress with regards Equality, Diversity and Inclusion through our Equality Impact Assessments, our Equality Outcomes and our Mainstreaming Report.
- Monitor, develop, enhance and observe that the College provides appropriate staff training and development.
- Develop, enhance and observe that the College has in place an effective Performance Management Framework which is received, considered and discussed through regular statistical reports to the Committee.
- Support, scrutinise, enhance and observe that appropriate arrangements are in place for effective dialogue with trade unions.
- Support, scrutinise, enhance and observe that pay and conditions of employment are properly determined and that pension arrangements are monitored and observed.
- Support, scrutinise and observe that the College is operating within all legal requirements relating to employment law and other legislation affecting employment.
- Support, scrutinise and enhance the development and implementation of appropriate arrangements to provide the assurance of the effective and respectful working relations across the EMT and the wider staff body.

Learning, Teaching and Research Committee

The Learning, Teaching and Research Committee has overall strategic responsibility for developing, monitoring and enhancing the direction and performance of learning, teaching and research at the College, as part of delivering excellence in the overall student experience, research and impact.

The Learning, Teaching and Research Committee shall:

- Support, challenge and enhance the development and implementation of the various strategies aligned to the Committee and monitor their performance against targets.
- Observe and recognise trends in education and research and recommend specific areas of focus for the College.
- Engage with the progress of the annual HISA Partnership Agreement.
- Monitor data relating to the student experience and performance at the College.
- Ensure that the College continues to maintain and improve the quality of its provision and supports lecturers in delivering excellent learning and teaching in line with the GTCS Professional Standards for Lecturers in Scotland's Colleges.
- Monitor, develop and enhance the College's preparedness for the ongoing, external scrutiny of its provision.
- Monitor, develop and enhance the Curriculum to ensure that the College meets the needs of students, stakeholders and the local community and is responsive to opportunities.
- Receive, consider and discuss information on research activity in the College including Research Excellence Framework (REF) funding, curriculum support, student journey, professional development for staff and stakeholder engagement.
- Receive regular reports from the Students Association and provide support to the College in order to respond to student concerns.
- Observe, recognise and encourage sharing from both staff and students of emerging good practice across various aspects of provision at the College.

Finance and General Purposes Committee

The Finance and General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Regional Strategic Body) for developing, monitoring and enhancing the direction and oversight of the College's financial affairs. The Committee has strategic responsibility for developing, monitoring and enhancing the College's existing buildings and estates. It shall:

- Monitor, develop and enhance the financial position of the College and report to the Board on any necessary action.

- Receive, consider and discuss information on non-core grant supported activity including international student and business development activities.
- Support, monitor, challenge and observe the review of the College Financial Regulations.
- Support, challenge and enhance the development and implementation of the College's finance and estates strategies and associated plans and submit appropriate reports and recommendations to the Board.
- Support, challenge and enhance the development and review of the effectiveness of financial management and controls within the College.
- Receive, consider, discuss and approve the annual revenue and capital budgets and final accounts for recommendation to the Board.
- Support, challenge and enhance the development of recommendations to the Board regarding the level of tuition fees and other charges.
- Monitor, support, challenge and observe student recruitment and any actions identified.
- Approve the write-off of bad debts in accordance with both the limits set in the Scheme of Delegation and the authority which the Committee has delegated to the EMT in respect of bad debts.
- Support, challenge and enhance the development and implementation of the overall risk management strategy of the College.
- Monitor and observe compliance with relevant College policies and financial statutory and regulatory requirements.
- Consider and report on Shared Services in so far as they relate to the provision of such services under the remit of this Committee.
- Consider and report on issues of procurement giving consideration to value for money.
- Consider and recommend to the Board on all matters relating to the operation of the Arms-Length Foundation.
- Ensure that the College's existing buildings and estates are fit for purpose and are maintained to an appropriate standard, meeting all relevant regulatory requirements including the effective provision of Health and Safety arrangements to meet all legislative requirements.
- Consider and report on any other financial matters which the Board may delegate or refer from time to time.
- Data Protection arrangements.

Responsibilities – Estates

- Support and enhance the development and implementation of the Estates Strategy as it relates to the campus.
- Support and enhance the development and implementation of any necessary changes and make recommendations to the Board of Management.

Chairs' Committee

The Chairs' Committee will consider the membership of the Board's Standing Committees and the overall effectiveness of the Board's Committee Structure and develop and recommend to the Board any amendments or additions considered appropriate.

The Committee will support and enhance the development and implementation of:

- Effective self-evaluation of the Board, its members, its Standing Committees and its Chairs.
- The annual Board Development Day Programme.
- The Board's training and development programme.
- The Board's stakeholder engagement.

The Committee will at the special request of the Board, receive and consider matters of special interest which are not within the remit of another Standing Committee.

The Committee will support, scrutinise and enhance the functions of the Board in any cases of urgency of which the Chair of the Board, the Vice Chair or the Chair of a Standing Committee or the Senior Independent Member shall be the judge and where it is not practicable to convene a meeting of the Board of Management.

Search and Nomination Committee

The Search and Nomination committee shall:

- Consider the skills matrix of current Board Members to determine the skills and experience required of prospective members.
- Agree which UHI Inverness non-executive members should be on the Selection Panel.
- Ask UHI Executive Office to identify members of the University Court and confirm the recommendation by the committee of an independent person to join the Selection Panel.
- In consultation with UHI Executive Office:
 - a. Agree a timetable for the recruitment and selection process.
 - b. Agree the various forms of advertising to be used to ensure the college meets the College Sector Board Appointments: 2014 Ministerial Guidance and the requirements of the Public Sector Equality Duty.
 - c. Agree the key information to be included in the advertising material.

Performance Review and Remuneration Committee (PR&R)

The PR&R Committee shall consider, support, scrutinise and implement the remuneration package and conditions of service and any changes thereof, of the College Principal and the Executive Management Team (EMT) as is considered appropriate taking into account that the Principal and the EMT should be fairly rewarded for their individual performance and contribution to the College's overall performance and observing, recognising and considering the following:

- In terms of EMT remuneration, where the College stands in relation to other comparable institutions in the sector ensuring consideration is given to organisations of a similar size and the local market.
- The Scottish Government's approach to remuneration in the public sector.
- The relationship between the remuneration of the EMT and that of other employees of the College.
- The benefits granted to the EMT.
- The adequacy of pension arrangements and recognise the cost implication of pension arrangements including the pension effect of remuneration.

The Committee shall support, scrutinise and enhance the development and implementation of the annual appraisal of the Principal and Chief Executive by the Chair of the Board and consider and observe the Principal and Chief Executive's continuing professional development.

The Committee shall consider, support and enhance other such matters relating to the Board of Management which the Chair shall from time to time determine with consideration given to severance payments.

The Committee shall support, scrutinise and endorse any proposals for severance payments to EMT and any exceptional settlements which will require to be formally notified to the Board of Management.

Estates Legacy Project Board

The Estates Legacy Project Board will monitor progress on the sale of the Longman Disposal on behalf of the Board of Management and make decisions within the Project Board's delegated authority.

Responsibilities – Longman Site

- Support and enhance the development and implementation of the sale of the Longman Site on behalf of the Board of Management.
- Maintaining visible and sustained strategic commitment to the delivery of the sale of the site.
- Receive, consider and discuss reports from the Project Manager.
- Support and enhance the development and implementation of communication and consultation strategies for the Project.

- Monitor, discuss and observe the holding cost report.
- Support and enhance the development and implementation of a post-implementation review and report this to the Board of Management.

Delegated Authority

The Project Board shall have overall strategic authority to make commitments on behalf of the Board of Management, including but not limited to matters that have received Board approval in principle.

For the sale of the Longman site this would include specifically, but not exclusively:

- Selection of a preferred bidder following marketing of the site.
- Conclusion of any contracts of sale or purchase as previously approved by the Board.

The Longman site was sold in December 2023 and the college audit committee is monitoring any future sale of the land, as per the sale agreement, for the next two years.

CORPORATE STRATEGY

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

ESTATES STRATEGY

Estates matters are reported to the Finance and General Purposes Committee of the College, with exception of specific legacy projects being reported the Estates Legacy Committee as noted in the section above.

Space at Inverness College's main campus, 1 Inverness Campus, has been under increasing pressure over recent years as demand for construction and engineering related skills has increased across the Highland Region. The recent announcement of the Cromarty and Inverness Green Free Port is projected to further increase demand for STEAM (Science, Technology, Engineering, Art and Mathematics) skills and knowledge exchange

Our Sector Development plan process has identified areas of priority for investment to support growth. These plans were accepted by EMT in November 2022 and the Board of Management in December 2022. Hybrid working patterns across the campus has allowed us to free up space to create new teaching workshops spaces.

Campus	Current Condition	Future Plan	Priorities
Inverness Campus	Excellent	To decrease the proportion of office space in light of hybrid working and transform existing office space to provide additional teaching space. Review costings of construction of new Sustainable Construction Centre within out 3 rd car park.	Action to decrease carbon footprint Asset management Maximise teaching space Robust maintenance and replacement programme

Early Learning and Childcare Centre	Excellent	To continue to lease the building to external learning and childcare service provider	Operate the building in line with the agreed lease
Scottish School of Forestry	Main building and former tractor shed: excellent Outbuildings, E Block: Poor	To expand teaching delivery for construction and civil engineering sectors.	Optimise use of existing buildings by supporting delivery across other curriculum areas Maintain security of site

BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

GOING CONCERN

See Note 1 on the Financial Statements for a detailed consideration.

CONCLUSION

The College complies with all the principles of the 2022 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2024.

Approved by order of the members of the Board on 31st January 2025 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Dee Bird
Interim Chair of Board

Section Two: Remuneration and Staff Report

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

Remuneration Policy

Inverness College UHI Board of Management has responsibility for determining the Principal and Chief Executive's salary, and on recommendation of the Principal, determining and agreeing the Executive Management Team pay. The Performance Review and Remuneration Committee of the Board of Management are tasked with conducting the review of pay considerations for these posts in line with the terms of reference of this Committee.

The Committee shall consider, support, scrutinise and implement the remuneration package and conditions of service, and any changes thereof, of the College Principal and the Executive Management Team (EMT) as is considered appropriate taking into account that the Principal and the EMT should be fairly rewarded for their individual performance and contribution to the College's overall performance and observing, recognising and considering the following:

1. In terms of EMT remuneration, where the College stands in relation to other comparable institutions in the sector ensuring consideration is given to organisations of a similar size and the local market;
2. The Scottish Government's approach to remuneration in the public sector.
3. The relationship between the remuneration of the EMT and that of other employees of the College
4. The benefits granted to the EMT; and
5. The adequacy of pension arrangements and recognise the cost implication of pension arrangements including the pension effect of remuneration.

Remuneration (including salary) and Pension Entitlements

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

Salary entitlements

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

Name	Year ended 31 July 2024			Year ended 31 July 2023		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Principal and Chief Executive – Chris O'Neil	145-150	65	210-215	120-125	58	175-180
Vice Principal – Curriculum, Operations & External Relations Georgina Parker	105-110	59	165-170	85-90	51	135-140
Vice Principal – Curriculum, Student	105-110	57	165-170	85-90	50	135-140

Experience & Quality – Lindsay Snodgrass						
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Note - The salaries in the table above represent the amount earned in the financial year and include a back-dated pay award for the Principal and two Vice-Principal roles.

Fair Pay – Pay Multiples

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

	2023/24 £'000	2022/23 £'000	Change %
Range of workforce remuneration	22-97	20-84	
Highest paid official remuneration	132	115	15%
Median (total pay and benefits)	41	39	5%
Median (salary only)	41	39	5%
Ratio	3.2:1	2.9:1	
25 th percentile (total pay and benefits)	32	28	14%
25 th percentile (salary only)	32	28	14%
Ratio	4.1:1	4.1:1	
75 th percentile (total pay and benefits)	43	43	0%
75 th percentile (salary only)	43	43	0%
Ratio	3.1:1	2.7:1	
Explanation of changes (per FReM 6.5.26)	Increase is due to a 3 year pay award agreed with Unions		

The banded remuneration of the highest paid official in the organisation in the financial year 2023/24 was £130,000 - £135,000 (2022/23 £110,000 - £115,000). This was 3.2 times (2022/23 – 2.9 times) the median remuneration of the workforce which was £41,310 (2022/23 £39,264).

Please note that the ratios in the above table exclude the backdated pay award.

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 Career Average Revalued Earnings (CARE) schemes. This means that pension benefits are based on the revalued average of pensionable years' pay and the number of years that the person has been a member of the scheme.

Normal retirement age will be linked to the members individual 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.

Name	Accrued pension at pension age at 31 July 2024	Accrued lump sum at pension age 31 July 2024	Real Increase in pension 1 August 2023 to 31 July 2024	Real Increase lump sum 1 August 2023 to 31 July 2024	CETV at 31 July 2024	CETV at 31 July 2023	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal and Chief Executive – Chris O’Neil	65-70	0 - 5	-2.5 - 0	0 - 2.5	1,170	917	7
Vice Principal – Curriculum, Operations & External Relations - Georgina Parker	15-20	0 - 5	2.5 - 5	0 – 2.5	232	182	45
Vice Principal – Curriculum, Student Experience & Quality – Lindsay Snodgrass	10-15	0 - 5	2.5 - 5	0 – 2.5	179	139	34

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.

Compensation for loss of office

No employees left under voluntary exit terms on 31 July 2024.

Salaries and Related Costs

	2024	2024	2024	2023
	Directly Employed Staff	Seconded and Agency Staff	Total	Total
Wages and salaries	14,257,321	63,477	14,320,798	15,419,222
Social Security Costs	1,540,710	-	1,540,710	1,327,856
Other pension costs	3,134,930	-	3,134,930	2,722,450
FRS 102 Employer Costs	198,000	-	198,000	742,000
Total	19,130,962	63,477	19,194,439	20,211,528
Average number of FTE	348	0	348	350

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

The College employed 269 females and 158 males as of 31 July 2024 (277 females and 174 males as at 31 July 2023).

In the year ended 31 July 2024 staff turnover was 2.38% (2.10% in 2022-23).

For the year to 31 July 2024, the College lost a total of 2,628.5 working days to sickness absence (2,497 days 2022/23). This is an average absence rate of 2.98% (2.8% in 2022/23).

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, diversity and inclusion and health, safety and wellbeing.

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 Performance Indicators are reported to the Health, Safety and Wellbeing Committee, EMT and the Board of Management. The College, along with several other UHI partners, uses the AssessNET recording system from Riskex for incident recording and management and risk assessment recording.

Equality, Diversity and Inclusivity

A single Equality, Diversity and Inclusion Policy has been developed by the UHI partnership which UHI Inverness has played a key role in.

Inverness College UHI is committed to equality of opportunity and non-discrimination in all aspects of work and study. We recognise that individually we all have differences of some sort, from which we can share and learn. The broader a range of people we employ, the wider a perspective we can adopt; a diverse workforce not only ensures that we are legally compliant but makes good business sense.

As a provider of education and employment Inverness College UHI values diversity and is committed to encouraging everyone to realise their full potential. To this end, Inverness College UHI continues to work with students, staff, external agencies and the wider community to develop a positive and enabling culture of work and study.

Achievement of the above goals requires the promotion of practices to overcome any existing structural barriers (systems or processes that make entry to employment more difficult for a person/group), geographical isolation, and the provision of opportunities which reflect the linguistic and cultural diversity of the region. It also involves continuing to attract new and diverse people to the Highlands and Islands, to add to the culture and economy, and help the Inverness College UHI reach our full potential.

This policy allows the Inverness College UHI to carry out its general and specific public sector equality duties, and work to improve the experience of all staff and students, regardless of an individual's protected characteristics.

UHI Inverness conduct our statutory duties under the [Equality Act \(Specific Duties\) \(Scotland\) Regulations 2012](#), demonstrating our commitment to mainstreaming equality and diversity by:

- Publishing and delivering equality outcomes which reflect how UHI Inverness plans to impact positively on our staff, students and communities, every four years.
- Publishing a mainstreaming report, demonstrating our progress against our planned outcomes, showing the progress we have made to mainstream equality in our policies, practices and decision-making functions, every 2 years.
- Monitoring the potential impact of our policies, procedures and practices on different protected groups to help tackle inequality, promote equality of opportunity and foster good relations.
- Collecting, analysing and reporting on and improving the quality of student and staff protected characteristic data in line with public sector equality duties/sector best practice and Data Protection legislation, every 2 years.
- Publish gender pay gap information annually and, future reporting commencing 2025, includes disability and ethnicity pay gap information.
- Publish equality statements on equal pay and publish board member diversity information gathered by the Scottish Ministers.
- Publish all requirements in a manner that is accessible and available to the public on UHI Inverness and Academic Partner websites.
- Completing where appropriate Equality Impact Assessments, removing any potential barriers to access, learning, participation, retention and achievement of students and staff by making reasonable adjustments where appropriate.
- Consider award criteria and conditions in relation to [public procurement](#).
- Creating inclusive and accessible learning and working environments that promote respect for all. These environments aim to prevent and challenge stereotyping, prejudice, discrimination and harassment and disadvantage.

The College will provide equality of opportunity in the recruitment and selection of vacant posts and ensure applicants are treated on the basis of merit and ability. In doing so the College will promote recruitment and selection practices which do not discriminate on any unfair or unlawful grounds, for example because of sex, race, disability, marital status, sexual orientation, gender reassignment, age, pregnancy or maternity and/or religion or belief.

Inverness College UHI aims to be an inclusive organisation where everyone is treated with respect and dignity, and where there is equal opportunity for all. The College respects and values the diversity of its staff and applicants. The College recognises that we all have complex identities made up of many strands. These can include, but are not limited to, ethnicity, gender, sexual orientation, age, physical and mental aptitudes, nationality, socio-economic status, and religious, political or other beliefs. The College embraces and celebrates these differences in a positive environment and is committed to engaging with the needs of our diverse staff and users to enable us, both individually and corporately, to achieve our aims. Inverness College will tackle barriers to participation and create a culture in which equal opportunities and equal treatment are a priority for all staff and users. In the recruitment, training, pay and management of staff, and in our day-to-day work with both colleagues and users, we seek to create an environment where attitudes and biases that hinder the progress of individuals and groups are dismantled, and where we work together in mutual respect and tolerance.

As part of the Inverness College UHI's commitment to equal opportunities, we guarantee to interview any disabled applicant who fully meets the essential minimum criteria details on the person specification for the posts.

The Equality Act (2010) defines a disability as a physical or mental impairment which has a substantial and long term (i.e. lasted or likely to last for 12 months or more) adverse effect on a person's ability to carry out normal day-to-day activities. Further guidance in relation to the meaning or disability is accessible on the Equality and Human Rights commission website:

<http://www.equalityhumanrights.com>

If an applicant wishes to be considered under the Guaranteed Interview scheme, they are advised to complete the 'Disability' section of the College's application form and indicate 'Yes' that they wish to be considered under the scheme.

To enable all applicants to fully participate in our selection process we will make reasonable adjustments.

Our commitment to an active Equal Opportunities Policy doesn't just cover our recruitment and selection procedures, but runs right through learning and development, professional development and review, and promotion opportunities. We work hard to cultivate an environment free from discrimination, harassment and victimisation. At Inverness College UHI, everyone can achieve their full potential, regardless of:

- gender, sexual orientation and marital status;
- race, colour, nationality;
- hours of work;
- religious or political beliefs;
- disability;
- age.

The college has a duty under the Equality Act 2010 to make reasonable adjustments for disabled employees and students, to ensure they are not put at a disadvantage in the course of their employment or study when compared with non-disabled employees or students. Reasonable adjustments may include changes to either working practices or the physical working environment, at the request of the individual or following advice from a medical professional. The reasonableness of an adjustment will be dependent upon the situation. The college is committed to reviewing requests or recommendations for reasonable adjustments on a case-by-case basis.

As an employer, education provider and public service provider, Inverness College UHI is subject to, and welcomes, the requirements of the Public Sector Equality Duty (PSED) 2011.

The public sector equality duty as set out in the Act, is referred to as the "general equality duty". It requires us to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct;
- advance equality of opportunity between people from protected characteristic groups;

- foster good relationships between all people, whether they share a protected characteristic or not;

Advancing equality of opportunity involves having:

- due regard to the need to remove or minimise disadvantage suffered by people due to their protected characteristics and;
- take steps to meet the needs of people with these characteristics where they are different from the needs of others;
- encourage people from these groups to participate in public life, or in activities where their participation is disproportionately low

Specific duties of the Act require us to report on mainstreaming the equality duty and publish equality outcomes and report progress.

We have an active Equality, Diversity and Inclusion committee and are due to publish our latest PSED update report in April 2025. We are committed to adopting the new national equality outcomes and will encompass those in our reporting going forward.

We also have a duty to publish gender pay gap information. The gender pay gap as published in April 2024 was 6.7%.

Our 2021/22-2025/26 Strategic Plan embodies these themes and sets out our ambitions for how the College will develop during this 4-year period

Our plan continues to be underpinned by the principles of providing access to a high-quality educational experience for students which provides tailored support to meet the needs of individuals in the context of a positive declaration environment. For our staff, we will continue to provide a supportive workplace which encourages staff to develop to their full potential with our support.

Our approach to Equalities underpins and guides all we do and provides an umbrella under which every aspect of the student and staff journey is encompassed. We believe that leadership is a shared responsibility and empower our staff to work together and in partnership with our students to meet their aspirations.

Inverness College UHI recognises that that its people are its greatest asset and therefore attracting, developing and retaining talented staff is a high priority. Labour shortages across the UK and real terms reductions in government funding for tertiary education require innovative talent management approaches. These approaches support our collaborative pattern of leadership, where our people are empowered to work together to achieve our shared goals.

Our Talent Management Strategy will ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities. Our Talent Management Strategy is based around a Talent Management Framework which will encompass all of our people related activities: Workforce Planning, Talent Attraction, Induction and Ongoing Engagement, Professional Development, Succession Planning and Organisational Performance Management.

All staff have regular opportunities to engage in a wide range of training related to equalities and inclusiveness in order to enhance their practice. A wide variety of professional learning opportunities have been provided for staff over the period of this report. This includes engagement with Induction programmes, Staff Development Days, Staff Conferences and external training. Inverness College UHI is committed to the development of all staff through the achievement of relevant additional qualifications. Our staff development priorities continue to focus on ensuring that all our teaching staff have a recognised teaching qualification, that our managers receive relevant training and that all professional services staff can access training to support them in their job roles. All staff are also required to complete mandatory training including Information Security & GDPR, Gender based violence, Student Carers, Corporate Parenting, Safeguarding and Health & Safety.

Wider Enhancements around Equality, Diversity and Inclusion

Although the college moved to a new campus in August 2015, we have been keen to look at further ways to make our campus inclusive and accessible to all. Much of our enhancement work has been driven by the student voice, both through the Student's Association and through the Equality, Diversity and Inclusion Committee. During this period, there have been various accessibility improvements made to the College campus. This has included introducing a 'yellow brick road' in the form of a new floor tile arrangement which has been put in place to allow a clearer pathway around busy routes, of particular importance to those with visual impairment.

The college has also added braille signage to classrooms and toilet doors as well as adding larger room numbers to all our Supported Education classrooms. In relation to our wheelchair users, we have added enhanced accessible features in the form of new height adjustable sinks and benches in the Professional Cookery training kitchens. The college have also updated all the panic alarms to be more accessible. The college have also made significant modifications to a number of doors around the main campus and adaptations to disabled toilets. Automatic 'touch to open doors' have improved wheelchair accessibility and movement around the campus. We have also successfully lobbied our bus companies to divert their routes around the back of our campus providing a more direct route from public transport into the campus. This has been particularly beneficial to those with mobility challenges. Through our Equality, Diversity and Inclusion committee we have identified several further enhancements which are under way and which we will report on in our next report. This includes the planned introduction of a Chaplaincy service, for example, in AY 24/25 and a further planned accessibility audit of the campus to inform any further enhancements.

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 March 2024.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
9	9

Percentage of time spent on facility time

Percentage	Number of employees
0%	-
1%-50%	9
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£14,818
Total pay bill	£19,194,439
Percentage of the total pay bill spent on facility time	0.08%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	5%
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Fair Work

Fair work is work that offers all individuals an effective voice, opportunity, security, fulfilment and respect. It balances the rights and responsibilities of employers and workers. It generates benefits for individuals, organisations and society.

Our fair work journey links in many ways with our new Talent Management Strategy and will help our organisation to take the next steps within the 5 dimensions of The Fair Work Framework. Our Talent Management Strategy, which is a sub-strategy of our Strategic Plan, is a new strategy, which will ensure that the College, now and into the future, has a demand led approach to recruiting, developing, recognising and retaining talented individuals and teams.

Below are some examples of our activities under the five dimensions of the Fair Work Framework.

Effective Voice

At Inverness College UHI, we have created a culture whereby we are open and transparent and listen to our workforce and have formal and informal processes in place to capture ideas and initiatives.

Across Inverness College UHI, we use a variety of methods of gathering feedback and supporting ongoing dialogue with staff as part of our commitment to ensuring everyone feels valued, heard and has the opportunity to provide feedback.

Supportive practices for Effective Voice include:

- Engaging with staff through regular written management communications and frequent online and face-to-face forums that give scope to individuals and groups to share their views, be listened and influence outcomes.
- Various College Committee's including for example, Health, Safety and Wellbeing and Equality, Diversity and Inclusion Committee's that again gives scope to individuals to share their views, be listened and influence outcomes.
- Pulse Surveys – for more frequent and responsive staff surveying and to seek staff views on a variety of topics.
- Inverness College UHI recognises three trade unions: the EIS-FELA, GMB and UNISON. Engagement with our local trade union representatives takes place through our Joint Consultative Committee (JCC) and our local trade union representatives can provide feedback on behalf of their members. Local facility time arrangements are in place for trade union representatives.
- To continue to develop our high-performance culture, ensuring professional practice of all staff is aligned to sector standards, industry best practice and our values, all staff take part in their Professional Review and Development (PRD) at least on an annual basis.

Opportunity

Supportive practices to promote Opportunity include:

- Inverness College UHI's Equality, Diversity and Inclusivity Policy shows our commitment to equality for our students, staff, visitors, contractors and others who engage with us through any activity. The purpose of this policy is to specify the Equality, Diversity and Inclusivity Policy of Inverness College UHI identify protected characteristics under the Equality Act (2010); outline the principles, responsibilities and commitments of the institution in realising the statutory obligations of the Equality Act (2010).
- UHI Inverness aims to be an inclusive organisation where everyone is treated with respect and dignity, and where there is equal opportunity for all. The College respects and values the diversity of its staff and applicants. The College recognises that we all have complex identities made up of many strands.

These can include, but are not limited to, ethnicity, gender, sexual orientation, age, physical and mental aptitudes, nationality, socio-economic status, and religious, political or other beliefs. The College embraces and celebrates these differences in a positive environment and is committed to engaging with the needs of our diverse staff and users to enable us, both individually and corporately, to achieve our aims. UHI Inverness will tackle barriers to participation and create a culture in which equal opportunities and equal treatment are a priority for all staff and users. In the recruitment, training, pay and management of staff, and in our day-to-day work with both colleagues and users, we seek to create an environment where attitudes and biases that hinder

the progress of individuals and groups are dismantled, and where we work together in mutual respect and tolerance.

- Inverness College UHI's provides equality of opportunity in the recruitment and selection of vacant posts and ensure applicants are treated on the basis of merit and ability. In doing so the College will promote recruitment and selection practices which do not discriminate on any unfair or unlawful grounds, for example because of sex, race, disability, marital status, sexual orientation, gender reassignment, age, pregnancy or maternity and/or religion or belief. Our Staff Recruitment and Selection Policy and Procedure has helped to develop and encourage a safe and secure working environment within a culture of equality of opportunity for all and provides an environment which allows new staff the opportunity to develop themselves and the functions they are recruited to support.

Security

Supportive practices to promote Security include:

- Inverness College UHI is a Living Wage Accredited Employer. When the increase in the Real Living Wage rate was announced in September 2022 the college implemented this immediately, eight months ahead of the May 2023 deadline. Our workforce is paid at least the real living wage, including the Modern Apprentices we employ.
- Inverness College UHI supports staff through occupational sick pay provision as well as access to Occupational Health.
- Inverness College UHI is committed to promoting the equality of opportunity for all staff through its approach to requests for Flexible Working. The purpose of Inverness College UHI's Staff Flexible Working Policy and Procedure is to outline an employee's statutory rights and explains the process for making a Flexible Working Application and where operationally and financially viable, help employees to achieve a healthier work-life balance by, where possible, supporting individuals to work on a flexible basis.
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Fulfilment

Supportive practices to promote Fulfilment include:

- Inverness College UHI is committed to fostering a culture which actively promotes and values the professional development of all staff to ensure that our staff have opportunities to develop and maintain their knowledge and skills to the highest industry and professional standards and are equipped for an increasingly digital world. This commitment is underpinned by our Professional Development policy, our Professional Review & Development policy and our Talent Management Strategy.

We will achieve this by:

- Ensuring staff have the appropriate time available for their professional development, in accordance with current contractual provisions.
- Providing funding for staff to engage in a wide range of relevant learning opportunities both within and outside of UHI.
- Supporting staff to undertake relevant research and scholarly activities, including additional qualifications.
- Ensuring that all managers and team leaders undertake a leadership and management training programme.
- Delivering on our digital transformation strategy.
- Professional Pathway for Lecturers - our Professional Pathway for Lecturers takes a cohesive approach to the various strands of lecturer development, including the Learning & Teaching Induction programme, the delivery of the PDA Teaching in Scotland's Colleges (primarily aimed at newly appointed lecturers to enhance their professional core competences and abilities), the TQFE programme and the UHI Learning & Teaching Review programme.

Respect

Supportive practices to promote Respect include:

- Inverness College UHI have various policies and procedures that are in place around behaviours, attitudes, wellbeing, health & safety, flexible working, and special leave. Policies are in place to foster positive workplace relationships.
- Inverness College UHI has employee partnerships to support staff via an Employee Assistance Programme and Access to Work's Mental Health Support Service. Following a review our of Employee Assistance Programme (EAP) provision in 2024, the College's new EAP provision includes access for all staff to:
 - A free confidential phone line available, 24/7, 365 days per year
 - An online resource called 'Workplace Wellbeing'
 - A team of wellbeing and counselling practitioners who can offer confidential, independent and unbiased information and guidance.
- We have also partnered with [Able Futures](#) and its [Access to Work's Mental Health Support Service](#) to provide additional support to staff. Able Futures can support staff experiencing difficulties including anxiety, depression, grief or stress, or who are struggling to deal with problems such as debt, disrupted sleep or relationships that may be affecting their mental health. Support is available from a mental health professional who will work with individual's to create a support plan to help their mental health.
- A Staff Wellbeing Group was established in 2020 to advise the Principal and the Health, Safety & Wellbeing Committee on the wellbeing of Inverness College UHI staff and to promote formal communication and informal dialogue with staff. The group is cross-college and cross-level in its membership with no hierarchy. Membership includes trade union representatives. A broad range of discussions and decisions around staff wellbeing continue to take place.

To take our next steps within the 5 dimensions of The Fair Work Framework, Inverness College UHI will be introducing an Employee Engagement Group as an additional mechanism through which employees can actively participate in shaping their work environment and contribute to the success of the College by sharing information, encouraging feedback and seeking the views of staff on relevant matters.

Parliamentary Accountability Report

There is nothing to report under the above for Inverness College for 2023/24 or 2022/23.

Professor Christopher O'Neil
Principal and Chief Executive Officer

Dee Bird
Interim Chair of Board

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Inverness College for the year ended 31 July 2024 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college as at 31 July 2024 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in

accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
-

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

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

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

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

In addition, we identified a potential fraud risk that management may be incentivised to allocate revenue to future years given future year financial pressures. In response to this risk we have performed testing

of a sample of income recognised around the year end to assess whether it has been recorded in the correct period.

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited list the audited parts if not clearly identified in the accounts. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nicola Wright (for and on behalf of Deloitte LLP)
1 Trinity Gardens
Newcastle
NE1 2HF
United Kingdom
31st January 2025

Statement of Comprehensive Income Year Ended 31 July 2024

	Notes	2024 £	Restated 2023 £
Income			
Funding Council Grants	2 (Restated 2023)	22,482,839	20,719,785
Tuition fees and education contracts	3	4,603,800	4,848,324
Other income	4	3,241,951	3,575,507
Investment income	5	180,768	32,166
Total Income		30,509,358	29,175,782
Expenditure			
Staff costs	6	19,194,439	20,211,528
Other operating expenses	8	7,147,792	7,155,393
Depreciation	11	1,393,762	1,188,695
Impairment	13	0	1,060,000
Interest payable	9	2,616,303	3,009,495
Total Expenditure		30,352,296	32,625,111
Surplus/(Deficit) before other gains and losses		157,062	(3,449,329)
Loss on disposal of fixed assets		(467,000)	0
Surplus/(Deficit) before tax		(309,938)	(3,449,329)
Corporation tax		0	0
Surplus/(Deficit) for the year		(309,938)	(3,449,329)
Actuarial gain in respect of pensions	22	1,738,000	7,754,000
Unrealised Surplus on revaluation of land and buildings		2,720,025	0
Total Comprehensive Income for the year		4,148,087	4,304,671
Represented by:			
Unrestricted funds		1,428,062	4,304,671
Revaluation reserve		2,720,025	0
Total Comprehensive Income for the year		4,148,087	4,304,671

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect non-cash budget for depreciation in the Statement of Comprehensive Income. The Non-Cash Allocation and Adjusted Operating Position as disclosed in the Performance Report, provide the details of the Adjusted Operating Position on a Central Government accounting basis. There were no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derives from continuing activities.

Statement of Changes in Reserves
Year Ended 31 July 2024

	Revaluation Reserve	Restated 2023 Unrestricted Funds	Total Funds
	£	£	£
Balance at 31st July 2022	12,506,641	3,034,868	15,541,509
Deficit for the year	0	(3,449,329)	(3,449,329)
Revaluation of Land & Buildings	0	0	0
Actuarial surplus in respect of pensions	0	7,754,000	7,754,000
Total Comprehensive Gain for year	0	4,304,671	4,304,671
Balance at 31st July 2023	12,506,641	7,339,539	19,846,180
Balance at 1st August 2023	12,506,641	7,339,539	19,846,180
Deficit for the year		(309,938)	(309,938)
Revaluation of Land & Buildings	2,720,025	0	2,720,025
Actuarial surplus in respect of pensions		1,738,000	1,738,000
Total Comprehensive Gain for year	2,720,025	1,428,062	4,148,087
Balance at 31st July 2024	15,226,666	8,767,601	23,994,267

Balance Sheet
Year Ended 31 July 2024

	Notes	2024 £	Restated 2023 £
Non-current assets			
Tangible fixed assets	11	<u>57,868,608</u>	<u>56,230,702</u>
Current assets			
Stocks	12	50,581	47,794
Assets held for sale	13	0	1,240,000
Debtors	14 (Restated 2023)	1,199,440	1,149,402
Cash and cash equivalents		<u>8,619,232</u>	<u>6,774,702</u>
		9,869,253	9,211,898
Creditors: amounts falling due within one year	15 (Restated 2023)	(7,551,936)	(6,768,612)
Net current assets		2,317,317	2,443,286
Total assets less current liabilities		60,185,925	58,673,988
Creditors: amounts falling due after one year	16	(39,093,480)	(40,294,717)
Provisions	17 (Restated 2023)	<u>2,901,823</u>	<u>1,466,910</u>
Total net assets		<u>23,994,267</u>	<u>19,846,180</u>
Represented by:			
Property revaluation reserves		15,226,666	12,506,641
Unrestricted reserves	(Restated 2023)	<u>8,767,601</u>	<u>7,339,539</u>
		<u>23,994,267</u>	<u>19,846,180</u>

The accounts were approved by the Board of Management on 31st January 2025 and signed on its behalf by:

Professor Christopher O'Neil
Principal and Chief Executive Officer

Dee Bird
Interim Chair of Board

Statement of Cash Flows

Year Ended 31 July 2024

	Notes	2024 £	Restated 2023 £
Cashflow from Operating Activities			
Deficit for the year		(309,938)	(3,449,329)
Adjustment for non-cash items			
Depreciation	11	1,393,762	1,188,695
Impairment	13	0	1,060,000
Pension costs less contributions payable		(44,000)	826,000
(Increase) / Decrease in stock	12	(2,787)	4,761
(Increase)/Decrease in debtors	14	(50,038)	1,346,277
Increase in creditors – less than one year	15	1,724,555	2,511,756
(Decrease) in creditors – more than one year	16	(1,201,239)	(3,087,395)
Increase / (Decrease) in early retirement & provisions	17	347,087	143,243
Adjustments for investing or financing activities			
Interest payable	9	(242,000)	84,000
Interest elements of NPD finance lease	9	2,858,303	2,925,495
Investment Income		(180,768)	(32,166)
Net cash inflow from operating activities		4,292,937	3,521,337
Cash flows from Investing and financing activities			
Interest payable	9	242,000	(84,000)
Interest element of NPD finance lease	9	(2,858,303)	(2,925,495)
Capital element of NPD finance lease		(941,231)	(817,387)
Investment Income		180,768	32,166
Proceeds from sales of fixed assets	13	1,240,000	0
Payments made to acquire fixed assets	11	(311,642)	(448,392)
Increase in cash in the year		1,844,529	(721,771)
Cash at the beginning of the year		6,774,703	7,496,473
Cash at the end of the year		8,619,232	6,774,703

Notes to the Financial Statements for the Year Ended 31 July 2024

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice (SORP) 2019: 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 2023/24 (FReM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in September 2024.

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

Going Concern

The accounts are prepared on a going concern basis. The net assets position prior to longer term pension provisions at July 2024 is £21,092,444 (£18,379,271 at 31 July 2023). The pension provision includes a provision for early retirements of £1,750,525 (£1,770,142 at July 2023) and a pension asset of £6,672,000 (£4,890,000 at July 2023), for the College's share of deficit in the Highland Council Local Government Pension Scheme (LPGS). Once these are accounted for the College's overall net asset position at July 2024 is £23,994,267 (£19,846,180 at July 2023).

Net assets also include the outstanding amount under Non-Profit Distributing (NPD) finance. As at 31 July 2024 this amounted to £32,797,203 (2022/23 £33,829,781). Projection of income and expenditure and cashflow to 31 July 2025 indicate that compliance with loan repayments will continue.

The net current assets position at 31 July 2024 is £2,317,317 (2022/23 £2,443,286). The college considers that with careful financial monitoring, its cash position will be manageable in 2024/25 and throughout the period to July 2025. The college held cash at 31 July 2024 of £8,619,232 (2022/23 £6,774,702). Current cashflow projections through to 31 October 2024 projects cash at 31 July 2025 of £4.2 million, with the reduction in cash balances due to several factors, including academic staff backpay and capital funding for capital projects progressing during 2024/25. The bank throughout this period may fluctuate due to drawing down of funding from the Scottish Funding Council.

UHI, through the SFC, has indicated short term support if the college requires this. There continues to be uncertainty about the unfunded staff costs cost of living increases, and general overhead inflation, as well as the sector facing the ongoing challenging financial position in 2024/25 due to flat funding and expects to face a challenging financial position in future years.

2023/24 saw the first year of a three-year planned deficit budget, to allow the College to invest in programme development and research. The deficit had arisen largely due to a recent top-slice applied to FE funding by the RSB and the failure of payments from the RSB for Module and Programme Leadership to keep pace with the 50% increase in associated staff costs over a period of >10 years. The deficit budget and a three-year plan to reduce this was approved by the Board to ensure that we were able to grow and adapt to meet local need as much as possible whilst addressing the operating deficit.

As a public body the College is presumed to be a going concern unless there is a stated intention to withdraw the statutory services it provides under legislation. We have not been informed by the Scottish Government of any such intention.

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.

Buildings under NPD	Over 60 Years
Older Buildings	Over 10 Years
Property Additions	Over 4 Years

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.

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.

Furlough income is credited to the Income and Expenditure Account in the year that the staff costs liability is incurred.

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.

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.

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. The NPD assets were revalued by J & E Shepherd, Chartered Surveyors using the UKGN2 Depreciated Replacement Cost method of valuation as at 31 July 2024.

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.

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. The value of the land has been transferred to assets held for sale and revalued (this was revalued by Montagu Evans, Registered Valuers, in June 2022). In 2022/23 there was a further impairment charge of £1,060,000 made in relation to the asset. The Longman Campus site was sold in December 2023.

Assets held for sale

Properties which are on the market to sell are included at the lower of market value or depreciated replacement cost.

Valuation of buildings

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer. Land and buildings should be valued frequently enough so that carrying amounts are not materially misstated. To address this the college has an interim revaluation every three years; and a full revaluation every five years. The College had a full revaluation at 31 July 2024 carried out by Shepherds, Registered Valuers.

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	4 years (25% per year)
Fixtures and Fittings	4 years (25% per year)
Computer equipment	Additions such as laptops are debited to revenue in the year of acquisition. Larger IT purchases such as servers are written off over 3 years.

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 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 were revalued in the year ended 31 July 2024.

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, 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.

Revaluation Reserve

Surpluses arising on the revaluation of the College's properties are transferred to the Revaluation Reserve.

Pension Schemes

The College participates in two multi-employer defined benefit pension schemes, more details are in note 22.

The Scottish Teachers' Superannuation Scheme

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 STSS on a consistent and reasonable basis and therefore, as

required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, the scheme is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Statement of Comprehensive Income represent the contributions payable to the scheme in the year.

Local Government Pension Scheme

Support and Research staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

The future long-term obligation in respect of early retirees who retired in the 1990s, which is not funded by the aforementioned pension schemes, is provided for on the Balance Sheet. This provision is valued annually in accordance with guidance issued by the Scottish Funding Council.

2. Funding Council Grants (Restated 2023)	2024	2023
	£	£
SFC / RSB Further Education Recurrent Grant	9,758,006	10,170,624
UHI Recurrent Grant - HE provision	5,080,287	4,794,883
Childcare funds	83,929	122,084
Other specific SFC / RSB Grants - FE	5,307,168	3,950,410
Other specific UHI Grants - HE	573,796	552,134
Release of deferred grants (note 18)	1,679,653	1,129,650
	22,482,839	20,719,785

3. Tuition fees and education contracts	2024	2023
	£	£
Higher Education - Home and EU	2,440,998	2,445,145
Higher Education - Overseas	178,551	137,272
Further Education - Home	129,918	85,026
Further Education - Overseas	5,970	100
Education contracts	1,848,363	2,180,781
	4,603,800	4,848,324

4. Other income	2024	2023
	£	£
Other income generating activities	1,144,995	918,560
Research Income	849,693	634,350
Other income	1,247,263	2,022,597
	3,241,951	3,575,507

5. Investment income	2024	2023
	£	£
Bank interest	180,768	32,166

6. Staff costs

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

	2024	2023
	Number	Number
Academic/Teaching departments	171	163
Academic/Teaching services	24	20.0
Research grants and contracts	17	16.0
Administration and central services	114	129
Premises	7	7
Residences and catering	12	12
Other expenditure	3	3
	348	350

Staff costs for the above persons:	2024	2023
	£	£
Wages and salaries	14,320,798	15,419,222
Social security costs	1,540,710	1,327,856
Other pension costs	3,134,930	2,722,450
Pension adjustment - Net Service Cost	198,000	742,000
	19,194,439	20,211,528
	2024	2023
	£	£
Academic/Teaching departments	10,795,215	10,947,394
Academic/Teaching services	1,725,822	1,592,921
Research grants and contracts	1,066,515	887,016
Administration and central services	4,596,259	5,332,126
Premises	417,208	308,562
Residences and catering	395,421	401,509
Pension adjustment - Net Service Cost	198,000	742,000
	19,194,439	20,211,528
Staff costs on permanent contracts	19,060,608	19,747,643
Staff costs for short-term and temporary contracts	133,831	463,885
	19,194,439	20,211,528

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:

	2024	2023
	Number	Number
£60,001 to £70,000	1	4
£70,001 to £80,000	4	0
£80,001 to £90,000	1	2
£90,001 to £100,000	2	0
£100,001 to £110,000	0	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	1
£130,001 to £140,000	1	0
7. Senior post-holders' emoluments	2024	2023
	Number	Number
Number of senior post-holders including the Principal	3	3
Senior post-holders emoluments are as follows:	£	£
Salaries	361,065	297,781
Pension contributions	73,970	60,133
	435,035	357,914

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

	2024	2023
	£	£
Salary	146,713	121,550
Pension contributions	35,066	27,957
	<u>181,779</u>	<u>149,507</u>

The Principal is an ordinary member of the Scottish Teachers' Superannuation 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.

8. Other operating expenses	2024	2023
	£	£
Academic/Teaching departments and services	1,930,879	2,191,977
Research grants and contracts	66,243	81,359
Administration and central services	1,179,897	1,039,933
Premises	2,928,555	2,539,272
Residences and catering	435,211	407,770
Other expenditure	523,078	772,998
Childcare Funds to Students	83,929	122,084
	<u>7,147,792</u>	<u>7,155,393</u>

Other operating expenses include:

Auditors remuneration (including irrecoverable VAT)		
Internal audit	24,826	23,112
External audit	29,142	33,970
Disbursements of Childcare Funds to Students	83,929	122,084
Rents under operating leases:		
Land and buildings	186,522	62,348
Other assets	3,040	5,277

9. Interest payable	2024	2023
	£	£
Interest on pension liabilities	(242,000)	84,000
Interest on finance lease NPD concession	2,858,303	2,925,495
	<u>2,616,303</u>	<u>3,009,495</u>

10. Taxation

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

11. Tangible fixed assets

	Land and Buildings	Equipment	Total
	£	£	£
Cost or valuation			
At 1 August 2023	59,858,364	6,301,524	66,159,888
Additions	209,576	102,066	311,642
Revaluations	2,720,025	-	2,720,025
Disposals	-	-	-
At 31 July 2024	62,787,965	6,403,590	69,191,555
Depreciation			
At 1 August 2023	3,937,676	5,991,510	9,929,186
Depreciation charge for year	1,290,742	103,020	1,393,762
Revaluations	-	-	-
Disposals	-	-	-
At 31 July 2024	5,228,418	6,094,530	11,322,948
Net book value at 31 July 2024	57,559,548	309,060	57,868,608
Net book value at 31 July 2023	55,920,688	310,014	56,230,702

12. Stocks

	2024	2023
Stocks	50,581	47,794

13. Assets held for sale

	2024	2023
At 1 August 2023	1,240,000	2,300,000
Disposal	(1,240,000)	-
Impairment	0	(1,060,000)
Assets held for sale	0	1,240,000

The Longman site was classified as an Asset held for sale. The site was sold in December 2023.

14. Debtors (Restated 2023)

	2024	2023
	£	£
Trade debtors	563,344	427,233
Accrued income	280,396	536,144
Financial instrument assets	843,740	963,377
Prepayments	320,466	186,025
Other Debtors	35,234	0
	1,199,440	1,149,402

15. Creditors: Amounts falling due within one year (Restated 2023)

	2024	2023
	£	£
Trade creditors	302,377	233,717
Service concession NPD creditor (see note 16)	1,032,577	941,231
Accruals	3,454,035	3,134,093
Financial instrument liabilities	4,788,989	4,309,041
Deferred income	1,693,765	541,181
Deferred capital grant - SFC	316,420	282,892
Deferred capital grant - Non SFC	123,238	1,301,234
Payroll taxes and social security	618,598	320,018
Other Creditors	10,926	14,246
	7,551,936	6,768,612

16. Creditors: Amounts falling due after one year	2024	2023
	£	£
Service concession NPD creditor (see note below)	<u>32,797,203</u>	<u>33,829,781</u>
Financial instrument liabilities	32,797,203	33,829,781
Deferred capital grant - SFC	5,773,954	6,005,383
Deferred capital grant - Non SFC	<u>522,323</u>	<u>459,553</u>
	<u>39,093,480</u>	<u>40,294,717</u>

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	Total
	£	£	£	£
NPD liability creditor repayment	1,032,577	5,211,098	27,586,104	33,829,780
Interest thereon	2,780,931	10,189,799	15,199,921	28,170,650
Service charges	859,985	3,660,377	11,876,186	16,396,549
VAT	934,699	3,812,255	10,932,442	15,679,396
	<u>5,608,192</u>	<u>22,873,529</u>	<u>65,594,654</u>	<u>94,076,375</u>

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 contract expires automatically at the end of the term, at which point the assets pass into the College's ownership.

The College can deduct amounts where Availability and Performance fall short of contract, during the full term of the contract.

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

17. Early Retirement and Other Provisions (Restated 2023)

	Note 22 Early Retirement Pension £	Note 22 Defined Pension Liability/(Asset) £	Note 26 Other Provisions £	Total £
At 1 August 2022	1,626,899	2,038,000	0	3,664,899
Expenditure in period	(135,457)	0		(135,457)
Provision in period	278,700	(6,928,000)	1,652,948	(4,996,352)
Interest charged				0
At 31 July 2023	<u>1,770,142</u>	<u>(4,890,000)</u>	<u>1,652,948</u>	<u>(1,466,910)</u>
At 1 August 2023	1,770,142	(4,890,000)	1,652,948	(1,466,910)
Expenditure in period	(145,416)	0		(145,416)
Provision in period	125,799	(1,782,000)	366,704	(1,289,497)
Interest charged				0
At 31 July 2024	<u>1,750,525</u>	<u>(6,672,000)</u>	<u>2,019,652</u>	<u>(2,901,823)</u>

The Early Retirement Provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.75%. The above liability is in respect of future pension liabilities arising from early retirees.

The pension liability is as per the actuarial report valuation.

18. Deferred Capital Grants

	SFC £	Other £	Total £
At 1 August 2023			
Land and Buildings	6,288,275	1,760,787	8,049,062
Equipment	0	0	0
Cash received			
Land and Buildings	118,515	0	118,515
Equipment	0	248,011	248,011
Released to income and expenditure			
Land and Buildings	(316,416)	(61,234)	(377,650)
Equipment		(62,003)	(62,003)
Repayment of grant on disposal	0	0	0
Release on disposals	0	(1,240,000)	(1,240,000)
At 31 July 2024:	<u>6,090,374</u>	<u>645,561</u>	<u>6,735,935</u>
Land and Buildings	6,090,374	459,553	6,549,927
Equipment	0	186,008	186,008
	<u>6,090,374</u>	<u>645,561</u>	<u>6,735,935</u>
Due < 1 year (Note 15)	316,420	123,238	439,658
Due > 1 year (Note 16)	5,773,954	522,323	6,296,278
	<u>6,090,374</u>	<u>645,561</u>	<u>6,735,935</u>

19. Financial Commitments

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

	2024 £	2023 £
Land and buildings:		
Expiring within one year	45,000	45,000
Expiring between two and five years	33,750	78,750
	<u>78,750</u>	<u>123,750</u>
Other:		
Expiring within one year	1,556	0
Expiring between two and five years	1,556	0
Expiring after five years	0	0
	<u>3,112</u>	<u>0</u>

20. Further Education Bursary and Other Student Support Funds

	2024 Further Education Bursary £	2024 FE Disc £	2024 EMA £	2024 Other HE Disc £	2024 Total £	2023 Total £
Balance b/fwd	0	0	(1,620)	12,867	11,247	6,575
Allocation received in year	2,351,646	237,300	62,640	0	2,651,586	2,783,304
Expenditure	(1,772,389)	(237,300)	(62,670)	(80,536)	(2,152,895)	(2,278,039)
Repaid to Funding Council as clawback	0	0	0	0	0	0
College Contribution to funds	0	0	0	0	0	0
Intra-region allocations	0	0	0	0	0	0
Virements	0	0	0	0	0	0
Balance c/fwd	579,257	0	(1,650)	(67,669)	509,938	511,840
Represented by:						
Repayable to Funding Council as clawback	0	0	0	0	0	
Repayable to region	579,257	0	0	0	579,257	511,840
Retained by College for Students	0	0	(1,650)	(67,669)	(69,319)	0

20. Further Education Bursary and Other Student Support Funds (continued)

	2024 Total £	2023 Total £
Balance b/fwd	0	0
Allocation received in year	83,929	122,084
Expenditure	(83,929)	(122,084)
Repaid to Funding Council as clawback	0	0
College Contribution to funds Intra-region allocations	0	0
Virements	0	0
Balance c/fwd	0	0
Represented by:		
Repayable to Funding Council as clawback	0	0
Repayable to region	0	0
Retained by College for Students	0	0

21. Capital Commitments

At 31st July 2024, Inverness College had capital commitments of £874,432 for Equipment and Estates projects.

22. Pension Provisions

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

Both STSS and LGPS were final salary pension schemes until 31 March 2015. From 1 April 2015 they are Career Average Revalued Earnings (CARE) pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

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

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

Scottish Teachers Superannuation Scheme (STSS)

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

Under the definitions set out in the Financial Reporting Standard 102, the STSS is a multi-employer Pension Scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a Defined Contribution Scheme. The agreed contribution rates for future years are variable rates for employees based on salary ranges. Employers contribution rates are 26%.

Local Government Pension Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. Employers contribution rates are 18.6% from 1st April 2023 to 31st March 2024 and 17.1% from 1st April 2024.

The last triennial valuation was performed 31st March 2023. Contributions for both schemes are set out below:-

Pension Scheme contributions

	Year Ended 31 July 2024 £	Year Ended 31 July 2023 £
The total cost to the College was:		
Contributions to Scottish Public Pensions Agency	1,873,668	1,684,601
Contributions to Highland Council Pension Scheme	1,261,262	1,037,588
Contributions to Nest		260
Total pension cost	3,134,930	2,722,449

22. Pension Provisions (continued)**Assumptions**

	31 July 2024	31 July 2023
Rate of Increase in Salaries	3.55%	3.80%
Rate of Increase in Pensions	2.75%	3.00%
Inflation Assumption (RPI)	3.05%	3.15%
Inflation Assumption (CPI)	2.75%	3.00%
Discount rate for scheme liabilities	5.00%	5.05%

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

Equities	68%	69%
Bonds	10%	10%
Property	15%	15%
Cash	7%	6%

The assumed life expectations on retirement age 65 are:-

	31 July 2024 Years	31 July 2023 Years
Retiring Today		
Males	20.2	20.7
Females	23.4	23.5
Retiring in 20 Years		
Males	21.4	21.6
Females	25.3	25.1

The Employer contributions for the year to 31 July 2024 were approximately £1,242,000 for the LGPS.

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 July 2024 £	31 July 2023 £
Current Service Cost	(1,448,000)	(1,796,000)
Interest on obligation	(1,632,000)	(1,339,000)
Interest Income on Plan assets	1,874,000	1,255,000
Total	<u>(1,206,000)</u>	<u>(1,880,000)</u>
Other Comprehensive Income		
Remeasurements (assets and liabilities)	<u>1,738,000</u>	<u>7,754,000</u>

The assets and liabilities recognised in the Balance Sheet are as follows:

Present Value of the Defined Benefit Obligation	(33,902,000)	(31,796,000)
Present Value of Unfunded Benefit Obligations	(65,000)	(73,000)
	<u>(33,967,000)</u>	<u>(31,869,000)</u>
Fair Value of Plan Assets	40,639,000	36,759,000
Net Asset	<u>6,672,000</u>	<u>4,890,000</u>

22. Pension Provisions (continued)**Reconciliation of present value of defined benefit obligations**

	31 July 2024	31 July 2023
	£	£
Opening Defined Benefit Obligation	31,869,000	37,620,000
Service Cost	1,448,000	1,796,000
Interest on Pension Liability	1,632,000	1,339,000
Contributions by Scheme Participants	417,000	347,000
Actuarial Gains	(437,000)	(8,452,000)
Unfunded Benefits Paid	(8,000)	(7,000)
Benefits Paid	(954,000)	(774,000)
Closing Defined Benefit Obligation	<u>33,967,000</u>	<u>31,869,000</u>

Reconciliation of Movements in the Fair Value of Scheme Assets

Opening Fair Value of Scheme Assets	36,759,000	35,582,000
Interest on Plan Assets	1,874,000	1,255,000
Contributions by Scheme Participants	417,000	347,000
Contributions by Employer	1,242,000	1,047,000
Contributions in respect of Unfunded Benefits	8,000	7,000
Expected Return on Scheme Assets	1,301,000	(698,000)
Unfunded Benefits paid	(8,000)	(7,000)
Benefits paid	(954,000)	(774,000)
Closing Fair Value of Scheme Assets	<u>40,639,000</u>	<u>36,759,000</u>

23. Post Balance Sheet Events

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

24. Contingent Liabilities

There are no contingent liabilities at the year end.

25. Related Party Transactions

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

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

Organisation	Member(s)	Income 2023-24 £	Expenditure 2023-24 £	Balance Due From at 31 Jul 24 £	Balance Due to at 31 Jul 24 £
Highland Council	Tina Stones	78,969	-44,792	-18,144	-693
Highlands & Islands Enterprise	Gillian Galloway	0	0	0	0
NatureScot	Sally Blyth	0	0	0	0
Skills Development Scotland	Stephen Sheridan	0	0	0	0

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.

26. Prior year adjustment

	Notes	2023 As originally stated	Adjustment	2023 Restated
Income:				
Funding Council Grants	2	22,372,733	(1,652,948)	20,719,785
Deficit for the year		(1,796,381)	(1,652,948)	(3,449,329)
31 July 2023				
		As originally stated	Adjustment	31 July 2023 Restated
Debtors:				
Accrued Income	14	2,189,092	(1,652,948)	536,144
Creditors: amounts falling due within one year				
Accruals	15	(4,787,041)	1,652,948	(3,134,093)
Provisions:				
Other Provisions	17	0	(1,652,948)	(1,652,948)

The income from the Funding Council Grants was overstated by £1,652,948 as at 31 July 2023. Prior years had accounted for accrued income in respect of expected funding to cover the costs of the ongoing Job Evaluation expected liability. The funding council have confirmed that there will be no funds available to cover the liability, therefore it is no longer recognised as income. The prior year adjustment amends the balance sheet by reducing Debtors by £1,652, 948 and reclassifying the Job Evaluation accrual as a provision. The unrestricted reserves balance at 31 July 2023 has reduced from £8,992,487 to £7,339,539 as a result of the prior year adjustment.

Accounting Estimates and Judgements

The financial statements contain estimated figures that are based on assumptions made by the College about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to the College at the time of preparing the financial statements.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College's Balance Sheet at 31 July 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

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

The actuarial inputs into the pension liability valuation are subject to annual review and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the year end valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension asset at 31 July 2024 following the updated actuarial valuation was £6,672,000, an increase in asset of £1,782,000 from 31 July 2023.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 22 to the accounts, including information on the key assumptions, risks and sensitivities.

Valuation of Property

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2024 is outlined and broken down by asset category at note 11.

Land and Buildings were independently valued for the purposes of the financial statements by J & E Shepherd, Chartered Surveyors. The basis of valuation was depreciated replacement cost. The latest full valuation for the full fixed asset portfolio was undertaken as at 31 July 2024 and confirmed that there was no impairment to the properties to be recognised in these financial statements. The College did not apply any annual indexation to its fixed asset portfolio at 31 July 2024.

Job Evaluation

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and cost to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last five financial years.

However, for the AY 2023/24, further guidance has been issued by SFC, which has resulted in the following adjustments being made to the financial statements.

- Prior year adjustment made in 2022/23 to reverse income accrued to date of £1,652,948 and transfer the accrued expenditure to date of £1,652,948 from accruals to provisions within the balance sheet.
- In 2023/24, provided for another year of estimated costs for job evaluation exercise, shown in staff costs and provisions.

As the exercise has not yet concluded, the estimated costs are subject to change.

Accounts direction for Scotland's colleges 2023/24

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2023/24 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2024.
5. The annual report and accounts should be signed by the chief executive officer/Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
18 September 2024

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

Finance and General Purposes Committee

Subject/Title:	Final External Auditor's Annual Report for 2023/24
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Finance and General Purposes Committee
Meeting Date:	3 February 2025
Date Paper prepared:	31 January 2025
Brief Summary of the paper:	The College's External Auditors prepare an annual report on their audit of the financial statements for the year-ended 31 July 2024. A copy of their final report is attached, which includes an unqualified opinion on the college financial statements.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A		
Resource implications:	N/A If yes, please specify:		
Risk implications:	If yes, please specify: Financial – Yes Operational – Yes Organisational - Yes		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

The finance & general purposes committee approve the final external auditor's annual report on the financial statements for the year-ended 31 July 2024.

Purpose of report

To provide the committee with the final external auditors report on the annual audit of the college for the year ended 31 July 2024.

External Audit Annual Report

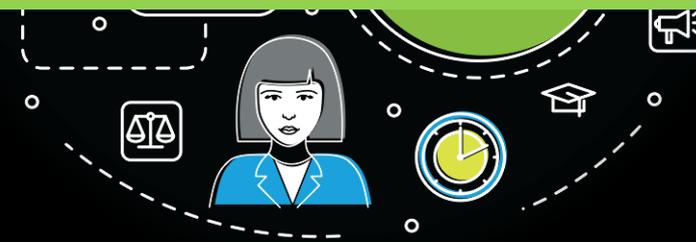
The college external auditors, Deloitte, produce a report on the audit of the College's financial statements and other areas that are reviewed under their audit, for the year ended 31 July 2024.

The key sections of their report and what they contain are noted below:

- Annual Report and Accounts – highlights the quality indicators which Deloitte consider in assessing the reliability of our financial reporting and provide context for other messages in this report, a summary of the audit work carried out, highlights the significant risks, reviews the control environment and the findings, highlights the overall audit report and the college annual report and accounts.
- For 2023/24, Deloitte have reported an unqualified opinion on the college financial statements.
- Wider scope audit – provides details of the work carried out in a number of areas.
- Included in the appendices are details of the control findings, the audit adjustments, Deloitte's other responsibilities and the statement on independence and audit fees.



DRAFT



Inverness College

Final report to the Audit Committee on the 2023/24 audit
31 January 2025

Contents

ITEM 04.a

01 Final report

Partner Introduction [3](#)

Annual Report and Accounts

Quality indicators [6](#)

Our audit explained [7](#)

Significant risks [8](#)

Other significant findings [15](#)

Our audit report [16](#)

Your Annual Report and Accounts [17](#)

Wider scope audit

Overview [19](#)

Purpose of our report and responsibility statement [26](#)

02 Appendices

Control findings [28](#)

Audit adjustments [29](#)

Our other responsibilities explained [31](#)

Independence and fees [32](#)

Partner introduction

ITEM 04.a

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee (“the Committee”) of Inverness College (“the College”) for the 2023/24 audit. The report summarises our findings and conclusions made in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in September 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Our financial statement audit is complete. We have issued an unmodified audit report.

We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed that all necessary changes have been made.

A summary of our work on the significant risks is provided in the dashboard on page 8.

A summary of the corrected and uncorrected misstatements identified are included in the appendix to this report.

Partner introduction (continued)

ITEM 04.a

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Our financial statement audit is complete.

Conclusions from our wider scope work

See pages 19 to 25 for detailed conclusions of our wider scope work.

Control findings

Control deficiencies and findings and recommendations are included on page 28 of this report.

Added value

Our aim is to add value to the College by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the College promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

Nicola Wright
Audit partner

Annual Report and Accounts Audit

ITEM 04.a



Quality indicators

ITEM 04.a

Impact on the execution of our audit

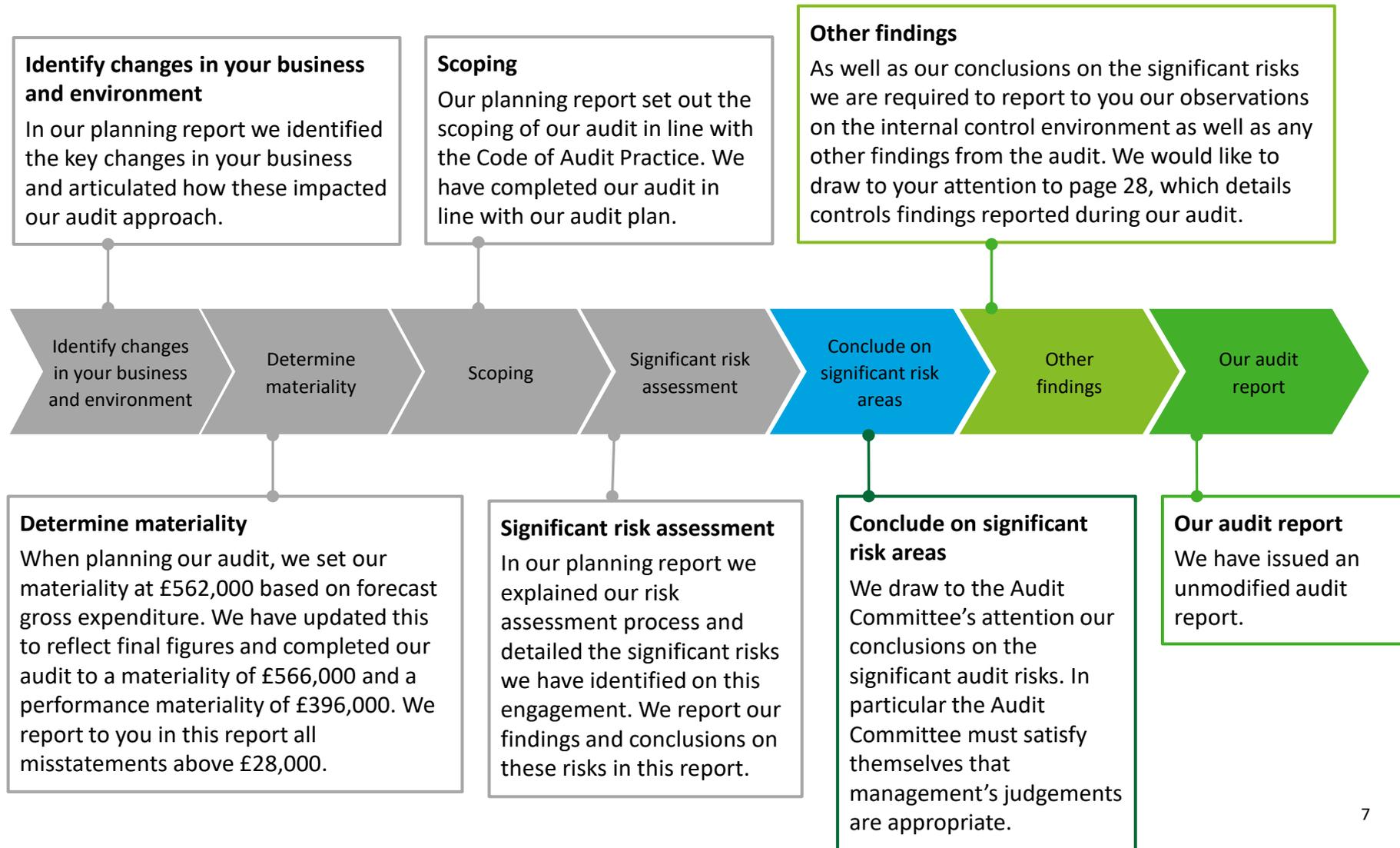
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This page summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Prompt delivery of working papers regarding management judgements.	N/A
Adherence to deliverables timetable		No issues to raise regarding adherence to deliverables timetable.	N/A
Access to finance team and other key personnel		Active involvement of the finance team throughout the course of the audit process.	N/A
Quality and accuracy of management accounting papers		Management accounting papers prepared to the expected quality and accuracy.	N/A
Quality of draft Annual Report and Accounts		Low volume of comments and suggested changes following review of the draft Annual Report and Accounts.	N/A
Response to control deficiencies identified		Four control findings identified; further details can be found on page 28.	page 28.
Volume and magnitude of identified errors		Two unadjusted misstatements identified during the audit, both immaterial.	page 29.

Our audit explained

ITEM 04.a

We tailor our audit to your business and your strategy



Significant risks

Significant risk dashboard

ITEM 04.a

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Property valuations			Findings raised, see page 28	
Operating within the funding provided			Satisfactory	
Completeness of Income			Finding raised, see page 28	

Consistency of judgements with Deloitte's expectations

-  Inconsistent
-  Improvement required
-  Consistent

Controls approach adopted

-  Assess design & implementation

Significant risks (continued)

ITEM 04.a

Risk 1 – Management override of controls

Risk identified	<p>In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Report and Financial Statements as well as the potential to override the College's controls for specific transactions.</p> <p>The key judgments in the Report and Financial Statements are those which we have selected to be the significant audit risks – income recognition and operating within the funding provided. These are inherently the areas in which management has the potential to use their judgment to influence the Report and Financial Statements.</p>
Our response	<p>In considering the risk of management override, we have performed the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none">• We have considered the overall control environment and 'tone at the top';• We have tested the design and implementation of controls relating to journals and accounting estimates;• We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;• We have tested the appropriateness of journals and adjustments made in the preparation of the Report and Financial Statements. We have used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest;• We have reviewed accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above;• We have obtained an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
Conclusion	<p>Our work on this risk is complete. We have no control findings to raise in relation to this significant risk.</p>

Significant risks (continued)

ITEM 04.a

Risk 2 – Property Valuation

Risk identified The College held £56.23m of property assets (land and buildings) at 31 July 2023 which increased to £57.87m as at 31 July 2024. In 2023/24 the College has performed a full independent valuation of its estate as at 31 July 2024.

The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

The College's land and buildings are revalued every 5 years for the purposes of the financial statements with an interim valuation after 3 years. Land and buildings have been valued as at 31 July 2024 (full valuation) on the basis of depreciated replacement cost by the Colleges appointed external valuer.

Our response

- We have tested the design and implementation of key controls in place around the property valuation;
- We have engaged early with the College, using our valuation specialists to challenge the assumptions applied by management in the valuations;
- We have tested the inputs to the valuation and the key asset information provided by the College to the valuer back to supporting documentation;
- We have used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the College's Land and Buildings.

Conclusion Our work on this significant risk is complete. We have identified two control findings which we report to Committee. Details of both of these findings are included on page 28.

Significant risks (continued)

ITEM 04.a

Risk 3 – Operating within the funding provided

Risk identified

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the funding available. The risk is that Inverness College could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.

Our response

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council (SFC). Our work in this area has included the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
 - Obtained independent confirmation of the funding allocated to the College by the SFC and UHI;
 - Performed focused testing of a sample of accruals and prepayments made at the year-end; and
 - Performed focused testing of a sample of invoices received and paid around the year end.
-

Significant risks (continued)

ITEM 04.a

Risk 3 – Operating within the funding provided (continued)

Conclusion

Our work on this risk is complete. We have one item to report to the Audit Committee in relation to this significant risk. This is in relation to the Job Evaluation Scheme.

Included within the 2023/24 Accounts Direction were details of a change in the funding arrangements for the national job evaluation exercise. The updated Accounts Direction instructed colleges to remove the accrued income being recognised in relation to the job evaluation scheme and reclassify the liability from accruals to provisions.

This change was communicated in the Accounts Direction issued by the Scottish Funding Council on 18th September 2024. As this was before the 2022/23 Annual Report and Accounts had been signed, this should have been treated as an adjusting post balance sheet event in 2022/23. This has therefore been corrected through a prior year restatement.

Management have posted this adjustment in the updated accounts. The in-year impact for accounting for the Job Evaluation Scheme liability is £367k. We note that £2.02m of Job Evaluation Scheme liability has been reclassified from accruals to provisions.

Significant risks (continued)

ITEM 04.a

Risk 4 – Completeness of income

Risk identified ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams for the College and concluded that the risk of a material misstatement due to fraud can be pinpointed to the non-recurrent funding as there is no judgement in respect of the recurrent grants from the SFC and UHI. We have pinpointed the non-recurrent funding risk to be in relation to:

- Incorrect recognition applied to grant income with conditions attached; and
- Incorrect recognition where performance conditions are in place.

Our response We have performed the following procedures:

- Tested the design and implementation of key controls in place around the recognition of non-recurrent funding;
- Tested a sample of grants for any evidence of clawback of income where conditions of entitlement have not been met; and
- Tested a sample of grants with performance conditions to ensure income is recognised correctly in line with the outlined requirements.

Conclusion Our work on this significant risk is complete. We have one control finding to report to the Audit Committee on this significant risk regarding retention of grant agreements. See page 28 for further details.

2.5 Other areas of audit focus

We have identified the below areas of audit interest, although do not consider these to be significant risks

ITEM 04 a

Risk identified Pension Liability

Summary

Retirement benefits to employees of the College are provided by the Highland Council Pension Fund (HCPF), which administers the Local Government Pension Scheme (LGPS) and managed by Highland Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). The pension balance has remained in an asset position between financial years 2022/23 and 2023/24.

Hymans Robertson LLP are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.

Deloitte response

We have performed the following procedures to address the risk:

- Engaged with the Pension Fund Auditor to ensure timetables are aligned to provide the required assurances;
- Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Reviewed and challenged the assumptions made by Hymans Robertson;
- We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We have assessed the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds estimated asset position at 31 July 2024;
- Reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- Reviewed the disclosures within the accounts against the FE SORP; and
- Engaged Deloitte's internal pensions experts to assist with the above procedures.

Conclusion

Our work on this area of audit focus is complete. Our pension specialists have raised one finding which requires reporting to the Audit Committee:

- A judgemental adjustment in relation to allowance for the Goodwin case. The total value of this adjustment is £34k. See details on page 29.
-

Other significant findings

ITEM 04.a

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Inverness College's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the 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). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from the College on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.

Our audit report

ITEM 04.a

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Report and Accounts

We have issued an unmodified audit report.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

We have no matters to bring to the attention of the Committee in relation to expenditure and income in the Annual Report and Account not being incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Your Annual Report and Accounts

ITEM 04.a

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the Accounts Direction. No exceptions noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.</p>

Wider scope audit

ITEM 04.a

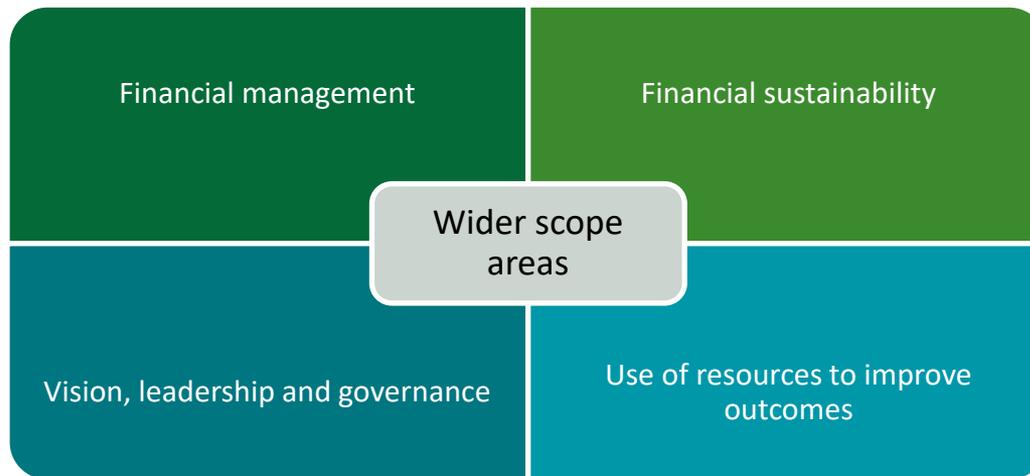


Wider scope requirements

ITEM 04.a

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In its planning guidance, Audit Scotland has also highlighted climate change as a national and sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2023/24 audits.

Our audit work has considered how Inverness College is addressing these risks. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

ITEM 04.a



Risk identified

The College sector in Scotland is going through a period of financial challenge. There is a risk that Inverness College does not have the financial controls in place to monitor and respond to these challenges.

Current year financial performance

We note that the wider financial landscape in which Inverness College operates is challenging, which creates specific challenges for Inverness College. However, from a financial management perspective, we note that the final outturn position was in line with the 2023/24 budget set at the beginning of the year.

The forecast outturn position for Inverness College in 2023/24 was a deficit position of £739k. This was made up of total income of £28,384k and total expenditure of £29,123k.

The final outturn position achieved was a deficit of £310k. This was made up of total income of £30,509k and total expenditure of £30,819k. We note that the final outturn position was £429k ahead of the planned deficit.

Finance team structure

The finance team structure has remained consistent throughout the year. The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board. Included within our work on leadership and governance is our assessment of changes to the leadership team at Inverness College.

Budget processes

The Inverness College budget is approved by the College Board annually. The CMT and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Governance and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report. From our work performed in this area, we have not noted any issues with the financial management and budgetary processes at the college. The Board has effective financial planning and management arrangements in place

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College. The Board has effective financial planning and management arrangements in place.

Wider scope requirements (continued)

ITEM 04.a

Financial sustainability

Have any short-term financial challenges been identified and addressed through a financial recovery plan?



How appropriate are the arrangements put in place to address any identified funding gaps?



Are there plans in place to support how efficiency targets are to be met?



Financial Sustainability

Risk identified

The financial environment in which the College operates is challenging, with the impact of declining student numbers, together with inflationary pressures and national pay negotiations continuing to exacerbate an already challenging financial position. This creates a risk that the College will not be able to develop viable and sustainable financial plans.

Current year assessment

The wider financial landscape in which Inverness College operates is challenging. In 2023/24 the college recorded a deficit of £310k. Although this was primarily impacted by a one-off loss on disposal of fixed assets of £467k in the year. In 2024/25 the forecast deficit is £751k, which is forecast to decrease to £220k in 2025/26 and £13k in 2026/27.

Medium to Long Term Planning

Recruitment for Higher Education (HE) saw a downward trend in the year with the college identifying that more HE part time offerings are required. The college is working with UHI partners to review the curriculum offered. Further Education (FE) activity over exceeded its target for the second year in a row.

The key issue in the college sector is the five-year projected public sector financial outlook which sees flat funding for the college sector and reduced capital funding.

Currently, there is no recovery plan in place with the focus of the college being on improving both HE and FE activity as well as continuing to receive the necessary funding.

Deloitte view – financial sustainability

We note that Inverness College is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs. We note that student recruitment levels at Inverness College have improved in recent years and the College exceeded their FE target for 2023/24. We note that the College is currently financially sustainable, with actions being taken to address financial challenges seen across the College sector.

Wider scope requirements (continued)

ITEM 04.a

Vision, leadership and governance

Does the body have a clear vision and strategy?



Is there evidence that leaders are adaptable to a changing environment?



Do members and senior managers have a culture of cooperation and working constructively in partnership?



Vision, leadership and governance

Risk Identified

There is a risk around the effectiveness of the governance arrangements in place to ensure there is effective scrutiny, challenge and informed decision making.

Strategic Plan

We note that Inverness College has a Strategic Plan for 2022-2026 published on their website. From our review of the Strategic Plan in place at Inverness, we note that the college has a clear vision and strategy which included a clear set of priorities. In addition to this, a key focus is being placed on sustainability which is embedded within the governance arrangements at the College.

The strategic plan includes 5 key strategic pillars which are included with specific aims attached to each one. Each of these pillars includes a strategic aim, and four to six key strategic objectives. These objectives are in place to ensure the priorities are aligned with the needs of the communities and individuals. The strategic plan and policies are all published on the Inverness College website, evidencing the information is accessible to relevant communities.

Adapting to a changing environment

We note from our review of committee meeting minutes and our attendance at audit committee meetings that the leaders of the College are adapting to a changing environment. This includes regular reviews of financial performance, and discussions on curriculum reviews as noted on the following slide.

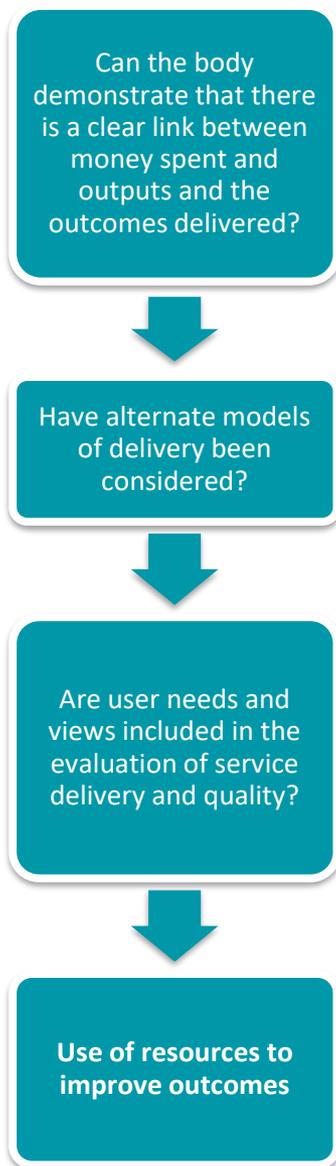
Deloitte view – Vision, leadership and governance

We note from our wider scope work performed that during the 2023/24 financial year there were good governance arrangement in place at the College showing a leadership team working collaboratively to adapt to a changing environment.

Wider scope requirements (continued)

ITEM 04.a

Use of resources to improve outcomes



Risk identified

As discussed under financial sustainability, there is a risk that the College does not have plans in place to manage its finances sustainably. There is also a risk that performance management systems are not sufficient to demonstrate how resources are being directed to improve outcomes.

Use of resources to improve outcomes

Inverness College has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. The most recent inspection report, published by Education Scotland in July 2024, notes major strengths in the College's approach to assuring and enhancing the quality of learning and teaching, including learner engagement.

Student recruitment

One of the key KPIs in place at the College is in relation to student recruitment. This is monitored and reported on the monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2023/24, the College delivered 26,454 FE credits against a target of 26,442 credits, equivalent to 100% of the target. Inverness College delivered a total full-time equivalent (FTE) HE students of 1,259 FTE against a target of 1,418 FTE, equivalent to 89% of the target.

There is an acknowledgement of the lower than budget HE activity in the year and the college have plans in place to improve upon this going forward. A curriculum review is due to take place in order to improve on these targets.

Deloitte view – Use of resources to improve outcomes

We note that the College has received a positive inspection report from Education Scotland in 2023/24, noting major strengths in relation to quality of learning and engagement. We note from our work performed on financial sustainability that the College has governance arrangements in place to demonstrate the best use of available resources to improve outcomes.

Wider scope requirements (continued)

ITEM 04.a

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Question	Inverness College position
1. What targets has the body set for reducing emissions in its own organisation or in its local area?	<p>Inverness College has an Environmental Sustainability Strategy in place. This includes targets that the College has set to achieve net carbon zero emissions by 2040.</p> <p>However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated into the Strategy and are reported to the College Board on a timely basis.</p>
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	<p>Inverness College has a Carbon Management Plan in place. This management plan sets out the College's strategy and how it intends to achieve its targets.</p>
3. How does the body monitor and report progress towards meeting its emission targets internally and publicly?	<p>We note that Inverness College have a Carbon Management Team which meets on a regular basis to monitor how the College can reduce its carbon footprint through all its operations. This includes reviewing the progress of current projects and monitoring key emissions statistics over time.</p> <p>We note that the College has not set interim targets to measure progress against its Sustainability Strategy. See recommendation above in relation to monitoring progress against emissions targets.</p>

Wider scope requirements (continued)

ITEM 04.a

Climate change (continued)

Question	Inverness College position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the size of the organisation, the expected impact on the financial statements is minimal.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	Included with the Inverness College financial statements is a section on “Sustainability Strategy”. Included within this section are details of the College’s Carbon Management Plan, Sustainability Strategy Implementation Group, and the Sustainability Strategy itself.

Deloitte view – Climate change

We note that Inverness College have a sustainability target to achieve net carbon zero emissions by 2040. This does not include interim targets to measure progress. We recommend that these are incorporated into the Sustainability Strategy and are reported to the College Board on a timely basis.

Inverness College has a Carbon Management Plan in place. This management plan sets out the College’s strategy and how it intends to achieve its targets.

Purpose of our report and responsibility statement

ITEM 04.a

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the College discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the College, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the college.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Newcastle | 31 January 2025

Appendices

ITEM 04.a



Control findings

ITEM 04.a

The following recommendations have arisen from our 2022/23 audit work performed to date:

Finding	Recommendation	Priority	Management Response
<p>No fixed asset register: UHI Inverness does not hold and maintain a Fixed Asset Register. This creates a risk that College assets are not being correctly recorded or accounted for.</p>	It is recommended that a fixed asset register is created and maintained going forward.		TBC
<p>Information provided to valuer: UHI Inverness does not keep floor plans and site plans of the land and buildings that have been revalued. This prevents the audit team from verifying the inputs that are used in the revaluation calculation. UHI Inverness sent these measurements to Shepard's (external valuer) in 2019 when they were first engaged and have not maintained them since.</p>	It is recommended that floor plans are maintained annually and provided to the College's external valuer ahead of each valuation per the rolling valuation cycle.		TBC
<p>NPD creditor agreement: We noted that the College has not retained the original NPD service concession agreement.</p>	It is recommended that the College seek to source a copy of the original agreement and retain this going forwards.		TBC
<p>Retention of grant agreements for deferred capital grants: We noted that the College have not retained the original grant agreements for many of the capital grants.</p>	It is recommended that the College looks to source original grant income documentation from the relevant party and moving forward, we would suggest that they retain any relevant documentation.		TBC

Audit adjustments

ITEM 04.a

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Overstatement of revaluation surplus	[1]	300	-	(300)	-	
No allowance has been made in relation to the Goodwin case.	[2]	-	(34)	-	34	N/A
Total		300	(34)	(300)	34	

[1] Deloitte note that the Longman Site was classified as held for sale in 2022/23. The site had an upwards revaluation in 2021/22 of £300k, and in 2022/23 the asset was impaired by £1,060k. UHI Inverness wrote off the entire amount to the I&E without debiting the Revaluation Surplus of £300k. In addition, the asset was sold in 2023/24 and revaluation surplus of £300k still remains signifying that the Revaluation Surplus is overstated by £300k.

[2] No allowance has been made in relation to the Goodwin case in the FY24 liability value. In our view an allowance should be made, as a past service cost. Based on available information, we believe the cost of this would be £34k. We note that this is a judgemental misstatement based on assumptions used by actuarial specialists.

Disclosures

ITEM 04.a

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Our other responsibilities explained

Fraud responsibilities and representations

ITEM 04.a



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the College to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the College to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in operating within the funding provided, completeness of income and management override of controls as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Independence and fees

ITEM 04.a

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and our objectivity is not compromised.

Fees The expected fee for 2023/24, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	48,890
Audit Scotland fixed charges:	
• Pooled costs	(5,220)
• Sectoral cap adjustment	(11,990)
Total expected fee	31,770

There are no non-audit fees.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard and the College's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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Finance and General Purposes Committee

Subject/Title:	Letter of Representations for 2023/24
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Finance and General Purposes Committee
Meeting Date:	3 February 2025
Date Paper prepared:	29 January 2025
Brief Summary of the paper:	To present the letter of representations for the financial year 2023/24 to the committee for approval.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A
Resource implications:	N/A If yes, please specify:
Risk implications:	Yes If yes, please specify: Yes – refers to areas of risk and how the College addresses them
Equality and Diversity implications:	N/A
Student Experience Impact:	None
Consultation: [staff, students, UHI & Partners, External] and provide detail	None
Status – [Confidential/Non confidential]	Non-Confidential
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes
*If a paper should not be included within “open” business, please highlight below the reason.	
Its disclosure would substantially prejudice a programme of research (S27)	Its disclosure would substantially prejudice the effective conduct of public affairs (S30)
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)	Its disclosure would constitute a breach of confident actionable in court (s36)
Its disclosure would constitute a breach of the Data Protection Act (s38)	Other (Please give further details)

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

The Finance & General Purposes Committee approve the representations made to the external auditors in the letter attached and approve that the Chair of the Board of Management can sign on its behalf.

Purpose of report

To present to the Finance & General Purposes Committee the representations the College is making on the questions the external auditors are asking and confirmations they are seeking.

Letters of Representation

The external auditors request the College to make representations regarding various financial and risk issues on an annual basis, as part of the audit process.

A copy of the letter is appended to the report, with two main areas covered being the 2023/24 financial statements and the information provided to the external auditors to enable them to carry out their audit.

31 January 2025

Our Ref: NW/IC/FY24

Dear Nicola Wright,

This representation letter is provided in connection with your audit of the financial statements of Inverness College ('the College') for the year ended 31 July 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the College as of 31 July 2024 and of the results of its operations, other comprehensive net income and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the Accounts Direction for Scotland's Colleges 2023-24 issued by the Scottish Funding Council (SFC).

In addition to the above, this representation letter is provided in connection with your audit of the other information in the Annual Report and Accounts, for the purposes set out in the Code of Audit Practice 2021.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the College, I confirm to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the accounts direction issued by the Scottish Funding Council and in accordance with, Section 21 of the Public Finance and Accountability (Scotland) Act 2000, which give a true and fair view, as set out in the terms of the audit engagement letter.
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS102 Section 33 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. We confirm that the list included in the appendix to this report is a complete list of the uncorrected misstatements and disclosure deficiencies identified.

6. We conclude that management's assertion and disclosure that the entity continues to be a going concern and there are no material uncertainties is appropriate.
7. We confirm the going concern assessment is in line with the Government Financial Reporting Manual, as we confirm the continued provision of the services.
8. We have reconsidered the remaining useful lives of the property, plant and equipment and confirm that the present rates of depreciation are appropriate to depreciate the cost less residual value over the remaining useful lives.
9. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.
10. With respect to accounting estimates, we confirm:
 - the measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently;
 - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the College's where relevant to the accounting estimates and disclosures;
 - the disclosures related to accounting estimates under the College's applicable financial reporting framework are complete and appropriate; and
 - there have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.
11. We confirm that we consider the depreciated historic cost is an appropriate proxy for the fair value of non-property assets and are not aware of any circumstances that would indicate that these assets require revaluation.
12. We confirm that the provisions included within the financial statements are our best estimate of the liability due by the College.
13. We confirm that all of the disclosures relating to sections of the Annual Report and Accounts which are considered 'other information' as set out in the Code of Audit Practice 2021 have been prepared in accordance with relevant legislation and guidance.
14. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;

- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the board's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
15. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.
16. We confirm that there is no unprovided claw back of Scottish Funding Council (SFC) or Universities of Highlands and Islands (UHI) grants for the year ended 31 July 2024 or in respect of any previous year.
17. We confirm that income has been applied in accordance with the College's statutes and, where appropriate, the Accounts Direction and any other terms and conditions attached to them.
18. We confirm that all income received from SFC or UHI, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they relate.
19. We have considered the HMRC guidance issued to Higher Education Institutions following the Finance Act 2006 and based on our analysis of income and costs between primary and not primary purpose activities we are satisfied that no tax provision is needed in the financial statements.
20. We have reviewed the fixed assets for impairment. Our review comprised of a comparison of the carrying amount and recoverable amount of the fixed assets and, hence, involved consideration of the value in use.

Information provided

21. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.
22. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

23. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the College or group and involves:
- (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
19. We are not aware of any fraud or suspected fraud that affect the College and involve:
- (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial statements.
20. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
21. We have disclosed to you the identity of the College's and group's related parties and all the related party relationships and transactions of which we are aware.
- No claims in connection with litigation have been or are expected to be received.
22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
23. We confirm that:
- (i) we consider that the College has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

24. All minutes of Board and Committee meetings during and since the financial year have been made available to you.
25. We have drawn to your attention all correspondence and notes of meetings with regulators.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Principal and Chief Executive, for and on behalf of Inverness College

Appendix 1

Schedule of uncorrected misstatements

Description	SOCNE Dr / (Cr) £'000	Net assets Dr / (Cr) £'000	Prior year reserves Dr / (Cr) £'000	Profit & Loss Dr / (Cr) £'000
Overstatement of revaluation surplus [1]	300		(300)	
Allowance in relation to the Goodwin Case [2]		(34)		34
Total	300	(34)	(300)	34

[1] The Longman Site was classified as held for sale in 2022/23. The site had an upwards revaluation in 2021/22 of £300,000, and in 2022/23 the asset was impaired by £1,060,000. UHI Inverness wrote off the full amount to the I&E without debiting the Revaluation Surplus of £300,000. In addition, the asset was sold in 2023/24 and revaluation surplus of £300,000 still remains signifying that the Revaluation Surplus is overstated by £300,000.

[2] No allowance has been made in relation to the Goodwin case in the FY24 liability value. Based on available information, the cost of this is believed to be £32k. This is a judgemental misstatement based on assumptions used by actuarial specialists.

Finance and General Purposes Committee

Subject/Title:	SFC Annual Accounts Return 2023/24
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Finance and General Purposes Committee
Meeting Date:	3 February 2025
Date Paper prepared:	27 January 2025
Brief Summary of the paper:	To present to the committee the final SFC annual accounts return for 2023/24, which is based on the financial statements for the year-ended 31 July 2024.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A
Resource implications:	N/A If yes, please specify:
Risk implications:	If yes, please specify: Financial - Yes
Equality and Diversity implications:	N/A
Student Experience Impact:	None
Consultation: [staff, students, UHI & Partners, External] and provide detail	None
Status – [Confidential/Non confidential]	Non-Confidential
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes
*If a paper should not be included within “open” business, please highlight below the reason.	
Its disclosure would substantially prejudice a programme of research (S27)	Its disclosure would substantially prejudice the effective conduct of public affairs (S30)
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)	Its disclosure would constitute a breach of confident actionable in court (s36)
Its disclosure would constitute a breach of the Data Protection Act (s38)	Other (Please give further details)

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

The finance & general purposes committee agree that the Principal can sign the SFC Annual Accounts Return for 2023/24 for submission to the Scottish Funding Council.

Purpose of report

To present the final SFC annual accounts return for 2023/24 to the committees for approval, which if approved will then be sent to the Scottish Funding Council.

SFC Annual Accounts Return – 2023/24

The SFC Annual Accounts return for 2023/24 is appended to this report and shows the final actual figures for 2023/24 compared to the revised actual figures for 2022/23, as well as the forecast figures based on the financial forecast return (FFR).

The annual return figures for 2023/24 are taken directly from the 2023/24 financial statements and show the following key results:

- Operational surplus of £0.157 million (2022/23 – deficit of £3.449 million)
- Adjusted Operating Position of a deficit of £0.621 million (2022/23 – deficit of £0.390)
- Total net assets of £23.994 million (2022/23 - £19.846 million)
- Cash balance at year-end of £8.619 million (2022/23 - £6.774 million)
- Net current assets of £2.317 million (2022/23 - £2.443 million)

2023-24 Financial Statements

College: **UHI Inverness**

Contact: **Niall McArthur**

Telephone: **07767 442235**

Email: niall.mcarthur.ic@uhi.ac.uk

DECLARATION:

I confirm that the figures in the financial statements return accurately reflect, and have been reconciled to, the audited financial statements of the college for the year ended 31 July 2024 and that adequate explanations have been provided where requested.

Signed:

[Redacted Signature]

Principal / Chief Executive Officer

Date:

[Redacted Date]

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE	Actual	Actual	Variance		Explanation	Forecast	Variance	
	2023-24	2022-23	£000	%		2023-24	£000	%
INCOME								
Tuition fees and education contracts	4,604	4,848	(244)	-5%		4,589	15	0%
SFC / RSB grants	22,483	20,720	1,763	9%		20,737	1,746	8%
Research grants and contracts	850	634	216	34%		1,144	(294)	(26%)
Other income	2,391	2,942	(551)	-19%		1,864	527	28%
Investment income	181	32	149	466%		50	131	262%
Donations and endowments	0	0	0			0	0	
Total Income	30,509	29,176	1,333	5%		28,384	2,125	7%
EXPENDITURE								
Staff costs	19,194	20,212	(1,018)	-5%		18,641	553	3%
Staff costs - exceptional restructuring costs	0	0	0			0	0	
Exceptional costs - non-staff	0	0	0			0	0	
Other operating expenses	7,147	7,155	(8)	0%		6,668	479	7%
Donations to Arms Length Foundation	0	0	0			0	0	
Depreciation / amortisation	1,394	2,249	(855)	-38%		1,000	394	39%
Interest and other finance costs	2,616	3,009	(393)	-13%		2,814	(198)	(7%)
Total Expenditure	30,351	32,625	(2,274)	-7%		29,123	1,228	4%
Surplus / (Deficit) before other gains and losses	158	(3,449)	3,607	-105%		(739)	897	(121%)
Gain / (Loss) on disposal of assets	(467)	0	(467)			0	(467)	
Gain / (Loss) on investments	0	0	0			0	0	
Share of operating surplus / (deficit) in joint venture(s)	0	0	0			0	0	
Share of operating surplus / (deficit) in associate(s)	0	0	0			0	0	
Surplus / (Deficit) before tax	(309)	(3,449)	3,140	-91%		(739)	430	(58%)
Taxation	0	0	0			0	0	
Surplus / (Deficit) for the year	(309)	(3,449)	3,140	-91%		(739)	430	(58%)
Unrealised surplus on revaluation of assets	2,720	0	2,720			0	2,720	
Actuarial gain / (loss) in respect of pensions schemes	1,738	7,754	(6,016)	-78%		0	1,738	
Other comprehensive income	0	0	0			0	0	
Total Comprehensive Income for the year	4,149	4,305	(156)	-4%		(739)	4,888	(661%)

UHI Inverness

*Please enter explanations for any significant var

ITEM 06.a

INCOME

	Actual 2023-24	Actual 2022-23	-----Variance-----		
	£000	£000	£000	%	Explanation
1 Tuition fees and education contracts					
a) FE - UK	130	85	45	53%	
b) FE - EU	6	0	6		
c) HE	2,441	2,445	(4)	(0%)	
d) Non-EU	179	137	42	31%	
e) SDS contracts	1,848	2,181	(333)	(15%)	
f) Education contracts	0	0	0		
g) Other	0	0	0		
Total tuition fees and education contracts	4,604	4,848	(244)	(5%)	
2 SFC / RSB Grants					
a) SFC / RSB FE recurrent grant (including fee waiver)	9,758	10,171	(413)	(4%)	
b) UHI recurrent grant - HE provision	5,080	4,795	285	6%	
c) FE Childcare funds	84	122	(38)	(31%)	
d) Release of SFC / RSB deferred capital grants	1,680	1,130	550	49%	
e) SFC capital grant	104	107	(3)	(3%)	
f) SFC grant for NPD	5,057	4,968	89	2%	
g) Other SFC / RSB grants - FE provision	146	(1,125)	1,271	(113%)	
h) Other UHI grants - HE provision	574	552	22		
Total SFC / RSB Grants	22,483	20,720	1,763	9%	
3 Research grants and contracts					
a) European Commission	850	634	216	34%	
b) Other grants and contracts	0	0	0		
Total research grants and contracts	850	634	216	34%	
4 Other Income					
a) Catering and residences	631	581	50	9%	
b) Other European Income	0	0	0		
c) Other income generating activities	513	338	175	52%	
d) Grants from ALF	0	0	0		
i) Revenue	0	0			
II) Capital	0	0			
e) Non-government capital grant	0	0	0		
f) Other grant income	0	0	0		
g) Release of non-SFC government deferred capital grant	0	0	0		
h) Other income	1,247	2,023	(776)	(38%)	
Total other income	2,391	2,942	(551)	(19%)	
5 Investment income					
a) Investment income on endowments	0	0	0		
b) Investment income on restricted reserves	0	0	0		
c) Other investment income	0	0	0		
d) Other interest receivable	181	32	149	466%	
e) Net return on pension scheme	0	0	0		
Total investment income	181	32	149		
6 Donations and endowment income					
a) New endowments	0	0	0		
b) Donations with restrictions	0	0	0		
c) Unrestricted donations	0	0	0		
Total donation and endowment income	0	0	0		

STAFF COSTS		Actual	Actual	-----Variance-----		Forecast	-----Variance-----		Explanation
		2023-24	2022-23	£000	%	2023-24	£000	%	
		£000	£000	£000	%	£000	£000	%	Explanation
1	Teaching departments	10,795	10,947	(152)	(1%)	10,821	(26)	(0%)	
2	Teaching support services	1,726	1,593	133	8%	1,545	181	12%	
3	Other support services	1,067	887	180	20%	830	237	29%	
4	Administration and central services	4,596	5,332	(736)	(14%)	4,455	141	3%	
5	Premises	417	308	109	35%	320	97	30%	
6	Catering and residences	395	403	(8)	(2%)	390	5	1%	
7	Other income generating activities	0	0	0		0	0		
8	Other staff costs	0	0	0		280	(280)	(100%)	
9	Impact of FRS 102 pensions reported costs (less contributions paid included above)	198	742	(544)	(73%)	0	198		
	Normal staff costs	19,194	20,212	(1,018)	(5%)	18,641	553	3%	
10	Exceptional restructuring costs	0	0	0		0	0		
	Total staff costs	19,194	20,212	(1,018)	(5%)	18,641	553	3%	
Additional breakdown of staff costs									
	Salaries	14,195	15,141	(946)	(6%)	14,655	(460)	(3%)	
	Social security costs	1,541	1,328	213	16%	1,256	285	23%	
	Pension contributions	3,135	2,722	413	15%	2,730	405	15%	
	Non-cash pension adjustments - net service cost	198	742	(544)	(73%)	0	198		
	Non-cash pension adjustments - early retirement provision	125	279	(154)	(5%)	0	125		
	Severance payments	0	0	0		0	0		
	Total staff costs	19,194	20,212	(1,018)		18,641	553	3%	
NON-STAFF COSTS									
1	Exceptional costs - non-staff	0	0	0		0	0		
2	Other operating expenses								
	a) Teaching departments	1,931	2,192	(261)	(12%)	2,045	(114)	(6%)	
	b) Teaching support services	0	0	0		0	0		
	c) Other support services	66	81	(15)	(19%)	75	(9)	(12%)	
	d) Administration and central services	1,180	1,040	140	13%	1,450	(270)	(19%)	
	e) General education	0	0	0		0	0		
	f) Premises	2,928	2,539	389	15%	2,064	864	42%	
	(i) Maintenance	976	720	256	36%	820	156	19%	
	(ii) Utilities	917	571	346	61%	730	187	26%	
	(iii) Other	1,035	1,248	(213)	(17%)	514	521	101%	
	g) Catering and residences	435	408	27	7%	390	45	12%	
	h) Other income generating activities	523	773	(250)	(32%)	530	(7)	(1%)	
	i) Overspend on student support funds *	0	0	0		0	0		
	j) Planned maintenance	0	0	0		0	0		
	k) Movement on early retirement pension provision	0	0	0		0	0		
	l) NPD	0	0	0		0	0		
	m) Other	84	122	(38)	(31%)	114	(30)	(26%)	
	Total other operating expenses	7,147	7,155	(8)	(0%)	6,668	479	7%	
3	Depreciation								
	a) Government funded assets	0	0	0		0	0		
	b) Non-government funded assets	0	1,060	(1,060)	(100%)	0	0		
	c) NPD funded assets	1,394	1,189	205	17%	1,000	394	39%	
	Total depreciation	1,394	2,249	(855)	(38%)	1,000	394	39%	
4	Interest								
	a) On bank loans, overdrafts and other loans	0	0	0		0	0		
	b) Finance lease interest	0	0	0		0	0		
	c) Other	0	0	0		0	0		
	d) Net charge on pension scheme	(242)	84	(326)	(388%)	0	(242)		
	e) NPD interest	2,858	2,925	(67)	(2%)	2,814	44	2%	
	Total interest	2,616	3,009	(393)	(13%)	2,814	(198)	(7%)	

* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.

ITEM 06.a

ADJUSTED OPERATING POSITION

	Actual 2023-24 £000	Actual 2022-23 £000	Forecast 2023-24 £000
Surplus / (deficit) before other gains and losses and share of operating surplus / deficit of joint ventures and associates	158	(3,449)	(739)
Add:			
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release (incorporated colleges only)	(286)	1,119	700
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0
Non-cash pension adjustment - Net service cost (FRS 102 Staff cost adjustment)	198	742	0
Non-cash pension adjustment - net interest cost	(242)	84	0
Non-cash pension adjustment - Early retirement provision year-end revaluation charged to SOCI	125	279	0
Donation to Arms Length Foundation (incorporated colleges only)	0	0	0
Costs of middle management job evaluation exercise not matched by revenue	367	1,653	0
Deduct:			
Non-Government capital grants credited to SOCI (e.g. ALF capital grant)	0	0	0
Exceptional income (if disclosed as exceptional in accounts)	0	0	0
Revenue funding allocated to non-SOCI payments e.g loan repayments and other balance sheet items (incorporated colleges only)	941	817	817
NPD income applied to reduce NPD balance sheet debt	0	0	0
Adjusted operating position	(621)	(389)	(856)

BALANCE SHEET		Actual 2023-24	Actual 2022-23	-----Variance-----		Forecast 2023-24	-----Variance-----	
		£000	£000	£000	%	£000	£000	%
						Explanation		
Non-current assets	a) Intangible assets	0	0	0			0	
	b) Fixed assets	57,869	56,231	1,638	3%	55,100	2,769	5%
	c) Investments	0	0	0		0	0	
Total Non-Current Assets		57,869	56,231	1,638	3%	55,100	2,769	5%
Current assets	a) Stocks	51	47	4	9%	48	3	6%
	b) Debtors	1,199	1,149	50	4%	2,802	(1,603)	(57%)
	c) Investments	0	0	0		0	0	
	d) Cash and cash equivalents	8,619	6,775	1,844	27%	6,866	1,753	26%
	e) Other (e.g. assets for resale)	0	1,240	(1,240)	(100%)	1,240	(1,240)	(100%)
Total Current Assets		9,869	9,211	658	7%	10,956	(1,087)	(10%)
Less Creditors: Amounts falling due within one year								
	a) Bank loans and external borrowing	0	0	0		0	0	
	b) Bank overdrafts	0	0	0		0	0	
	c) Lennartz creditor	0	0	0		0	0	
	d) Obligations under finance leases and service concessions	0	0	0		0	0	
	e) Payments received in advance	1,694	541	1,153	213%	541	1,153	213%
	f) Amounts owed to SFC	0	0	0		0	0	
	g) Obligations under PFI / NPD	1,033	941	92	10%	941	92	10%
	h) Deferred capital grant	440	1,621	(1,181)	(73%)	300	140	47%
	i) Other creditors and accruals	4,385	3,665	720	20%	6,340	(1,955)	(31%)
Total Creditors: Amounts falling due within one year		7,552	6,768	784	12%	8,122	(570)	(7%)
Net current assets / (liabilities)		2,317	2,443	(126)	(5%)	2,834	(517)	(18%)
Total assets less current liabilities		60,186	58,674	1,512	3%	57,934	2,252	4%
Creditors: amounts falling due after more than one year								
	a) Local authority loans	0	0	0		0	0	
	b) Bank loans and external borrowing	0	0	0		0	0	
	c) Lennartz creditor	0	0	0		0	0	
	d) Obligations under finance leases and service concessions	0	0	0		0	0	
	e) Obligations under PFI / NPD	32,797	33,830	(1,033)	(3%)	32,889	(92)	(0%)
	f) Deferred capital grant	6,296	6,465	(169)	(3%)	8,190	(1,894)	(23%)
	g) Amounts repayable to SFC	0	0	0		0	0	
	h) Other creditors	0	0	0		0	0	
Total Creditors: Amounts falling due after more than one year		39,093	40,295	(1,202)	(3%)	41,079	(1,986)	(5%)
Provisions								
	a) Pension provision	(6,672)	(4,890)	(1,782)	36%	0	(6,672)	
	b) Provision for unfunded pension costs	1,750	1,770	(20)	(1%)	1,770	(20)	(1%)
	b) Other provision	2,020	1,653	367	22%	0	2,020	
TOTAL NET ASSETS / (LIABILITIES)		23,995	19,846	4,149	21%	15,085	8,910	59%
Restricted reserves								
	a) Endowment reserve	0	0	0		0	0	
	b) Restricted reserve	0	0	0		0	0	
Total Restricted Reserves		0	0	0		0	0	
Unrestricted reserves								
	a) Income and expenditure reserve	8,768	7,339	1,429	19%	2,578	6,190	240%
	b) Revaluation reserve	15,227	12,507	2,720	22%	12,507	2,720	22%
Total Unrestricted Reserves		23,995	19,846	4,149	21%	15,085	8,910	59%
Non-controlling Interest		0	0	0		0	0	
TOTAL RESERVES		23,995	19,846	4,149	21%	15,085	8,910	59%

Subject/Title:	Revenue Budget Monitoring to 30 November 2024
Author:	Niall McArthur, Director of Finance & Estates
Meeting:	Finance & General Purposes Committee
Meeting Date:	3 February 2025
Date Paper prepared:	27 January 2025
Brief Summary of the paper:	To present the revenue budget monitoring for the 4 months to 30 November 2024 and forecast for the year ended 31 July 2025.
Action requested: [Approval, recommendation, discussion, noting]	Discussion

Link to Strategy: Please highlight how the paper links to, or assists with: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Financial Sustainability
Resource implications:	Yes – monitoring of Financial Resources If yes, please specify:

Risk implications:	Yes If yes, please specify: Financial Operational		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

Finance & General Purposes committee members are asked to discuss the report.

Purpose of report

To provide an update on the current forecast position at November 2024, in terms of the revenue budget monitoring for the 12 months ended 31 July 2025.

Revenue Monitoring – to 31 July 2025

This report provides an update to the committee on the forecast position of the college at the 4 month stage to November 2024, for the year to 31 July 2025.

Overall, the management accounts position is currently forecasting an operational deficit of £1.132 million, compared to the original budget deficit of £0.750 million and the previous October 2024 forecast deficit of £1.188million. The breakdown of each income and expenditure line is provided in appendix 1 of the report.

The college is forecasting that it will meet its FE Credit target for 2024/25, with the actual number of credits at January 2025 currently being 24,762, compared to the target of 26,442. In terms of the HE UGT fte number for 2024/25, the current actual at January 2025 is 1,330 fte, compared to the target of 1,319 fte. The forecast for the year is 1,345 fte, which is 36 fte above the APC target and 49 fte below the budget target of 1,394 fte.

The main issues that are affecting the financial performance for the College in 2024/25 are noted below.

Income

- **UHI HE grant funding (Red risk)** - the UHI HE grant is forecast to be lower than the budget of £6.324 million, although the HE fte is ahead of the APC target of 1,319, but below the budget target of 1,394 HE fte. The forecast HE grant figure is £6.179 million, £145,000 below the budget figure. At this stage we do not have any information relating to the microram position for 2024/25.
 - Mitigating Actions: to maximise the January 2025 student intake for HE students.
- **Research grant funding (Red risk)** – the research grant funding is forecast to be below target at present by approximately £140,000, although efforts are being made to close the gap in terms of the income target for the year. At present further work is being carried out on both income and expenditure forecasts to ascertain the forecast for the year.
 - Mitigating Actions: ongoing work to bring in additional grant income, including UKRI application, further KTP grants, and potential funding through the Green Freeport.

- **Tuition fees (Red risk)** – with the HE fte being below the budget target set for the year as noted above, there is a knock-on effect on tuition fees, which is being forecast to be below target by £91,000.
 - Mitigating Actions: to maximise the January 2025 student intake for HE students.
- **Refectory & restaurant income (Green risk)** – based on current income levels, forecast to be £40,000 above the income target of £591,000.
- **Commercial income (Amber risk)** – based on current activity levels, forecast to be the same as the income target of £147,000, although the actual figure for the 3 months to November 2024 is low.
- **Miscellaneous income (Green risk)** – based on current income levels, forecast to be £72,000 above the income target of £560,740, mainly due to additional other income not budgeted for.

Expenditure

- **Staff costs (Red risk)** - are forecast to be £87,000 over budget, with the agreed cost of living increases now been paid for both academic and professional staff for 2024/25 and the 2 previous years. It also includes additional SPPA employer costs, which increased from 23% to 26% in April 2024. As per SFC guidance noted below, additional income has been forecast in 2024/25 to cover these additional costs (£220,000).

“For the purposes of preparing the FFR, institutions should assume that additional funding will be provided to cover the cost of increased employer contributions to the Scottish Teachers Superannuation Scheme which have been implemented from April 2024. Institutions should note that funding is likely but the Scottish Government has yet to finalise the Barnett consequential of the announced UK Government support for central government funded bodies”.

The recently announced increase in employer NIC's has not yet been included in the forecasts, however it is again assumed that this will be funded by the SG/ UK Government. The forecast amount for the college for April to July 2025 is £130,000.

Other staff costs and travel costs are forecast to be the same as the budget for the year to 31 July 2025.

- Mitigating Actions: to continue to review all vacancies and ascertain whether they should be replaced or not, as part of the Staff Review Panel (SRP) process. Also, continue to review any retirements and ascertain whether they should be replaced or can be replaced through further efficiency measures.
- **Premises costs (Red risk)** - are forecast to be £77,000 above the budget of £1.935million. This is mainly due to the forecast overspend in energy costs of £100,000.

- Mitigating Actions: to continue to review all lines of expenditure and for the remainder of the year, reduce expenditure if possible.
- **Other Operating costs (Green risk)** - are forecast to be £49,000 below the budget of £7.741million. This is due to the forecast underspend in a number of different areas.
 - Mitigating Actions: to continue to review all lines of expenditure and for the remainder of the year, reduce expenditure if possible. Budget holder refresher training will also be undertaken for all budget holders, with the key focuses being on budget monitoring and on procurement. The budget review exercise has also started for 2024/25, with the first round of reviews almost completed. Further reviews will take place during the rest of the year, in February and May 2025.

As part of the ongoing improvements to the budget setting process, budget profiling will be put in place as part of the 2025/26 budgets setting process and budget holders will be given training in how to profile their budgets for next year, to improve the budget monitoring and review process.

Student Support Funding

The Student Support funding (SSF) is forecast to be overspent in 2024/25 by approximately £50,000, compared to an underspend of £579,000 in 2023/24. This is due to a decrease in the college allocation from SFC. As part of the SFC In-Year redistribution exercise carried out in November 2024, UHI Inverness requested additional funds of £100,000 for 2024/25 and this has been approved by SFC. This means that overall, the SSF's for 2024/25 should not be overspent. Further updates will be provided over the rest of the AY.

Liquidity

The bank balance at the end of November 2024 was £6.350 million, compared to the bank balance at July 2024 of £8.619 million. The forecast bank balance at 31 July 2025 is £4.2 million, a reduction of £4.419 million compared to the previous years balance. The reduction is due to the forecast deficit position in 2024/25, as well as the back-dated pay award for 2022/23 and 2023/24, which has now been paid to staff, ALF funding of £900,000 being held at July 2024, repayment of SSF underspend of £600,000 in March 2025 and the Longman site sale proceeds of £773,000 included in the 2024 year-end balance.

Risk Assessment

Downside Risks

- The continued unfunded cost of living increases for academic and professional staff.

ITEM 07.

- Job Evaluation was due to complete by 31 March 2023. If monies from the SG are not sufficient to cover the costs, then colleges will have to fund the additional cost themselves.
- The five-year public sector finance forecast which was issued by the Scottish Government, which showed flat funding for revenue grants and reduced capital for five years.
- Although HE FTE numbers are increasing for UHI Inverness, across the UHI partnership they are still significantly below the SFC funded target, which increases the risk of further cuts to the UHI SFC funded number and potentially reduces the funded growth which is required across UHI.
- The UHI microRam continues to add uncertainty in projections at the year-end.

Appendix 1

1. SFC FE Funding

The forecast figure is £10.145 million, which is in line with the budget figure. Current forecasts are that the college will exceed its credit target of 26,442 credits for 2024/25, with actual credits to the end of November 2024 being 24,762 credits.

2. UHI HE Funding

The UHI HE grant is forecast to lower than the budget of £6.324 million, although the HE fte is ahead of the APC target of 1,319, but below the budget target of 1,394 HE fte. The forecast HE grant figure is £6.179 million, £145,000 below the budget figure.

3. Tuition Fees

Overall, tuition fees income is forecast to be below the budget figure of £3.039 million by £91,000, due to HE numbers being below the budget target figure for the year.

4. Other Grant Funding - Research

Forecast to be £140,000 below budgeted income, mainly due to lower-than-expected research income. To be closely monitored for the remainder of the year.

5. Refectories

The current forecast for refectory income is ahead of the budget target of £591,000 for the year by £40,000.

6. SDS

At present, the forecast for the year is the same as the original budget figure of £2.099 million, and this will be closely monitored for the remainder of the year.

7. Commercial

Short Course and commercial income for 2024/25 is forecast to be the same as the original budget of £147,000 and this will be closely monitored for the rest of the year, as the current actual figure to November 2024 is low.

8. Miscellaneous Income

The miscellaneous income is currently forecast to be above the original budget of £560,740 by £72,000. This is due to additional other income being received which was not budgeted for.

9. NPD/ Unitary Charge Income

As previously reported, this is an area the College is reviewing. However, increasingly we are looking at income reimbursement from the SFC. The SFC also has been reviewing this in terms of Scottish Government funding and support for colleges who have NPD contracts.

10. Staff Costs

Staff costs - are forecast to be £87,000 over budget, with the agreed cost of living increases now been paid for both academic and professional staff for 2024/25 and the 2 previous years. It also includes additional SPPA employer costs, which increased from 23% to 26% in April 2024. As per SFC guidance noted below, additional income has been forecast in 2024/25 to cover these additional costs (£220,000).

“For the purposes of preparing the FFR, institutions should assume that additional funding will be provided to cover the cost of increased employer contributions to the Scottish Teachers Superannuation Scheme which have been implemented from April 2024. Institutions should note that funding is likely but the Scottish Government has yet to finalise the Barnett consequential of the announced UK Government support for central government funded bodies”.

The recently announced increase in employer NIC's has not yet been included in the forecasts, however it is again assumed that this will be funded by the SG/ UK Government. The forecast amount for the college for April to July 2025 is £130,000.

Other staff costs and travel costs are forecast to be the same as the budget for the year to 31 July 2025.

- a. Mitigating Actions: to continue to review all vacancies and ascertain whether they should be replaced or not, as part of the Staff Review Panel (SRP) process. Also, continue to review any retirements and ascertain whether they should be replaced or can be replaced through further efficiency measures.

11. Premises Costs

- Premises costs (Red risk) - are forecast to be £77,000 above the budget of £1.935million. This is mainly due to the forecast overspend in energy costs of £100,000.
 - Mitigating Actions: to continue to review all lines of expenditure and for the remainder of the year, reduce expenditure if possible.

12. Other Operating Costs

- Other Operating costs (Green risk) - are forecast to be £49,000 below the budget of £7.741million. This is due to the forecast underspend in a number of different areas.
 - Mitigating Actions: to continue to review all lines of expenditure and for the remainder of the year, reduce expenditure if possible. Budget holder refresher training will also be undertaken for all budget holders, with the key focuses being on budget monitoring and on procurement. The budget review exercise has also started for 2024/25, with the first round of reviews almost completed. Further reviews will take place during the rest of the year, in February and May 2025.

INVERNESS COLLEGE

PERIOD ENDED 30-Nov-24

INCOME AND EXPENDITURE ACCOUNT

	Note	Actual 30-Nov-24 £	Budget 31-Jul-24 £	Estimated Outturn 30-Nov-24 £	Variance from Budget £	Risk
Income						
Scottish Funding Council FE Grants	1	3,714,986	10,148,000	10,145,277	(2,723)	G
UHI	2	2,055,649	6,324,280	6,179,280	(145,000)	R
Tuition Fees	3	2,574,231	3,038,940	2,947,549	(91,391)	R
Other Grants - Research	4	243,123	1,364,090	1,224,090	(140,000)	R
Refectory and Training Restaurant	5	256,861	591,000	631,000	40,000	G
SDS	6	487,793	2,099,400	2,099,400	0	A
Commercial	7	25,125	147,500	147,500	0	A
Miscellaneous	8	361,595	560,740	633,045	72,305	G
Unitary Charge	9	1,685,712	4,903,884	4,903,884	0	
		11,405,075	29,177,834	28,911,025	(266,809)	
Staff Costs						
		6,235,208	19,551,275	19,638,806	(87,531)	
Other Costs						
Premises	11	2,094,417	1,935,590	2,012,590	(77,000)	R
Other Costs	12	1,714,333	7,740,922	7,691,922	49,000	G
		3,808,751	9,676,512	9,704,512	(28,000)	
		10,043,959	29,227,787	29,343,318	(115,531)	
Cash Position		1,361,116	(49,953)	(432,293)	(382,340)	
NPD Capital		(315,861)	(897,592)	(897,592)	0	
Cash Position after repaying loan capital		1,045,255	(947,545)	(1,329,885)	(382,340)	
Non RDEL						
Deferred Grant Release		0	300,000	300,000	0	
Depreciation		0	1,000,000	1,000,000	0	
		0	(700,000)	(700,000)	0	
Operational Deficit		1,361,116	(749,953)	(1,132,293)	(382,340)	

INVERNESS COLLEGE
PERIOD ENDED 30-Nov-24
INCOME AND EXPENDITURE ACCOUNT

ITEM 07.b

	Note	Actual 30-Nov-24 £	Budget 31-Jul-25 £	Estimated Outturn 30-Nov-24 £	Variance from Budget £	Within College Control £	Outwith College Control £	Note
Income								
Scottish Funding Council FE Grants	1	3,714,986	10,148,000	10,145,277	(2,723)	(2,723)	(2,723)	1
UHI	2	2,055,649	6,324,280	6,179,280	(145,000)	(145,000)	(145,000)	2
Tuition Fees	3	2,574,231	3,038,940	2,947,549	(91,391)	(91,391)	(91,391)	3
Other Grants - Research	4	243,123	1,364,090	1,224,090	(140,000)	(140,000)	(140,000)	4
Refectory and Training Restaurant	5	256,861	591,000	631,000	40,000	40,000	40,000	5
SDS	6	487,793	2,099,400	2,099,400	0	0	0	6
Commercial	7	25,125	147,500	147,500	0	0	0	7
Miscellaneous	8	361,595	560,740	633,045	72,305	72,305	72,305	8
Unitary Charge	9	1,685,712	4,903,884	4,903,884	0	0	0	9
		<u>11,405,075</u>	<u>29,177,834</u>	<u>28,911,025</u>	<u>(266,809)</u>			
Staff Costs	10	6,235,208	19,551,275	19,638,806	(87,531)	(87,531)	(87,531)	10
Other Costs					0			
Premises	11	2,094,417	1,935,590	2,012,590	(77,000)	(77,000)	(77,000)	11
Other Costs	12	1,714,333	7,740,922	7,691,922	49,000	49,000	49,000	12
		<u>3,808,750</u>	<u>9,676,512</u>	<u>9,704,512</u>	<u>(28,000)</u>			
Total Expenditure		<u>10,043,958</u>	<u>29,227,787</u>	<u>29,343,318</u>	<u>(115,531)</u>			
Cash Position		1,361,117	(49,953)	(432,293)	(382,340)			
NPD Capital		(315,861)	(897,592)	(897,592)	0			
Cash Position after repaying loan capital		<u>1,045,256</u>	<u>(947,545)</u>	<u>(1,329,885)</u>	<u>(382,340)</u>			
Non RDEL								
Deferred Grant Release		0	300,000	300,000	0			
Depreciation		0	1,000,000	1,000,000	0			
		<u>0</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>0</u>			
Operational Deficit		<u>1,361,117</u>	<u>(749,953)</u>	<u>(1,132,293)</u>	<u>(382,340)</u>			

Notes

- 1 Scottish Funding Council FE Grants - level of FE student activity within our control, value of grant outwith our control.
- 2 UHI HE grants - level of HE student activity within our control, value of grant outwith our control
- 3 Tuition Fees - level of student activity within our control, amount of FE & HE full-time fees outwith our control, set by SFC
- 4 Other Grants - Research - within our control
- 5 Refectory and Training Restaurant - within our control
- 6 SDS - number of places on contracts outwith our control, but recruiting to the contracts awarded within our control.
- 7 Commercial - within our control
- 8 Miscellaneous income - within our control
- 9 Unitary Charge - outwith our control, set by SFC
- 10 Staff costs - number of staff in the college within our control, NB cost of ling increases and employer pension contributions outwith our control.
- 11 Premises - energy prises outwith our control, although working to reduce energy use at all college sites
- 12 Other operating costs - mix of costs both within and outwith our control.

Subject/Title:	Student Activity 2024/25 and Recruitment 2025/26
Author: [Name and Job title]	Jane MacLennan, Information Systems Manager
Meeting:	Finance and General Purposes
Meeting Date:	03 February 2025
Date Paper prepared:	17 January 2025
Brief Summary of the paper:	To provide the committee with an update on student enrolments and withdrawals for 2024/25, and the status of current recruitment for 2025/26.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with:: a) compliance • partnership services • risk management • strategic plan • new opportunity/change	This paper links to the strategic plan, particularly in relation to the student experience and the curriculum.
Resource implications:	Yes
Risk implications:	Yes – quality of the student experience
Equality and Diversity implications:	Yes – equity of the student experience
Consultation: [staff, students, UHI & Partners, External] and provide detail	n/a

Status – [Confidential/Non confidential]	Non-confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Student Activity 2022/23 and Recruitment 2023/24

Executive summary

The report provides an update on student enrolments and withdrawals for 2024/25, and the status of current recruitment for 2025/26. Please note the data for this report was drawn on 17th January 2025.

The 2024/25 FE Credits target for UHI Inverness is 26,442, to date we have achieved 93.9%.

The 2024/25 UHI Academic Partnership target for funded Scottish or EU HE undergraduate students is 1,319 and the budgeted target is 1,394. To date we have exceeded the APC target and have achieved 96.4% of the budgeted target.

Early withdrawals have decreased for FE and HE full time students in 2024/25, but increased for part time students. Further withdrawals are marginally higher for FE Full time students in comparison to the same point last year.

Recruitment for 2025/26 is underway with all FE and Senior Phase applications open for application and the first UCAS Deadline for 'on-time' applications received by 29th January 2025 to receive an offer or invite to interview by 31st March 2025.

Main body of information

Student enrolments against targets 2024/25

FE

The core credit target for 2024/25 is 26,442 we have achieved 93.9% of target to date. A verbal update will be provided at Committee following the enrolment of January start students week commencing 20th January 2025.

	Credit Target		Actual Credits		% of Target	
	Original	Rebased			Original	Rebased
2021/22	30,677	32,009	02/02/2022	26,181	85.3%	81.8%
2022/23	29,882	29,620	01/02/2023	28,364	94.9%	95.8%
2023/24	26,657	26,442	29/01/2024	24,862	93.3%	94.0%
2024/25	26,442		17/01/2025	24,821	93.9%	

HE

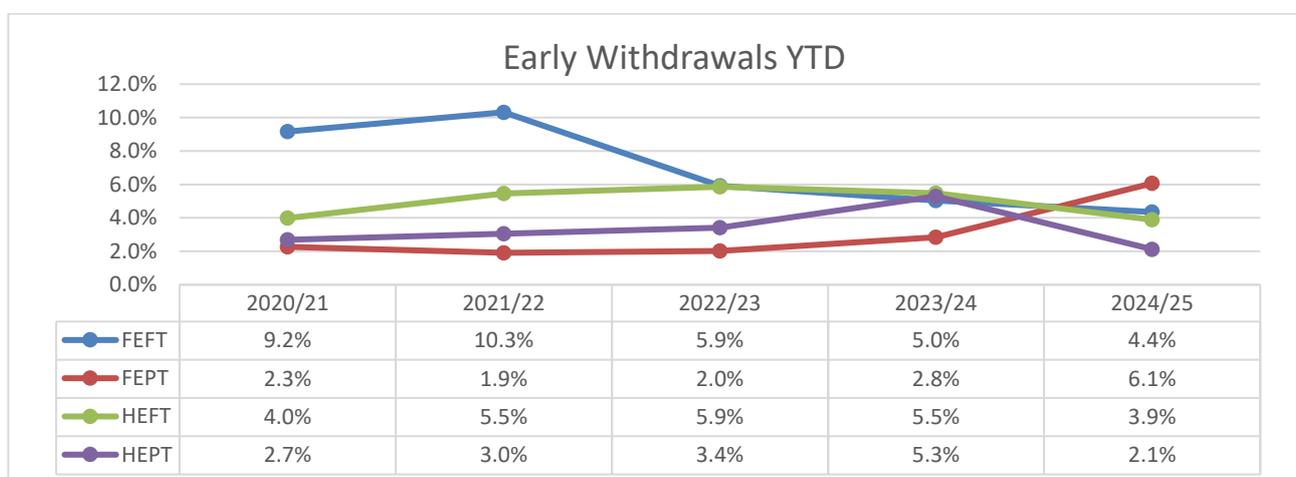
The 2024/25 APC target for Undergraduate students who are fundable is 1,319 fte, and a budgeted target of 1,394..

The table below shows the estimated HE FTE based on current enrolments, and against targets set by APC. The estimates are made using information from the student record system and FTE based on mode of attendance.

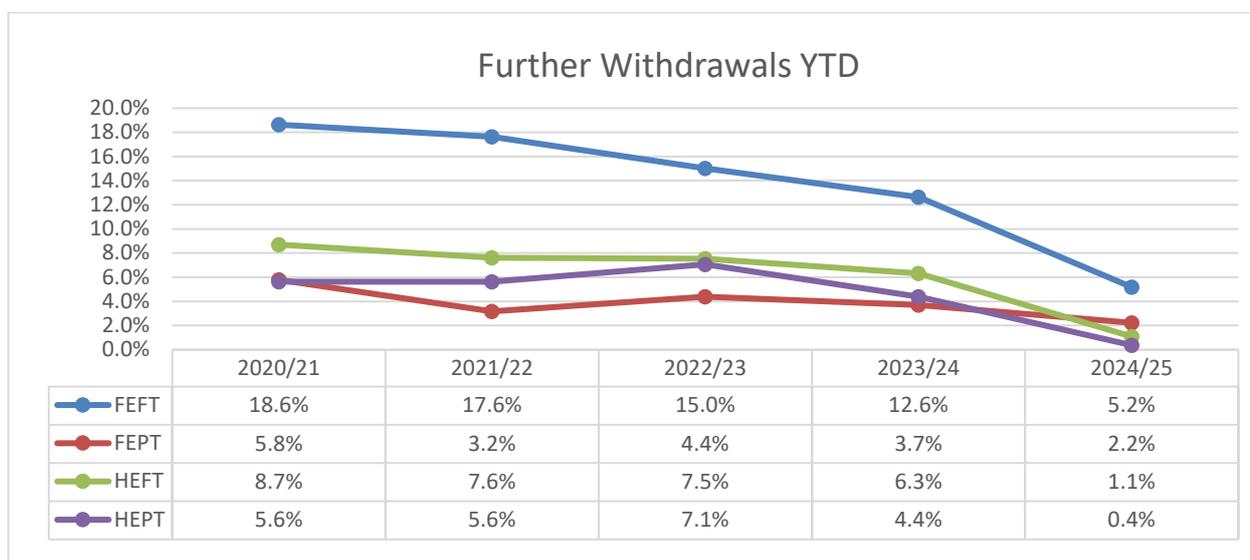
APC FTE Target Fundable Students		Estimated FTE		% of Target
2021/22	1,556	02/02/2022	1,370	88.0%
2022/23	1,441	01/02/2023	1,277	88.6%
2023/24	1,321	29/01/2024	1,233	93.3%
2023/24 revised	1,418	29/01/2024	1,233	87.0%
2024/25 APC	1,319	17/01/2025	1,344	101.9%
2024/25 Budgeted	1,394	17/01/2025	1,344	96.4%

Withdrawals

Early withdrawals decreased for FE and HE full time students, however they increased for FE part time students, the main rise has been in our Senior Phase students.



For comparison further withdrawals were lower at 4.4% FE full time students and 1.3% for FE part time students at 16th January 2024. Action is being undertaken to closely monitor further withdrawals at the Student Journey and Enhancement Committee and also the introduction of Learning Assistants to support classroom management, keeping individuals on task and focused. The aim is to provide early intervention, to support learners at the earliest point when they first have challenges resulting in a positive impact on outcomes

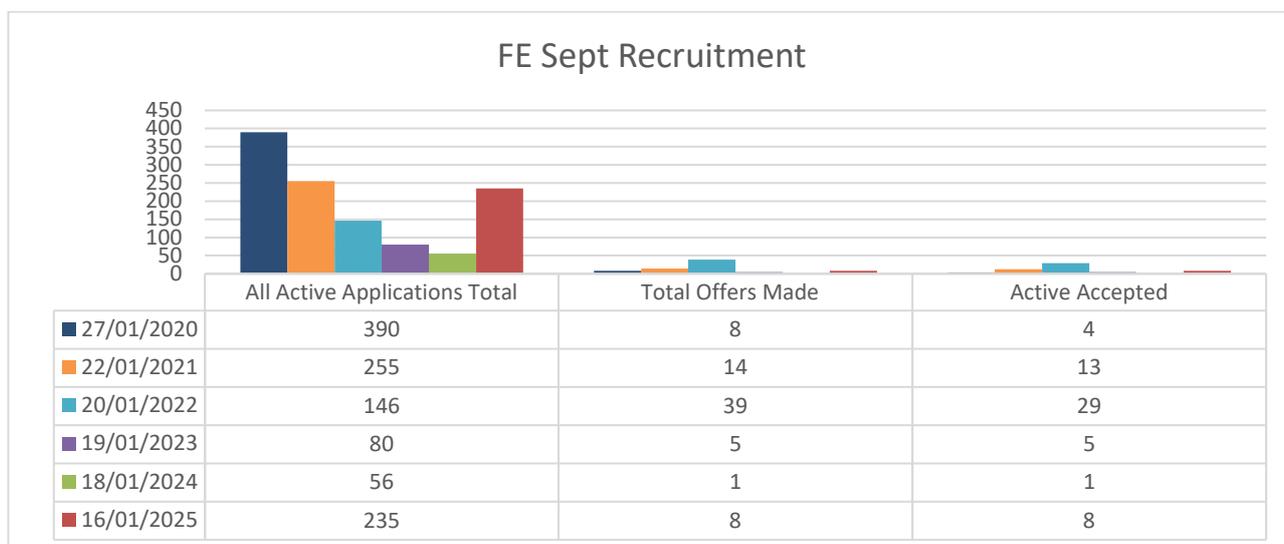


Recruitment 2025/26

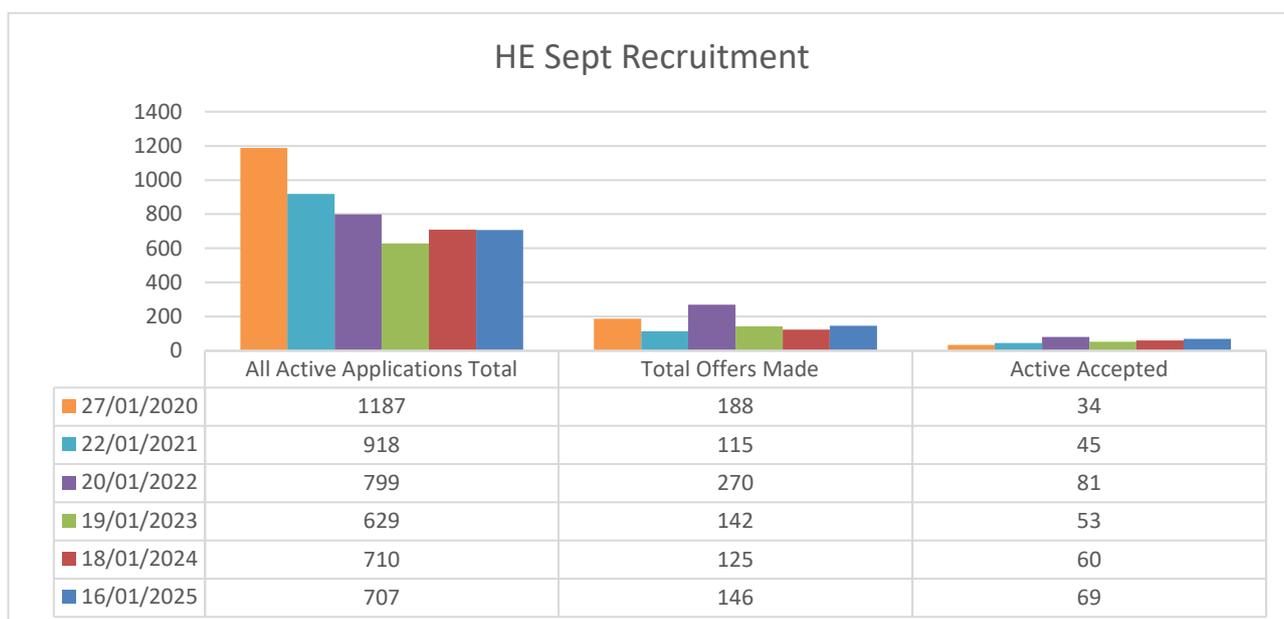
Recruitment for 2025/26 is underway with all FE and Senior Phase applications open for application and the first UCAS Deadline for applications received by 29th January 2025 to receive an offer or invite to interview by 31st March 2025.

The charts below show the number of applications received as at 17th January 2025.

Applications for FE courses opened in early December 2024, which is earlier than in 2022/23 and 2023/24. Applications for Senior Phase students opened on 13th January 2025.



The number of HE applications received for 2025/26 is in line with the previous year, with an increased number of offers being made and 2% more applications being accepted compared to 2024/25.



Finance & General Purposes

Subject/Title:	13. Estates and Campus Services Report
Author: [Name and Job title]	Martin Kerr, Estates & Campus Manager
Meeting:	Finance and General Purposes Committee
Meeting Date:	03/02/2025
Date Paper prepared:	17/01/ 2025
Brief Summary of the paper:	This paper provides updates on our carbon management plan, waste management and capital projects, together with reporting on aspects of soft FM and hard FM performance
Action requested: [Approval, recommendation, discussion, noting]	Noting
Link to Strategy: Please highlight how the paper links to, or assists with:: <ul style="list-style-type: none"> • compliance • partnership services • risk management • strategic plan • new opportunity/change 	
Resource implications:	Yes / No If yes, please specify:
Risk implications:	Yes / No If yes, please specify: Operational: Organisational:
Equality and Diversity implications:	Yes/No If yes, please specify:
Consultation: [staff, students, UHI & Partners, External] and provide detail	

Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes

*If a paper should **not** be included within “open” business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

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Campus Services Report

Soft FM and Contracts

New cleaning contract starts 1st November 2024. Key changes from original contract is campus appearance rather than a task list. Pristine have had a 2-month bedding in period to align to the new contract. Audit scores have been in mid 90s but areas of improvement and clarifications ongoing. Weekly planning meeting has been addressing issues as presented.

Pool vehicle

Both lease minibuses now on campus. Unfortunately, we have had an issue with securing our Department of Transport Permit 19. Permit has been approved but we are still awaiting disc. PMV's will be in place until resolved.

Leasing Agreements

WASPS Lease to remain on a month-to-month bases until 201 is complete. Estimate easter. An-lochan lease agreement being reviewed due to substantial cost increase. Burnett road lease is secured until May 2026. Landlord has declined early exit from lease. New Harbour Road lease being reviewed for Sustainable construction Centre. two conditions are under review before lease is signed.

Water Risk Assessment

Guidance document presented to H&SC. Discussions on going with GTFM.

Hard FM, GTFM

The working relationship between GTFM and the college team has been under strain due to a number of long-term issues. These issues have been raised to the GTFM board on 24th Oct 2024

Key Areas

1. Speed of response for fire management system enquires. Outstanding from Aug 2023.
2. Handover procedures relating to life cycle activities. No clear handover and quality review.

3. Fire door Laten defects. Highlighted by H&S manager during GTFM board member visit in August. No actions have been undertaken. Speed of response.

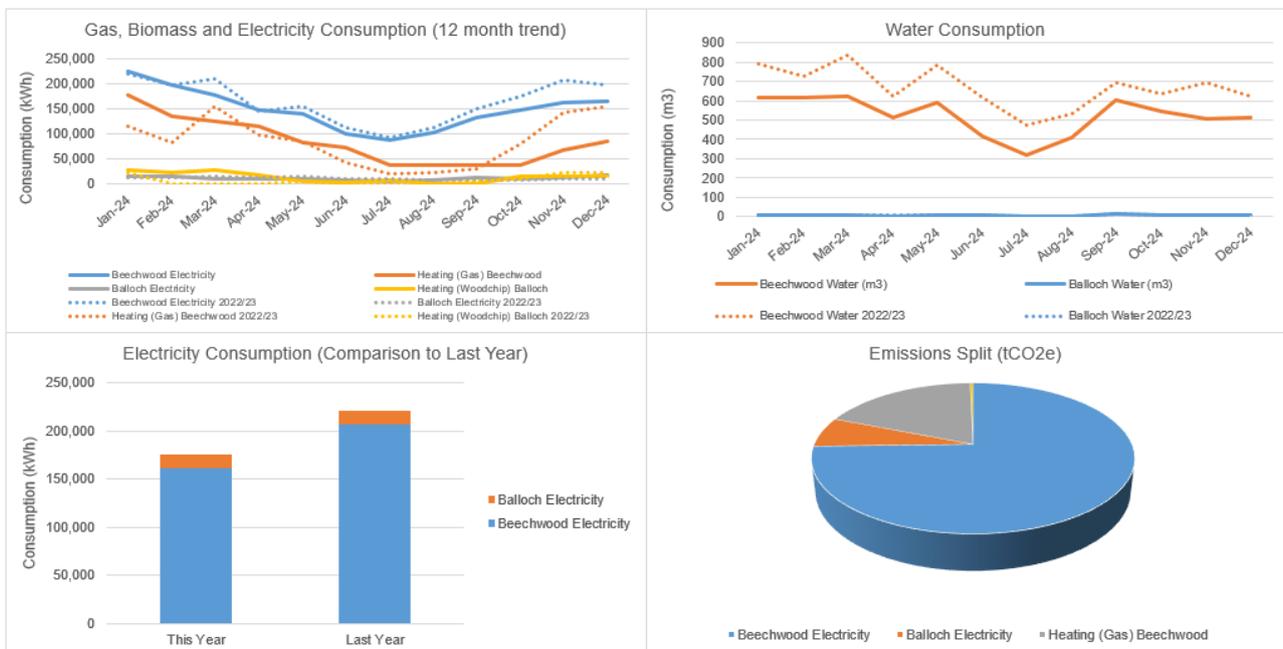
Nathan Dixon GTFM Head of operations was in attendance and agreed to look into colleges concerns. No feedback has been received.

Carbon Management Plan

The Inverness College Carbon Management plan has been developed by the Estates team and GTFM our FM contractor.

Good progress has been made on low-cost adjustment to operating systems. We are still awaiting action plan from GTFM energy project team on improved monitoring tools. To allow us to undertake analysis of our facilities.

GTGM produces a monthly utility report for scrutiny at the IC GTFM Monthly Operations Meeting chaired by the Estates Manager.



Energy consumptions are reducing due to time of year and adjustments made to BMS schedules and LED install.

Waste Management

Northern recycling performing well. With 80% of our waste being recycled. However, our carbon footprint is high due to volume of waste.

Capital Project and Campus Management Capital Projects Update

ABC Garden/ Healthy Campus

Working group has been put on hold as the possibility of a new funding stream is being reviewed.

Sector Development Plan Room change project update

G1 being developed into new Engineering Technology Centre. – PC Suite in place.

201 being developed into new Creative Centre – Reflooring of room, new room dividing wall and sink area. To be completed by Easter.

G38/ 39 are being converted to dirty workshops. Complete.

202 becoming a PC suite. Complete 25th Oct.

HISA have moved up to 214 per summer. New window being installed 25th Jan 2025.

There has been a number of challenges with this project. A lessons learned exercise was undertaken and a new project management approach has been implemented for the SCC work, taking into account that learning.

Sustainable Construction Centre Draft Stage 3



Pick Everard have been awarded architecture and design lead for developing design of new building in carpark 3. To remove the need for leases in Burnett rd. Estimated time of completion December 2025. Estimated cost £2,300,000. Additional funding being pursued.

Harbour Rd Sustainable Construction Centre Lease Option.



New project team has been established to deliver this option.