



North Highland College
University of the
Highlands and Islands

**The North Highland College Report &
Financial Statements for the year ended
31 July 2020**

SCOTTISH CHARITY NUMBER SC021215

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Professional Advisors

External Auditors	-	Ernst & Young LLP Atria One 144 Morrison Street, Edinburgh, EH3 8EB
Internal Auditors	-	TIAA Ltd Artillery House Fort Fareham Newgate Lane Fareham Hants PO14 1AH
Bankers	-	Royal Bank of Scotland 11 Orlig Street Thurso Caithness KW14 7BL
Solicitors	-	Anderson Strathern 1 Rutland Court Edinburgh EH3 8EY
Insurers	-	Marsh (Education Practice) Capital House 1-5 Perrymount Road Haywards Heath West Sussex RH16 3SY

Performance Report

OVERVIEW

Principal's Statement

The purpose of this overview is to give a short summary of the College's performance during 2019-20.

The most significant challenge for North Highland College UHI and for other colleges in the country in 2019-20, was the effect of Covid 19. Following Government advice, North Highland College locked-down its estate to staff and students in mid-March. Only Site Services staff were on site in order to ensure the estate was secure and continued to meet statutory requirements. This lock-down has only been partially lifted in late August for a new student intake.

This meant that teaching for the year had to be completed off-site. Because lock-down came later in the academic year, this meant that most students had completed the practical and technical aspects of their courses. Staff used digital technology to deliver some final practical and technical aspects of courses.

North Highland College and other UHI colleges were in an advantageous position compared to other colleges and universities in the country, as network and VC delivery has been part of the embedded teaching delivery for a number of years. Thus the shock effect of Covid 19 on teaching delivery was not so severe as other institutions encountered.

In terms of the financial impact of Covid 19, the College experienced less income and funding in the following areas: Apprenticeships' funding; ESIF funding due to credit target delivery being affected; Commercial income; and Refectory income. However, generally income drivers held up better than expected with the main Covid 19 impacts taking place after most other income sources were near enough secured.

The College made focussed use of the UK government's Job Retention Scheme which provided some welcome assistance with staff costs. There were also some savings made on Campus running costs; Transport and Subsistence costs; and food costs for the Refectory.

The College has delivered an RDEL (Resource Department Expenditure Limit) surplus prior to repayment of loan capital of £107,000, and after loan capital repayment a revised RDEL surplus position of £45,000. Given this year's exceptional financial and operational pressures, this can be considered a very satisfactory result. Once net depreciation and movements in pension funds are accounted for this gave the total Comprehensive Expenditure of £5,017,000 (2019 £3,534,000).

Looking ahead, in terms of the impact of Covid 19, the areas of income generation identified above are likely to be further affected in 2020-21 at a higher level. The budget for 2020-21 shows a RDEL deficit budget of approximately £107,000 prior to incorporating Covid 19 impacts and prior to loan capital repayments. Within a Covid 19 scenario, the projected deficit figure could increase up to £400,000. It is hoped that the College can deliver better than this with some higher income drivers in 2020-21 than previously budgeted. However, projecting how Covid 19 will impact financially is very difficult given the current level of uncertainty over the economic and societal impacts of the virus. The College will continue to do all in its power to manage its finances in a prudent way while recognising its obligations to meet the needs of what is likely to be a higher number of people who need retraining and reskilling due to the anticipated impact of Covid 19 on the labour market.

In 2019-20 the College projected enrolling 400 FTE HE students in SFC funded, non-controlled subject categories. Covid 19 and other factors had a negative impact on the number of HE part-time students recruited and the final recruitment tally on this target was 359 FTE. However, the financial impact of this shortfall was partially cushioned by the College significantly exceeding its recruitment targets for international/RUK students and post-graduate students. Early indicative figures for 2020-21 suggest that overall numbers for this year may be higher, which would be a welcome development.

Covid 19 had a significant impact on the College's ability to achieve FE student recruitment targets. In particular, the enforced suspension of the delivery of part-time land-based courses during the Spring resulted in the loss of 1,000 planned credits. Ultimately, the actual shortfall in credits against the core target of 12,335 was limited to around 600 credits. However, the outcome did prevent the College from delivering the additional 155 ESIF-funded credits it has been able to do in previous years. Given the helpful position adopted by SFC in protecting the core funding allocations to colleges impacted by Covid 19 for 2019-20 and 2020-21, the negative financial consequence of this outcome for the College was reduced.

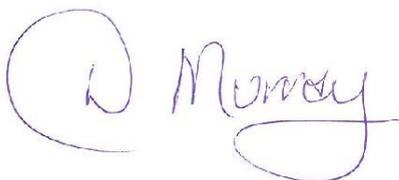
There was a mini-review of the College's curriculum over the Spring resulting in some actions to produce further efficiencies. There will be more work on this internally, likely to be carried out in the context of a wider curriculum review in the UHI regional partnership.

There is work on-going to review the College's estate needs to ensure future financial sustainability. The main focus will be the estate footfall in Alness, Halkirk and Thurso. In Dornoch, construction work commenced in December 2019 to enhance our Burghfield campus. With our UHI Golf curriculum built around strong links with the PGA and high-quality UHI student accommodation already in place, the outcome of this project will complete our ambitious plans to confirm Dornoch as a centre of excellence for Golf education regionally, nationally and internationally. It was aimed to open this new facility in July/August 2020. Covid 19 has delayed the project, but this facility is now expected to be open in January 2021.

The UHI Partnership Assembly has been in operation for over a year. Working groups have been charged with looking the UHI/College partnership in terms of a) governance & accountability b) financial sustainability c) student perspective and experience d) staffing & career progression. It is recognised by the College's Board that the College can generate only so much savings and efficiencies in its current form. Greater levels of savings and efficiencies will require significant changes to the business model for the wider UHI/College partnership. Some colleges within the UHI partnership, including North Highland College, have approached the Scottish Government seeking consent for a formal appraisal of options for the closer alignment of UHI colleges to be carried out.

In summary, despite the challenging financial context noted above, I believe the college continues to deliver on its core mission to provide inclusive and accessible high quality vocational training, life-long learning and research opportunities, relevant to the needs of learners, communities and employers, across the north Highland area. In this exceptionally challenging year, I am indebted to the College staff, students, governors and stakeholders who have made this possible.

Donald MacBeath retired at the end of September 2020, and Debbie Murray was asked by the Board to act as Interim Principal. The Board has advertised the post, and an appointment is expected in the new calendar year.



Debbie Murray
Interim Principal

Performance Report (contd.)

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

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

The Financial Statements cover all activities of the College.

Mission Statement 2018-20

The College Mission Statement is: To have a transformational impact on the prospects of the north Highland area, its economy, its people and its communities.

Strategic Vision. 2018-2020

The College Strategic Vision is: Highland College UHI will be an active and committed academic partner of the University of the Highlands and Islands, the United Kingdom's leading integrated university.

We will be recognised for the quality of our students' experience and for their achievement.

Our reputation will be built upon an innovative approach to tertiary learning and teaching and our distinctive research and curriculum, enriched by the people, natural environment, culture and heritage of the north Highlands.

The Board is considering the College's new strategy going forward in 2020-21.

Core Values 2018-2020

Support, Collaboration, Openness, Respect, Excellence.

Implementation of the NHC Strategic Plan

The College's current strategic aims are set out under the following headings:- Curriculum; Services; Research; Finances; Staff and Facilities

The main and summarised achievements this past year in terms of delivering against the priorities of the College's Strategic Plan are as follows:

Aim 1 Curriculum

- To be recognised nationally as an innovative provider of high-quality Tertiary education and training.

The College undertook a major curriculum review in 2018-19 which saw some courses discontinued, and other areas of the curriculum reorganised, refocussed and reshaped to take advantage of emerging opportunities. Appointment of some staff into new promoted lecturers' posts in 2017/18 meant that they assisted in this exercise. Further work on some specific areas of curriculum review took place in 2019-20 with some further work on securing efficiencies as appropriate.

Aim 2 Services

- The quality and reputation of our student services will help make us the student destination of choice.

Our student services teams offer fundamental support to students, assisting them from initial enquiry, through the stages of course selection, application, enrolment, funding, learning, assessment, achievement, certification and finally graduation.

There are particular pressures faced by the student support team as the College is dealing with a year on year increase in the number of students with mental health issues and additional support needs. The Scottish Funding Council has recognised this problem by making available specific funding for student counselling. The College is reviewing how to make best use of resources available to enhance the student journey whilst in parallel seeking to achieve efficiencies in delivery of services. Also there has been and continues to be the challenges of supporting learners in a Covid19 environment.

Aim 3 Research

- Our Research will be sustainable, widely recognised and will focus on meeting the key targets of the University of the Highlands & Islands.

The Environmental Research Institute is the research arm of North Highland College. It seeks to contribute to UHI's research portfolio by concentrating on high quality and impactful research in contemporary environmental issues.

Aim 4 Finances

- To improve our financial standing by securing new sources of income, making best use of our resources and by managing risk effectively.

A major curriculum review took place in 2019-20 which saw the College shed some teaching posts and support posts in the summer of 2019. There were some further reductions in staffing over the year also. Income drivers were also better than anticipated and although some income was lost due to Covid 19, the income held up surprisingly well. There were some additions to staffing in Research covered by project funding.

The College continues to seek to do all that it can to remain financially sound, including reducing staffing mostly through natural wastage. The effects of National Bargaining and job evaluation for Support Staff, and whether inflation pay rises for staff are funded or not by the Scottish Government/SFC, are obviously key factors.

Aim 5 Staff

- To attract, retain and develop a workforce committed to our values and the achievement of our mission.

Given its geographic location and also the competition from one or two larger employers in the area in which it operates, the College has sometimes found it difficult to compete on pay in order to attract the best talent. This applies particularly to Engineering Teaching. The College has had to advertise for some suitable applicants using enhanced Market Allowances. The College can offer good holidays and an average earnings Pension Scheme that can compensate in some measure regarding pay. Other areas which have struggled at times to recruit suitably qualified people is in Finance.

Aim 6 Facilities

- To provide safe and secure Facilities which will fully support our students and staff in achieving their goals.

The College commenced constructing a new home for the UHI Centre for Golf in Burghfield House in

December 2019. It is due to complete in January 2021. Covid 19 has meant a three - four month delay.

Principal Risks and Uncertainty

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit and Risk Management Committee as well as being reported to the Board of Management. A review of the Strategic Risk Register was completed by the College Board in September 2020.

The main risks to North Highland College are:-

- Covid 19 and the potential effect on college finances and the delivery of curriculum and student experience
- Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College.
- The building project of the Centre for Golf as an extension to Burghfield House and any effect on student experience; and the project budget.
- The impact of Job Evaluation for Support staff and the financial repercussions following therefrom.
- Employer pension contributions to the Scottish Teachers Pension Scheme increased from 17.2% to 23% in September 2019.

The latter two risks noted above have sector-wide significance and have been raised with the SFC at sector-level. Additional funding was made available regarding the additional teachers' pension costs.

Going Concern

Despite Covid 19 the college's income drivers held up, although there was a loss of income re Apprenticeships' funding; ESIF funding due to FE credit delivery being affected and not meeting target; Commercial income; and Refectory income. However, generally income drivers held up better than expected with the main Covid 19 impacts taking place after most other income sources were near enough secured. Despite this, the College managed to deliver a RDEL (Resource Department Expenditure Limit) surplus, which was a welcome improvement compared to the previous year. Longer term though, without further additional funding to the sector, then the College will struggle. Discussions are taking place in the UHI Partnership Assembly to discuss the way ahead for the UHI/Colleges' partnership to become more efficient and resilient in terms of governance and finances. Some colleges within the UHI partnership, including North Highland College, have approached the Scottish Government seeking consent for a formal appraisal of options for the closer alignment of UHI colleges to be carried out. Also see Page 39 for a fuller assessment of going concern.

PERFORMANCE ANALYSIS

Performance Indicators and Activity Review

Further education activity amounted to 11,928 credits in 2019/20, compared to 12,500 credits in academic year 2018/19. Activity was delivered under the collaborative further education arrangements with Argyll College. The Further Education activity target for The North Highland College was 12,335 core credits plus 155 additional ESF credits, a total target of 12,490 (delivered 11,928). Credits were as follows:

	2020 Nos
The North Highland College	<u>11,928</u>
	11,928
Argyll College	7,591
West Highland College	<u>7,065</u>
	<u>26,584</u>

West Highland College became an assigned college and fundable body on 1 August 2012, and its funding now goes directly to it from UHI. Its activity for FE is still reported through The North Highland College. Argyll College became an assigned college in 2017-18, and the financial impact of funding

being paid directly to it by UHI, rather than through North Highland College, was implemented mid-way through 2018/19. Its activity for FE is still reported through The North Highland College.

Higher Education activity as measured by full time equivalents (FTE's) amounted to 359 FTEs compared with 370 FTEs in 2018/19. The Higher Education activity target was 400. Figures exclude international and RUK students, postgraduate taught programmes and controlled numbers, e.g. in primary education, which are reported separately.

Student Activity Indicators

The trend of College enrolments and student activity is as set out below. Higher education activity is reported separately and funded through UHI. The table below discloses Credits for 2015/16 to 2019/20. It includes North Highland College and Argyll College. The Higher Education figures relate to North Highland College only.

Analysis of College Further Education Enrolments 2015/16 to 2019/20					
Year	2015/16	2016/17	2017/18	2018/19	2019/20
Mode of attendance	Count	Count	Count	Count	Count
Full-time	601	657	629	575	631
Part-time	4,259	3,652	3,682	5,045	4,507
Total Enrolments	4,860	4,309	4,311	5,620	5,138
Credits Delivered	18,756	19,083	19,724	20,003	19,519

Further Education remains the core function for North Highland College

Analysis of College Higher Education Enrolments 2015/16 to 2019/20					
Year	2015/16	2016/17	2017/18	2018/19	2019/20
Mode of attendance	Count	Count	Count	Count	Count
Full-time	265	243	284	237	228
Part-time	403	357	365	327	315
Total enrolments	668	600	649	564	543
Total FTEs	363	362	423	370	359

Current and Future Developments

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

As a follow on to the comprehensive Curriculum Review which was completed in 2019, further work on some specific areas of curriculum review took place in 2019-20 to identify further efficiencies and growth opportunities.

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

The College has now implemented new access level programmes at SCQF Level 4 in both Caithness

and Easter Ross. These programmes are providing a much needed introduction to college education to those furthest from the labour market, as well as providing a progression pathway into higher level programmes.

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

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

Caithness and North Sutherland Partnership, of which the College is a member, provides a co-ordinated platform to support inward investment to the area. The development of offshore wind developments in the Moray Firth continues to create new employment opportunities for the area both with primary contractors and third tier.

The decommissioning of Dounreay may result in the potential loss of 1,800 jobs in Caithness alone over the coming 10-20 years with full site closure expected 2029. The under-representation of 18-35 year olds is expected to increase. It is important that attractive employment opportunities are created to encourage them to remain in the area and to encourage immigration. It is imperative to establish a knowledge based economy as competition increases from both within the European Union and the rest of the world.

In response our Business Development Unit also plans to offer new awards for employees involved in the Offshore Wind sector by the College becoming an accredited training centre for the Global Wind Organisation. This plan is unchanged from last year because progress was delayed significantly by COVID19, however the intention is to establish delivery of GWO courses in calendar year 2021.

The College is also growing its involvement with nationally significant engineering projects involving collaboration between industry, public sector and academia. These are a combination of local (College-led) and regional (UHI-led) programs focused on Advanced Manufacturing and Operation & Maintenance in the Energy sector, including the Freeport project at Port of Cromarty Firth (encompassing Green Hydrogen production and Floating Offshore Wind manufacturing – a 50+ year pipeline of business), low-carbon Aviation programs and automated manufacture in Battery technology; and industry/innovation/skills 'ecosystem' development with Space Hub Sutherland. These will be major economic development opportunities for the College, for the University of the Highlands and Islands and the North Highland area.

The current pandemic has caused some real issues around delivery of commercial programmes but the college has moved swiftly to a blended learning format where possible and will focus on supporting the delivery of statutory courses for industry as well as new opportunities such as the Kickstart initiative.

In 2020-21, the college will focus on responding to the economic downturn as a consequence of COVID 19 and will review, along with partners and key stakeholders where there are opportunities to develop new programmes to address skills gaps but also to review existing provision to identify where current curriculum must be adapted in response to changes in skills requirements in particular sectors. Opportunities to improve accessibility of programmes and open new markets through alternative delivery models are now actively being developed and implemented. In parallel, the financial sustainability of programmes will continue to be considered along with opportunities to improve the efficiency of the various curriculum delivery models.

Research

The Environmental Research Institute (ERI) concentrates on high quality and impactful research in contemporary environmental issues.

The ERI has a rapidly evolving research profile. It has key strategic areas of research: 1) environmental contamination and ecological health; 2) carbon, water and climate; and 3) renewable energy and the environment; and 4) environment, economy and society.

In terms of environmental contamination and ecological health, the main focus is on investigating anthropogenic impacts on water quality in marine and freshwater systems. This work includes testing samples from construction of roads and land-based windfarms; working with salmon farm industry to assess contaminants in sediment; assessing the environmental impact of veterinary drugs on world vulture populations; and developing innovative methods for assessing, quantifying and removing residual pharmaceuticals and nutrients from waste water sources.

Research within carbon, water and climate continues to focus on the earth's most efficient terrestrial carbon store i.e. peatland, and its ability to regulate water and climate, and support biodiversity. Assessment of the benefits of restoration of peat bog in the Flow Country has been boosted by a major new project funded through Leverhulme Trust which will pioneer molecular to landscape scales assessments of whether restoration techniques work. As a result of the pandemic all fieldwork stopped in March causing delays to research into the impact of the peatland fire in 2019. This work has now been extended. Similar delays are affecting the start of new research funded by European Space Agency to identify waste plastic in the oceans using remote sensing technologies.

In terms of renewable energy and the environment the ERI is looking to develop innovative sensor platforms for insitu monitoring of wind, wave and tidal energy resources. In conjunction with Government of Gibraltar, wave and tidal data has been collected to assess opportunities for renewable energy development. Contributions have also been made to Scottish Government contracts which seek to assess the ecological effects of offshore wind installations. Again, fieldwork has been delayed/curtailed as a result of the pandemic, with PhD studies being particularly effected.

Recognising a need for a broad and holistic approach to sustainability research which goes beyond specific or localised environmental impacts, a fourth theme, environment economy and society (EES) has been established at the ERI. Research will compliment the other three themes with the aim of developing core expertise across the three 'pillars' of sustainability, carbon footprints and circularity. Various small grants have allowed regional networks to be established and a major project (ROBINSON) funded through Horizon 2020 will look at the smart integration of local energy sources and innovative storage methods on islands.

Financial Performance

Financial results

The Statement of Comprehensive Income for the year ended 31 July 2020 shows a deficit of £957,000 (2018/19 £1,307,000 deficit). This was largely attributable to a Resource DEL surplus of £107,000 prior to loan capital repayment, together with net depreciation charge of £224,000 (£677,000 - £453,000), plus adjustments for the College's share in Highland Council's Superannuation Scheme amounting to £840,000. There was an adverse actuarial movement of £4,212,000 in this same scheme (2018/19 – actuarial valuation decrease £3,209,000). The College's total comprehensive expenditure for the year was £5,017,000 deficit (2018/19 £3,534,000 deficit). This includes an unrealised surplus on revaluation of fixed assets of £152,000 (2018/19 £982,000). Total income decreased from £11.8 million to £10.9 million and expenditure has decreased from £13.1 million to £11.8 million. This decrease was mostly due to Argyll College's funding being assigned to UHI in the middle of 2018/19.

Non-cash Allocation

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

	2019/20 £'000	2018/19 £'000	Notes
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(957)	(1,307)	SEE SOCI
Add:			
- Depreciation budget for government funded assets (net of deferred capital grant) for academic year	224	226	SEE NOTE 13
Operating (deficit)/surplus on Central Government accounting basis for the academic year	(733)	(1,081)	

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

Under the FE/HE SORP, the College recorded an operating deficit of £957,000 for the year ended 31 July 2020. After adjusting for the non-cash allocation provided under government rules, the College shows an “adjusted” deficit of £733,000 on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the performance report on pages 4 to 15.

Adjusted Operating Position (AOP) Note

	2019-20 £'000	2018-19 £'000
Surplus/(deficit) before other gains and losses	(957)	(1,307)
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 13)	224	225
- Exceptional non-restructuring costs - Impairment	0	0
- Pension adjustment – Net service cost (Note 20)	694	641
- Pension adjustment - Net interest cost (Note 20)	146	80
- Pension adjustment - Early retirement provision (Note 20)	0	0
- Donation to Arms-Length Foundation (ALF)*	0	0

Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	0	0
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim	0	0
- CBP allocated to loan repayments and other capital items* (Note 9)	62	59
- NPD income applied to reduce NPD balance sheet debt (Note 10)	0	0
Adjusted operating surplus/(deficit)	45	(420)

Creditor Payment Policy

It is the policy of North Highland College to pay invoices promptly and within one month. Monthly runs of purchase payments are made. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998. Year-end creditors represented 7.7% (2019 1.9%) of the aggregate purchases invoiced during the year. The College is currently unable to provide information in the year on performance against creditor payment target within one month.

Spend of Cash Budget for Priorities

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

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

Table of cash budget for priorities spend		
Revenue Priorities	2019/20 (£'000)	2018/19 (£'000)
Student support	0	0
2015-16 pay award	0	0
Voluntary severance	32	20
Estates Costs	2	18
Other agreed priorities (give detail)	0	0
Total impact on operating position	34	38
Capital Priorities		
Loan repayments (including PFI, NPD repayments)	63	59
Estates Costs	0	0

Provisions pre 1 April 2014 (give detail) carried on balance sheet	0	0
Total Capital	63	59
Total cash budget for priorities spend	97	97

Sustainability Strategy

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

The College prepared a revised Carbon Management Plan in November 2017 covering the period 1 August 2017 – 31 July 2021. Its main focus is on seeking to reduce emissions from its estates, as properties are the biggest emitters.

Ross House, Dornoch; and Wick College, Wick continue to be on the market with a view to sell. It was hoped that Ross House would be sold in 2019/20. However, Covid 19 obviously has impacted this. It is intended to use the proceeds of Ross House to help finance an extension on the Burghfield site to address the specific needs of the golf curriculum including bespoke facilities to help grow this key academic area of the College's business. This will reduce estate area space, and it is intended to heat the Burghfield extension using air source heat pump technology; new and more efficient propane boilers have been installed, thus further reducing the College's carbon footprint. With Ross House due to be sold, the oil boilers at Ross House as a source of carbon emission would of course cease from the College's accountability.

In terms of carbon emissions that are reported being electricity (generation, transmission and distribution); natural gas; oil; propane; wood-pellet; fleet vehicles re petrol and diesel; and staff travel the College achieved a 22% reduction in absolute emissions since 2015/16. To give some context, within the same period total FHE Sector GHG emissions reduced by 11% and the average reduction for a college was 17%. Thus, in this area of sustainability, the College at present is outperforming the sector average.

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 16th December 2020 and signed on its behalf by:

Debbie Murray
Interim Principal

Blair Sandison
Chairman

Accountability Report

Section One: Statement of Corporate Governance

DIRECTORS' REPORT**Members of the Board of Management**

The North Highland College Board of Management is populated by the College Principal, ten non-executive Board Members, two staff Members and one student representative taken from the Highlands and Islands Student Association (HISA).

Name	Designated Role	Membership	Start Date	End Date
Donald MacBeath	Principal	Finance & General Purposes Human Resources Remuneration Audit and Risk Management (In attendance)	July 2014	30 Sep 20
Blair Sandison	North Highland College Chair	Finance and General Purposes Human Resources Remuneration Nominations	October 2015	N/A
Graham Birnie	Chair of Finance and General Purposes Committee	Finance and Generation Purposes Remuneration	January 2017	N/A
Robbie Rowantree	Chair of the Audit and Risk Management Committee	Audit and Risk Management Remuneration Nominations	July 2014	N/A
Heather Mclean	Chair of Learning, Teaching and Learning	Learning, Teaching and Learning Remuneration	April 2017	N/A
Andrew Kerr	Chair of the Human Resources Committee	Human Resources Audit and Risk Management Learning, Teaching and Research	January 2017	N/A
Cllr Jim McGillivray		Audit and Risk Management Human Resources	June 2014	N/A
Patrick Murray		Finance and General Purposes Learning, Teaching and Research	December 2018	N/A
Wendy Freyett		Audit and Risk Management Finance and General Purposes	April 2018	N/A
Tessa Palmer		Audit and Risk Management Finance and General Purposes	August 2017	N/A
Matthew Groves		Audit and Risk Management Finance and General Purposes	December 2018	N/A
Magnus Davidson	Staff Member	Human Resources Learning, Teaching and Research	April 2018	N/A
David Olds	Staff Member	Learning, Teaching and Research Nominations	December 2015	December 2019
Dr Peter Hylton	Staff Member	Learning, Teaching and Research Nominations	March 2020	N/A

Tia Cannop	HISA Depute (student member)	Human Resources Learning, Teaching and Research	June 2019	
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In addition to the ten non-executive Board of Management Members in place during 2019/20, the North Highland College successfully undertook a non-executive recruitment exercise between March and July 2020. Three new non-executive Board Members and a shadow Board Member have been proposed to the regional strategic body (UHI) for ratification and will attend meetings from the September Board of Management meeting onwards.

A summary of the Board members, and meetings attended during 2019/20 is shown below:

The above is reflective of the various committee memberships throughout 2019/20 (i.e. attendance is noted against meetings members could have attended based on their membership at the time).

Board of Management	2019/20 80.5%	2018/19 79%
Committees		
Audit & Risk Management	71.4%	76.5%
Finance & General Purposes	87.5%	75.8%
Human Resources	83.3%	91.5%
Learning, Teaching & Research	85.7%	80.0%

Member	Board of Management	ARM	F&GP	HR	LTR	Nominations
Donald MacBeath	4/4	4/4	4/4	2/3	3/3	
Blair Sandison	4/4		4/4	3/3		2/2
Graham Birnie	4/4		4/4			2/2
Robbie Rowantree	4/4	3/4				
Heather Mclean	4/4				3/3	2/2
Andrew Kerr	3/4	3/4		3/3	2/3	
Cllr Jim McGillivray	4/4	3/4		3/3		
Patrick Murray	3/4		4/4		3/3	
Wendy Freyett	2/4	1/4	2/4			
Tessa Palmer	3/4	3/4	4/4			
Matthew Groves	3/4	3/4	3/4			
Magnus Davidson	3/4			2/3	3/3	
David Olds	0/2				0/2	
Tia Cannop	3/4			2/3	3/3	
Dr. Peter Hylton	1/1				1/1	

Mr Struan Mackie was appointed Secretary to the Board of Management on 23 July 2019 and served throughout the full financial year.

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

Members of the PRG during 2019/20 are shown below:

Mr Donald MacBeath	Principal (Resigned 30 September 20)
Mrs Debbie Gray	Director of Enterprise & Innovation (Depute Principal; Interim Principal from 1 October 2020)
Mrs Anne Bremner	Director of Learning & Teaching
Mr Roderick Ferrier	Director of Finance & Corporate Services
Mr Joe Wright	Deputy Director of Corporate Services (formally HR Manager)

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 & Risk Management Committee has reported reasonable and effective risk management, control and governance is in place. This has been endorsed by the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control.

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

GOVERNANCE STATEMENT

Introduction

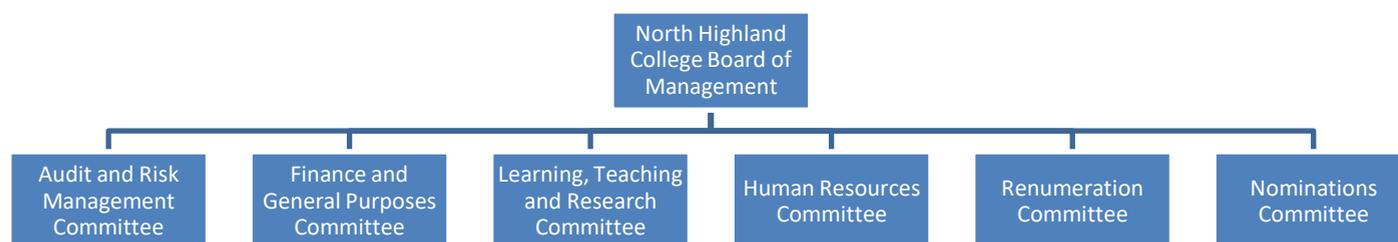
The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in the Code of Good Governance for Scotland's Colleges, the purpose being to help the reader of the financial statements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

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

North Highland College complies with all principles of the 2016 Code of Good Governance for Scottish Colleges, with the exception of the undertaking of an externally facilitated review of Board effectiveness, which was due in 2019/20 but due to Covid-19 was not able to be completed. On 28 November 2016 On Board Training and Consultancy Ltd (On Board), was commissioned to undertake an 'externally facilitated Board Effectiveness Review' of The North Highland College, the report and action plan is available on the College's website. Due to COVID-19, the planned follow-up review has been postponed until Q1 2021, and the College is working with the College Development Network to procure a suitable external reviewer. This will be completed at the first opportunity in 2020/21.

BOARD OF MANAGEMENT

The College's Board of Management meets four times per year and has several committees: - Audit & Risk Management Committee; Finance & General Purposes Committee; Remuneration Committee; Learning, Teaching and Research Committee; Human Resources Committee; and Nominations Committee. In addition, the Board of Management holds development planning days and training events during the course of the year for the purposes of training, self-evaluation and development. The role of the Board of Management is the strategic overview of the College.



The core College committees (Audit and Risk Management; Finance and General Purposes; Learning, Teaching and Research; and Human Resources) meet four times a year in line with the Board of Management cycle, with the Audit and Risk Management Committee also meeting with the College's external and internal auditors in attendance as appropriate. Due to COVID-19, the March meetings of the College's Learning, Teaching and Research, Human Resources Committees and Remunerations Committee were cancelled, with strategic Committee business being deferred to the planned June dates. There was no other impact on governance from Covid 19 in the year.

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 the Senior Management Team and the Audit & Risk Management Committee. The College Internal Auditors reported as follows for 2019-20: 'TIAA is satisfied that, for the areas reviewed during the year, North Highland College has reasonable and effective risk management, control and governance processes in place. Not having completed all of the planned work due to the global Covid-19 pandemic has not impacted on our overall assessment.

'This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by North Highland College from its various sources of assurance'.

The Senior 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 Senior Management may attend meetings of the Audit & Risk Management 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 Remuneration Committee) are available from the Secretary to the Board at the following address or on the College's website:

The North Highland College
Ormlie Road
Thurso
Caithness
KW14 7EE

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

ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

Finance and General Purposes Committee

This Committee is authorised by the Board to undertake any activity within its list of duties as outlined by its terms of Reference, taking account of the Financial Memorandum between the SFC and the College and the College's own Financial Regulations. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee in pursuit of its duties. The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

- Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters
- Allocate the Estates capital formula funding on an annual basis against which projects can be prioritised
- Approve capital projects and co-ordinate the Estates Strategy
- Consider the Health & Safety Policy annual review prior to recommendation to the BoM
- Monitor and review all College Health & Safety statistics on an annual basis
- Monitor progress against Equalities schemes and Action Plans ensuring these are integrated into College policy, processes and procedures
- Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs
- Consider the annual accounts and make recommendation of these for approval
- Advise the BoM with regard to College compliance with all statutory requirements relating to the college accounts and application of appropriate best practice in accounting procedures
- Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis
- Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend

- Advise the BoM that the allocation of resources is in accordance with college priorities as defined in the strategic plan
- Make recommendations to the Board on capital expenditure, investments and borrowing
- Set the levels of course fees, as appropriate
- Approve amendments to the Fee Waiver Policy
- Consider/approve any College developments and initiatives not covered by the above and, in addition, not covered by the remit of the HR or LT&R Committees
- Review the status of the risk cluster assigned to the Finance and General Purposes Committee from the college risk register and make recommendations for associated amendments to the Audit and Risk Management Committee

Learning, Teaching and Research Committee

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

- Assist with setting the College's academic and research aims and objectives
- Monitor the academic, student support and research aspects of College operational planning to ensure consistency with the Strategic Plan
- Oversee all matters relating to the academic progress and achievement of students by monitoring key performance indicators (KPIs) relating to learning, teaching and research, and requesting specific action plans, as necessary
- Monitor the College's arrangements for improving learning and teaching and the overall quality of the student experience
- Monitor the implementation of key academic, learner engagement and research strategies.
- Monitor research activities to ensure they are consistent with College and University aims and objectives
- Make approval recommendations for learning, teaching and research policies to the Board of Management
- Review the status of the risk cluster assigned to the Learning, Teaching and Research Committee from the college risk register and make recommendations for associated amendments to the Audit and Risk Management Committee

Human Resources Committee

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

The Human Resource Committee will:

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

Remuneration Committee

This Committee shall determine and review the structure of the Senior Management Team and the

remuneration package offered. The SMT comprises, The Principal, Director of Learning & Teaching, Director of Enterprise & Innovation, Director of Finance & Estates, Director of the Environmental Research Institute and the Assistant Directors, taking into account:

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

Audit and Risk Management Committee

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

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

CORPORATE STRATEGY

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

ESTATES STRATEGY

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

On 17 March 2017 the Board of Management, through the Finance and General Purposes Committee, approved a new Estates Strategy covering the period 1 August 2017 – 31 July 2021. Its main strategic aims are as follows: -

- Sell Ross House and Wick College, and with the proceeds and other funding, build a new extension on the Burghfield House site. This property will have more flexible teaching areas for Golf, Hospitality, and UHI Centre for History. Golf student numbers are expected to grow, as are History postgraduate numbers. This academic development will mean the College's Estates Strategy has to address this requirement. The Burghfield House extension was approved by the North Highland College Board of Management in November 2019, representing over £2m investment in the East Sutherland facility; and construction began on site in December 2019.
- A finalised Design and Business Case for the Thurso Main Campus is complete. This plans to demolish three older buildings on the Thurso Campus and replace them with one new building. The College continues to engage with local funders and enabling organisations such as the Caithness and North Sutherland Partnership (CNSRP) seeking public investment for the project. This included a presentation on the campus development project at the Dounreay Stakeholder Group (of which the College is a Member), with the presentation attended by funders with statutory responsibilities to regenerate the Caithness and North Sutherland area.
- In 2016/17 the estate was reviewed by surveyors working on behalf of consultants reporting to the Scottish Funding Council, as part of an exercise on looking at college estate Scotland-wide. Subsequent to this North Highland College was awarded over £198,565 for backlog maintenance. This was spent/committed in the period 1 April 2019 to 31 March 2020. It has additional backlog funding amounting to £340,960 to be committed and spent by 31 March 2021.

BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

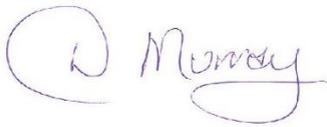
GOING CONCERN

The Board considers that the College accounts should continue to be prepared on a Going Concern basis. See Page 39 of the financial statements for a detailed consideration of Going Concern.

CONCLUSION

The Board of Management has no matters to report in respect of failures in the expected standards of good governance, risk management and control for the year ended 31 July 2020.

Approved by order of the members of the Board on 16th December 2020 and signed on its behalf by:



Debbie Murray
Interim Principal



Blair Sandison
Chairman

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

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

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

Due to COVID-19 the Remuneration Committee did not meet during the 2019/20 session. It will continue to meet annually going forward.

Remuneration including salary and pension entitlements

The information in this section of the report is subject to audit. Senior Management comprises Donald MacBeath - Principal; Debbie Murray - Director of Enterprise & Innovation; Roderick Ferrier - Director of Finance & Estates; Anne Bremner - Director of Learning & Teaching; Giles Huby – Director of ETEC; Stuart Gibb - Director of Environmental Research Institute.

As at 1 May 2020 the Director of Finance and Corporate Services was appointed Director of Finance (Shared) with Inverness College, the first senior UHI college official being responsible for a service across two colleges. His remuneration has still to be formally reassessed.

Salary entitlements¹

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

Name	Year ended 31 July 2020			Year ended 31 July 2019		
	Salary £'000	Pension Benefit ⁹ £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Donald MacBeath, Principal – Actual (Resigned 30 Sept 20) – this discloses annual salary	94	35	129	94	99	193
Debbie Murray, Director of Enterprise & Innovation – Actual	61	24	85	61	52	113
Roderick Ferrier, Director of Finance & Estates - Actual	57	26	83	57	61	118
Anne Bremner, Director of Learning & Teaching - Actual	60	22	82	60	23	83
Stuart Gibb, Director of Environmental Research Institute - Actual	76	35	111	76	28	104
Giles Huby, Director of ETEC	72	10	82	0	0	0

Median Remuneration

Colleges are required by the FReM (Government Financial Reporting Manual 2015-16) to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

The banded remuneration of the highest paid official in the organisation in the financial year 2019/20 was £94,000 (2018/19 £94,000). This was 3.6 times (2018/19 3.7 times) the median remuneration of the workforce which was £26,243 (2018/19 £25,919).

Accrued Pension Benefits

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

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

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

¹ Note:

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

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

Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension 1 August 2018 to 31 July 2019	Real increase in lump sum 1 August 2018 to 31 July 2019	CETV at 31 July 2020	CETV at 31 July 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Donald MacBeath, Principal	48	86	2	0	883	960	-87
Debbie Murray, Director of Enterprise & Innovation	22	27	1	0	359	333	21
Roderick Ferrier, Director of Finance & Estates	26	44	1	1	527	492	31
Anne Bremner, Director of Learning & Teaching	7	0	1	0	95	75	16
Stuart Gibb, Director of Environmental Research Institute	26	37	2	1	432	397	30
Giles Huby, Director of ETEC	1	0	1	0	9	0	6

Cash equivalent Transfer Value (CETV)

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

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

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits

transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

Compensation for loss of office

No employees left under voluntary exit terms. They received no compensation payments. Three employees left under voluntary redundancy terms in the financial year. Two elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pension was £207. They did not receive any additional compensation.

The table below summarises the compulsory exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	0	1
£10,000 - £25,000	2	0	2
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
£100,000 - £150,000	0	0	0
£150,000 - £200,000	0	0	0
Total number of exit packages	3	0	3
Total cost (£)	£31,622	£0	£31,622

Salaries and Related costs

	2020	2020	2020	2019
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	£5,890,354	£0	£5,708,906	£5,279,856
Social security costs	£518,461	£0	£518,461	£476,707
Other pension costs	£1,717,202	£0	£1,684,202	£1,472,798
Total	£7,126,017	£0	£7,911,569	£7,229,361

Average number of FTE	163	0	163	157
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The college employed 181 females and 99 males as at 31 July 2020.

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 2020

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
3	2.8

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time:	£525
Total pay bill:	£7,911,569
Percentage of the total pay bill spent on facility time:	0.007%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	80%
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Sickness absence data

The Board of Management decided to cease recording and reporting this information a number of years ago as they believed this did not add any value to the attendance management process which existed within the College. Therefore figures are not available for 2019/2020.

Staff Policies

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

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

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

Expenditure on Consultancy

North Highland College incurred £64,000 on consultancy in 2019/20.

Off – Payroll Engagements

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

Parliamentary Accountability Report

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



Debbie Murray
Interim Principal



Blair Sandison
Chairman

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of North Highland College for the year ended 31 July 2020 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 College Statement of Comprehensive Income, College Statement of Changes in Reserves, College Balance Sheet, and the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 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 of opinion

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

Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

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

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

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

Responsibilities for regularity

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

Report on other requirements**Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit
- there has been a failure to achieve a prescribed financial objective.

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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



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

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date: 18/12/20

Ernst & Young is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 (for firms)/section 21 of the Public Finance and Accountability (Scotland) Act 2000 (inhouse and any firm where the auditor is not eligible under the Companies Act).

Statement of Comprehensive Income for the year ended 31 July 2020

	Notes	Year ended 31 July 2020 £000	Year ended 31 July 2019 Restated £000
Income			
SFC Grants	2	5,784	7,028
UHI Grants	3	1,678	1,716
Education contracts, Tuition Fees & Charges	4	1,790	1,609
Other Grant Income	5	718	704
Other Operating Income	6	919	756
Total Income		10,889	11,813
Expenditure			
Staff costs	8	8,126	7,408
Other Operating Expenses	10	2,818	4,810
Depreciation	13	677	741
Interest payable and other finance costs	11	225	161
Total Expenditure		11,846	13,120
Deficit before Other Gains and Losses		(957)	(1,307)
Loss on disposal of assets	13	0	0
Deficit before Taxation		(957)	(1,307)
Taxation	12	0	0
Deficit for the Year		(957)	(1,307)
Actuarial (Loss)/Gain in respect of Pension Scheme		(4,212)	(3,209)
Unrealised Surplus on revaluation of land and buildings		152	982
Total Comprehensive (Expenditure)/Income for the year		(5,017)	(3,534)
Represented by:			
Unrestricted Comprehensive Income for the year		(4,965)	(4,305)
Revaluation Reserve Comprehensive Income for the year		(51)	771
		(5,017)	(3,534)

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive

Income. The Non Cash Allocation and Adjusted Operating Position Tables on Pages 12 & 13 provides details of the adjusted operating position on a Central Government accounting basis.

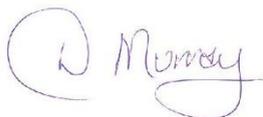
Statement of Changes in Reserves for the year ended 31 July 2020

	Income & Expenditure Reserve £000	Revaluation Reserve £000	Total £000
Balance at 1 August 2018	<u>(3,257)</u>	6,254	<u>2,997</u>
Deficit from Statement of Comprehensive Income	(1,307)	0	(1,307)
Other Comprehensive Loss	(3,209)	982	(2,227)
Transfers between revaluation and income and Expenditure reserve	211	(211)	0
Total Comprehensive Loss for the year	<u>(4,305)</u>	<u>771</u>	<u>(3,534)</u>
Balance at 31 July 2019	<u>(7,562)</u>	<u>7,025</u>	<u>(537)</u>
Balance at 1 August 2019	<u>(7,562)</u>	7,025	<u>(537)</u>
Deficit from Statement of Comprehensive Income	(957)	0	(957)
Other Comprehensive Loss	(4,212)	152	(4,060)
Transfers between revaluation and income and Expenditure reserve	204	(204)	0
Total Comprehensive Loss for the year	<u>(4,965)</u>	<u>(52)</u>	<u>(5,017)</u>
Balance at 31 July 2020	<u>(12,528)</u>	<u>6,973</u>	<u>(5,555)</u>

Balance Sheet as at 31 July 2020

	Notes	As at 31 July 2020 £000	As at 31 July 2019 Restated £000
Non-Current Assets			
Tangible Fixed assets	13	18,167	17,983
		18,167	17,983
Current Assets			
Stock		22	14
Trade Debtors and Other Receivables	14	1,066	785
Assets Held for Sale	13	541	541
Cash and cash equivalents		426	256
		2,055	1,596
Creditors: amounts falling due within one year	15	(2,342)	(3,072)
Net Current (Liabilities)/Assets		(287)	(1,476)
Total Assets less Current Liabilities		17,880	16,506
Creditors: amounts falling due after more than one year	16	(11,171)	(9,798)
Provisions			
Pension Provisions	17	(12,263)	(7,246)
TOTAL NET (LIABILITIES)/ASSETS		(5,555)	(538)
UNRESTRICTED RESERVES			
Income and Expenditure Reserve		(12,528)	(7,562)
Revaluation Reserve		6,973	7,025
TOTAL RESERVES		(5,555)	(538)

The financial statements were authorised for issue and approved by the Board of Management on 16th December 2020 and were signed on its behalf on that date by:



Debbie Murray
Interim Principal



Blair Sandison
Chairman

Statement of Cash Flows for the year ended 31 July 2020

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cash flow from Operating Activities		(957)	(1,305)
Adjustment for non-cash items			
Depreciation	13	677	741
Revaluation of Property		0	0
(Increase)/decrease in stocks		(8)	11
(Increase)/decrease in debtors	14	(233)	(27)
Increase/(decrease) in creditors	15,16	402	288
Increase/(decrease) in pension provision	17	(36)	12
LGPS Pension costs less contributions payable	20	694	629
Adjustment for investing or financing activities			
Interest payable	11	225	161
Capital Grant Income	2,6	(453)	(516)
		<u>311</u>	<u>(6)</u>
Cash Flow from Investing Activities			
Capital Grants receipts		710	885
Payments made to acquire Fixed Assets	13	(710)	(885)
		<u>0</u>	<u>0</u>
Cash flows from Financing Activities			
Interest Paid on loan	11	(79)	(81)
Repayment of loans	16	(62)	(59)
		<u>(141)</u>	<u>(140)</u>
(Decrease) in cash and cash equivalents in the year		<u>170</u>	<u>(146)</u>
Cash and cash equivalents at beginning of the Year		256	402
Cash and cash equivalents at end of the Year	18	426	256

Notes to the Financial Statements

1a. Statement of Principal Accounting Policies

BASIS OF PREPARATION

The Financial Statements are prepared in accordance with Further and Higher Education (Scotland) Act 1992 and the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2018), and the Government Financial Reporting Manual 2015/16 (FREM) where applicable. 2019/20 was the first year that the revised 2018 SORP was implemented following the triennial review of FRS 102 accounting standards. No changes to the College's accounting policies were required from this change in standard, following an impact assessment undertaken by management. A new disclosure note reconciling the College's net debt is included in the financial statement for the first time.

BASIS OF ACCOUNTING

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

GOING CONCERN

The net liability position reported in these Financial Statements is due to the adoption of Financial Reporting Standard (FRS) 102 which has resulted in the reclassification of Government Capital Grants previously disclosed in Reserves, being disclosed under liabilities less than one year and greater than one year. The Net Assets Position prior to longer term Pension Provisions is £6,708,000 at 31 July 2020. Pension Provisions include a provision for Early Retirements of £643,000 and a Pension Liability of £11,620,000 for the College's share of deficit in the Highland Council Local Government Pension Scheme (LGPS). Once these are accounted for the College's Net Liability position is £5,555,000. To the extent that the pension is not met from the College's other sources of income, it may only be met by future grants or Grant in Aid from the Scottish Funding Council via UHI as the Regional Strategic Body. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Net liabilities also includes the loan outstanding to the Bank of Scotland as at 31 July 2020 of £1,214,000. The College has complied with its covenant requirements in the year to 31 July 2020, and projection of income and expenditure to 31 July 2021 indicate that compliance with covenants will continue.

Net Current Liabilities position is £287,000. The College considers that with careful financial monitoring its cash position will be manageable in 2020-21 and throughout the period to December 2021 at least. The College held cash at 31 July 2020 of £426,000, and at 30 November holds £1,180,000. Cash flow projections through the 12 months from the approval of these financial statements forecast the College to hold at least £413,000 throughout this period. The College has confirmed with the SFC that, should be it be required, it will assist the College in managing its cash flow requirements for at least the period of 12 months from the approval of its financial statements, through advance payments of scheduled grant income.

Longer term, without further additional funding to the sector, then the College will continue to face financial challenges. Discussions are taking place in the UHI Partnership Assembly to discuss the way ahead for the UHI/Colleges' partnership to become more efficient and resilient in terms of governance and finances. Some colleges within the UHI partnership, including North Highland College, have approached the Scottish Government seeking consent for a formal appraisal of options for the closer alignment of UHI colleges to be carried out.

RECOGNITION OF INCOME

Government Revenue Grants

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

Government Capital Grants

Government Capital Grants are released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Non-Government Grants

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

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

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

Grants of £372,000 are due to be released in 2020/21; £10,141,000 in future years.

Non-Exchange Transactions

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

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

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

PENSION SCHEMES

The College participates in two multi-employer defined benefit pension schemes, more details are in note 20.

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). The North Highland College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise. 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.

The valuation of the College's share of the LGPS assets is subject to estimation on an ongoing basis. At 31 March 2020, many real estate managers temporarily suspended dealing of their funds over the quarter because of valuers applying material uncertainty clauses to the underlying funds in the portfolio. The clauses have been added as valuers could no longer rely on previous market experience to accurately price the underlying assets. The valuations issued in relation to property assets at 31 March 2020 on the underlying UK funds in the Fund's portfolio were all issued with "material valuation uncertainty clauses" in place. While these have largely been removed by the College financial year-end, there is continued uncertainty around the valuation of these assets going forward which may impact the College's net pension liability.

TANGIBLE FIXED ASSETS

a. Land and Buildings

Land and Buildings are shown in the balance sheet at valuation, on the basis of depreciated replacement cost. Buildings are depreciated over their expected useful life to the College. The properties were revalued in June 2017 and have been subject to indexation every year since and are due for revaluation in 2022. The properties were split into component parts being: main building; roof; windows; plant and machinery; heating systems, and where appropriate kitchens. This revaluation exercise saw an increase in valuation; however because of component lives, depreciation reduced compared to trend; and deferred grant release relating to buildings also decreased in line with this.

b. Plant and equipment

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

c. Computer equipment and motor vehicles

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

d. Assets Held for Sale

At present Wick College is on the market to sell. Also Ross House, Dornoch is on the market to sell.

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

Freehold – Main Buildings

24 - 95 years remaining

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

Where assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to Deferred Capital Grants and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

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

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

MAINTENANCE OF PREMISES

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

LEASED ASSETS

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

INVESTMENTS

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

STOCKS

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

FOREIGN CURRENCY TRANSLATION

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

TAXATION

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs

and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

PROVISIONS

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

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

REVALUATION RESERVE

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

AGENCY ARRANGEMENTS

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts as the College is not subject to risks relating to the income and expenditure. The Funds are Bursary, Childcare, Discretionary and Educational Maintenance Allowance. See Note 25.

PRIOR YEAR RESTATEMENT

The College has restated its prior year SFC Grant Income, Staff Cost Expenditure, Accrued Income, and Accruals, to reflect the impact of the national bargaining exercise estimated costs and associated income in 2018/19. This had the impact of increasing 2018/19 income and expenditure by £166,000, with no net impact on the deficit for the year, or the total net liabilities.

	Year Ended 31 July 20	Year Ended 31 July 19
	£000	Restated £000
2. SFC Grants		
Recurrent FE Grant	5,218	6,290
Estates Maintenance Grant	38	130
FE and HE Childcare funds	62	93
Release of Deferred Capital Grants (SFC)	285	348
Other grants	181	167
	5,784	7,028
3. UHI Grants		
Recurrent HE Grant	1,416	1,434
Other UHI Grants	262	282
	1,678	1,716

Notes to the Financial Statements (continued)**4. Tuition Fees and Charges**

Further Education Fees –UK	139	176
Further Education Fees – EU	0	1
Further Education Fees – non EU	1	5
Higher Education Fees	775	677
SDS contracts	124	141
Education contracts	494	453
ALF Income	204	96
LEC and Other Contracts	53	60
	1,790	1,609

5. Other Grant Income

European Funds	82	(5)
Other Funds	437	513
Student Allowances	31	29
Release of Deferred Capital Grants (Non-SFC)	168	167
	718	704

6. Other Operating Income

Catering and Residences	114	151
Other Income Generating Activities	176	124
Other Income	516	481
Income received in relation to the job retention scheme	113	0
	919	756

7. Investment income

Other Interest Receivable	0	0
	0	0

8. Staff numbers and costs**Staff numbers (full-time equivalent):**

	Year ended 31 July 2020	Year ended 31 July 2019
Executive Management	5	4
Academic/Teaching Departments	64	66
Academic/Teaching Services	18	15
Administration and Central Services	36	36
Premises	11	14
Research Grants and Contracts	23	18
Apprentices	2	0
Catering and Residences	4	4
	163	157
Staff on permanent contracts	137	137
Staff on temporary contracts	26	20
	163	157

Notes to the Financial Statements (continued)**Staff costs:**

	£000	£000
Executive Management	448	354
Academic/Teaching Departments	3,970	3,683
Academic/Teaching Services	413	388
Administration and Central Services	1,122	1,038
Premises	378	365
Research Grants and Contracts	1,014	892
Apprentices	36	0
Catering and Residences	51	47
Other Pension costs	694	641
	8,126	7,408
Wages and Salaries	5,890	5,446
Social security costs	519	477
Pension Contributions	1,023	844
Other pension costs	694	641
	8,126	7,408

Staff numbers, including senior post-holders and the Principal, who received emoluments in the following ranges:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Senior post-holders	Other staff	Senior post-holders	Other Staff
£60,001 to £70,000	2	-	1	-
£70,001 to £80,000	2	-	1	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	-	1	-
	5	-	3	-

9. Senior post-holders' emoluments

	Year ended 31 July 2020 Number	Year ended 31 July 2019 Number
Senior post-holders including the Principal:	6	5
Senior post-holders' emoluments including the Principal:	£000	Restated £000
Salaries	421	348
Pension contributions	69	74
	490	422

Notes to the Financial Statements (continued)**Amounts paid to the Principal:**

Salary	94	94
Pension contributions	17	21
	<u>111</u>	<u>115</u>

The pension contributions in respect of the Principal are in respect of Employer's contributions to the Local Government Pension Scheme (Highland Council). The College's contributions to the Local Government Scheme is paid at a variable rate which increases according to pay-scale. There were no taxable or non-taxable benefits paid to the Principal in the year.

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

10. Other operating expenses

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Academic/Teaching departments and services	1,240	3,076
Administration and central services	591	755
FE & HE Childcare Funds	62	93
Other Income Generating Activities	9	15
Premises	745	687
Other expenditure	88	73
Catering and residences	83	111
	<u>2,818</u>	<u>4,810</u>

Other operating expenses include:

Auditors' remuneration:		
external audit	33	18
internal audit	9	7
project audit	14	8
Disbursements of childcare funds to students	62	93
Payments to Argyll College	0	1,567
Hire of land and buildings	131	127
Hire of plant and machinery	112	138

Payments to Argyll College are explained in more detail in note 24.

11. Interest payable and other finance costs

Loan Interest	79	81
Net charge on pension scheme	146	80
	<u>225</u>	<u>161</u>

12. Taxation

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

Notes to the Financial Statements (continued)

13. Tangible fixed assets

	Freehold Land and Buildings £000	Computer Equipment £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost / Valuation					
At 1 August 2019	21,996	1,598	4,462	97	28,153
Additions	645	0	56	9	710
Revaluation	152	0	0	0	152
Disposals	0	(553)	0	(63)	(616)
At 31 July 2020	22,793	1,045	4,518	43	28,399
Depreciation					
At 1 August 2019	4,083	1,598	4,393	97	10,171
Charge for year	623	0	52	2	677
Revaluation					
Disposals	0	(553)	0	(63)	(616)
At 31 July 2020	4,706	1,045	4,445	36	10,232
At 31 July 2020	18,087	0	73	7	18,167
Net book value					
At 1 August 2019	17,914	0	69	0	17,983
Inherited	3,316	0	0	0	3,316
Financed by capital grant	10,405	0	100	7	10,512
Other	4,339	0	0	0	4,339
Net book value					
At 31 July 2020	18,060	0	100	7	18,167

Included in land and buildings are assets under construction (Burghfield Golf Centre Extension amounting to £645,000). These monies have not been depreciated in the year. Inherited assets and those financed by capital grant may only be sold with prior consent of the Scottish Funding Council (SFC). The College is obliged to use sales proceeds in accordance with the instructions of the SFC. The SFC has confirmed that proceeds from Ross House can be invested in the Burghfield golf centre extension.

Land and buildings were revalued in June 2017 by an independent valuer. The basis of valuation was depreciated replacement cost. The property valuations were split into component parts being: - Main Building, Roof, Windows, Plant & Machinery, Heating and where appropriate Kitchens. In 2019/20 property values were increased by 0.9%.

The College's properties of Wick College and Ross House are on the market to sell. These two properties are disclosed under Current Assets being Assets for Sale. They are included at the lower of either Market Value or Depreciated Replacement Cost.

Notes to the Financial Statements (continued)

If inherited land and buildings had not been revalued they would have been included at 31 July 2020 as:

	£000
Cost	507
Aggregate depreciation based on cost	<u>(261)</u>
Net book value based on cost	<u>246</u>

14. Trade Debtors and other receivables

	As at 31 July 2020 £000	As at 31 July 2019 Restated £000
Trade Debtors	495	211
Prepayments and accrued income	570	574
Other debtors	1	0
	<u>1,066</u>	<u>785</u>

15. Creditors: Amounts falling due within one year

Bank Loans and overdrafts	66	1,277
Trade creditors	223	63
Other creditors	423	329
Other taxation and social security	135	157
Accruals and deferred income	1,007	923
Deferred income – government capital grants	488	324
	<u>2,342</u>	<u>3,072</u>

16. Creditors: Amounts falling due after more than one year

Bank loan	1,147	0
Deferred income – government capital grants	10,024	9,798
	<u>11,171</u>	<u>9,798</u>

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

In one year or less	66	63
Between one and two years	64	66
Between two and five years	242	227
In five years or more	842	920
	<u>1,214</u>	<u>1,277</u>

The term loan is held with Lloyds Bank. Per the original loan agreement the principal sum is due to be repaid in monthly instalments over a 25 year period at a fixed rate of interest with interest calculated monthly in the instalments outlined above. There is no security given over assets, but covenants have been agreed. One of the covenants was breached in 31 July 2019, therefore the loan had been fully classified as a current liability at the year-end pending confirmation of a waiver from the bank, which was outstanding at the date of approval of the financial statements. This is not the case at 31 July 2020.

Notes to the Financial Statements (continued)

	31 July 2020	31 July 2019
	£000	restated £000
Analysis of change in net debt		
Cash	426	256
Loans falling due in less than one year	(66)	(1,277)
Loans falling due in more than one year	(1,148)	0
Total net debt	<u>(788)</u>	<u>(1,021)</u>

Local Government Pension Scheme - Provision

Opening Provision	6,568	2,638
Contributions in the year	(521)	(471)
	6,047	2,167
Additions in the year	1,361	1,192
Remeasurements in the year	4,212	3,209
Closing Provision	<u>11,620</u>	<u>6,568</u>
Total Provision	<u>12,263</u>	<u>7,246</u>

The Provision for Enhanced Pensions has been revalued using actuarial tables provided by the SFC. The net interest applied was **-0.9%**.

The LGPS Pension Provision relates to the liabilities under the college's membership of the Local Government defined benefit pension scheme. Further details are given in Note 20.

18. Cash and cash equivalents

	At 1 August 2019 £000	Cashflows £000	Other changes £000	At 31 July 2020 £000
Cash at bank and in hand	256	170	-	426
	<u>256</u>	<u>170</u>	<u>-</u>	<u>426</u>

19. Capital commitments

At 31 July 2020 the College had capital commitments contracted of £1,527,572 (2019 - £57,634).

20. Pension and similar obligations

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

Scottish Teachers Superannuation Scheme (STSS)

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

Under the definitions set out in 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.

Notes to the Financial Statements (continued)

Accordingly, the College has accounted for its contributions as if it were a Defined Contribution Scheme. The current contribution rates are variable rates for employees based on salary ranges, and Employer's contribution rate is 23%.

Local Government Superannuation Scheme

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2020 were £691,000 (2019 - £627,000) of which Employer's contributions totalled £515,000 (2019 - £466,000) and Employees' contributions totalled £176,000 (2019 - £161,000). The current contribution rates are variable rates for employees based on salary ranges, and Employers contribution rate is 17.9%.

Total pension cost for the year	2020 £000	2019 £000
Teachers' Pension Scheme: contributions paid		520 383
Local Government Pension Scheme:		
Contributions paid	515	466
FRS 102 charge	<u>694</u>	<u>629</u>
Charge to the Statement of Comprehensive Income	1,209	1,095
Enhanced pension charge to Statement of Comprehensive Income		
Total Pension Cost for Year within staff costs	<u>1,729</u>	<u>1,478</u>

The following information is based upon a full actuarial valuation of the Fund at 31 July 2020 by a qualified independent actuary for the purposes of FRS102.

Principal Actuarial Assumptions at the Balance Sheet Date:-

	2020	2019
Rate of Increase in Salaries	3.1%	3.4%
Rate of Increase in Pensions	2.2%	2.4%
Inflation Assumption (RPI)	-0.5%	-0.5%
Inflation assumption (CPI)	0.5%	0.5%
Discount rate for scheme liabilities	1.4%	2.1%

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

Equities	68%	72%
Bonds	15%	15%
Property	11%	11%
Cash	6%	2%

The assumed life expectations on retirement age 65 are: -

	Years
<i>Retiring Today</i>	
Males	21.9
Females	24.3

Notes to the Financial Statements (continued)*Retiring in 20 Years*

Males	23.3
Females	26.1

The Employer contributions for the year to 31 July 2021 will be approximately £503,000

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Charged to staff costs:		
Current service costs	(1,215)	(1,112)
Past service costs	0	0
Total charged to staff costs	(1,215)	(1,112)
Credit/charge for net return on pension scheme:		
Interest income	446	551
Interest cost	(592)	(631)
Net interest charged	(146)	(80)
Credit/charge to other comprehensive income:		
Return on assets	(576)	744
Other experience	140	(8)
Gains and losses arising on changes in financial assumptions	(3,461)	(3,945)
Actuarial Gain/(Loss)	(3,897)	(3,209)
Total charge to the SOCl	(5,258)	(4,401)

Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(6,568)	(2,638)
Service costs	(1,215)	(1,112)
Employer contributions	521	471
Net interest costs	(146)	(80)
Actuarial gain/(loss)	(4,212)	(3,209)
Deficit in scheme at end of year	(11,620)	(6,568)

Notes to the Financial Statements (continued)**21. Financial Commitments**

At 31 July 2020 the College had annual commitments under non-cancellable operating leases as shown:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Land and Buildings		
Payable during the year	131	127
Future minimum lease payment due:		
Not later than 1 year	131	131
Later than 1 year and not later than 5 years	373	504
Later than 5 years	0	0
Total lease payments due	504	635
Other		
Payable during the year	112	138
Future minimum lease payment due:		
Not later than 1 year	66	84
Later than 1 year and not later than 5 years	33	71
Later than 5 years	0	0
Total lease payments due	99	155

22. Losses and Special Payments

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

23. Post Balance Sheet Events

There were no adjusting post balance sheet events. Enquiries have been received regarding the potential sale of Ross House, but no sale has been concluded at the date of approval of the accounts.

24. Related Party Transactions

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

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

Member	Organisation	Position
J McGillivray	Highland Council	Councillor

Notes to the Financial Statements (continued)

Income transactions totalling £344 and expenditure transactions totalling £38,838 were made with Highland Council. At 31st July 2020 our Highland Council creditor balance was £507 and debtor balance was £0.

The volume of voluntary commitment made was considerable and is greatly appreciated.

The Board of Management of The North Highland 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 period North Highland College had various material transactions with SFC and with other entities for which SFC is regarded as the sponsor department e.g. Student Awards Agency for Scotland.

During the period the College had various material transactions with the University of the Highlands & Islands, being the Regional Strategic Body. The University of the Highlands & Islands was designated a higher education institute in April 2001 and received funding from the Scottish Funding Council from 1 July 2002. The College receives funding for higher education activity through the University of the Highlands & Islands, and FE funding through it being the Regional Strategic Body.

During the period the College also had material transactions with Argyll College. This is a collaborative partnership between The North Highland College and Argyll College. The Scottish Funding Council provided North Highland College with funding for Further Education delivery for it and Argyll College, and accounts to the SFC for the fundable Credits activity. During 2018/19 the SFC changed the funding arrangements so that Argyll College's funding was paid directly by UHI to Argyll College as an assigned college, and payments to North Highland College were reduced accordingly.

Notes to the Financial Statements (continued)

25. Bursaries and Other Student Support Funds

	2019/20	2019/20	2019/20	2019/20	2018/19
	FE Bursary £'000	EMAs £'000	Other £'000	Total £'000	Total £'000
Balance b/fwd	0	0	0	0	0
Allocation received in year	1,642	78	180	1,900	1,659
Expenditure	(1,392)	(78)	(173)	(1,643)	(1,580)
Repaid to funding council as clawback	0	0	0	0	0
College contribution to funds	0	0	0	0	0
Intra-region allocations	0	0	0	0	0
Virements	0	0	0	0	0
Balance c/fwd	250	0	7	257	79
Represented by:					
Repayable to funding council as clawback					
Repayable to region	250	0	7	257	79
Retained by college for students					

FE and HE childcare funds

	2019/20 £'000	2018/19 £'000
Balance b/fwd	0	0
Allocation received in year	62	93
Expenditure	(62)	(93)
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

Notes to the Financial Statements (continued)**Accounts direction for Scotland's colleges 2019-20**

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 2019/20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
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
17 July 2020

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.