



North Highland College  
University of the  
Highlands and Islands

**The North Highland College Report &  
Financial Statements for the year ended  
31 July 2014**

**SCOTTISH CHARITY NUMBER SC021215**

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### **NATURE, OBJECTIVES AND STRATEGIES**

#### **Legal Status**

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

The Further and Higher Education (Scotland) Act 1992 transferred the statutory duty for Further Education from Local Authorities to the then Secretary of State for Scotland and is now the responsibility of the Scottish Ministers.

With effect from 1 July 1999 the Scottish Further Education Funding Council became responsible for funding further education in Scotland and was empowered by the 1992 Act. A new Scottish Funding Council was formally established on 3 October 2005. The Council has been established by the Further and Higher Education (Scotland) Act 2005 and replaces the Scottish Further Education Funding Council (SFEFC) and the Scottish Higher Education Funding Council (SHEFC). The Council is known as the Scottish Funding Council (SFC).

Approval was sought and received to alter the College name from Thurso College to the North Highland College on 1 December 1999. The name change reflects the enhanced mission of the College.

The College Board of Management is responsible for the affairs of the College, which include the management of strategic planning, property, finance and human resources; the College Principal as the Accountable Officer and the Board is obliged to discharge its duties in accordance with the Financial Memorandum and other Scottish Funding Council guidance.

Under the terms of the Office of National Statistics, reclassification of Scotland's colleges was implemented at 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 or before 31 March 2014 North Highland College made a transfer of £1,300,000 to the North Highland College Foundation. This transfer has reduced the financial performance for 2013-14 reducing cash and impacting on the Income and Expenditure Account.

#### **Scope of the Financial Statements**

The Financial Statements cover all activities of the College.

#### **Mission Statement**

The North Highland College will ensure that inclusive and accessible high quality vocational training, life-long learning and research opportunities, relevant to the needs of learners, communities and employers, are available across the Highland area.

#### **Implementation of Strategic Plan**

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

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- The delivery, in partnership with Argyll College, of 9,785 WSUMS in the Argyll area for the year 2013-14; 2012-13 9,547 WSUMS. West Highland College became a fundable college in its own right from 1 August 2012, meaning that its FE funding no longer comes through North Highland College, but goes directly to it. Its WSUMs however are reported through North Highland College. It delivered 8,396 WSUMS in the year to 31 July 2014.
- The Environmental Research Institute (ERI) Maree project complete in the autumn/winter of 2013. Research staff have been investigating and modelling the tidal flows in the Pentland Firth, with a view to further developing the environmental science around this renewable resource, which has such potential in terms of energy generation. The research staff involved in the MaREE project operated out of the Centre for Energy and the Environment facility. The ERI secured two additional projects in the year – Turnkey and Merika which seek to expand the knowledge base of renewable energy.
- The Engineering, Technology and Energy Centre (ETEC) continues to provide a major facility in the North of Scotland for practical engineering skills using state of the art facilities and equipment. This is helping to provide a trained and talented workforce for the Caithness economy and beyond, for the change from Nuclear Power and decommissioning, to renewable power engineering and general engineering.

The revised Strategic Aims of the College cover the years 2010-15. These were developed by the Board of Management after consultation with students, staff and other stakeholders and are as follows:

Aim 1: To achieve strong corporate governance and the promotion of continuous positive cultural change.

Aim 2: To achieve a clear communication of college vision, mission and corporate identity through Board interaction with staff, students and stake-holders.

Aim 3: To achieve financial sustainability through effective risk management, the efficient use of resources, and the development of new sources of income.

Aim 4: To achieve a high quality learning experience through effective learner engagement underpinned by responsive support services, which result in learners acquiring excellent vocational and research skills and academic achievement.

Aim 5: To achieve the delivery of a balanced curriculum, based on up-to-date learning theory, which promotes equality of opportunity, and provides learning opportunities at all levels of the Scottish Credit and Qualifications Framework in fit for purpose learning spaces.

Aim 6: To achieve success through strong and effective leadership, personal and professional development and the empowerment of teams.

Aim 7: To achieve effective stakeholder partnerships with external agencies in order to enhance our service to the community.

### **Financial Objectives**

Aim 3 of the College Strategic Plan 2010-15, *To achieve financial sustainability through effective risk management, the efficient use of resources, and the development of new sources of income*, incorporates the financial aim of the College, which is to remain financially secure and create appropriate financial reserves. In order to achieve this, the College addressed or is addressing the following:

- Base-line funding for FE was as follows for North Highland College: 2013-14 £3,592,795 Main Teaching and Fee Waiver to deliver 17,491 WSUMS (£205.40 per WSUM); 2012-13 comparator £3,527,937 to deliver 16,389 WSUMS (£215.26 per WSUM). However the Scottish Funding Council recognised that the Remoteness funding North Highland College was given was inadequate and awarded the College an additional £400,000 in 2012-13, awarded this in 2013-14; and has awarded this in 2014-15.

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- Current Europe supported projects secured in the year 2011-12 being Digital Literacies; ESOL; Personal Empowerment Project; and Highland Energy Collaboration will cease in 2014-15. The college is seeking ways to utilise new Europe funding awarded to the Highlands and Islands area from 2014-15 onwards.
- Assisting all sections and research facilities in identifying further sources of income.

### Performance Indicators and Activity Review

Further education activity amounted to 28,378 weighted sums (WSUMs) in 2013-14, compared to 26,228 WSUMs in academic year 2012-13. Activity was delivered under the collaborative further education arrangements with Argyll College. WSUMs were as follows:

	2014 Nos	2013 Nos
North Highland College	18,593	16,681
Argyll College	<u>9,785</u>	<u>9,547</u>
	28,378	26,228
West Highland College	<u>8,396</u>	<u>6,962</u>
	<u>36,774</u>	<u>33,190</u>

West Highland College became a fundable body at 1 August 2012, and its funding now goes directly to it. Its activity for FE is still reported through North Highland College.

Higher Education activity as measured by full time equivalents (FTE's) amounted to 390 FTEs compared with 388 FTEs in 2012-13.

### 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 The University of the Highlands and Islands (UHI).

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	604	716	686	621	685
<b>Part-time</b>	10,003	8,140	6,354	3,944	3,634
	10,607	8,856	7,040	6,614	6,240
Weighted Sums Delivered	31,570	32,505	33,041	26,228	28,378

**Further Education remains the core function for The North Highland College.**

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	251	289	316	246	292
<b>Part-time</b>	664	472	520	443	369
<b>Total enrolments</b>	915	761	836	689	661
<b>Total FTEs</b>	524	426	456	388	390

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### Continuous Professional Development of Staff

#### **NHC Policy on Professional Development Programmes**

The college's staff development priorities (as confirmed in its Staff Development Strategy) are;

- To maintain a healthy and safe work environment for staff and students alike.
- To contribute to the on-going development of UHI as Scotland's newest University.
- To assist academic staff to develop their professional practice in order to enrich and enhance the quality of the learner experience.
- To assist support staff to develop their professional practice in order to improve the quality and range of services provided to both prospective and current clients of North Highland College.
- To assist staff to develop the skills necessary to identify and take advantage of opportunities to secure alternative sources of income.
- To assist, where possible and practicable, all staff in achieving their personal development aspirations.

The primary vehicle for confirming staff development needs, in accordance with corporate development objectives, is the college's appraisal system. Needs are addressed through training and development activities incorporated into the annual college staff development programme (group sessions) and through the staff development fund for individual specialised requirements. In relation to learning and teaching, the college continues to provide its own SQA certificated programmes of teacher education to staff and this session, and has introduced a new externally facilitated programme entitled *The Motivated College*.

#### **FINANCIAL POSITION**

##### **Financial Results**

In accordance with best practice, the College has implemented the requirements of Financial Reporting Standard 17: Retirement Benefits (FRS 17). There was a surplus of £385,000 prior to actual and proposed transfers to the foundation of £1,300,000 giving an operating deficit of £915,000. After adjustment has been made for the requirements of FRS 17, the Income and Expenditure account for the year 2013-14 showed an operating deficit of £1,223,000. After adjusting for the effect of depreciation on revalued fixed assets, the historical cost deficit amounted to £1,161,000. The College Income and Expenditure Account and Designated Reserves Account including the FRS 17 pension liability amounts to a deficit of £4,408,000. Excluding FRS 17 pension liability, the College Income and Expenditure Reserve and Designated Reserves amounted to a surplus of £841,000.

Cash at bank and in hand at 31 July 14 amounted to £1,239,000 in credit.

##### **Charitable and Tax Status**

The College is registered with the Office of the Scottish Charities Regulator as a Scottish Charity and is exempt from Corporation and Capital Gains Tax. The College receives no similar exemption in respect of Value Added Tax.

### **Treasury Policies and Objectives/ Cash Flows**

The College is no longer using term deposits to give higher interest, as under the implications of reclassification of colleges, cash balances have been considerably reduced, and colleges are funded on a needs basis.

### **Liquidity**

The college is provided with monthly cash flow requirements based on monthly cash application to the Scottish Funding Council, subject to agreed budgeted resources from the Scottish funding Council.

### **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 2.9% (2013 2.25%) of the aggregate purchases invoiced during the year.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Curriculum 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. Recent curriculum developments have been heavily focussed on meeting the needs of the north Highland area's key employment sectors and regional priorities:- engineering; tourism; and creative industries in particular. Apprenticeship programmes in both the Engineering Technology & Energy Centre (ETEC) and Burghfield Training Hotel have continued, with apprenticeships in Administration recruiting for the first time in 2013-14 and Equestrianism planned for 2014-15. In 2013-14, the college's access provision was extended to the Easter Ross area through the delivery of the Personal Empowerment Programme, working closely with local support agency, the Calman Trust; CPD opportunities in Care extended through further development of related PDA provision and a revised business and computing programme offered, providing 3 certificate streams in Business, Accounting and Computing. In the summer of 2014, through the assistance of the employability fund, the college provided additional opportunities for young people to progress in to engineering employment through delivery of a summer employability programme, Engineering Employability Essentials.

Looking ahead to the future, the college's curriculum development priorities will continue to reflect local, regional and national requirements, with significant focus on working in partnership with schools and employers to respond to the Developing Scotland's Young Workforce commission recommendations. A number of new programmes were developed in 2013-14 for 2014-15 delivery, thus optimising vocational pathways, broadening choices for learners and strengthening partnership working with local industry. This includes the introduction of NC Sound Production; NC Sports, Fitness and Exercise; HND Computing; and the Employability Programme in Construction (EPIC) programmes. The EPIC programme was developed jointly with local construction employers in response to demand to deliver work-ready learners who could progress in to local industry employment and a need to provide an additional progression route for access learners on to construction related study. Also, the NC Gamekeeping programme design was revised to include 2 specialisms, one for gamekeeping and one including sports fishing. In 2014-15 work will continue to develop new provision for subsequent years across several strategic priority areas. In the Land Based area, the college will seek to take the lead role in developing both an honours year for our Equine Business Management qualification, create new pathways to provide progression opportunities in rural studies for HN Game-keeping & Wildlife Management and Vet Nursing students, and investigate the introduction of Horticultural training in Dornoch. The college hopes to take forward the development of new programmes to strengthen our position in the creative arts area (Creative Writing, Film & Media) in partnership with local stakeholders and intends to develop higher level progression routes in the Sports Performance/Therapy domain. A review of the Hospitality and Tourism degree will

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look at separate streams for event management, tourism and hospitality and in golf. The college will lead in the development of a PGA Golf Professional degree and work in partnership to develop a Golf Resort Operations degree. The college will contribute to the development of a range of new programmes being developed by UHI for network delivery including master level provision in Engineering and will consult with engineering employers to ensure that the college engineering curriculum continues to build the skills capacity required by the renewable energy sector; also to support more students through networking opportunities within UHI e.g. on BSc Psychology and Primary Teacher Training programmes. In association with schools and employers, the college will further review its senior phase offering in response to the Developing Scotland's Young Workforce commission recommendations, in order to identify enhanced opportunities for school based learners. This will provide clear vocational pathways and work based learning which will bring forward learners' readiness to progress to further learning or employment e.g. through delivery of NC/SVQs/HNCs in the senior phase and the development of foundation and advanced apprenticeship programmes in engineering.

### **Post Balance Sheet Events**

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. In consequence of this assignation and the terms of the Act, The North Highland College requires its Board of Management members to be appointed by the University and is subject, where such direction may be issued, to direction on a range of matters by the University.

The North Highland College must work to deliver on an outcome agreement between the University and the Scottish Funding Council and will in future receive its Further Education funding from the University, subject to the terms of a financial memorandum to be issued by the University. It follows that The North Highland College is in terms of the Companies Act 2006 a wholly owned subsidiary of the University and its finances must be included in group accounts to be produced by the University.

The North Highland College is therefore a body corporate and Incorporated College in terms of the Further and Higher Education (Scotland) Act 1992 as amended by the Post-16 Education (Scotland) Act 2013; a Scottish Charity; a subsidiary of the University of the Highlands and Islands; and a public body (ie part of government) by reclassification by the Office for National Statistics.

### **Future Developments**

The delivery of further education pathways to advanced programmes, is central to the corporate vision and development strategy for the College. Within the Highlands & Islands the past decade has seen a general decline in unemployment levels as a result of substantial investment within the area, which has been supported by the EU structural programmes. However, the average GDP for the area is still substantially lower than that of the rest of the country, with much of the workforce in low paid sectors. This continues to be the main influence for the European Commission to providing transition status which allows great flexibility in funding and higher co-financing arrangements. The College has made considerable use of its experience to date in accessing these funds for curriculum and estate developments to widen participation to all learners.

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 2022-25. 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 expanded European Union and the rest of the world.

To support the establishment and growth of SMEs for the future within the area both the currency of skills and the associated competence level of the workforce must be raised to at least level III/IV supported by an appropriate educational programme at HNC/SCQF Level 7.

It is essential that all learners however remote are well advised with respect to career opportunities, and how they may access the skills necessary to fulfil their personal career aspirations. It is important that all businesses of the area are confident that they will have an adequate supply of employees with the appropriate generic and transferrable skills including “employability and a commitment to lifelong learning, innovation, entrepreneurship, etc. which may be utilised for business development. The College has through European funding provided an enterprise component in all its full-time and many of its part-time programmes which will be mainstreamed in the future. Thus, they should be assured that opportunities for continual development of these skills are embedded in all programmes offered at all levels

### *Key Development Activities*

- To continue to assist all sections and research facilities in identifying further sources of income working in partnership with Skills Development Scotland, DWP and others to maximise opportunities and avoid duplication.

It is anticipated that research activity may get more difficult to secure due to the state of the public finances, and therefore current research must be delivered to high quality standards and outputs to ensure good reputation in an increasingly competitive environment.

The ERI has an increasing focus on renewable energy science with funding secured through Turnkey and Merika projects. Additional opportunities lie within EU Structural Funds 2014 – 2020 and in particular Horizon 2020.

These developments are in line with UHI’s strategic objective for research and knowledge transfer, including increasing critical mass through the appointment of key staff in specific fields and strengthening the equipment base. The overarching objectives remain as previously stated; to invest in research quality, sustain applied research, sustain capacity, and to develop niche specialities.

- Successful delivery of the West Highland partnerships in respect of SFC objectives and appropriate financial management

West Highland College became a SFC fundable college in its own right on 1 August 2012. This has seen it being responsible to the SFC for managing its own affairs in entirety, although now under the overarching control of a Regional Board. Its WSUMS position continues to be reported through North Highland College.

North Highland College continues to work with Argyll College and the FE Regional Board to ensure the necessary delivery of its WSUMS allocation from the SFC, and to provide the necessary resources in terms of educational support.

- Further work is being done with progressing public procurement strategies.

## **RESOURCES**

The college plans further development of its estate to support the requirements of the 21<sup>st</sup> century learner and the development of its provision, particularly in optimising realistic working environments. Plans to complete the main campus developments, by bringing the Thurso Campus Tower Block to a comparable standard with the remainder of the estate, have begun. Consultation with staff has commenced, with further consultation planned with staff, learners and other stakeholders in 2014-15. College aspirations to create a Centre for Rural Excellence near completion, through the further development of the college’s equine facility at Dale Farm. Gamekeeping and Vet Nursing students will relocate here at the start of 2014-15. The college continues to plan the consolidation of the Dornoch estate to one location and address the long standing need for on-site student accommodation.

### **PRINCIPAL RISKS AND UNCERTAINTY**

The main financial risks to North Highland College's long-term financial stability are flat FE funding with a background of a large national debt.

### **STAKEHOLDERS RELATIONSHIPS**

The following are North Highland College stakeholders:-

UHI Executive Office  
UHI network of Colleges  
Highlands and Islands Enterprise  
Highland Council  
DSRL  
Nuclear Decommissioning Authority  
National Skills Academy (Nuclear) and partners in the Scottish hub  
The NPP network of partners  
Skills Development Scotland  
Job Centre Plus (DWP)  
The Crown Estate  
Scottish & Southern Energy  
Scottish Development International  
Caithness Chamber of Commerce  
Local Employers  
Staff/Students

### **EQUAL OPPORTINUITIES AND EMPLOYMENT OF DISABLED PERSONS**

The North Highland College believes that access to education and training is a right for all. The College will actively work towards offering equality of opportunity to all. The College believes that there is a duty for everyone associated with the College and all its activities to play their part in ensuring equality of opportunity. Positive steps will be taken to ensure that no forms of discrimination occur. Anyone who considers that he or she has been unfairly discriminated against, by, or within The North Highland College, shall have a right to raise a complaint through established procedures.

The College is committed to providing all college users under eighteen with a safe, supportive environment within which they can prosper and that protects them from harm, abuse and exploitation.

The College is equally committed to providing staff with an environment in which they can work together to encourage and develop an ethos which embraces difference and diversity and respects the rights of children, young people and adults.

All College Staff Policies and Procedures are reviewed and updated where necessary, to take account of new or emerging legislation.

### **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.

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Approved by order of the members of the Board on and signed on its behalf by:



**D MacBeath**  
**Principal**



**N Smith**  
**Chairman**

## **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 UK Corporate Governance Code' (June 2010 version), the purpose being to help the reader of the financial statements understand how the principles have been applied.

## **STATEMENT OF FULL COMBINED CODE COMPLIANCE**

In the opinion of the Board of Management, the College complies with all provisions of the 'The UK Corporate Governance Code' (June 2010 version), in so far as they apply to the further education and charitable sectors and it has complied throughout the year ended 31<sup>st</sup> July 2014.

## **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, Nominations Committee, Remuneration Committee, Learning, Teaching and Research Committee, Human Resources Committee, and Inclusive Engagement 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 Audit & Risk Management Committee normally meets no less than three times a year, with the College's external and internal auditors in attendance as appropriate.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to the senior management team and the Audit & Risk Management Committee. 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 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 full Board of Management meetings are available from the Secretary to the Board at:

The North Highland College  
Ormlie Road  
Thurso  
Caithness  
KW14 7EE

The Secretary to the Board also maintains a register of financial and personal interests of the members of the Board of Management. The register is available for inspection at the above address or on the College website at [www.nhcscotland.com](http://www.nhcscotland.com)

**MEMBERS OF THE BOARD OF MANAGEMENT**

The Members who served on the Board of Management during the year 1 August 2013 to 31 July 2014 were as follows:

<b>Name</b>	<b>Status of appointment</b>	<b>Date of appointment</b>	<b>Date of resignation</b>	<b>Committees served</b>	<b>Board/ Committee Attendance</b>
Willie Bruce	Independent Member	September 2007		Finance & General Purposes; Learning Teaching & Research; Remuneration; Nominations	BoM – 4/4 FGP – 4/4 LTR – 4/4
Bryan Dods	Independent Member	December 2011		Human Resources; Learning, Teaching & Research	BoM – 3/4 HR – 2/3 LTR – 3/4
Gordon Jenkins	Principal	January 2010	Retired 30 June 2014	Finance & General Purposes; Human Resources; Learning Teaching & Research;	BoM – 1/4 HR – 2/3 FGP – 3/4 LTR – 2/4
Jim Kelly	Support Staff Member	January 2014		Finance & General Purposes	BoM – 2/2
Trevor Jones	Independent Member	December 2010		Vice Chair: Board; Chair: Remuneration Finance & General Purposes; Audit	BoM – 4/4 Audit – 2/3 FGP – 3/4
Mark Boulton	Student Member	December 2012	Resigned 1 January 2014	Learning, Teaching & Research	BoM – 1/4 LTR – 1/4
Paul Monaghan	Independent Member	September 2007		Chair: Audit; Nominations; Remuneration	BoM – 3/4 Audit – 3/3
Donald MacBeath	Principal	July 2014		Finance & General Purposes, Human Resources; Learning, Teaching & Research	BoM – 2/2 HR – 1/1 FGP – 1/1

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## STATEMENT OF CORPORATE GOVERNANCE

Anna MacConnell	Independent Member	November 2006	Retired 30 April 2014	Chair: Nominations; Learning Teaching & Research	BoM – 1/4 LTR – 1/4
Alastair MacDonald	Independent Member	December 2010	Retired 30 June 2014	Chair: Finance & General Purposes; Chair: Human Resources; Remuneration	BoM – 3/4 HR – 3/3 FGP – 4/4
Ryan MacLean	Independent Member	July 2014		Audit; Human Resources	N/A
Jim McGillivray	Independent Member	June 2014		Human Resources; Learning, Teaching & Research	BoM – 1/1
Ken Nicol	Independent Member	May 2012		Learning Teaching & Research; Audit	BoM – 3/4 Audit – 2/3 LTR – 3/4
Gail Ross	Independent Member	July 2014		Learning, Teaching & Research	N/A
Robbie Rowantree	Independent Member	July 2014		Finance & General Purposes	N/A
David Shaw	Teaching Staff Member	June 2012		Learning Teaching & Research, Human Resources	BoM – 4/4 HR – 1/3 LTR – 3/4
Niall Smith	Independent Member	July 2010		Chair: Board Finance & General Purposes; Human Resources; Nominations; Remuneration	BoM – 3/4 HR – 2/3 FGP – 4/4

Ms M E Train is the Secretary to the Board of Management.

### ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

#### Finance & General Purposes Committee

The Committee is authorised by the Board to undertake any activity within its list of duties as outlined in Section 5 below, 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.

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## STATEMENT OF CORPORATE GOVERNANCE

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. The Committee shall normally meet four times per year. The Director of Finance and Estates, the Estates Manager, and one other member of the Senior Management Team shall normally attend Committee meetings, together with other members of staff invited to attend.

The Committee is accountable to the Board of Management. The Finance & General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Scottish Funding Council (SFC)) for the direction and oversight of the College's financial affairs. The Committee also has responsibility for the College's existing buildings, facilities and Estate, including, but not limited to, adopting all reasonably practicable measures to ensure compliance with statutory and regulatory requirements.

Members are required to consider the physical estate strategy, current and future teaching space requirements and annual maintenance programmes for the College. Members are also required to ensure that income and expenditure represent the effective and efficient use of College resources.

On behalf of the Board of Management the duties of the Committee shall be to:

1. Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs;
2. Consider the annual accounts and make recommendation of these for approval;
3. 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;
4. Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis;
5. Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend;
6. Advise the BoM that the allocation of resources is in accordance with college priorities as defined in the strategic plan;
7. Make recommendations to the Board on capital expenditure, investments and borrowing;
8. Set the levels of course fees, as appropriate;
9. Approve amendments to the Fee Waiver Policy;
10. Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters;
11. Allocate the Estates capital formula funding on an annual basis against which projects can be prioritised;
12. Approve capital projects and co-ordinate the Estates Strategy;
13. Consider the Health & Safety Policy annual review prior to recommendation to the BoM;
14. Monitor and review College Health & Safety statistics on an on-going basis;

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15. Review reports from the College H&S Committee;

16. 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.

### Human Resources Committee

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:

- a. Monitor HR policies and practices within the College, including those relating to recruitment and selection, terms and conditions of employment, Discipline and Grievance, Health and Safety, and training and development.
- b. Monitor the College's compliance with statutory requirements relating to both UK and EU employment legislation.
- c. Monitor the College's compliance with best personnel and HR practise in line with IPD and ACAS guidelines.
- d. Monitor progress against Equalities schemes and Action Plans ensuring these are integrated into College policy, processes and procedures.
- e. Ensure the College provides appropriate Staff training and development.
- f. Ensure the College operates an effective staff review procedure.
- g. Review reports of JNC and JCG meetings.
- h. Ensure H&S requirements are met in all aspects of the College's activities.
- i. Review the College's H&S Policy annually and make recommendations as appropriate.
- j. Review reports from the College H&S Committee.

### Audit & Risk Management Committee

The purpose of the Audit and Risk Management Committee is to ensure the highest standards of corporate governance within North Highland College. The Committee will adopt, through the consolidation of audit, risk and security matters, an overarching approach to corporate governance. The role of the committee is to oversee the College's risk, audit and compliance programmes, to assure the Board of Management that the College operates with integrity.

The Committee will meet as and when necessary and is empowered to act on behalf of the Board of Management to promote effective governance in audit, risk management and security matters requiring urgent consideration.

The Committee may also consider any other matter referred to it by the Board of Management as necessary.

The Committee is responsible for the following matters:

- Reviewing audit aspects of the draft annual financial statements.
- Considering the external audit opinion, the statement of members' responsibilities, the corporate governance/internal control statement and any relevant issue raised in the external auditor's management letter.

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

- Confirming, on behalf of the Board of Management, to internal and external auditors that the effectiveness of the College's internal control and governance systems are under regular scrutiny.

The duties of the Audit and Risk Management Committee shall be:

- To ensure that satisfactory arrangements are in place to promote efficiency and effectiveness.
- To advise the Board of Management on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.
- Discussing if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
- Agreeing external audit problems and reservations arising from the interim and final audits, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- Considering elements of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members' responsibilities and the statement of corporate governance/internal control, in accordance with SFC Accounting Directions.
- Advising the Board of Management on the appointment and terms of engagement of the internal audit service, the audit fee, the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors.
- Reviewing the internal auditor's audit needs assessment and the audit plan; to consider major findings of internal audit investigations, management's response and the internal auditor's annual report.
- To contribute to the College Development Plan.

The Committee will promote co-ordination between the internal and external auditors and ensure that appropriate resources are made available for internal audit to meet the College's needs (or make a recommendation to the Board of Management as appropriate).

The Committee will monitor the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and make recommendations to the Board of Management concerning their re-appointment, where appropriate.

The Committee will agree and monitor the implementation of audit, performance and quality based recommendations from whatever source.

The Committee will ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the SFC Accounting Officer, have been informed.

The Committee will oversee the College's policy on fraud and irregularity, including being notified of any action taken under that policy.

The Committee will keep under review the College's risk management, governance and related control arrangements.

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

The Committee will receive all relevant reports from the National Audit Office, the SFC and other organisations that relate to its business.

The Committee will meet with the external and internal auditors without officers or the Secretary being present at least once per year.

The Committee will prepare an annual report for the Board of Management that summarises the Committee's activities for the year. It will give the Committee's opinion on the adequacy and effectiveness of the institution's arrangements for the following:

- Risk management.
- Internal controls.
- Corporate Governance.
- Accuracy of the statement of the annual statement of accounts.

The Committee will monitor the Board of Management's responsibilities under the Charities and Trustee Investment (Scotland) Act 2005 and form conclusions as to whether Board Members, both jointly and severally, have acted 'with the care and diligence that is reasonable to expect of a person who is managing the affairs of another person'. The Committee will liaise with the Scottish Charity Regulator as required.

The Committee will monitor the Board of Management's responsibilities under the Further and Higher Education (Scotland) Act 1992, including Chapter 37, Schedule 2; Constitution and Proceedings of Boards of Management, and will advise the Board of Management of any requirement to provide notice to any Board Member deemed unable or unfit to discharge their functions as a member of the Board for any reason prescribed in Paragraph 8, 9, 14 or 15 of the Act.

The Committee will undertake a review of their performance and set performance targets for the following year.

### Learning, Teaching & Research Committee

The Learning, Teaching & Research Committee will:

- a. Set the College's academic aims and objectives.
- b. Review the academic and student support aspects of the College Operational Plan to ensure consistency with the Strategic Plan.
- c. Oversee all matters relating to the academic progress and achievement of students by monitoring student retention and achievement, requesting specific action plans, as necessary.
- d. Review provision made by the student support services and approve financial issues relating to student support as well as monitoring the College's use of funds specifically provided for student financial support.
- e. Monitor the College's preparations for HMIE Reviews.
- f. Monitor data relating to the student experience at the College.
- g. Monitor research activities to ensure they are consistent with College's objectives.
- h. Review the work of the Quality Standards Committee and the Academic Council.

### Nominations Committee

Nominations Committee will:

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

nominate to the Board such individuals as it considers right and proper to become members of the BoM within the framework of the Standing Orders, taking account of the composition and balance of the BoM, any skills gaps identified by the BoM and existing and proposed governance requirements and best practice

The Nominations Committee will:

- a. review the composition of, and succession to, the Board
- b. ensure the skills profile of current Board members is fit for purpose
- c. establish, implement and manage systems to promote the continuing professional development of Members
- d. identify experienced and skilled individuals who may be suitable for co-option to particular committees of the Board
- e. consider experience and skills of individual applicants who may be suitable for Board of Management membership, and put proposals for nominations in a report with recommendations to the full Board for approval

### Remuneration Committee

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

- a. the efficient and effective use of public funds;
- b. that the College senior management team shall be fairly rewarded for their individual performance and contribution to the College's overall performance;
- c. where, in terms of senior management team remuneration, the College stands in relation to other comparable institutions in the sector;
- d. consider The Scottish Government's approach to remuneration in the public sector;
- e. the relationship between the remuneration of the senior management team and that of other employees of the College;
- f. the benefits granted to the senior management team;
- g. the adequacy of pension arrangements and also the cost implication of pension arrangements, including the pension effect of remuneration proposals.

### **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.

### **BOARD'S STATEMENT ON 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 Combined Code on Corporate Governance, in so far as they apply to the further education and charitable sectors. 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

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

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 Combined Code on Corporate Governance.

The senior 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.

### **GOING CONCERN**

The Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Approved by order of the members of the Board on and signed on its behalf by:



**D MacBeath**  
Principal



**N Smith**  
Chairman

### Statement of responsibilities of the Board of Management

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. I

In addition, within the terms of the Financial Memorandum between the Scottish Funding Council (SFC) 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 is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions that the SFC 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

# The North Highland College

## STATEMENT OF RESPONSIBILITIES OF THE BOARD OF MANAGEMENT

- a professional internal audit service whose annual programme is established by the Audit & Risk Management Committee and 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.

Approved by order of the members of the Board on and signed on its behalf by:



**D MacBeath**  
Principal



**N Smith**  
Chairman

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

I have audited the financial statements of North Highland College for the year ended 31 July 2014 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 Income and Expenditure Account, Statement of Historical Cost Surpluses and Deficits, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Board of Management and auditor**

As explained more fully in the Statement of Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities or inconsistencies, I consider the implications for my report.

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

In my opinion the 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 body's affairs as at 31 July 2014 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.

# The North Highland College

INDEPENDENT AUDITORS REPORT TO THE BOARD OF MANAGEMENT, THE AUDITOR GENERAL AND THE SCOTTISH PARLIAMENT

## **Opinion on regularity**

In my 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.

## **Opinion on other prescribed matters**

In my opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

I have nothing to report in respect of these matters.

Catherine Wyllie  
Statutory Auditor  
For and on behalf of Henderson Loggie  
Statutory Auditors  
Chartered Accountants  
Royal Exchange  
Panmure Street  
Dundee  
DD1 1DZ

Date: 10<sup>th</sup> December 2014

Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

**The North Highland College**  
**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
SFC Grants	2	7,616	7,113
UHIMI Grants	3	1,667	1,584
Education Contracts	4	164	120
Tuition Fees and Charges	5	911	874
Other Grant Income	6	1,976	2,704
Other Operating Income	7	1,142	756
Investment Income	8	7	8
		<u>13,483</u>	<u>13,159</u>
<b>EXPENDITURE</b>			
Staff Costs	9 & 11	6,600	6,243
Other Operating Expenses	11	5,214	5,487
Depreciation	11 & 15	1,497	1,635
Interest Payable	11 & 12	95	100
Transfer to Foundation		1,300	0
		<u>14,706</u>	<u>13,465</u>
<b>(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and before Tax</b>		<b>(1,223)</b>	<b>(306)</b>
Taxation	13	<u>0</u>	<u>0</u>
<b>(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax</b>	14	<b><u>(1,223)</u></b>	<b><u>(306)</u></b>

The College has had no recognised gains and losses during this year and last other than the deficits for each of the years. The income and expenditure account is in respect of continuing activities.

# The North Highland College

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2014

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	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax	14	(1,223)	(306)
Difference between Historical Cost Depreciation and the actual Charge for the year calculated on the Revalued Amount	22	62	82
Historical Cost (Deficit) for the Year before Taxation		<u>(1,161)</u>	<u>(224)</u>
Historical Cost (Deficit) for the Year after Taxation		<u>(1,161)</u>	<u>(224)</u>

# The North Highland College

## STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2014

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	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax	14	(1,223)	(306)
Actuarial Gain/(Loss) Recognised		(1,678)	583
Adjustment of FRS 17 Provision		(3)	5
Total Recognised (Losses)/Gains Relating to the Year		<u>(2,904)</u>	<u>282</u>
Prior Year Adjustment		0	0
Total Recognised (Losses)/Gains since last Financial Statements		<u><b>(2,904)</b></u>	<u><b>282</b></u>
<b>Reconciliation</b>			
Opening Reserves as previously Reported		582	300
Total Recognised (Losses)/Gains for the Year		(2,904)	282
<b>Closing Reserves</b>		<u><b>(2,322)</b></u>	<u><b>582</b></u>

# The North Highland College

## BALANCE SHEET

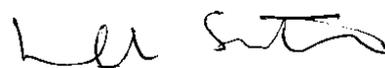
31 July 2014

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	15	20,067	20,904
Investments		0	0
		<u>20,067</u>	<u>20,904</u>
<b>CURRENT ASSETS</b>			
Stock	16	7	4
Debtors	17	431	763
Cash at Bank and in Hand		1,239	2,373
		<u>1,677</u>	<u>3,140</u>
<b>CREDITORS</b>			
Amounts falling due within One Year	18	<u>(1,533)</u>	<u>(2,147)</u>
<b>NET CURRENT ASSETS</b>		<u>144</u>	<u>993</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		20,211	21,897
<b>CREDITORS</b>			
Amounts falling due after more than One Year	19	<u>(1,490)</u>	<u>(1,537)</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	<u>(823)</u>	<u>(857)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>17,898</u>	<u>19,503</u>
<b>PENSION LIABILITY</b>	24	<u>(5,249)</u>	<u>(3,268)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u><b>12,649</b></u>	<u><b>16,235</b></u>
<b>RESERVES</b>			
Deferred Capital Grants	21	<u>14,971</u>	<u>15,653</u>
Revaluation Reserve	22	2,086	2,147
Income and Expenditure Account	841		
Pension Reserve	(5,249)		
Income and Expenditure Account including Pension Liability		<u>(4,408)</u>	<u>(1,565)</u>
Total Reserves		<u>(2,322)</u>	<u>582</u>
<b>TOTAL</b>		<u><b>12,649</b></u>	<u><b>16,235</b></u>

The financial statements on pages 25 to 47 were approved by the Board of Management on 10 December 2014 and signed on its behalf by:



**D MacBeath**  
Principal



**N Smith, Chairman**

# The North Highland College

BALANCE SHEET

31 July 2014

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# The North Highland College

## CASH FLOW STATEMENT for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	25	(1,045)	645
Returns on Investment and Servicing of Finance		(88)	(92)
Capital Grants/(Expenditure)		0	340
Financing		----	----
		<b>(1,134)</b>	<b>893</b>
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT</b>			
(Decrease)/Increase in Cash in the year		(1,134)	893
Cashflow from decrease in debt		45	40
		<b>(1,089)</b>	<b>933</b>
Net Funds at 1 August 2013		793	(140)
Net Funds at 31 July 2014		<b>(296)</b>	<b>793</b>

### 1. 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 (2007).

#### BASIS OF ACCOUNTING

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

#### RECOGNITION OF INCOME

The main annual recurrent allocation from SFC, which is intended to meet recurrent costs, is credited direct to the Income and Expenditure Account.

Income from research grants, contracts and other services rendered is recognised in the Income and Expenditure account in proportion to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Non-recurrent grants from the SFC or any other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned.

#### PENSION SCHEMES

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

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPS). 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 17 'retirement benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

The pension provision shown in the Balance Sheet relates to former employees who retired in the early 1990's and this provision has been calculated in accordance with instructions issued by the Scottish Funding Council, using an updated set of actuarial factors that reflect a trend of increased life expectancy. (Note 20)

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method. (Note 24)

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### TANGIBLE FIXED ASSETS

a. Land and Buildings

The transitional rules set out in FRS15 'Tangible Fixed Assets' have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

Land and Buildings inherited from the Local Authority are stated in the Balance Sheet at a Valuation less amounts written off by way of Depreciation. They have been valued at Depreciated Replacement Cost on an existing use basis, which is considered to be equivalent to Open Market Value on an existing use basis. Freehold land is not depreciated.

Land and Buildings acquired since incorporation are included in the Balance Sheet at cost.

b. Plant and equipment

Plant and equipment costing less than £2,500 per individual item is written off to the income and expenditure account in the period of acquisition, unless it is part of an aggregated project spend. All other equipment 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 income and expenditure account in the period of acquisition. All other computers and vehicles are capitalised at cost.

Depreciation of Fixed Assets is charged by 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, which are as follows:

Freehold Buildings	10 - 50 years
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 a Deferred Capital Grant Account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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.

Work on componentisation of Centre for Energy (CFEE) and Engineering, Technology and Energy Centre (ETEC) has been undertaken with plant relating to the building being depreciated over 10 years.

### ASSETS UNDER CONSTRUCTION

Buildings under construction are accounted for at cost, based on the value of architects certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

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### SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

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

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

### LEASED ASSETS

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

### INVESTMENTS

Fixed Asset Investments are carried at historical cost 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.

### MAINTENANCE OF PREMISES

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

### 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 income and expenditure account in the period in which they arise.

### TAXATION

As a registered charity the College benefits by being broadly exempt from Corporation Tax on income it receives from Tuition Fees, Interest and Rents.

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

### 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 12 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 account together with any surplus or deficit on disposal.

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2014 (continued)

### AGENCY ARRANGEMENTS

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Income and Expenditure Account, and movements have been disclosed in the notes to the accounts.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>2. SFC GRANTS</b>		
Recurrent Grant	6,020	5,915
Release of Deferred Capital Grants (SFC)	643	620
Estates Grant	351	111
HE & FE Childcare	113	81
Other SFC	489	386
	<b>7,616</b>	<b>7,113</b>
<b>3. UHIMI GRANTS</b>		
Recurrent Grant	1,401	1,342
Other UHIMI Grants	266	242
	<b>1,667</b>	<b>1,584</b>
<b>4. EDUCATION CONTRACTS</b>		
Other Non-SFC Funded Tuition	<b>164</b>	<b>120</b>
<b>5. TUITION FEES AND CHARGES</b>		
Further Education - Home and EU	178	221
Higher education - Home and EU	592	529
LEC Contracts	141	124
	<b>911</b>	<b>874</b>
<b>6. OTHER GRANT INCOME</b>		
European Funds	500	497
Other Funds	760	1,313
Student Allowances	17	20
Release of Deferred Capital Grants (Other)	699	874
	<b>1,976</b>	<b>2,704</b>
<b>7. OTHER OPERATING INCOME</b>		
Residences and Catering	141	140
Other Income Generating Activities	395	272
Other Income	606	344
	<b>1,142</b>	<b>756</b>
<b>8. INVESTMENT INCOME</b>		
Other Interest Receivable	7	8
Net return on pension asset/liability	---	---
	<b>7</b>	<b>8</b>
Total	<b>13,483</b>	<b>13,159</b>

### 9. STAFF

#### STAFF NUMBERS

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

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Senior Management	4	4
Teaching Staff	74	76
Teaching Support	15	15
Research	23	27
Administration and Central Services	32	32
Premises	13	13
Apprentices	18	12
Other Income Generating Activities	16	16
Catering and Residences	3	3
	<b>198</b>	<b>198</b>
Analysed as:		
Staff on Permanent Contracts	150	134
Staff on Temporary Contracts	48	64
	<b>198</b>	<b>198</b>
Staff costs for the above persons:		
	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	5,262	5,047
Social Security Costs	365	343
Other Pension Costs	665	602
Adjustment re share in Highland Council Pension Fund	308	251
	<b>6,600</b>	<b>6,243</b>
Senior Management	310	313
Teaching Staff	3,229	3,000
Teaching Support and Research	1,165	1,231
Administration and Central Services	836	828
Premises	257	241
Apprentices	155	70
Other Income Generating Activities	284	263
Catering and Residences	56	46
Adjustment re share in Highland Council Pension Fund	308	251
	<b>6,600</b>	<b>6,243</b>
Analysed as:		
Staff on Permanent Contracts	5,016	4,807
Staff on Temporary Contracts	1,584	1,436
	<b>6,600</b>	<b>6,243</b>

North Highland College employed 19 engineering apprentices funded by external funding. This was to support the emerging renewables industry and address the lack of opportunities locally due to the economic downturn.

**10. EMOLUMENTS OF BOARD MEMBERS AND HIGHER PAID STAFF**

**EMOLUMENTS OF THE BOARD OF MANAGEMENT**

Emoluments of the Board of Management including Pension contributions, benefits in kind and bonuses but excluding the salaries of Employee Board members for normal staff duties amounted to:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Travel and Subsistence paid to Board Members	<u>2</u>	<u>2</u>

The number of staff, including senior post holders and the Principal, who received emoluments in the following ranges were:

	2014		2013	
	Number Senior Post Holders	Number Other Staff	Number Senior Post Holders	Number Other Staff
£50,001 - £60,000	-	1	-	-
£60,001 - £70,000	1	-	1	1
£70,001 - £80,000	-	-	-	-
£80,001 - £90,000	1	-	-	-
£90,001 - £100,000	-	-	1	-

**Senior Post-holders emoluments**

	<b>2014</b>	<b>2013</b>
	<b>Nos</b>	<b>Nos</b>
The number of senior post-holders, including the Principal was:	<u>4</u>	<u>4</u>

Senior post-holders' emoluments paid were as follows:

Salaries	246	246
Pension Contributions	39	39
<b>Total Emoluments</b>	<u><b>285</b></u>	<u><b>285</b></u>

The above emoluments include amounts payable to the previous College Principal, who retired on 30 June 2014, and the current College Principal, who were/are the highest paid senior post-holders, of:

Salaries	90	91
Pension Contributions	13	14
<b>Total Emoluments</b>	<u><b>103</b></u>	<u><b>105</b></u>

The remuneration of Gordon Jenkins, previous Principal, was £83,000 salary, and £12,000 Pension contributions up till 30 June 2014. The remuneration of Donald MacBeath, current Principal, was £7,000 salary, and £1,000 Pension contributions up till 31 July 2014. The pension contributions in respect of the Principal and Senior Post-Holders are in respect of Employer's contributions to the Local Government Superannuation Scheme and Scottish Teacher Superannuation Scheme. The College's contribution to the Scottish Teacher Superannuation Scheme is paid at the same rate as for other members of staff. The College's contribution to the Local Government Superannuation Scheme is paid at a variable rate which increases according to pay-scale.

### 11. ANALYSIS OF EXPENDITURE

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Loss on Disposal £'000	Interest Payable £'000	Tr to Foundation £'000	2014 Total £'000	2013 Total £'000
Teaching Activities	3,229	3,648	733	0	0	7,610	7,874
Residences and Catering	56	97	0	0	0	153	135
Other Income Generating Activities	284	61	0	0	0	345	341
Premises	257	662	707	95	0	1,721	1,851
Administration	2,311	615	57	0	0	2,983	2,917
Apprentices	155	0	0	0	0	155	0
Other Expenses	0	130	0	0	0	130	96
Adjust share in HC pension	308	0	0	0	0	308	251
Transfer to Foundation					1,300	1,300	0
	<b>6,600</b>	<b>5,214</b>	<b>1,497</b>	<b>95</b>	<b>1,300</b>	<b>14,706</b>	<b>13,465</b>

Other Operating Expenses include:

	2014 £'000	2013 £'000
- internal audit	11	9
- external audit	13	13
- external audit (other)	2	0
Hire of other Assets – operating leases	105	102

Included in Other Operating Expenses is an additional pension provision of £27,000 required in respect of future pension costs arising from early retirement. Details of the basis of this provision are given at Note 20.

### 12. INTEREST PAYABLE

On bank loans, overdrafts and other loans:

Repayable within 5 years by instalments	16	15
Repayable wholly or partly in more than five years	79	85
	<b>95</b>	<b>100</b>

### 13. TAXATION

The Board does not consider that the College was liable for any Corporation Tax arising out of its activities during the year.

### 14. (DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

Income and Expenditure Account	<b>(1,223)</b>	<b>(306)</b>
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**15. TANGIBLE FIXED ASSETS**

	Land & Buildings £'000	Computer Equipment £'000	Plant & Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or Valuation</b>					
Balance Brought Forward	24,308	1,520	4,089	91	30,008
Additions	315	193	152	0	660
Disposal/Demolitions	0	0	0	0	0
Transfer	0	0	0	0	0
At 31 July 2014	<b>24,623</b>	<b>1,713</b>	<b>4,241</b>	<b>91</b>	<b>30,668</b>
<b>Depreciation</b>					
Balance Brought Forward	4,712	1,411	2,891	90	9,104
Charge for Year	707	172	617	1	1,497
Disposal/Demolitions	0	0	0	0	0
At 31 July 2014	<b>5,419</b>	<b>1,583</b>	<b>3,508</b>	<b>91</b>	<b>10,601</b>
<b>Net Book Value</b>					
At 31 July 2014	<b>19,204</b>	<b>130</b>	<b>733</b>	<b>0</b>	<b>20,067</b>
At 31 July 2013	19,596	109	1,198	1	20,904
<b>Analysis</b>					
Inherited	2,358	0	0	0	2,358
Financed by Capital Grant	12,494	128	734	0	13,356
Other	4,353	0	0	0	4,353
At 31 July 2014	<b>19,205</b>	<b>128</b>	<b>734</b>	<b>0</b>	<b>20,067</b>

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values on implementation have been retained. Inherited land and buildings are valued at depreciated replacement cost on an existing use basis, which is considered to be equivalent to open market value on an existing use basis. Inherited land and buildings were valued by Montague Evans, Chartered Surveyors, for the purposes of the 1994 financial statements.

The above transfers under cost/valuation relate to adjustments regarding componentisation of some fixed assets.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	2014 £'000	2013 £'000
Cost	507	507
Aggregate depreciation based on cost	(231)	(226)
	<b>276</b>	<b>281</b>

Assets with a sales proceeds value of £500,000 or less can be disposed of without the prior approval of the Scottish Further Education Funding Council.

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2014 (continued)

The depreciation charge for the year is analysed as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation based on cost	1,427	1,570
Depreciation based on valuation	70	65
	<u>1,497</u>	<u>1,635</u>

### FUTURE CONTRACTED COMMITMENTS

Contracted for	<u>0</u>	<u>287</u>
Authorised but not contracted for	<u>0</u>	<u>15</u>

### 16. STOCK

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Consumables	<u>7</u>	<u>4</u>

### 17. DEBTORS

Amounts falling due within one year:

Trade Debtors	397	157
Other Debtors	2	0
Prepayments and Accrued Income	32	606
	<u>431</u>	<u>763</u>

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2014 (continued)

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	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>18. CREDITORS</b>		
Amounts falling due within one year:		
Bank Loans and Overdrafts (see Note 19)	46	43
Trade Creditors	89	120
Other Taxation and Social Security	100	111
Accruals and Deferred Income	1,001	1,652
Other Creditors	297	221
	<b>1,533</b>	<b>2,147</b>

### 19. CREDITORS

Amounts falling due after more than one year:

Bank Loans	<b>1,490</b>	<b>1,537</b>
------------	--------------	--------------

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

In one year or less (see Note 18)	46	43
Between one and two years	48	46
Between two and five years	166	155
In five years or more	1,276	1,336
	<b>1,536</b>	<b>1,580</b>

The term loan is held with Lloyds TSB Bank. The principal sum will be repaid in monthly instalments over a twenty five year period at a fixed rate of interest, with interest calculated monthly. There is no security given over assets, but covenants have been agreed.

### 20. PROVISION FOR LIABILITIES AND CHARGES

Future Pension Costs arising from early retirement including Scottish Teachers' Superannuation Scheme

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Opening Provision	857	775
Additional Provision	27	146
	884	921
Charged to Provision in Year	(61)	(61)
Transfer of unfunded LGSS liability to Pension (liability)/ assets (note 24)	0	(3)
Closing Provision	<b>823</b>	<b>857</b>

The Pension Provision has been revalued using actuarial tables provided by the SFC. The net interest applied was 1%. An additional provision of £27,000 has been made. The additional provision has been charged against other operating costs.

### 21. DEFERRED CAPITAL GRANTS

	<b>SFC</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>Grants</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 August 2013			
Land and Buildings	4,991	9,376	14,367
Equipment	695	591	1,286
	<u>5,686</u>	<u>9,967</u>	<u>15,653</u>
Grants Receivable			
Land and Buildings	160	(133)	27
Transfer	0	0	0
Equipment	634	(1)	633
	<u>794</u>	<u>(134)</u>	<u>660</u>
Released to Income and Expenditure Account			
Land and Buildings	180	362	542
Equipment	463	337	800
	<u>643</u>	<u>699</u>	<u>1,342</u>
As at 31 July 2014			
Land and Buildings	4,971	8,881	13,852
Equipment	866	253	1,119
	<u>5,837</u>	<u>9,134</u>	<u>14,971</u>

### 22. RESERVES

	<b>Revaluation</b>	<b>Income &amp;</b>	<b>Pension</b>	<b>Total</b>
	<b>Reserve</b>	<b>Expenditure</b>	<b>Reserve</b>	<b>£'000</b>
	<b>£'000</b>	<b>Account</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance Brought Forward	2,147	1,703	(3,268)	582
Transfer from Revaluation Reserve to Income and Expenditure Account	(62)	62	0	0
(Deficit) on continuing activities after depreciation of Tangible Fixed Assets at valuation and tax	0	(1,223)	0	(1,223)
Actuarial Gain/(Loss) recognised in STRGL	0	0	(1,678)	(1,678)
Adjust re Provision for Liabilities and Charges Movement	0	(3)	0	(3)
Other	0	303	(303)	0
At 31 July 14	<u>2,086</u>	<u>841</u>	<u>(5,249)</u>	<u>(2,322)</u>

**23. FINANCIAL COMMITMENTS**

At 31 July 2014, annual commitments under non-cancellable operating leases were as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Land and Buildings		
Expiring within one year	2	4
Expiring within two and five years inclusive	60	60
Expiring in over five years	0	0
	<b>62</b>	<b>64</b>
Other		
Expiring within one year	3	10
Expiring within two and five years inclusive	55	27
Expiring in over five years	-	-
	<b>58</b>	<b>37</b>

**24. PENSION AND SIMILAR OBLIGATIONS**

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Superannuation Scheme (LGSS), which are Defined Benefit Schemes. The STSS is administered by the Scottish Public Pensions Agency. The total pension cost for the period was £665,000 (2013 - £608,000)

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Total pension cost for the year:		
STSS - Contributions paid	291	278
LGSS - Charge to Income and Expenditure Account	374	330
	<b>665</b>	<b>608</b>

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME**

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 17 'Retirement Benefits', the STSS is a multi-employer Pension Scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a Defined Contribution Scheme.

**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 2014 were £515,000 (2013 - £456,000) of which Employer's contributions totalled £373,000 (2013 - £330,000) and Employees' contributions totalled £141,000 (2013 - £126,000). The agreed contribution rates for future years are variable rates for both employees and employer based on salary ranges.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2014 by a qualified independent actuary.

### Principal Actuarial assumptions at the Balance Sheet Date (expressed as weighted averages):

	2014	2013	2012	2011	2010
RPI	1.50%	2.60%	2.60%	3.50%	3.20%
CPI	1.080%	1.80%	1.80%	2.70%	2.70%
Rate of increase in salaries	5.00%	5.10%	4.10%	5.00%	4.70%
Rate of increase in pensions	2.70%	2.80%	1.80%	2.70%	2.70%
Discount rate for liabilities	4.00%	4.60%	3.90%	5.30%	5.40%

### Life expectancy from age 65 (years)

	Last valuation as at 31 March 2008	Previous valuation as at 31 March 2005	
<i>Retiring Today</i>		Manuals	Officers (& post 98)
Males	21.3	17.64	19.35
Females	23.6	18.49	22.32
<i>Pensioners</i>			
Males	22.6	17.64	19.35
Females	25.1	18.49	22.32

### Employee Benefit Obligations

The amounts recognised in the Balance Sheet are as follows:

Net Pension Assets as at:	31 Jul 14	31 Jul 13	31 Jul 12	31 Jul 11	31 Jul 10
	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	(17,503)	(14,466)	(13,005)	(11,737)	(9,949)
Fair Value of Scheme Assets	12,333	11,276	9,475	8,423	7,394
	(5,170)	(3,190)	(3,530)	(3,314)	(2,555)
Present Value of Unfunded Obligation	(79)	(78)	(75)	(59)	(66)
	(5,249)	(3,268)	(3,605)	(3,373)	(2,621)
Net Liability in Balance Sheet	(5,249)	(3,268)	(3,605)	(3,373)	(2,621)

### Amounts recognised in the Income and Expenditure Account

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Current Service Cost	663	544
Interest on Obligation	681	519
Expected Return on Scheme Assets	(661)	(477)
Past Service Cost	0	0
Losses/(gains) on curtailments and settlements	0	0
	<b>683</b>	586
Actual Return on Scheme Assets	<b>812</b>	1,688

#### Changes in the present value of the Defined Benefit Obligation

##### Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Opening Defined Benefit Obligation	14,544	13,080
Service Cost	663	544
Interest Cost	681	519
Actuarial Losses/(Gains)	1,829	628
Estimated Benefits Paid (Net Transfers In)	(270)	(348)
Contributions by Scheme Participants	140	126
Unfunded Pension Payments	(5)	(5)
Closing Defined Benefit Obligation	<b>17,582</b>	<b>14,544</b>

##### Reconciliation of Opening and Closing of the Fair Value of Scheme Assets

Opening Fair Value of Scheme Assets	11,276	9,475
Expected Return on Scheme Assets	661	477
Actuarial Gains/(Losses)	151	1,211
Contributions by Employer	380	340
Contributions by Scheme Participants	140	126
Estimated Benefits Paid	(275)	(353)
	<b>12,333</b>	<b>11,276</b>

##### Statement of Total Recognised Gains and Losses (STRGL)

Actual Return less Expected Return on Pension		
Scheme Assets	0	(599)
Experience Gains and Losses	(1,678)	1,182
Changes in Assumptions Underlying the present value of the Scheme Liabilities	0	0
<b>Actuarial Gain/(Loss) in Pension Scheme</b>	<b>(1,678)</b>	<b>583</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and other Factors	---	---
<b>Actuarial Gain/(Loss) recognised in STRGL</b>	<b>(1,678)</b>	<b>583</b>

##### Reconciliation of Opening and Closing Surplus/(deficit)

(Deficit) at Beginning of Year	(3,268)	(3,605)
Change in Asset Valuation	(20)	(42)
Current Service Cost	(663)	(544)
Employer Contributions	375	335
Unfunded Pension Payments	5	5
Other Finance Income	0	0
Settlements/Curtailments	0	0
Actuarial Gain/(Loss)	(1,678)	583
(Deficit) at End of the Year	<b>(5,249)</b>	<b>(3,268)</b>

### Amounts for the Current and Previous Periods

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined Benefit Obligation	(17,582)	(14,544)	(13,080)	(11,796)	(10,015)
Scheme Assets	12,333	11,276	9,475	8,423	7,394
(Deficit)	(5,249)	(3,268)	(3,605)	(3,373)	(2,621)
Experience Adjustments on					
Scheme Assets	151	1,211	216	190	136
Percent of Assets	0.0%	0.0%	2.3%	2.3%	1.8%
Experience Adjustments on					
Scheme Liabilities	5	(29)	665	7	4
Percent of Liabilities	----	----	5.1%	----	----
Cumulative Actuarial Gains and Losses	(3,887)	(2,209)	(2,792)	(2,624)	(1,985)

### 25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH

FLOW FROM OPERATING ACTIVITIES	2014 £'000	2013 £'000
Deficit on Continuing Operations after depreciation of Assets at Valuation and Tax	(1,223)	(306)
Other non-cash movement	250	211
Depreciation (Note 15)	1,497	1,635
Loss on Demolitions	0	1
Deferred Grants Released to Income (Note 22)	(1,342)	(1,494)
Decrease/(Increase) in Debtors	332	117
Increase/(Decrease) in Creditors	(614)	307
Increase in Provisions	(34)	82
Interest Receivable	(7)	(8)
Interest Payable	95	100
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(1,045)	645

**26. ANALYSIS OF GROSS CASH FLOW FOR HEADINGS  
NETTED IN CASH FLOW STATEMENT**

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2014 £'000	2013 £'000
Interest Received	7	8
Interest Paid	(95)	(100)
	<u>(88)</u>	<u>(92)</u>

CAPITAL EXPENDITURE

Payments to acquire Tangible Fixed Assets	(660)	(277)
Proceeds of disposal of Fixed Assets	0	142
Capital Grants Received	660	475
	<u>0</u>	<u>340</u>

FINANCING

Repayment of Loans	(45)	(40)
Funding from SFC		----
	<u>(45)</u>	<u>(40)</u>

**27. ANALYSIS OF CASH MOVEMENT**

	Open Balance £'000	Cash Flows £'000	Other Non- Cash Changes £'000	Closing Balance £'000
Cash	2,373	1,134	0	1,239
Debt due within One Year	(43)	(3)	0	(46)
Debt due after One Year	(1,537)	48	0	(1,489)
	<u>793</u>	<u>(1,089)</u>	<u>0</u>	<u>(296)</u>

**28. LOSSES AND SPECIAL PAYMENTS**

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

**29. POST BALANCE SHEET EVENTS**

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. In consequence of this assignation and the terms of the Act, The North Highland College requires its Board of Management members to be appointed by the University and is subject, where such direction may be issued, to direction on a range of matters by the University.

The North Highland College must work to deliver on an outcome agreement between the University and the Scottish Funding Council and will in future receive its Further Education funding from the University, subject to the terms of a financial memorandum to be issued by the University. It follows that The North Highland College is in terms of the Companies Act 2006, a wholly owned subsidiary of the University and its finances must be included in group accounts to be produced by the University.

### 30. 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.

<b>Member</b>	<b>Organisation</b>	<b>Position</b>
R Rowantree	Highland Council	Councillor
J McGillivray	Highland Council	Councillor
G Ross	Highland Council	Councillor

Income transactions totalling £635 and expenditure transactions totalling £27,057 were made with Highland Council.

A McConnell	NDA
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Income transactions totalling £207,295 and expenditure transactions totalling £0 were made with NDA

B Dods	DSRL
K Nicol	DSRL

Income transactions totalling £117,162 and expenditure transactions totalling £48,034 were made with DSRL.

A MacDonald	Babcock International Group/DSRL
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Income transactions totalling £0 and expenditure transactions totalling £0 were made with Babcock International Group.

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

The Board of Management of 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 eg Student Awards Agency for Scotland.

During the period the College had various material transactions with the University of the Highlands & Islands (UHI). UHI 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 UHI EO.

During the period the College also had material transactions with Argyll College. This is a collaborative partnership between North Highland College and Argyll College. The Scottish Funding Council provides North Highland College with funding for Further Education delivery for it and Argyll College, and accounts to the SFC for the fundable WSUMS activity.

### 31. BURSARY AND OTHER STUDENT SUPPORT

	FE Bursary £'000	FE Hardship £'000	EMAs £'000	HE Hardship £'000	Total 2014 £'000	Total 2013 £'000
Balance b/f	0	3	(2)	6	7	25
Funds Receivable in Year	1,501	119	137	10	1,767	1,453
Virement in Year	0	5	0	0	5	106
Expenditure	(1,421)	(124)	(117)	(6)	(1,668)	(1,551)
Repaid to SFC in Year	0	(3)	2	(6)	(7)	(26)
Balance c/f	<b>80</b>	<b>0</b>	<b>20</b>	<b>4</b>	<b>104</b>	<b>7</b>

Represented by:

Repayable to SFC as clawback	80	0	0	4
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Retained by College for Students	0	0	20	0
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#### HE & FE Childcare Funds

Balance b/f	130	107
Funds Receivable in Year	225	214
Virement	(5)	(106)
Expenditure	(113)	(85)
Repaid to SFC in Year	(130)	0
Balance c/f	<b>107</b>	<b>130</b>

Represented by:

Repayable to SFC as clawback	107	130
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Retained by College for Students	0	0
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These Funding Council Grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore now excluded from the income and expenditure account with any unspent balance being included as a creditor in the Balance Sheet.

During the year funds were transferred from the SFC Childcare allocation to augment the Hardship Funds available for further education students.

The sums shown as other funds relate to Higher Education Hardship Funds administered on behalf of The University of the Highlands and Islands (UHI)