

**Annual Report and Accounts  
for the  
Year Ended 31 July 2016**

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

### **Key Management Personnel**

Principal and Chief Executive	Diane Rawlinson
Depute Principal	Roddy Henry
Director of Corporate Services	Stephen T Wells
Director of Organisational Development	Lindsay Ferries
Director of Business Development	Georgie Parker
Head of Curriculum	Gill Berkeley
Head of Research	Melanie Smith
Head of Student Services	Lindsay Snodgrass

### **Board of Management**

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

### **Financial Statement Auditors**

Scott Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

### **Internal Auditors**

Henderson Loggie  
The Vision Building  
20 Greenmarket  
Dundee DD1 4QB

### **Bankers**

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

**Inverness College UHI**

**Solicitors**

Harper MacLeod LLP  
Alder House  
Cradlehall Business Park  
Inverness IV2 5GH

## Performance Report

The Board of Management of Inverness College UHI present their report and the audited financial statements for the year ended 31 July 2016.

### PRINCIPAL'S STATEMENT

At the start of 2015/16 Inverness College UHI moved into its new purpose built, NPD funded campuses at Inverness and Balloch. The campuses offer truly inspiration settings for the College's teaching and research activities which has undoubtedly enhanced our students' experience.

During the year we once again raised our game and this was rewarded by an Education Scotland audit conclusion that the College has 'effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders'.

In 2015/16 we surpassed our key HE growth target and in financial terms produced an underlying surplus, however in compliance with FRS102, are reporting a deficit due to the way that we have to allocate our NPD asset interest charges and also to a large post-Brexit pension provision. These additional charges to the Income and Expenditure account are book entries which do not affect our bank balance.

Another requirement of FRS102 accounting is that our deferred grants have been relabelled as deferred income and no longer appear as reserves in the balance sheet. The consequence of this is that the balance sheet now shows a net liability instead of net assets, which is quite normal for public sector organisations.

Looking ahead we will in 2016/17 set out our new 2017/2020 vision and work is already under way to build upon the growth in our student numbers, make the most of our new campuses whilst ensuring the very best experience for our students.

### PURPOSE AND ACTIVITIES OF THE COLLEGE

#### Purpose

Inverness College UHI is one of the largest partners in UHI and our purpose is to have a transformational impact on the development and prospects of the region, its people and its communities. As an organisation we are committed to realising the ambitions of our students, staff and the communities we serve through provision of excellence in tertiary education and research in a supportive, creative and dynamic environment.

#### Public Benefit Statement

In setting and reviewing the College's strategic objectives, the Board of Management has had due regard for the Scottish Charity Regulator's (OSCR's) guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be

## **Inverness College UHI**

recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

## **Legal Status**

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

## **Strategic Plan 2014/17**

Our Strategic plan for 2014 to 2017 is closely aligned to the UHI Strategic Plan and provides a framework to respond to the Highland Single Outcome Agreement and the regional Skills Investment Plan.

The development of the Strategic Plan for the College for the three year period 2014 to 2017 was approved by the Board of Management in March 2014. The key strategic aims within the Strategic Plan are:

- To be a high performing, responsive organisation recognised for excellent customer service and quality of provision.
- To be an employer of choice, creating an inspiring environment in which to learn and work.
- To deliver excellent learning and teaching.
- To deliver a relevant and valued curriculum that that is aligned to the needs of employers, delivers informed choices and outcomes for people in the communities we serve and contributes fully to the aims of the UHI partnership.
- To grow and embed a culture of sustainable research, innovation and enterprise.
- To achieve long-term financial sustainability and growth through efficient resource management and diversification of income streams.

## **Financial Objectives**

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of Inverness College UHI. The Board of Management approved its Finance Strategy including a series of performance indicators to monitor the successful implementation of our financial objectives which are:

## **Inverness College UHI**

- To achieve long-term financial security and match resources with College strategic objectives, on an on-going basis.
- To develop productive capacity to meet current and future learning and resource objectives through the economic, efficient and effective deployment of resources.
- To plan and control the financing of College developments and ensure investment returns are optimised.
- To provide a consistent basis for evaluating strategic alternatives and developing effective financial planning and risk management.
- To integrate and harmonise financial and other College strategies.

## **KEY ISSUES AND RISKS**

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

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

A strategic risk register is maintained at the College level and is reviewed every quarter by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The risk register is rescored on a quarterly basis by the Senior Management Team.

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

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

### **1. Government funding / Financial Stability of UHI**

The College has considerable reliance on continued government funding through the Scottish Funding Council (SFC). In 2015/2016, 75% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. Given the current tightening of government spending, there can be no assurance that government policy or practice will remain the same or that public funding will

## **Inverness College UHI**

continue at the same levels or on the same terms. Also as an academic partner within the University of the Highlands and Islands, Inverness College UHI's HE funding is subject to a 'top-slice' by the UHI's executive office.

The College is aware of two risks which might impact on future funding:

- The Scottish Government reduces HE funding
- UHI increases its top-slice

This risk is mitigated in a number of ways:

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

## **2. National Pay Bargaining**

During 2015/16 teaching staff's pay and conditions were subject to a nationally negotiated agreement which was not fully funded.

Going forwards there is a risk that:

- Outcomes of nationally negotiated and agreed pay and conditions and national recognition and procedural agreement result in a model that is unaffordable, unsustainable and doesn't meet the College's needs.

This risk is mitigated by:

- Ensuring representation on employer's association, NJNC representation, workforce for the future and other groups as management side develop management side consultation arrangements.

## **3. Brexit**

During 2015/16 the UK voted to exit the European Union.

There is a risk that:

- The College won't receive ESIF funds and that priority is not given to provide substitute funding to replace this lost income.
- Other European grants that the College receive may be similarly affected.
- Also much of the funding for developing the Inverness campus was expected to come from Europe. Without replacement funding streams Inverness



## **Inverness College UHI**

College will be constrained in developing its curriculum and achieving its growth objectives

This risk is mitigated by:

- An impact assessment report, prepared jointly by the Vice Principal and Head of Research.
- The College's senior management team have discussed this report and mitigating actions will be discussed and agreed by the Audit Committee.

## **GOING CONCERN BASIS**

In 2014/15 and previously, deferred capital grants were reported as reserves within the balance sheet.

From 2015/16 onwards FRS102 requires deferred capital grants to be relabelled as deferred income and deducted from net assets; as such the 2015/16 balance sheet now shows a net liability rather than a net asset.

Also in 2015/16 the College was required to capitalise its NPD assets and account for them as if they were finance leases. This has resulted in an additional interest charge of £1,078,961 which together with £700,000 post-Brexit pension charges to expenditure has converted an otherwise healthy £283,357 surplus into a technical deficit on continuing operations of £1,495,604

Additional interest charges in the early years will reverse out over the 25 year repayment period. There is no impact on cash as the capital and interest elements of the unitary charge payments are fully funded by the SFC.

These changes in reporting have no impact on the College's going concern status.

## **PERFORMANCE SUMMARY**

The College's 2015/16 financial performance can be summarised as follows:

	£
Deficit on continuing operations	(1,495,604)
Additional NPD Asset Interest	1,078,961
Additional Pension Costs	700,000
	-----
Underlying Surplus	283,357
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## **PERFORMANCE ANALYSIS**

### **Performance Measures**

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

## **Inverness College UHI**

### **Analysis of Development and Performance**

In May 2016 Education Scotland published a review on behalf of the SFC which concluded Inverness College UHI has in place 'effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders'. The college achieved the Customer Service Excellence Award in December 2015, in recognition of the quality of its provision and its services to students and other stakeholders.

The main strategic developments for Inverness College in the coming years are maximising the potential of our new campus, the planned increase in HE funded numbers for 2016/17 and beyond, the on-going financial sustainability of the college, discussions around the UHI partnership relating to management, communication and shared services, improving the colleges outward facing and demand led focus and finally, the drive towards customer service excellence.

College teams have developed operational plans in support of our new Strategic Plan for implementation in 2016/17. The new comprehensive management committee structure is working well and fulfilling its aim to ensure the right staff are involved in operational decision making on an on-going basis, as well as the monitoring of performance.

The funded student activity targets for 2015/16 were; FE 29,217 Credits and HE 1,450 FTE. The College was above the FE target, with the final figure for FE of 31,605 Credits and for HE the actual figure was 1,490.1 FTE's.

The student activity targets set for 2016/17 are 29,689 credits for FE and 1,622 FTE's for HE.

The PI's for 2015/16 for student attainment are shown below:

FE Full time – 66% completed: successful  
FE Part time – 81% completed: successful  
HE Full time – 80% completed: successful  
HE Part time – 84% completed: successful

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

As well as transforming the physical buildings that make up Inverness College UHI, we are also committed to transforming the organisation as we embed ourselves in the new campus. The new buildings at Inverness and Balloch offer a unique opportunity to redefine the work of the college, its relationship with stakeholders and its contribution to regional development. We are therefore committed to a comprehensive development plan for the college that recognises the essential contribution made by every member of college staff to achieving excellence in the service we provide. The 2 awards of IIP Gold and Customer Service Excellence provide the framework required to achieve this transformational change and involve

## **Inverness College UHI**

all staff in the development process. In 2015/16 we achieved Customer Service Excellence and IYYP. In 2016/17 we will be assessed for IIP Gold.

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

### **Curriculum Developments/Planning**

College teams have developed operational plans for implementation in 2016-17 in support of the last year of our current Strategic Plan. The management committee structure is working well and fulfilling its aim to ensure the right staff are involved in operational decision making on an on-going basis, as well as the monitoring of performance. The college has conducted a thorough review of its curriculum against demand from employers and the communities it serves, and has used this to inform planning for 2016-17 and beyond.

Several 'sector analysis' reports have been produced and more are in progress. These reports capture and analyse labour market intelligence on industry sectors from a range of sources, including local and national employers, public bodies and representative bodies, and the findings are used as part of our curriculum and business planning processes. The college has also invested in a 'lead generation' pilot project to enhance the intelligence on demand for training and skills from local and regional employers. Our engagement with local schools continues to further develop in parallel with our commitment to the Scottish Government's *Developing the Young Workforce* (DYW) agenda. Nearly 600 school pupils enrolled on school-college link programmes in 2015-16, a 36% increase on 2014-15. This provision included Foundation Apprenticeship pathway programmes in two subjects in 2015-16 and the college will offer these programmes in four subject areas in 2016-17.

The college plans further growth in FE, HE and in Modern Apprenticeship (MA) provision in 2016-17. We introduced Scotland's first Graduate Level Apprenticeship, in civil engineering, in 2015-16 and will develop this further in 2016-17. The development is sponsored by CITB and SDS as part of the DYW programmes. Plans are in place to further develop our curriculum in several other areas, including health, computing, business management, sports, forestry, Gaelic and hospitality. In sports and health in particular, the developments are closely linked to plans for the Inverness Campus development and being taken forward in collaboration with a number of private and public sector partners.

Our new Strategic Plan, for 2017-20, will be developed over the last few months of 2016 and will be published early in 2017. The development of the plan will involve staff, students and a range of other key stakeholders. The operational planning process in spring 2017 will reflect the aims and objectives of the new Strategic Plan.

## **FINANCIAL POSITION**

### **Financial Results**

The new NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings; as required by FRS102 the NPD assets are stated at fair value.

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The related debt is included in the balance sheet as a creditor and is repaid over a 25 year term. The College makes monthly unitary charge payments which include the capital element of the loan and interest.

FRS102 requires the NPD assets to be accounted for as if they were finance leases. As such the amounts that must be charged as interest in early years are very high (88% in year 1) compared to the average of 59% over the 25 years. As a result an additional burden of interest equating to £1,078,961 has been charged to the Income and Expenditure Account in 2015/16. The reverse will happen in the final years of the lease when there will only be small amounts of interest and high capital repayments, leading to significant surpluses in these years.

The other significant event impacting the College's 2015/16 accounts was Brexit. An additional charge of £700,000 has been provided for in the Income and Expenditure account in accordance with the actuaries' report which factors in post-Brexit growth assumptions in relation to the Local Government Pension Scheme.

The overall impact of the NPD asset finance lease and the Pension Provision is illustrated in a table at the start of the Performance Summary.

The underlying surplus of £283,357 compares favourably to a 2015/16 budget of zero surplus / deficit.

The deficit on continuing operations, including depreciation charges, for the financial year ended 31 July 2016 of £1,495,604, compares with an operational deficit of £862,752 for the previous year, 2014/15 which included a transfer to the Scottish Colleges' Arm's Length Foundation of £600,000.

The College ended the 2015/16 financial year with an accumulated reserve deficit of £8,540,624. This is due to the pension liability of £9,232,000 without which there would have been an accumulated reserve surplus of £691,376.

The table below states the outturn figures for the year 1 April 2015 to 31 March 2016 as reported in the Resource Return to the SFC.

Resource DEL (RDEL)	Budget £000	Actual £000	Variance £000
Total Income	18,333	22,849	4,516
Total Expenditure	16,598	22,615	6,017
Under/(overspend) on Resource Budget	1,735	234	( 1,501)

Capital DEL (CDEL)	Budget £000	Actual £000	Variance £000
Total Income	( 3,591)	( 3,663)	72
Total Expenditure	5,108	3,663	1,445
Under/(overspend) on Resource Budget	( 1,517)	-	1,517

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The positive variance in the RDEL income outturn against budget relates to funding in respect of the new campus NPD, funding from the Scottish Colleges Foundation, increased income in respect of catering, tuition fees, EU grants and increased UHI grant income due to increased student numbers.

The negative variance in the RDEL expenditure outturn against budget relates to the unitary charge payments in respect of the new campus NPD, increased staffing costs, additional catering supplies, increased VAT costs and a reduction in the planned utilisation of provisions.

The positive variance in the CDEL outturn position against budget is due to a reduction in the planned capital expenditure in the year.

## **Taxation Status**

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

## **Treasury Policy**

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

## **Cash Flows**

The opening cash balance for the year was £4,794,403. The year-end cash balance was £3,343,595, compared with a budget cash balance of £2,780,000. The cash flow position of the College is monitored on a daily basis and has been as planned throughout the year.

## **Liquidity**

The College had a net current liability of £3,882,684 at the year end, compared with net current assets of £789,189, in 2014/15. The decrease is due to a reduction in cash together with an increase in creditors which can largely be attributed to an accrual of £2,140,000 for equipment for the new campuses. The equipment will be part funded by a loan from the ALF which has been approved; however not drawn down. Also, new this year, is the NPD creditor for £463,048.

## **Creditor Payment Policy**

The College seeks to comply with the CBI Prompt Payment Code and aims to pay its suppliers within 30 days of receipt of invoice, unless the invoice is contested. On the basis of a 10% sampling exercise of creditor invoice payments, the College's average creditor payment period was 32.9 days over the 12 month period to July

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2016, compared with the figure of 32.0 days in the 12 months to July 2015. The College did not pay any interest during the year under the late payment of Commercial Debts (Interest) Act 1998.

## **RESOURCES**

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

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

### **Financial**

The College has £3,343,595 cash and no long term private sector or bank debt apart from the NPD creditor.

### **People**

The College employs 343 people (expressed as full time equivalents), of whom 176 are teaching staff.

### **Reputation**

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

### **Stakeholder Relationships**

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

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

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

### **Equal Opportunities Statement**

Inverness College UHI is committed to promoting equality and positive relations and valuing diversity. A comprehensive approach is intended to meet the needs of

## **Inverness College UHI**

individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across the nine protected characteristics reflected in the Equality Act, these include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. Where barriers to learning or employment are identified for an individual, the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

The College is committed to ensuring effective engagement and support for students with disabilities. Information on sources of support are provided in the student handbook and reinforced by appointed studies advisors. An active Students' Association is effective in engaging across a range of students. The Student Association Executive Committee includes a part time Vice President responsible for furthering equality matters.

The college use a job evaluation system 'Evaluate', to evaluate all new posts. The gender pay gap as published in January 2015 was 6.6%, a significant decrease from the gender pay gap at the same point in 2013 of 11.27% and in 2014 of 11%.

In furthering the colleges commitment and in line with the Equality Act, the college in March 2013 published our Equality and Diversity Mainstreaming Report and Equality Outcomes and has reported on progress on an annual basis since publication.


Notable developments have included collaboration with schools to increase enrolment from the most deprived areas and achievement of the Buttle UK Quality Mark for Looked After Children and Care Leavers at 'developing well' level.

The school transition co-ordinator plays an important role in supporting students throughout the year and in outreach pre-college. This is further enhanced through links and working relationships with external agencies including local authorities.

### **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 each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

**Approved by order of the members of the Board on 20 December 2016 and signed on its behalf by:**



Neil Stewart  
Chair



Diane Rawlinson  
Principal

## Accountability Report

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

### REMUNERATION AND STAFF REPORT

#### Remuneration Policy

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

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

#### Remuneration including salary and pension entitlements

##### Salary entitlements

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

Name	Year ended 31 July 2016			Year ended to 31 July 2015		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary	Pension Benefit £'000	Total £'000
Principal – Diane Rawlinson	105 - 110	23	128 - 133	100 - 105	22	122 - 127
Depute Principal – Roddy Henry	80 - 85	42	122 - 127	70 - 75		
Director of Corporate Services to 14 February 2016 – Niall McArthur	30 - 35	10	40 - 45	55 - 60	22	77 - 82
Director of Corporate Services from 23 May 2016 –	10 - 15	4	14 - 19	-	-	-



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Stephen T Wells						
Director of HR – Lindsay Ferries	55 - 60	22	77 - 82	55 - 60	20	75 - 80
Head of Curriculum – Gillian Berkeley	55 - 60	22	77 - 82	25 - 30		
Head of Research – Melanie Smith	50 - 55	18	68 - 73	50 - 55		
Director of Business Development from 7 September 2015 – Georgina Parker	50 - 55	17	67 - 72	-	-	-
Head of Student Services from 1 November 2015 – Lindsay Snodgrass	35 - 40	13	48 - 53	-	-	-

### Annual Equivalent

Name	Year ended 31 July 2016			Year ended 31 July 2015		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary	Pension Benefit £'000	Total £'000
Principal – Diane Rawlinson	105 - 110	23	128 - 133	100 - 105	22	122 - 127
Depute Principal – Roddy Henry	80 - 85	42	122 - 127	70 - 75		
Director of Corporate Services to 14 February 2016 – Niall McArthur	55 - 60	22	77 - 82	55 - 60	22	77 - 82
Director of Corporate Services from 23 May 2016 –	55 - 60	22	77 - 82	-	-	-

## Inverness College UHI

Stephen T Wells						
Director of HR – Lindsay Ferries	55 - 60	22	77 - 82	55 - 60	20	75 - 80
Head of Curriculum – Gillian Berkeley	55 - 60	22	77 - 82	55 - 60		
Head of Research – Melanie Smith	50 - 55	18	68 - 73	50 - 55		
Director of Business Development from 7 September 2015 – Georgina Parker	55 - 60	22	77 - 82	-	-	-
Head of Student Services from 1 November 2015 – Lindsay Snodgrass	50 - 55	17	67 - 72	-	-	-

Information was not available in order to calculate the pension benefit for 2014/15.

### Median Remuneration

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

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2015/16 was £105 - £110 (2014/15 £100,000 to £105,000). This was 3.2 times (2014/15, 3.1 times) the median remuneration of the workforce which was £32,643 (2014/15, £33,282).

### Accrued Pension Benefits

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

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

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

Contribution rates are set annually for all employees and can be found in note 17.

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

### Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2016	Accrued lump sum at pension age 31 July 2016	Real Increase in pension 1 August 2015 to 31 July 2016	Real Increase lump sum 1 August 2015 to 31 July 2016	CETV at 31 July 2016	CETV at 31 July 2015	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal – Diane Rawlinson	30	91	2	5	611	564	35
Depute Principal – Roddy Henry	15	40	2	3	261	219	32
Director of Corporate Services to 14 February 2016 – Niall McArthur	17	32	1	0	259	246	11
Director of Corporate Services from 23 May 2016 – Stephen T Wells	-	-	-	-	3	-	2
Director of HR – Lindsay Ferries	13	17	1	-	155	142	8
Head of Curriculum – Gillian Berkeley	19	57	4	11	375	292	76
Head of Research –	9	22	1	1	135	117	12

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Melanie Smith							
Director of Business Development from 7 September 2015 – Georgina Parker	1	-	1	-	11	-	7
Head of Student Services from 1 November 2015 – Lindsay Snodgrass	1	-	1	-	6	-	3

Note that the figures in respect of the Niall McArthur are as at the date of leaving.

### Cash Equivalent Transfer Value (CETV)

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

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

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

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

### Real increase in CETV

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

### Compensation for loss of office

No employees left under voluntary exit terms during the year.

## Inverness College UHI

### Salaries and Related Costs

	2016	2016	2016	2015
	Directly Employed Staff	Seconded and Agency Staff	Total	Total
<b>Wages and salaries</b>	10,404,377		10,404,377	9,750,582
<b>Social Security Costs</b>	833,536		833,536	714,091
<b>Other pension costs</b>	1,636,821		1,636,821	1,362,646
<b>Total</b>	12,874,734	254,389	13,129,123	11,902,063
<b>Average number of FTE</b>	343		343	314

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

The College employed 402 female and 263 males as at 31 July 2016.

For the year to 31 July 2016, the College lost a total of 2,668 working days to sickness absence. This is an average absence rate of 2.98%.

For the year to 31 July 2016, the College incurred consultancy costs of £24,774 excluding VAT.

**CORPORATE GOVERNANCE REPORT**

**DIRECTORS REPORT**

**Membership of the Board of Management**

The Members, who served on the Board of Management during the year, and up to the date of the accounts being signed, were as follows:

<b>Name</b>		<b>Date of Appointment</b>	<b>Date of Resignation/ end of term</b>	<b>Status of Appointment</b>	<b>Committees served</b>
Robbie Bain	Ward Manager, Highland Council	August 2003	End of term - 31 December 2015	Independent member	Audit (Chair) Learning and Teaching Chairs Liaison Group Performance Review and Remuneration Search and Nomination
Carolyn Caddick	Employee Lifescan Scotland	20 June 2011	End of term - 31 December 2015	Independent member	Human Resources Audit
Hector Douglas	Retired academic	12 March 2007	End of term - 31 December 2015	Independent member	Learning and Teaching, (Chair) Finance & General Purposes Performance Review and Remuneration Search and Nomination Chairs Liaison Group
Louise James	Retired academic	11 October 2010	End of term 31 July 2016  Appointed 1 August 2016	Independent member	Audit Learning and Teaching (Chair) New Campus Project Board Performance Review and Remuneration Search and Nomination Chairs Committee
Diane Rawlinson	Principal and Chief Executive	18 February 2013		Principal	Finance and General Purposes Learning and Teaching Human Resources New Campus

## Inverness College UHI

Donella Steel	Oracle Programme Manager, Scottish Natural Heritage	11 October 2010	Resigned 15 November 2015	Independent member	Finance and General Purpose (Chair) New Campus Project Board Performance Review and Remuneration Search and Nomination Chairs Committee
Garry Sutherland	Proprietor, Highland Free Spirits.  Director-Higher Ground  Consultancy Ltd and Higher  Ground Community Services Ltd	11 October 2010	End of term - 31 December 2015	Independent member	Chair of Board Search and Nomination (Chair) Human Resources Finance and General Purposes Learning and Teaching (ex officio member) Performance Review and Remuneration Chairs Committee (Chair) New Campus Project Board (Chair)
John Wilson	Retired Businessman	11 June 2007	End of term 31 July 2016  Appointed 1 August 2016	Independent member	Vice Chair of Board Performance Review and Remuneration (Chair) Search and Nomination Human Resources (Chair) Finance & General Purposes (Chair) New Campus Project Board Chairs Committee Audit
Hazel Allen	Consultant, Athena Solutions Director,  Organisational Performance Unlimited	13 May 2014	End of term 31 July 2016  Appointed 1 August 2016	Independent member	Human Resources Audit (Chair) Performance Review and Remuneration Search and Nomination Chairs Committee

## Inverness College UHI

Neil Stewart	Head of Procurement, NHS Highland	13 May 2014 Appointed as Chair 1 January 2016		Independent member	Chair of Board Search and Nomination (Chair) Human Resources Finance and General Purposes Learning and Teaching (ex officio member) Performance Review and Remuneration Chairs Committee (Chair) New Campus Project Board (Chair)
Dominic Thierry	Lecturer, Inverness College UHI	1 August 2015	Resigned - 12 September 2016	Teaching Staff member	Learning and Teaching Finance and General Purposes
Elaine Harris	HR Manager, SNH	2 June 2014	Resigned - 31 July 2016	Independent member	Audit Human Resources (Chair) Performance Review and Remuneration Search and Nomination Chairs Committee
Helen Miller	Events Co-ordinator, Create, Inverness College UHI	1 August 2015		Support Staff member	Finance and General Purposes Learning and Teaching
William Cameron	Business Development Director, Cobbs Group,  Owner – Loch Ness Marketing	13 May 2014	Resigned - 5 October 2015	Independent member	Finance & General Purposes
Jenny Loffler	Vice President (Equality)	1 September 2015	Resigned - 18 December 2015	Student member	Learning and Teaching
Lizzie Munro	Student President	1 September 2015	End of term - 31 July 2016	Student member	Learning and Teaching
Ryan McIntyre	Vice President (Engagement)	19 December 2015	End of term - 31 July 2016	Student member	Learning and Teaching
Brian Henderson	Director of Information Technology, University of Aberdeen	1 January 2016		Independent member	Finance & General Purposes (Chair) Human Resources



## Inverness College UHI

					Performance Review and Remuneration Search and Nomination Chairs Committee
Lindsey Mitchell	Workforce Manager, NHS Highland	1 January 2016		Independent member	Audit Human Resources
Steve Walsh	Head of People and Transformation, Highland Council  Director: Steve Walsh Consulting Solutions Ltd	1 January 2016		Independent member	Audit Learning and Teaching
Mick Longton	MJLS Ltd - Consultancy, Director  SILIXA Ltd - Commercial Director  CHL Ltd - Non-executive Director	1 January 2016		Independent member	Finance & General Purposes Learning and Teaching Human Resources
Jaci Douglas	Highland Councillor	1 June 2016		Independent member	Audit Learning and Teaching
Gavin Ross	Lifescan Scotland Ltd - Engineering Manager - Consumer Medical Device Manufacture	1 June 2016		Independent member	Finance & General Purposes Learning and Teaching
Brenda Dunthorne	Director, Wee Westie Ltd	1 June 2016 (Co-opted member from 1 January 2016)		Independent Member	Finance & General Purposes Human Resources
Kyran McCutcheon	Student President	1 September 2016	24 November 2016	Student Member	Learning and Teaching
Gabriel Starr	Vice President (Equality)	1 September 2016		Student Member	Learning and Teaching
Kate White	Lecturer, Inverness College UHI	12 September 2016		Teaching Staff Member	Learning and Teaching
Ryan McAdam	Vice President (Education)	1 Dec 2016		Student Member	Learning and Teaching
Fiona Ambrose acts as College Secretary					

## **Inverness College UHI**

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

Inverness College UHI

1 Inverness Campus

Inverness IV2 5NA

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

### **Senior Management Team**

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

Name	Position held	Date appointed	Date resigned
Diane Rawlinson	Principal and Chief Executive	18 February 2013	
Roddy Henry	Depute Principal	26 August 2013	
Niall McArthur	Director of Corporate Services	2 August 2009	14 February 2016
Stephen Wells	Director of Corporate Services	23 May 2016	22 November 2016
Lindsay Ferries	Director of Organisational Development	30 July 2007	
Georgie Parker	Director of Business Development	7 September 2015	

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

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

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

In preparing the financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.
- Indicate how the College has complied with good practice in corporate governance.

## **Inverness College UHI**

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements comply with the Further and Higher Education (Scotland) Act 1992 together with the Financial Memorandum issued thereunder, also having regard to compliance with the Scottish Public Finance Manual, and are presented in accordance with the Accounts Direction issued from time to time by the SFC.

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

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

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

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

## **Inverness College UHI**

### **GOVERNANCE STATEMENT**

#### **Introduction**

The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of Inverness College UHI, and the 2014 Code of Good Governance for Scotland's Colleges. Their purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management, the College complied with the provisions of the Code of Conduct for members of the Board of Management of Inverness College UHI and with principles of good governance set out in the Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2016, subject to the points highlighted below.

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

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the year ended 31 July 2016 up to the date of the approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and it accords with the guidance as issued by the Scottish Funding Council.

#### **Governing Body**

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters, human resources performance indicators and health and safety matters. The Board of Management met four times in 2015/16.

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

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

## **Inverness College UHI**

Committee membership is agreed by the Board and comprises Board members, one of whom is appointed the committee Chair, and are attended and supported by appropriate senior managers at the College. A comprehensive review of the terms of reference of the Board and its Committees took place in the early part of 2015 and were subsequently approved by the Board of Management in June 2015.

There has been an unprecedented change in the membership of the Board of Management during the year. The annual Board Evaluation exercises were not progressed as the Board as a whole did not have the necessary knowledge and experience to provide meaningful input to the process. The main focus of training and development has been the induction of seven new board members between January and July 2016. In addition, ten members of the Board attended the first phase of the mandatory Governance Workshops facilitated by College Development Network in April and June 2016

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

The Board operates according to the terms of its Constitution and Standing Orders. The College has an approved Scheme of Delegation specifying which decisions are reserved by the Board and those matters delegated to management. The Constitution and Standing Orders and the scheme of delegation were also reviewed and subsequently approved by the Board of Management in June 2015. Attendance records of Board members at Board and committee meetings are maintained by the College Secretary and reviewed by the Chair.

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

Inverness College UHI  
1 Inverness Campus  
Inverness IV2 5NA

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

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

### **Appointments or extension of appointments to the Board of Management**

In terms of the Post 16 Education (Scotland) Act 2013 and to comply with the College Sector Board Appointments – 2014 Ministerial Guidance, the Further Education Regional Board of the University of the Highlands and Islands approved, following a robust recruitment process, the appointment of a new Board Chair, the appointment of seven new independent board members and the appointment of a further three serving board members whose term of office was about to come to an end. In addition, at the beginning of the academic year, the Board welcomed two new Staff members and two new Student members following formal election

## **Inverness College UHI**

processes. The Teaching staff member resigned in September 2016 and an election was held for a replacement. Similarly, the Student President stepped down at the end of November 2016 and the Vice President (Education) was nominated by the Student Executive to the Board. This is an unprecedented change in the membership of the board within one academic year.

### **Audit Committee**

The Audit Committee comprises five non-executive members of the Board of Management (excluding the Principal and Chair of the Board). The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met five times in 2015/16.

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

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

The Finance and General Purposes Committee comprises five members of the Board of Management. The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met four times in 2015/16.

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

### **Estates Strategy**

In the summer of 2015, the college relocated to inspirational new facilities at Balloch and Inverness Campus and these now house the Scottish School of Forestry and the main campus respectively. The relocation represented the culmination of many years of planning and already it has had a transformational impact on the college and its ability to respond effectively to stakeholder need. The main campus within the Inverness Campus had brought the majority of staff together, uniting provision previously delivered at two distinct sites, namely, Midmills and Longman.

The Scottish School of Forestry at Balloch and the new main campus at Beechwood are launch pads rather than destinations. The opening of these campuses marked the beginning of a new era for Inverness College, one which will be punctuated by further growth and developments that support the realisation of our vision for the future.

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

The Performance Review and Remuneration Committee comprises five non-executive members of the Board of Management. The Committee operates in accordance with written terms of reference approved by the Board of Management. The Committee met once in 2015/16.

## **Inverness College UHI**

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

### **Corporate Strategy**

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and mission. The College Strategic Plan for 2014/17 was approved by the Board of Management in December 2013. The Board of Management approved, in December 2015, an addendum to the Strategic Plan, providing further strategic direction in its final year of operation.

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

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

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

The Board of Management is responsible for the College's system of internal control and for reviewing its effectiveness and conducts an annual assessment. The 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.

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

The Board has adopted the revised strategic risk register which is in a format which is consistent across the UHI Partnership and has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Management is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts.

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Clear definitions of the responsibilities of, and the authority to delegate to the Depute Principal and other members of the Senior Management Team.

## **Inverness College UHI**

- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board;
- Comprehensive Financial Regulations approved by the Finance and General Purposes Committee.
- The adoption of formal project management disciplines.

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

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

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

### **Going Concern**

The Board of Management considers that the College is a going concern as it has adequate resources to continue in operational existence for the foreseeable future. The financial statements have been prepared on this basis.

**Approved by order of the members of the Board of Management on 20 December 2016 and signed on its behalf by:**



Neil Stewart  
Chair



Diane Rawlinson  
Principal



## **Inverness College UHI**

### **Independent Auditor's Report**

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

We have audited the financial statements of Inverness College for the year ended 31 July 2016 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Financial Reporting Standard (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, We 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 Board of Management's Responsibilities, 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are 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 college'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, we read all the financial and non-financial information in the annual report and accounts 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 us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

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

In our 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 college's affairs as at 31 July 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

## **Inverness College UHI**

- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the governance statement does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.



Gary Devlin (for and on behalf of Scott-Moncrieff)  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date: 22 December 2016

Gary Devlin is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

**Statement of Comprehensive Income  
For the Year Ended 31 July 2016**

		Year Ended 31 July 2016	Year Ended 31 July 2015
	Notes	£	£
<b>Income</b>			
Funding Council Grants	2	18,479,915	13,038,690
Tuition fees and education contracts	3	3,288,694	3,240,565
Other income	4	2,885,099	1,373,416
Investment income	5	6,701	5,971
<b>Total income</b>		<u>24,660,409</u>	<u>17,658,642</u>
<b>Expenditure</b>			
Staff costs	6	13,572,813	12,956,856
Other operating expenses	8	6,860,463	4,337,231
Donation to the Scottish Colleges Foundation		-	600,000
Depreciation and impairment	11	2,219,883	314,777
Interest payable	9	287,230	312,530
Interest element of NPD finance lease	9	3,215,624	-
<b>Total expenditure</b>		<u>26,156,013</u>	<u>18,521,394</u>
<b>Surplus/(Deficit) before tax</b>		(1,495,604)	(862,752)
Taxation		-	-
<b>Surplus/(Deficit) for the year</b>		<u>(1,495,604)</u>	<u>(862,752)</u>
Actuarial gain/(loss) in respect of pensions		(1,494,000)	459,000
<b>Total comprehensive income for the year</b>		<u>(2,989,604)</u>	<u>(403,752)</u>
<b>Represented by:</b>			
Unrestricted funds		<u>(2,989,604)</u>	<u>(403,752)</u>

The income and expenditure account is in respect of continuing activities.

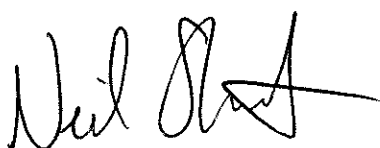
**Statement of Changes in Reserves  
For the Year Ended 31 July 2016**

	<b>Unrestricted Income and Expenditure Reserve</b>
	<b>£</b>
Balance at 1st August 2014	(5,147,268)
Surplus/(deficit) for year	(862,752)
Other comprehensive income and expenditure	459,000
Balance at 31 <sup>st</sup> July 2015	<u>(5,551,020)</u>
<b>Surplus/(deficit) for year</b>	<b>(1,495,604)</b>
Actuarial gain/(loss) in respect of pensions	(1,494,000)
<b>Balance at 31<sup>st</sup> July 2016</b>	<b><u>(8,540,624)</u></b>

**Balance Sheet  
For the Year Ended 31 July 2016**

	Notes	2016 £	2015 £
<b>Non-current assets</b>			
Tangible fixed assets	11	55,841,646	14,677,522
		<u>55,841,646</u>	<u>14,677,522</u>
<b>Current assets</b>			
Stock		-	-
Debtors	12	409,751	493,619
Cash and cash equivalents		3,343,595	4,794,403
		<u>3,753,346</u>	<u>5,288,022</u>
<b>Creditors: amounts falling due within one year</b>	<b>13</b>	(7,636,030)	(4,498,833)
<b>Net current assets / (liabilities)</b>		(3,882,684)	789,189
<b>Total assets less current liabilities</b>		<u>51,958,962</u>	<u>15,466,711</u>
<b>Creditors: amounts falling due after one year</b>	<b>14</b>	(48,595,864)	(11,338,916)
<b>Provisions</b>			
Early retirement and other provisions	15	(2,671,722)	(2,625,815)
Pension provisions	17	(9,232,000)	(7,053,000)
<b>Total net assets / (liabilities)</b>		<u>(8,540,624)</u>	<u>(5,551,020)</u>
<b>Unrestricted reserves</b>			
Income and expenditure		(8,540,624)	(5,551,020)
<b>Total reserves</b>		<u>(8,540,624)</u>	<u>(5,551,020)</u>

The financial statements were approved by the Board of Management on 20 December 2016 and signed on its behalf by:



Neil Stewart  
Chairman



Diane Rawlinson  
Principal

**Statement of Cash Flows  
For the Year ended 31 July 2016**

		2016	2015
		£	£
	<b>Notes</b>		
<b>Cashflow from Operating Activities</b>			
Deficit for the year		(1,495,604)	(554,752)
<b>Adjustment for non-cash items</b>			
Depreciation and impairment	11	2,219,883	314,777
Pension costs less contributions payable		685,000	572,000
Decrease in stocks		0	19,000
Decrease in debtors	12	83,869	2,786,601
Increase in creditors – less than one year	13	3,137,197	2,531,541
Increase in creditors – more than one year	14	37,256,947	0
Increase in early retirement and other provisions	15	45,907	(285,623)
<b>Adjustments for investing or financing activities</b>			
Interest payable	11	21,230	30,530
Interest elements of NPD finance lease		3,215,624	0
Investment Income	5	(6,701)	(31,971)
<b>Net cash inflow from operating activities</b>		<b>45,163,352</b>	<b>5,382,103</b>
<b>Cash flows from Investing and financing activities</b>			
Interest payable	11	(21,230)	(30,530)
Interest element of NPD finance lease		(3,215,624)	(572,000)
Investment Income	5	6,701	31,971
Payments made to acquire fixed assets	11	(43,384,007)	(2,603,120)
<b>Increase/(decrease) in cash in the year</b>		<b>(1,450,808)</b>	<b>2,780,424</b>
Cash at the beginning of the year		4,794,403	2,013,979
Cash at the end of the year		3,343,595	4,794,403

## **Notes to the Financial Statements for the Year Ended 31 July 2016**

### **1. STATEMENT OF ACCOUNTING POLICIES**

#### **Basis of Preparation**

The financial statements are prepared in accordance with the Further & Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice (SORP) 2015: Accounting in Further and Higher Education and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Government Financial Reporting Manual 2015-16 (FRM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in August 2016.

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 23.

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

#### **Basis of Accounting**

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

#### **Judgements in applying policies and key sources of estimation uncertainty**

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

#### **Valuation of buildings**

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer.

#### **Useful economic lives of buildings**

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

#### **Recoverable amount of trade debtors**

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

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

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

#### **Recognition of Income**

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

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

#### **Government Capital grants**

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

#### **Government revenue grants**

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

#### **Non-Government grants**

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

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



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

## **Pension Schemes**

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

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPS). Inverness College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 102 'retirement benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

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

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

## **Tangible Fixed Assets**

### **Land and Buildings**

#### **New Campuses**

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

The new NPD assets were capitalised in 2015/16 and are included as fixed assets under land and buildings. The buildings will be depreciated over their expected useful lives of 60 years on a straight line basis. As required by FRS102 the NPD assets are stated at fair value; they were valued by Graham and Sibbald, Chartered Surveyors using the UKGN2 Depreciated Replacement Cost method of valuation as at 1<sup>st</sup> August 2015.

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

## **Inverness College UHI**

The Scottish Funding Council provides the College with grants to fund the unitary charge payments with the exception of the facilities management costs and 50% of the building lifecycle costs.

The amounts disclosed last year as Assets Under Construction have now been duly transferred to the main Land and Buildings category and form part of the overall value of the New Campus and are depreciated as part of the whole.

### **Old Campus**

Land and Buildings inherited from the local authority are stated in the balance sheet at valuation (by Shepherd, Chartered Surveyors, in September 2015) less amounts written off by way of depreciation – this year the Old Campus buildings have been fully written down, just leaving the land value remaining.

### **Equipment**

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

Equipment is depreciated over its expected useful economic life, on a straight line basis, as follows:

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

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

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

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

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

## **Inverness College UHI**

### **Leased Assets**

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

Leasing agreements, which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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

### **Service Concession Arrangements**

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

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

### **Maintenance of Premises**

The College annually determines its maintenance programme which is considered and approved by the Board's Finance and General Purposes Committee. The College is currently in the process of developing a longer-term estates strategy. The cost of maintenance is charged to the income and expenditure account in the period in which it is incurred.

### **Foreign Currency Translation**

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

### **Provisions**

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

## **Inverness College UHI**

Unfunded pensions are accounted for under FRS 12 as required by the Accounts Direction issued by the Scottish Funding Council.

### **Taxation**

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the income and expenditure account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College income and expenditure account.

### **Financial instruments**

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

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

### **Employee benefits**

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

### **Cash and cash equivalents**

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

### **Interest receivable**

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

### **Debtors**

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

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### Creditors

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

### Going concern

The Board of Management 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.

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
<b>2. FUNDING COUNCIL GRANTS</b>		
SFC FE Recurrent Grant	7,407,169	7,729,919
UHI Recurrent Grant	4,436,545	4,017,519
Childcare funds	244,980	92,978
Other specific UHI Grants	486,698	427,970
Other specific SFC Grants	4,772,810	364,944
Release of deferred capital grant (Note 15)	1,131,713	405,360
Total	<u>18,479,915</u>	<u>13,038,690</u>

### 3. TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Higher Education - Home and EU	2,312,614	2,043,018
Further Education – Home	513,641	634,402
Further Education - EU		
Higher Education – Overseas	138,566	117,330
Education contracts	323,873	445,815
Total fees paid by or on behalf of individual students	<u>3,288,694</u>	<u>3,240,565</u>

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
<b>4. OTHER INCOME</b>		
Other income generating activities	1,412,326	639,558
Other grant income	503,254	28,110
Other income	969,519	705,748
	<u>2,885,099</u>	<u>1,373,416</u>

### 5. INVESTMENT INCOME

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Other bank interest	6,701	5,971
Total interest	<u>6,701</u>	<u>5,971</u>

## Inverness College UHI

### 6. STAFF COSTS

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

	Year Ended 31 July 2016	Year Ended 31 July 2015
	Number	Number
Academic/Teaching Departments	176	177
Academic/Teaching services	17	17
Research grants and contracts	7	8
Administration and central services	102	80
Premises	9	9
Other expenditure	21	23
Residences and catering	11	-
	<u>343</u>	<u>314</u>

#### Staff costs for the above persons:

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Wages and salaries	11,112,847	10,847,308
Social Security costs	829,182	724,005
Other pension costs	1,630,784	1,385,543
Total	<u>13,572,813</u>	<u>12,956,856</u>

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Academic/Teaching departments	7,796,225	7,343,546
Academic/Teaching services	749,927	674,793
Research grants and contracts	342,431	407,202
Administration and central services	3,709,207	3,856,704
Premises	238,608	228,553
Other Expenditure	483,403	446,057
Residences and Catering	253,012	-
Total	<u>13,572,813</u>	<u>12,956,856</u>

## Inverness College UHI

### Staff Costs (continued)

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Employment costs for staff on permanent contracts	13,028,436	12,358,924
Employment costs for staff on short-term and temporary contracts	544,377	597,932
<b>Total</b>	<u>13,572,813</u>	<u>12,956,856</u>

The number of staff, including senior post-holders and the Principal, who received emoluments including benefits in kind in excess of £60,000 but excluding pension contributions in the following ranges was:

	2016 Number	2015 Number
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	2
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1

Academic staff received a pay award of 1% or £300 from April 2015 which was paid in March 2016 and related to the year 1 April 2015 to 31 March 2016. Academic staff received a pay award of £550 from 1 April 2016, £100 of which was paid in May 2016 with the remainder paid throughout the year. Support staff received a pay award of 1% or £300 from April 2015 which was paid in March 2016 and related to the year 1 April 2015 to 31 March 2016. Support staff received a pay award of £100 from 1 April 2016 which was paid in June 2016 but have not agreed a final settlement on pay award in relation to 1 April 2016 to 31 March 2017.

### 7. SENIOR POST-HOLDERS' EMOLUMENTS

	Year Ended 31 July 2016 Number	Year Ended 31 July 2015 Number
The number of senior post-holders including the Principal was:	7	7
Senior post-holders emoluments are made up as follows:	£	£
Salaries	402,945	480,799
Pension contributions	67,771	72,668
<b>Total emoluments</b>	<u>470,716</u>	<u>553,467</u>

The emoluments payable to the Principal (who is also the highest paid senior post holder) were:

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Salary	105,960	104,565
Pension contributions	18,025	15,580
	<u>123,985</u>	<u>120,145</u>

## Inverness College UHI

### Senior Post-holders' Emoluments (continued)

The Principal is an ordinary member of the Scottish Teachers' Pension Scheme. The College's contributions to the scheme in relation to the Principal are paid at the same rate as for other members of academic staff.

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

### 8. OTHER OPERATING EXPENSES

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Academic and related expenditure	1,023,977	1,120,119
Administration and central services	3,765,934	2,019,595
Premises (including service concession cost)	1,545,755	1,036,211
Residences, catering and conferences	394,651	12,530
Research grants and contracts	80,351	108,448
Other expenses	49,795	40,328
<b>Total</b>	<b>6,860,463</b>	<b>4,337,231</b>
Other operating expenses include:		
Auditors' remuneration (including irrecoverable VAT)		
- internal audit	19,325	19,325
- external audit	16,800	16,800
- external audit EMA	1,230	1,230
Rents under operating leases: Land & Buildings	12,000	12,000
Other Assets	151,155	66,100



## Inverness College UHI

### 9. INTEREST PAYABLE

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£	£
Interest on pension liabilities	287,230	312,530
Interest on finance lease NPD concession	3,215,624	-
	<hr/>	<hr/>
Total	3,502,854	312,530

### 10. TAXATION

As a registered charity the College is exempt from corporation tax on income it receives from tuition fees, interest and rents and therefore the College Board does not believe it has a liability for corporation tax during the year.

## Inverness College UHI

### 11. TANGIBLE FIXED ASSETS

	Assets Under Construction £	Land & Buildings £	Equipment £	Total £
<b>Cost or valuation</b>				
At 1 August 2015	9,889,296	4,130,000	3,664,412	17,683,708
Additions	377,496	38,890,879	4,115,632	43,384,007
Disposals			(2,256,480)	(2,256,480)
Transfers	(10,266,792)	10,266,792		-
<b>At 31 July 2016</b>	<b>-</b>	<b>53,287,671</b>	<b>5,523,564</b>	<b>58,811,235</b>
<b>Depreciation and impairment</b>				
At 1 August 2015	-	23,222	2,982,964	3,006,186
Impairment in year		436,124		
Depreciation charge for year	-	785,728	998,031	2,219,883
Disposals	-		(2,256,480)	(2,256,480)
<b>At 31 July 2016</b>	<b>-</b>	<b>1,245,074</b>	<b>1,724,515</b>	<b>2,969,589</b>
<b>Net book value at 31 July 2016</b>	<b>-</b>	<b>52,042,597</b>	<b>3,799,049</b>	<b>55,841,646</b>

The New Campuses are held under Service Concession Arrangements and the value added this year was £38,890,879 (2015= £nil).

An amount of £436,124 was charged by way of impairment against Land and Buildings. This relates to the old campus buildings at Longman and Midmills which are now vacant. These buildings will be disposed of, however it is expected that they will not secure their full carrying value and the impairment therefore reflects this difference.

Land and buildings with a net book value of £3,468,320 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds. After the year end, on 26 September 2016, the Burnett Road site was sold for £750,000 and after deduction of costs this has been returned to the Scottish Funding Council.

### 12. DEBTORS

	2016 £	2015 £
<b>Amounts falling due within 1 year</b>		
Trade Debtors	276,557	189,880
Prepayments and accrued income	133,194	303,739
<b>Total</b>	<b>409,751</b>	<b>493,619</b>

Financial instrument assets comprise: trade debtors and accrued income. The value of these financial instruments is £298,992.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016 £	2015 £
Trade Creditors	727,083	499,755
Other taxation and social security	257,381	193,663
Accruals and deferred income	5,498,518	3,110,415
Deferred income, was Deferred Capital Grant	690,000	695,000
NPD Creditor	463,048	-
	<u>7,636,030</u>	<u>4,498,833</u>

The New Campuses are held under a Service Concession Arrangements and the NPD creditor value added this year was £463,048 (2015= £nil). See the note below for repayment schedule.

Financial instrument liabilities comprise: trade creditors, other creditors, accruals and finance lease obligations. The value of these financial instruments is £3,781,907.

**14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	2016 £	2015 £
Deferred income, was Deferred Capital Grant	10,586,628	11,338,916
NPD Creditor	38,009,236	-
	<u>48,595,864</u>	<u>11,338,916</u>

The New Campuses are held under a Service Concession Arrangements and the NPD creditor value added this year was £38,009,236 (2015= £nil).

Financial instrument liabilities comprise: finance lease obligations. The value of these financial instruments is £38,009,236.

**SERVICE CONCESSION ARRANGEMENTS**

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

	Liability Repayment £	Interest £	Service Charge £	Total VAT £	Total £
Within 1 year	463,048	3,181,013	600,106	831,143	5,075,310
Within 2-5 years	2,380,268	12,299,405	2,554,248	3,371,486	20,605,407
Later than 5 years	<u>35,628,968</u>	<u>36,792,125</u>	<u>16,142,711</u>	<u>17,235,965</u>	<u>105,799,769</u>
	<u>38,472,284</u>	<u>52,272,543</u>	<u>19,297,065</u>	<u>21,438,594</u>	<u>131,480,486</u>

## **Inverness College UHI**

Under the arrangements the College makes monthly Service Charge “unitary charge” payments which include the capital element of the loan together with interest, facilities management and building lifecycle costs which are reported in the income and expenditure account. The Scottish Funding Council provides the College with grants to fund the unitary charge payments with the exception of the facilities management costs and 50% of the building lifecycle costs. The College could deduct amounts where Availability and Performance fell short of contract, during the early part of occupancy. The term of the debt is 25 years.

## Inverness College UHI

### 15. EARLY RETIREMENT AND OTHER PROVISIONS

	Pension costs arising from Early Retirement	Defined Benefit Pension Liability	Other Provision	Total	Pension costs arising from Early Retirement	Defined Benefit Pension Liability	Other Provision	Total
	£	£	£	2016 £	£	£	£	2015 £
At 1 August	2,123,200	7,053,000	502,615	9,678,815	2,035,637	6,632,000	875,801	9,543,438
Expenditure in period	(115,343)	-	-	(115,343)	(114,411)	-	-	(114,411)
Provision required in year	157,394	2,179,000	(17,373)	2,319,021	171,444	421,000	(373,186)	219,258
Interest Charged	21,230	-	-	21,230	30,530	-	-	30,530
<b>At 31 July</b>	<b>2,186,481</b>	<b>9,232,000</b>	<b>485,242</b>	<b>11,903,723</b>	<b>2,123,200</b>	<b>7,053,000</b>	<b>502,615</b>	<b>9,678,815</b>

The pension provision has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 1.0%. The above liability is in respect of future pension liabilities arising from early retirals.

The pension liability is as per the actuarial report valuation.

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

### 16. DEFERRED INCOME

	SFC	Other	Total
	£	£	£
<b>At 1 August 2015</b>			
Land and Buildings	7,667,734	3,332,263	10,999,997
Equipment	1,033,920	0	1,033,920
<b>Cash Received</b>			
Land and Buildings	132,986	0	132,986
Equipment	90,000	151,440	241,440
<b>Released to income and expenditure account</b>			
Land and Buildings	225,551	219,427	444,978
Equipment	205,039	45,573	250,612
Reduction due to revaluation	436,124	0	436,124
<b>At 31 July 2016</b>			
Land and Buildings	<b>7,139,045</b>	<b>3,112,836</b>	<b>10,251,881</b>
Equipment	<b>918,881</b>	<b>105,867</b>	<b>1,024,748</b>

## 17. PENSION PROVISIONS

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

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

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

The current contribution rates are:

#### Employees

Actual Pensionable Pay Min	FTE Pay Max	Contribution rate
up to & including	25,999	7.20%
26,000	34,999	8.70%
35,000	41,499	9.70%
41,500	54,999	10.40%
55,000	74,999	11.50%
75,000	and above	11.90%

Employers 17.2%

### Pension and Similar Obligations (continued)

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

The Highland Council LGPS is a funded defined benefit scheme, with the assets held in separate administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 2014. The pension figures reflect the assets and liabilities relating to employees previously employed by Jet 2000 Limited.

The projected pension expense for the year to 31 July 2017 for employer contributions is £576,000 (2016 £540,000).

## **Inverness College UHI**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 July 2015 for the year to 31 July 2016, or date of joining the fund if later).

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

	<b>2016</b>	<b>2015</b>
Discount rate at 31 July	2.4%	3.6%
Future salary increases	3.9%	4.5%
Future pension increases	1.9%	2.6%
Life expectancy from age 65 (years):		
Retiring today	31 July 2016	31 July 2015
Males	22.5	22.5
Females	24.1	24.1
Retiring in 20 years		
Males	24.7	24.7
Females	26.8	26.8

### **Return on Plan Assets**

The return on the Fund in market value terms for the period to 31 July 2016 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

- Actual Returns from 1 July 2015 to 31 March 2016 were 4.1%
- Total Returns from 1 August 2015 to 31 July 2016 were 13.3%

As per the actuary's report.

## Inverness College UHI

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 July 2016

Period ended 31 July 2016	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	18,249		18,249
Present value of funded liabilities		25,293	(25,293)
Present value of unfunded liabilities		130	(130)
<b>Opening Position as at 31 July 2015</b>	<b>18,249</b>	<b>25,423</b>	<b>(7,174)</b>
<b>Service Cost</b>			
Current service cost		1,034	(1,034)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>1,034</b>	<b>(1,034)</b>
<b>Net Interest</b>			
Interest income on plan assets	663		663
Interest cost on defined benefit obligation		929	(929)
Impact of asset ceiling on net interest			
<b>Total Net Interest</b>	<b>663</b>	<b>929</b>	<b>(266)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>663</b>	<b>1,963</b>	<b>(1,300)</b>
<b>Cashflows</b>			
Plan participants' contributions	208	208	-
Employer contributions	591		591
Contributions in respect of unfunded benefits	9		9
Benefits paid	(466)	(466)	-
Unfunded benefits paid	(9)	(9)	-
Effect of business combinations and disposals	-	-	-
<b>Expected Closing Position</b>	<b>19,245</b>	<b>27,119</b>	<b>(7,874)</b>
<b>Remeasurements</b>			
Changes in demographic assumptions			
Changes in financial assumptions		3,608	(3,608)
Other experience		(330)	330
Return on assets excluding amounts included in net interest	1,784		1784
Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>1,784</b>	<b>3,278</b>	<b>(1,494)</b>
Fair value of assets	21,029		21,029
Present value of funded liabilities		30,261	(30,261)
Present value of unfunded liabilities		136	(136)
<b>Closing position as at 31 July 2016</b>	<b>21,029</b>	<b>30,397</b>	<b>(9,368)</b>



## Inverness College UHI

### Pension and Similar Obligations (continued)

The estimated asset allocation of Inverness College as at 31 July 2015 is as follows:

	31 July 2016		31 July 2015	
	£ 000's	%	£ 000's	%
Equities	14,089	67	12,409	68
Gilts				
Other Bonds	3,996	19	3,650	20
Property	2,523	12	1,825	10
Cash	421	2	365	2
<b>Total</b>	<b>21,029</b>	<b>100</b>	<b>18,249</b>	<b>100</b>

### Enhanced early retirements

In the interests of efficiency and effectiveness, certain employees have retired early with enhanced pensions. The cost of the enhancements is borne directly by the College. Provisions include £2,186,479 (2015 £2,123,200) being the valuation of the pension enhancements (Note 14).

The total cost for the College was:

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£	£
Contributions to Scottish Public Pensions Agency	1,054,696	858,103
Contributions to Highland Council Pension Scheme	554,079	492,716
Contributions to NEST	859	67
<b>Total pension cost</b>	<b>1,609,634</b>	<b>1,350,886</b>

## 18. CAPITAL COMMITMENTS

As at 31 July 2016, there are no capital commitments.

## 19. FINANCIAL COMMITMENTS

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

	2016	2015
	£	£
Land and buildings		
Expiring within one year	12,000	12,000
Expiring between two and five years inclusive	-	-
	<u>12,000</u>	<u>12,000</u>
Other		
Expiring within one year	60,534	10,877
Expiring between two and five years inclusive	90,621	55,223
Expiring after five years	-	-
	<u>151,155</u>	<u>66,100</u>

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

The College is in the process of arranging the disposal of the old campus sites at both Longman Road (and Burnett Road) and Midmills Road.

After the year end, on 26 September 2016, the Burnett Road site was sold for £750,000 and after deduction of costs, these funds were transferred to the Scottish Funding Council.

## **21. RELATED PARTY TRANSACTIONS**

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

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold official positions.

<b>Member</b>	<b>Organisation</b>
Carolyn Caddick	Lifescan
Income transactions totalling £11,615 and expenditure transactions totalling £0 were made. As at 31 July 2016 there was £7,947 due from Lifescan.	
	Highlanders Museum Ltd
Income transactions totalling £130 and expenditure transactions totalling £0 were made.	
Donella Steel	Scottish Natural Heritage
Income transactions totalling £3,470 and expenditure transactions totalling £1,323 were made. As at 31 July 2016 there was £1,275 due from SNH.	
Robbie Bain	Highland Council
Income transactions totalling £79,585 and expenditure transactions totalling £40,380 were made. At 31 July 2016 there was £7,947 due from Highland Council.	
Neil Stewart	NHS Highland
Income transactions totalling £26,229 and expenditure transactions totalling £13,964 were made. At 31 July 2016 there was £3,345 due from NHS Highland.	
Diane Rawlinson	College Development Network
Income transactions totalling £0 and expenditure transactions totalling £3,500 were made.	
Jaci Douglas	Highlife Highland
Income transactions totalling £1,315 and expenditure transactions totalling £0 were made. At 31 July 2016 there was £1,226 due from Highlife Highland.	

## **Inverness College UHI**

All Board of Management members receive no emoluments other than attendance allowances & travel expenses. The volume of voluntary commitment made was considerable and is greatly appreciated.

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

During the period the College had various material transactions with the University of the Highlands & Islands, which received university title on 2 February 2011. The College receives funding for higher education activity through UHI Executive Office.

## Inverness College UHI

### 22. Contingent Liabilities

The College is not aware of any litigation against itself which should be disclosed within the accounts.

### 23. Transition to FRS 102 and the SORP 2015

As explained in the accounting policies, the College has adopted FRS 102 and the 2015 SORP for the first time for the year ended 31 July 2016 and has restated the comparative prior year amounts. An explanation of how the transition has affected the College's financial position, financial performance and cash flows is set out below:

	<b>As at 31 July 2015 £</b>
<b>Financial position</b>	
Net assets under SORP 2007	6,763,022
Reclassification of deferred capital grants as liabilities	(12,033,916)
Holiday Pay adjustment	(280,126)
<b>Net assets under SORP 2015</b>	<b><u>(5,551,020)</u></b>
Total reserves under SORP 2007	(5,270,894)
Holiday Pay	(280,126)
<b>Total reserves under SORP 2015</b>	<b><u>(5,551,020)</u></b>
	<b>As at 31 July 2015 £</b>
<b>Financial position</b>	
Deficit for the year under SORP 2007	(274,626)
Defined benefit pension remeasurement under FRS102, Interest	(308,000)
Holiday Pay adjustment	(280,126)
Deficit for the year	(862,752)
Defined benefit pension remeasurement under FRS102, Actuarial	459,000
<b>Total comprehensive income for the year under SORP 2015</b>	<b><u>(403,752)</u></b>

### Cash flows

There is no impact of the transition to FRS 102 on the cash flows of the College.

Inverness College UHI

**24. FE BURSARY AND OTHER STUDENT SUPPORT FUNDS**

	Year Ended 31 July 2016 FE Bursary	Year Ended 31 July 2016 FE Discretionary	Year Ended 31 July 2016 EMA'S	Year Ended 31 July 2016 Other – HE Disc	Year Ended 31 July 2016 Total	Year Ended 31 July 2015 Total
	£	£	£	£	£	£
Balance brought forward	-	-	14,890	3,070	17,960	42,824
Allocation received in year	1,913,970	116,070	96,000	77,661	2,203,701	2,044,790
Expenditure	(1,900,816)	(116,070)	(103,140)	(72,439)	(2,192,465)	(2,211,218)
Repaid to funding council as clawback	-	-	-	(3,070)	(3,070)	(16,694)
College contribution to funds	-	-	-	-	0	47,635
Virements	-	-	-	-	0	110,623
<b>Balance c/fwd</b>	<b>13,154</b>	<b>-</b>	<b>7,750</b>	<b>5,222</b>	<b>26,126</b>	<b>17,960</b>
<b>Represented by</b>						
Repayable to funding council as clawback	13,154	-	-	5,222	18,376	3,070
Retained by College for students	-	-	7,750	-	7,750	14,890

Inverness College UHI

FE Bursary and Other Student Support Funds (continued)

FE AND HE CHILDCARE FUNDS

	Year Ended 31 July 2016 £	Year Ended 31 July 2015 £
Balance brought forward	0	122,769
Allocation received in year	244,980	326,370
Expenditure	(244,980)	(215,747)
Repaid to Funding Council as clawback College contribution to funds Virements	0	(122,769)
<b>Balance carried forward</b>	<b>0</b>	<b>(110,623)</b>
<b>Represented by:</b>		
Repayable to funding council as clawback	-	-
Retained by College for students	-	-

	Year Ended 31 July 2016 HE Hardship £	Year Ended 31 July 2016 Total £	Year Ended 31 July 2015 Total £
Balance brought forward	3,070	0	9,309
Allocation received in year	77,661	0	73,648
Expenditure	(72,439)	0	(70,578)
Repaid as clawback College's contribution to funds Virements	(3,070)	0	(9,309)
<b>Balance at 31 July 2016</b>	<b>5,222</b>	<b>0</b>	<b>3,070</b>
<b>Represented by:</b>			
Repayable as clawback	5,222	0	3,070
Retained by College for students	-	-	-

**2015-16 Accounts direction for Scotland's colleges and universities**

- 1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 Colleges and universities must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
- 3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2015-16 (FReM) where applicable.
- 4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2016.
- 5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.
- 6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
24 August 2016

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