



North Highland College  
University of the  
Highlands and Islands

**The North Highland College Report &  
Financial Statements for the year ended  
31 July 2013**

**SCOTTISH CHARITY NUMBER SC021215**

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

#### **Legal Status**

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

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

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

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

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

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

The Financial Statements cover all activities of the College.

#### **Mission Statement**

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

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

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

- The delivery, in partnership with Argyll College, of 9,547 WSUMS in the Argyll area for the year 2012-13; 2011-12 9,788 WSUMS. West Highland College became a fundable college in its own right from 1 August 2012, meaning that its FE funding no longer comes through North Highland College, but goes directly to it. Its WSUMs however are reported through North Highland College. It delivered 6,962 WSUMS in the year to 31 July 2013.
- The Environmental Research Institute Maree project is due to complete in the autumn of 2013. Research staff have been investigating and modelling the tidal flows in the Pentland Firth, with a view to further developing the environmental science around this renewable resource, which has such potential in terms of energy generation. The research staff involved in the MaREE project operated out of the Centre for Energy and the Environment facility.
- The Engineering, Technology and Energy Centre (ETEC) continues to provide a major facility in the North of Scotland for practical engineering skills using state of the art facilities and equipment. This is helping to provide a trained and talented workforce for the Caithness economy and beyond, for the change from Nuclear Power and decommissioning, to renewable power engineering and general engineering.

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- There is work looking at the maintenance of the college estate on an on-going basis. Two properties, Barrogill Hall, Wick, and Unit 3, Ormlie Industrial Estate, Thurso were sold in the year to 31 July 2013.

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

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

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

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

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

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

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

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

### **Financial Objectives**

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

- Base-line funding for FE continued to decline from an average of £220.38 per WSUM in 2011-12 to £215.26 in 2012-13. However the Scottish Funding Council recognised that the Remoteness funding North Highland College was given was inadequate and awarded the College an additional £400,000 in 2012-13, and has also awarded this in 2013-14.
- The successful delivery of the West Highland partnerships in respect of SFC objectives and appropriate financial management.
- Four new Europe projects were secured in the year 2011-12 – Digital Literacies; ESOL; Personal Empowerment Project; and Highland Energy Collaboration.
- Assisting all sections and research facilities in identifying further sources of income.

### **Performance Indicators and Activity Review**

Further education activity amounted to 26,228 weighted sums (WSUMs) in 2012-13, compared to 33,041 WSUMs in academic year 2011-12. Activity was delivered under the collaborative further education arrangements with Argyll College. WSUMS were as follows:

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	2013 Nos	2012 Nos
North Highland College	16,681	17,584
Argyll College	9,547	9,788
West Highland College	<u>6,962</u>	<u>5,669</u>
	<u>33,190</u>	<u>33,041</u>

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

Higher Education activity as measured by full time equivalents (FTE's) amounted to 388 FTEs compared with 456 FTEs in 2011-12.

### Student Activity Indicators

The trend of College enrolments and student activity is as set out below. Higher education activity is reported separately and funded through The University of the Highlands and Islands (UHI).

Analysis of College Further Education Enrolments 2008-09 to 2012-13					
Year	2008-09	2009-10	2010-11	2011-12	2012-13
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	524	604	716	686	795
<b>Part-time</b>	10,123	10,003	8,140	6,354	5,819
	10,647	10,607	8,856	7,040	6,614
Weighted Sums Delivered	30,096	31,570	32,505	33,041	33,190

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

Analysis of College Higher Education Enrolments 2008-09 to 2012-13					
Year	2008-09	2009-10	2010-11	2011-12	2012-13
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	240	251	289	316	246
<b>Part-time</b>	627	664	472	520	443
<b>Total enrolments</b>	867	915	761	836	689
<b>Total FTEs</b>	503	524	426	456	388

## **Continuous Professional Development of Staff**

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

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

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

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

## **FINANCIAL POSITION**

### **Financial Results**

In accordance with best practice, the College has implemented the requirements of Financial Reporting Standard 17: Retirement Benefits (FRS 17). Prior to adjustment the operating deficit was £60,000. After adjustment has been made for the requirements of FRS 17, the Income and Expenditure account for the year 2012-13 showed an operating deficit of £306,000. After adjusting for the effect of depreciation on revalued fixed assets, the historical cost deficit amounted to £224,000. The College Income and Expenditure Account and Designated Reserves Account including the FRS 17 pension liability amounts to a deficit of £1,565,000. Excluding FRS 17 pension liability, the College Income and Expenditure Reserve and Designated Reserves amounted to a surplus of £1,703,000.

Cash at bank and in hand at 31 July 13 amounted to £2,373,000 in credit.

### **Charitable and Tax Status**

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

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

The College is using longer term deposits to give some higher interest, although in the current economic climate such returns are limited.

### **Liquidity**

Prior to adjustment made for the requirements of FRS 17, the College generated a planned deficit. The College's underlying liquidity position continues to improve. The College Board's on-going financial planning demonstrates the Board's determination to ensure the financial health of the College.

### **Creditor Payment Policy**

It is the policy of North Highland College to pay invoices promptly and within one month. Monthly runs of purchase payments are made. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998. Year-end creditors represented 2.25% (2012 2.25%) of the aggregate purchases invoiced during the year.

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

### **Curriculum Developments**

The College is a tertiary education provider and makes extensive use of the Scottish Certification and Qualification Framework (SCQF) at all levels from 1-12. This ensures that all learners from school age to those on post-graduate programmes receive recognition for their education and training, including relevant work-based activity. Recent curriculum developments have been heavily focussed on meeting the needs of the north highland area's key employment sectors; engineering and tourism in particular. In 2011-12 the college entered into a training partnership agreement with the Nigg Skills Academy. New apprenticeship programmes were introduced in 2011-12 in both the Engineering Technology & Energy Centre (ETEC) and Burghfield Training Hotel, and these have continued into 2012-13 and there has been further recruitment of apprentices on these and we have recently introduced new apprenticeship programmes in Equestrianism and Administration for the 2013-14 period. During 2012/13, a number of new college access programmes were delivered for the first time along with with new vocational qualifications in Community and Health studies and new degrees in Childhood Practice and Equine Business Management. Looking ahead to the future, our curriculum development priorities will reflect local, regional and national requirements. In the Land Based area, we will take the lead role in developing both an honours year for our Equine Business Management qualification, create new pathways to provide progression opportunities for HN Game-keeping & Wildlife Management students and investigate the introduction of Horticultural training in Dornoch. We will take forward the development of new programmes to strengthen our position in the creative arts area (Film & Media) in partnership with local stakeholders and we will also develop new programmes in the Sports Performance/Therapy domain. We will contribute to the development of a range of new programmes being developed by UHI for network delivery including master level provision in Engineering, we will complete a major project to create flexible learning materials to facilitate broader access to our existing BEng courses and we will consult with our engineering employers to ensure that the college engineering curriculum continues to build the skills capacity required by the renewable energy sector. We have also agreed a number of new developments to further enhance the college's contribution to the senior phase of the Curriculum for Excellence in association with our local schools.

### **Post Balance Sheet Events**

The North Highland College Board of Management is aware of the current difficult situation regarding public sector finance and the possible implications this may have on College funding in the future. The sector has to deliver further efficiencies with a marginal increase in funding but a far higher commensurate increase in WSUMS in the year 2013-14.

### **Future Developments**

The Board of Management have been committed to a substantial investment programme to widen participation in both Further & Higher Education. This strategy has resulted in a number of

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projects, chiefly the Estates projects on the Thurso campus, Centre for Energy and the Environment and the Engineering, Technology and Energy Centre. This together with further development of ICT supported delivery of the curriculum and infrastructure across the rural Highlands will be provided to ensure delivery to hitherto excluded learners as well as greater engagement with school pupils studying on vocational pathways.

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

The decommissioning of Dounreay may result in the potential loss of 1,800 jobs in Caithness alone over the coming 10-20 years with full site closure expected 2022 - 25. The under-representation of 18-35 year olds is expected to increase. It is important that attractive employment opportunities are created to encourage them to remain in the area and to encourage immigration. It is imperative to establish a knowledge based economy as competition increases from both within the expanded European Union and the rest of the world.

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

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

### *Key Development Activities*

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

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

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

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

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

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

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

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

## Regionalisation

North Highland College is now part of a regional Highlands and Islands college grouping which was introduced by the Scottish Government and the Scottish Funding Council towards the end of 2011-12. How regionalisation will apply to the Highlands and Islands areas is a work in progress.

## RESOURCES

Barrogill Hall was sold in March 2013; and Unit 3, Ormlie industrial Estate, Thurso was sold in May 2013. This meets part of the strategy to reduce the college's estate where appropriate, and reduce its carbon footprint. Wick College is viewed as either a lease or sell opportunity; there is work being done to look at the Dornoch estate.

## Landbased Sector

The College vacated the premises of Achavrole, Halkirk at the end of July 2012, and has now leased a new purpose-built facility at Dale Farm, Halkirk. It is anticipated that this new facility will provide first rate facilities for those equestrian students studying at either FE or HE level.

## PRINCIPAL RISKS AND UNCERTAINTY

The main financial risks to North Highland College's long-term financial stability are cut backs in SFC funding. The College's financial recovery plan and its implementation was intended to address the cuts in funding for 2011-12 and 2012-13, although the sector faces further financial challenges in the years beyond that.

## Reclassification of Incorporated Colleges

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the colleges to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm's-Length Trusts is currently being explored on a sector wide basis to shelter existing college reserves.

The first stage of implementation takes effect on 1 April 2014 when incorporated colleges will need to move to a 1 April to 31 March financial year and manage expenditure within the wider Scottish Government financial budgeting and reporting arrangements.

## STAKEHOLDERS RELATIONSHIPS

The following are North Highland College stakeholders:-

UHI Executive Office  
UHI network of Colleges

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

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

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

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

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

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

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

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

**D MacBeath**  
Vice Principal

**N Smith**  
Chairman

## **INTRODUCTION**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in 'The UK Corporate Governance Code' (June 2010 version), the purpose being to help the reader of the financial statements understand how the principles have been applied.

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

In the opinion of the Board of Management, the College complies with all provisions of the 'The UK Corporate Governance Code' (June 2010 version), in so far as they apply to the further education and charitable sectors and it has complied throughout the year ended 31<sup>st</sup> July 2013.

## **BOARD OF MANAGEMENT**

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

The Audit & Risk Management Committee normally meets no less than three times a year, with the College's external and internal auditors in attendance as appropriate.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to the senior management team and the Audit & Risk Management Committee. The Senior Management team is responsible for the implementation of agreed audit recommendations and Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

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

## **TRANSPARENCY ARRANGEMENTS**

The Board of Management conducts its business through a number of committees. Each committee has formally constituted Terms of Reference. Minutes of all full Board of Management meetings are available from the Secretary to the Board at:

The North Highland College  
Ormlie Road  
Thurso  
Caithness  
KW14 7EE

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

**MEMBERS OF THE BOARD OF MANAGEMENT**

The Members who served on the Board of Management during the year 1<sup>st</sup> August 2012 to 31<sup>st</sup> July 2013 were as follows:

<b>Name</b>	<b>Status of appointment</b>	<b>Date of appointment</b>	<b>Date of resignation</b>	<b>Committees served</b>	<b>Board/ Committee Attendance</b>
Willie Bruce	Independent Member	September 2007		Finance & General Purposes; Learning Teaching & Research; Nominations	BoM – 5/5 F&GP – 3/5 LT&R – 2/2
Donald Buntain	Independent Member	April 2009	March 2013	Chair: Inclusive Engagement; Audit; Nominations; Remuneration	BoM – 2/3 A&RM – 3/3 IEC – 2/2 REM – 1/1
Bryan Dods	Independent Member	December 2011		Human Resources; Inclusive Engagement	BoM – 4/5 HR – 3/3 IEC – ½ LT&R – 1/1
Gordon Jenkins	Principal	January 2010		Finance & General Purposes; Human Resources; Learning Teaching & Research; Inclusive Engagement	BoM 5/5 F&GP – 3/5 HR – 3/3 IEC – 2/2 LT&R 2/2
Trevor Jones	Independent Member	December 2010		Vice Chair: Board; Chair: Remuneration Finance & General Purposes; Audit	BoM – 4/5 A&RM – 3/4 F&GP – 4/5 REM - 2/2
Mark Boulton	Student Member	December 2012		Learning, Teaching & Research	BoM – 2/4 LT&R – 1/1
Paul Monaghan	Independent Member	September 2007		Chair: Audit; Inclusive Engagement; Nominations; Remuneration	BoM – 4/5 A&RM 4/4 IEC – 2/2 REM – 2/2
Linda Munro	Independent Member	July 2009	July 2013	Nil	BoM – 1/5
Anna MacConnell	Independent Member	November 2006		Chair: Nominations; Learning Teaching & Research	BoM – 3/5 LT&R – 1/2 REM – 1/2

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## STATEMENT OF CORPORATE GOVERNANCE

Alastair MacDonald	Independent Member	December 2010		Chair: Finance & General Purposes; Chair: Human Resources; Remuneration	BoM – 3/5 F&GP – 5/5 HR – 2/3 REM 2/2
Ken Nicol	Independent Member	May 2012		Learning Teaching & Research; Inclusive Engagement; Audit	BoM – 4/5 A&RM 1/1 LT&R 1/2 IEC – 0/2
David Shaw	Teaching Staff Member	June 2012		Learning Teaching & Research, Human Resources	BoM – 5/5 LT&R – 2/2 HR – 2/3
Niall Smith	Independent Member	July 2010		Chair: Board Finance & General Purposes; Human Resources; Nominations; Remuneration	BoM – 3/5 F&GP – 4/5 HR – 3/3 REM – 1/2
Anna Swanson	Support Staff Member	March 2005	March 2013	Human Resources; Learning Teaching & Research, Inclusive Engagement	BoM – 3/3 HR – 1/2 IEC – 2/2 LT&R – 1/1

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

### ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT

#### Finance & General Purposes Committee

The Committee is authorised by the Board to undertake any activity within its list of duties as outlined in Section 5 below, taking account of the Financial Memorandum between the SFC and the College and the College's own Financial Regulations. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee in pursuit of its duties.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary. The Committee shall normally meet four times per year. The Director of Finance, the Estates & Facilities Manager and one other member of the Senior Management Team shall normally attend Committee meetings, together with other staff invited to attend.

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

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## STATEMENT OF CORPORATE GOVERNANCE

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

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

1. Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs;
2. Consider the annual accounts and make recommendation of these for approval;
3. Advise the BoM with regard to College compliance with all statutory requirements relating to the college accounts and application of appropriate best practice in accounting procedures;
4. Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis;
5. Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend;
6. Advise the BoM that the allocation of resources is in accordance with college priorities as defined in the strategic plan;
7. Make recommendations to the Board on capital expenditure, investments and borrowing;
8. Set the levels of course fees, as appropriate;
9. Approve amendments to the Fee Waiver Policy;
10. Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters;
11. Allocate the Estates capital formula funding on an annual basis against which projects can be prioritised;
12. Approve capital projects and co-ordinate the Estates Strategy;
13. Consider the Health & Safety Policy annual review prior to recommendation to the BoM;
14. Monitor and review College Health & Safety statistics on an on-going basis;
15. Review reports from the College H&S Committee;
16. Consider/approve any College developments and initiatives not covered by the above and, in addition, not covered by the remit of the HR or LT&R Committees.

### Human Resources Committee

To approve the direction and have oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff along with the development and monitoring of all HR strategies and work streams.

The Human Resource Committee will:

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## STATEMENT OF CORPORATE GOVERNANCE

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

### Audit & Risk Management Committee

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

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

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

The Committee is responsible for the following matters:

- Reviewing audit aspects of the draft annual financial statements.
- Considering the external audit opinion, the statement of members' responsibilities, the corporate governance/internal control statement and any relevant issue raised in the external auditor's management letter.
- Confirming, on behalf of the Board of Management, to internal and external auditors that the effectiveness of the College's internal control and governance systems are under regular scrutiny.

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

- To ensure that satisfactory arrangements are in place to promote efficiency and effectiveness.

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

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

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

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

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

### Learning, Teaching & Research Committee

The Learning, Teaching & Research Committee will:

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

### Nominations Committee

Nominations Committee will:

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

The Nominations Committee will:

- a. review the composition of, and succession to, the Board
- b. ensure the skills profile of current Board members is fit for purpose

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

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

### Remuneration Committee

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

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

### Inclusive Engagement Committee

The purpose of the Inclusive Engagement Committee is to assist the Board in developing strategy and oversee implementation of the College Development Plan to promote economic development, Best Value, the environment, social and recreation matters, cultural wellbeing, urban development and transport, governance, community engagement and cross-college matters, and to determine such matters that have been delegated to it and to advise the Board of Management on appropriate policies and procedures.

The Committee is responsible for the following matters:

- Facilitating the involvement of key stakeholders in the College's strategic planning;
- Receiving reports from whatever source(s) regarding strategic issues, to consider these and make recommendations as necessary to the Board of Management;
- Reviewing strategic performance through the commissioning of reports, presentations and/or research and subsequently to make recommendations as necessary to the Board of Management;
- Monitoring and directing the work of the College's Steering Groups;
- Managing the college's relationships with external agencies, bodies, organisations, and individuals to ensure effective implementation of the College Development Plan;
- Discharging delegated powers in relation to the strategic development of the college.

The duties of the Inclusive Engagement Committee shall be:

- To assist the Board of Management in developing its strategic priorities and objectives;
- To develop and implement a community engagement strategy on behalf of the Board of Management that provides an education-led focus to improving skills, and identifies strategic ways of tackling worklessness and low levels of educational participation amongst disadvantaged groups;
- To engage jointly with the Learning and Teaching Committee with employers and other bodies to determine that the courses provided meet their needs;
- To encourage reform and joint working (public to public, public to private and private to private) to drive efficiency and improve educational outcomes;
- To consider and review the needs of employers and their concerns about skills and employment;
- To develop and implement a programme of continuing professional development for members of the Board of Management and its Steering Groups.

The Committee shall advise the Board of Management on matters of external relations and community engagement.

The Committee will consider formal policies and procedures over which the Board of Management is formally required to consult the General Public under the provisions of law.

The Committee will ensure that the Board of Management complies with the Environmental Impact Assessment (Scotland) Regulations 1999 in relation to the development and implementation of North Highland College Development Plan and any power of the Scottish Ministers or European Commission under the regulations in regard to any determination that may be exercised.

The Committee will ensure that the College's activities, services and products comply with the Local Government in Scotland Act 2003 and will meet to consider and advise the Board of Management on reports relating to the Advancement of Wellbeing, Best Value, Continuous Improvement, related quality matters and policy obligations. The Group will liaise with Community Planning Partnerships as required.

The Committee will ensure that the Board of Management complies with S22 of the Further and Higher Education (Scotland) Act 1992 in terms of submission to the Scottish Government a College Development Plan in respect of the North Highland College and any power of the Scottish Ministers under this section to make a determination that may be exercised differently in respect of different colleges.

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

*Note: The Board of Management took the decision to close down the Inclusive Engagement Committee at its meeting of 26<sup>th</sup> June 2013, transferring the duties of the Committee to the Learning, Teaching & Research Committee and the full Board of Management.*

## **CORPORATE STRATEGY**

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

## **BOARD'S STATEMENT ON INTERNAL CONTROL**

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

# The North Highland College

## STATEMENT OF CORPORATE GOVERNANCE

In the opinion of the Board of Management, the College is committed to implementing all provisions of the Combined Code on Corporate Governance, in so far as they apply to the further education and charitable sectors. As at the date of approval of the annual report and financial statements, the College's system of internal control is regularly subjected to scrutiny and review by the Audit and Risk Management Committee reporting to the Board of Management in a manner consistent with the internal control guidance for directors on the Combined Code on Corporate Governance.

The senior management team and the Audit & Risk Management Committee also receive regular reports from the internal audit function, which includes recommendations for improvement.

The Audit & Risk Management Committee's role in this area is confined to a high level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit & Risk Management Committee.

### **GOING CONCERN**

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

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

**D MacBeath**  
**Vice Principal**

**N Smith**  
**Chairman**

### Statement of responsibilities of the Board of Management

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Act, the Statement of Recommended Practice on 'Accounting in Further and Higher Education Institutions' and other relevant accounting standards. In addition, within the terms of the Financial Memorandum between the Scottish Funding Council (SFC) and the Board of Management, the Board is required to prepare financial statements for each reporting period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

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

- suitable accounting policies are selected and applied consistently;
- judgement and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

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

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

- clear definitions of responsibilities of, and the authority delegated to, College management;
- a comprehensive planning process supplemented by detailed annual income, expenditure, and capital budgets;
- regular reviews of key performance indicators and business risks and monthly financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Finance Committee; and
- a professional internal audit service whose annual programme is established by the Audit & Risk Management Committee and endorsed by the Board of Management with a report on

# The North Highland College

## STATEMENT OF RESPONSIBILITIES OF THE BOARD OF MANAGEMENT

internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control.

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

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

**D MacBeath**  
**Vice Principal**

**N Smith**  
**Chairman**

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

We have audited the financial statements of North Highland College for the year ended 31 July 2013 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Account, Statement of Historical Cost Surpluses and Deficits, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, 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 Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. 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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 body's affairs as at 31 July 2013 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

#### **Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements

# The North Highland College

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements 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 Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Henderson Loggie  
Statutory Auditor  
Royal Exchange  
Panmure Street  
Dundee  
DD1 1DZ

Date: .....

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

**The North Highland College**  
**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
<b>INCOME</b>			
SFC Grants	2	7,113	9,020
UHIMI Grants	3	1,584	1,611
Education Contracts	4	120	109
Tuition Fees and Charges	5	874	879
Other Grant Income	6	2,704	2,339
Other Operating Income	7	756	615
Investment Income	8	8	10
		<u>13,159</u>	<u>14,583</u>
<b>EXPENDITURE</b>			
Staff Costs	9 & 11	6,243	5,654
Other Operating Expenses	11	5,487	7,340
Depreciation	11 & 15	1,635	1,111
Interest Payable	11 & 12	100	103
		<u>13,465</u>	<u>14,208</u>
<b>(Deficit)/Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and before Tax</b>		<b>(306)</b>	<b>375</b>
Taxation	13	<u>0</u>	<u>0</u>
<b>(Deficit)/Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax</b>	<b>14</b>	<b><u>(306)</u></b>	<b><u>375</u></b>

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

# The North Highland College

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2013

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	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
(Deficit)/Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax	14	(306)	375
Difference between Historical Cost Depreciation and the actual Charge for the year calculated on the Revalued Amount	23	82	52
Historical Cost (Deficit)/Surplus for the Year before Taxation		<u>(224)</u>	<u>427</u>
Historical Cost (Deficit)/Surplus for the Year after Taxation		<u>(224)</u>	<u>427</u>

# The North Highland College

## STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2013

	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
(Deficit)/Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Tax	14	(306)	375
Actuarial Gain/(Loss) Recognised		583	(168)
Adjustment of FRS 17 Provision		5	16
Total Recognised Gains Relating to the Year		<u>282</u>	<u>223</u>
Prior Year Adjustment		0	0
Total Recognised Gains since last Financial Statements		<u><b>282</b></u>	<u><b>223</b></u>
<b>Reconciliation</b>			
Opening Reserves as previously Reported		300	77
Total Recognised Gains for the Year		282	223
<b>Closing Reserves</b>		<u><b>582</b></u>	<u><b>300</b></u>

# The North Highland College

## BALANCE SHEET

31 July 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	15	20,904	22,405
Investments	16	0	0
		<u>20,904</u>	<u>22,405</u>
<b>CURRENT ASSETS</b>			
Stock	17	4	4
Debtors	18	763	880
Cash at Bank and in Hand		2,373	1,480
		<u>3,140</u>	<u>2,364</u>
<b>CREDITORS</b>			
Amounts falling due within One Year	19	<u>(2,147)</u>	<u>(1,473)</u>
<b>NET CURRENT ASSETS</b>			
		<u>993</u>	<u>891</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		21,897	23,296
<b>CREDITORS</b>			
Amounts falling due after more than One Year	20	<u>(1,537)</u>	<u>(1,580)</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
	21	<u>(857)</u>	<u>(775)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>19,503</u>	<u>20,941</u>
<b>PENSION LIABILITY</b>		<u>(3,268)</u>	<u>(3,605)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u><b>16,235</b></u>	<u><b>17,336</b></u>
<b>RESERVES</b>			
Deferred Capital Grants	22	<u>15,653</u>	<u>17,036</u>
Revaluation Reserve	23	2,147	2,229
Income and Expenditure Account		1,703	
Pension Reserve		<u>(3,268)</u>	
Income and Expenditure Account including Pension Liability		<u>(1,565)</u>	<u>(1,929)</u>
Total Reserves		<u>582</u>	<u>300</u>
<b>TOTAL</b>		<u><b>16,235</b></u>	<u><b>17,336</b></u>

The financial statements on pages 24 to 47 were approved by the Board of Management on December 2013 and signed on its behalf by:

**D MacBeath**  
Vice Principal

**N Smith**  
Chairman

# The North Highland College

## CASH FLOW STATEMENT for the year ended 31 July 2013

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	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	26	645	381
Returns on Investment and Servicing of Finance		(92)	(93)
Capital Grants/(Expenditure)		340	7
Financing		----	----
		<b>893</b>	<b>295</b>
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT</b>			
Increase in Cash in the year		893	295
Cashflow from decrease in debt		40	1,038
		933	1,333
Net Funds at 1 August 2012		(140)	(1,473)
Net Funds at 31 July 2013		<b>793</b>	<b>(140)</b>

### 1. ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The Financial Statements are prepared in accordance with Further and Higher Education (Scotland) Act 1992 and the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007).

#### BASIS OF ACCOUNTING

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

#### RECOGNITION OF INCOME

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

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

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

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

#### PENSION SCHEMES

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

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPS). The North Highland College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 17 'retirement benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

The pension provision shown in the Balance Sheet relates to former employees who retired in the early 1990's and this provision has been calculated in accordance with instructions issued by the Scottish Funding Council, using an updated set of actuarial factors that reflect a trend of increased life expectancy. (Note 21)

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Highland Council. The fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method. (Note 25)

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### TANGIBLE FIXED ASSETS

a. Land and Buildings

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

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

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

b. Plant and equipment

Plant and equipment costing less than £1,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

c. Computer equipment and motor vehicles

Computer equipment and motor vehicles costing less than £1,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other computers and vehicles are capitalised at cost.

Depreciation of Fixed Assets is charged by annual instalments commencing in the year of acquisition at rates estimated to write off their cost or valuation less any residual value over their expected useful lives, which are as follows:

Freehold Buildings	10 - 50 years
Plant and Equipment	2 - 10 years
Computer Equipment	3 years
Motor Vehicles	4 years

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

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

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

### ASSETS UNDER CONSTRUCTION

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

### SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

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

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

### LEASED ASSETS

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

### INVESTMENTS

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

### STOCKS

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

### MAINTENANCE OF PREMISES

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

### FOREIGN CURRENCY TRANSLATION

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

### TAXATION

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

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

### PROVISIONS

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

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

Unfunded pensions are accounted for under FRS 12 as required by the Accounts Direction

issued by the Scottish Funding Council.

### REVALUATION RESERVE

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

### AGENCY ARRANGEMENTS

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>2. SFC GRANTS</b>		
Recurrent Grant	5,915	7,887
Release of Deferred Capital Grants (SFC)	620	323
Estates Grant	111	209
FE Childcare Funds	81	63
Other SFC	386	538
	<b>7,113</b>	<b>9,020</b>
<b>3. UHIMI GRANTS</b>		
Recurrent Grant	1,342	1,289
Other UHIMI Grants	242	322
	<b>1,584</b>	<b>1,611</b>
<b>4. EDUCATION CONTRACTS</b>		
Other Non-SFC Funded Tuition	<b>120</b>	<b>109</b>
<b>5. TUITION FEES AND CHARGES</b>		
Further Education - Home and EU	221	208
Higher education - Home and EU	529	590
LEC Contracts	124	81
	<b>874</b>	<b>879</b>
<b>6. OTHER GRANT INCOME</b>		
European Funds	497	396
Other Funds	1,313	1,370
Student Allowances	20	19
Release of Deferred Capital Grants (Other)	874	554
	<b>2,704</b>	<b>2,339</b>

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2013 (continued)

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### 7. OTHER OPERATING INCOME

	2013 £'000	2012 £'000
Residences and Catering	140	109
Other Income Generating Activities	272	196
Other Income	344	310
	<u>756</u>	<u>615</u>

### 8. INVESTMENT INCOME

Other Interest Receivable	8	4
Net return on pension asset/liability	---	6
	<u>8</u>	<u>10</u>
Total	<u>13,159</u>	<u>14,583</u>

### 9. STAFF

#### STAFF NUMBERS

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

	2013 Number	2012 Number
Senior Management	4	4
Teaching Staff	76	68
Teaching Support	15	15
Research	27	27
Administration and Central Services	32	32
Premises	13	13
Apprentices	12	0
Other Income Generating Activities	16	16
Catering and Residences	3	3
	<b>198</b>	<b>178</b>
Analysed as:		
Staff on Permanent Contracts	134	126
Staff on Temporary Contracts	64	52
	<b>198</b>	<b>178</b>
Staff costs for the above persons:		
	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	5,047	4,647
Social Security Costs	343	329
Other Pension Costs	602	603
Adjustment re share in Highland Council Pension Fund	251	75
	<b>6,243</b>	<b>5,654</b>
Senior Management	313	311
Teaching Staff	3,000	2,668
Teaching Support and Research	1,231	1,279
Administration and Central Services	828	792
Premises	241	253
Apprentices	70	0
Other Income Generating Activities	263	238
Catering and Residences	46	38
Adjustment re share in Highland Council Pension Fund	251	75
	<b>6,243</b>	<b>5,654</b>
Analysed as:		
Staff on Permanent Contracts	4,807	4,354
Staff on Temporary Contracts	1,436	1,300
	<b>6,243</b>	<b>5,654</b>

North Highland College employed 12 engineering apprentices funded by external funding. This was to support the emerging renewables industry and address the lack of opportunities locally due to the economic downturn.

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

**EMOLUMENTS OF THE BOARD OF MANAGEMENT**

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Travel and Subsistence paid to Board Members	<u>2</u>	<u>1</u>

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

	2013		2012	
	Number Senior Post Holders	Number Other Staff	Number Senior Post Holders	Number Other Staff
£50,001 - £60,000	-	-	-	1
£60,001 - £70,000	1	1	1	-
£70,001 - £80,000	-	-	-	-
£80,001 - £90,000	-	-	1	-
£90,001 - £100,000	1	-	-	-

**Senior Post-holders emoluments**

	<b>2013</b>	<b>2012</b>
	<b>Nos</b>	<b>Nos</b>
The number of senior post-holders, including the Principal was:	<u>4</u>	<u>4</u>

Senior post-holders' emoluments paid were as follows:

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	246	239
Pension Contributions	39	45
<b>Total Emoluments</b>	<u><b>285</b></u>	<u><b>284</b></u>

The above emoluments include amounts payable to the College Principal, who is also the highest paid senior post-holder, of:

Salaries	91	88
Pension Contributions	14	13
<b>Total Emoluments</b>	<u><b>105</b></u>	<u><b>101</b></u>

The pension contributions in respect of the Principal and Senior Post-Holders are in respect of Employer's contributions to the Local Government Superannuation Scheme and Scottish Teacher Superannuation Scheme. The College's contribution to the Scottish Teacher Superannuation Scheme is paid at the same rate as for other members of staff. The College's contribution to the Local Government Superannuation Scheme is paid at a variable rate which increases according to pay-scale.

**11. ANALYSIS OF EXPENDITURE**

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Loss on Disposal £'000	Interest Payable £'000	2013 Total £'000	2012 Total £'000
Teaching Activities	3,069	4,119	686	0	7,874	9,361
Residences and Catering	46	89	0	0	135	120
Other Income Generating Activities	263	78	0	0	341	304
Premises	241	604	906	100	1,851	1,461
Administration	2,373	501	43	0	2,917	2,812
Other Expenses	0	96	0	0	96	75
Adjust share in HC pension	251	0	0	0	251	75
	<b>6,243</b>	<b>5,487</b>	<b>1,635</b>	<b>100</b>	<b>13,465</b>	<b>14,208</b>

Other Operating Expenses include:	2013 £'000	2012 £'000
- internal audit	9	13
- external audit	13	13
- external audit (other)	---	4
Hire of other Assets – operating leases	102	67

Included in Other Operating Expenses is an additional pension provision of £146,000 required in respect of future pension costs arising from early retirement. Details of the basis of this provision are given at Note 21.

**12. INTEREST PAYABLE**

On bank loans, overdrafts and other loans:

Repayable within 5 years by instalments	15	15
Repayable wholly or partly in more than five years	85	88
	<b>100</b>	<b>103</b>

**13. TAXATION**

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

**14. (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR**

Income and Expenditure Account	<b>(306)</b>	<b>375</b>
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**15. TANGIBLE FIXED ASSETS**

	Land & Buildings £'000	Computer Equipment £'000	Plant & Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or Valuation</b>					
Balance Brought Forward	24,252	1,520	4,054	91	29,917
Additions	137	0	140	0	277
Disposal/Demolitions	(186)	0	0	0	(186)
Transfer	105	0	(105)	0	0
At 31 July 2012	<b>24,308</b>	<b>1,520</b>	<b>4,089</b>	<b>91</b>	<b>30,008</b>
<b>Depreciation</b>					
Balance Brought Forward	3,848	1,282	2,292	90	7,512
Charge for Year	907	129	599	0	1,635
Disposal/Demolitions	(43)	0	0	0	(43)
At 31 July 2012	<b>4,712</b>	<b>1,411</b>	<b>2,891</b>	<b>90</b>	<b>9,104</b>
<b>Net Book Value</b>					
At 31 July 2013	<b>19,596</b>	<b>109</b>	<b>1,198</b>	<b>1</b>	<b>20,904</b>
At 31 July 2012	20,404	238	1,762	1	22,405
<b>Analysis</b>					
Inherited	2,428	0	0	0	2,428
Financed by Capital Grant	12,756	0	1,074	0	13,830
Other	4,412	109	124	1	4,646
At 31 July 2013	<b>19,596</b>	<b>109</b>	<b>1,198</b>	<b>1</b>	<b>20,904</b>

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

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

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

	2013 £'000	2012 £'000
Cost	507	507
Aggregate depreciation based on cost	(226)	(215)
	<b>281</b>	<b>292</b>

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

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2013 (continued)

The depreciation charge for the year is analysed as follows:

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation based on cost	1,570	1,046
Depreciation based on valuation	65	65
	<u>1,635</u>	<u>1,111</u>

### FUTURE CONTRACTED COMMITMENTS

Contracted for	<u>287</u>	<u>123</u>
Authorised but not contracted for	<u>15</u>	<u>360</u>

### 16. FIXED ASSETS INVESTMENTS

	<b>£'000</b>
	<b>Unlisted</b>
<b>INVESTMENT</b>	
<b>COST</b>	
As at 1 August 2012	22
Disposal	<u>(22)</u>
As at 31 July 2013	<u>0</u>
<b>PROVISION FOR PERMANENT DIMINUTION IN VALUE</b>	
As at 1 August 2012	(22)
Disposal	<u>22</u>
As at 31 July 2013	<u>0</u>
<b>NET BOOK VALUE</b>	
31 July 2012 and 2013	<u>0</u>

During the year the College continued its shareholding in Caithness Multi Media Limited, a company incorporated in Great Britain and registered in Scotland. The College has retained 22,000 ordinary £1 shares for investment potential out of a total share capital of £335,000.

On 19 April 2013 a notice for striking off the company was deposited at Companies' House.

### 17. STOCK

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Consumables	<u>5</u>	<u>4</u>

### 18. DEBTORS

Amounts falling due within one year:

Trade Debtors	157	128
Other Debtors	0	0
Prepayments and Accrued Income	606	752
	<u>763</u>	<u>880</u>

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2013 (continued)

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>19. CREDITORS</b>		
Amounts falling due within one year:		
Bank Loans and Overdrafts (see Note 20)	43	40
Trade Creditors	120	160
Other Taxation and Social Security	111	115
Accruals and Deferred Income	1,652	939
Other Creditors	221	219
	<b>2,147</b>	<b>1,473</b>

### 20. CREDITORS

Amounts falling due after more than one year:

Bank Loans	<b>1,537</b>	<b>1,580</b>
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Bank loans, other loans and other creditors are repayable as follows:

In one year or less (see Note 19)	43	40
Between one and two years	46	43
Between two and five years	155	147
In five years or more	1,336	1,390
	<b>1,580</b>	<b>1,620</b>

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

### 21. PROVISION FOR LIABILITIES AND CHARGES

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Opening Provision	775	780
Additional Provision	146	69
	921	849
Charged to Provision in Year	(61)	(58)
Transfer of unfunded LGSS liability to Pension (liability)/ assets (note 25)	(3)	(16)
Closing Provision	<b>857</b>	<b>775</b>

The Pension Provision has been revalued using actuarial tables provided by the SFC. The net interest applied was 1%. An additional provision of £146,000 has been made. The additional provision has been charged against other operating costs.

**22. DEFERRED CAPITAL GRANTS**

	<b>SFC £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
As at 1 August 2012			
Land and Buildings	5,454	9,851	15,305
Equipment	796	935	1,731
	<u>6,250</u>	<u>10,786</u>	<u>17,036</u>
Grants Receivable			
Land and Buildings	237	238	475
Transfer	(181)	(183)	(364)
Equipment	0	0	0
	<u>56</u>	<u>55</u>	<u>111</u>
Released to Income and Expenditure Account			
Land and Buildings	519	530	1,049
Equipment	101	344	445
	<u>620</u>	<u>874</u>	<u>1,494</u>
As at 31 July 2013			
Land and Buildings	4,991	9,376	14,367
Equipment	695	591	1,286
	<u>5,686</u>	<u>9,967</u>	<u>15,653</u>

**23. RESERVES**

	<b>Revaluation Reserve £'000</b>	<b>Income &amp; Expenditure Account £'000</b>	<b>Pension Reserve £'000</b>	<b>Total £'000</b>
Balance Brought Forward	2,229	1,676	(3,605)	300
Transfer from Revaluation Reserve to Income and Expenditure Account	(82)	82	0	0
(Deficit) on continuing activities after depreciation of Tangible Fixed Assets at valuation and tax	0	(306)	0	(306)
Actuarial Gain/(Loss) recognised in STRGL	0	0	583	583
Adjust re Provision for Liabilities and Charges Movement	0	0	0	0
Other	0	246	(246)	0
	0	5	0	5
At 31 July 13	<u>2,147</u>	<u>1,703</u>	<u>(3,268)</u>	<u>582</u>

**24. FINANCIAL COMMITMENTS**

At 31 July 2013, annual commitments under non-cancellable operating leases were as follows:

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Land and Buildings		
Expiring within one year	4	4
Expiring within two and five years inclusive	60	0
Expiring in over five years	0	0
	<b>64</b>	<b>4</b>
Other		
Expiring within one year	10	56
Expiring within two and five years inclusive	27	35
Expiring in over five years	-	-
	<b>37</b>	<b>91</b>

**25. PENSION AND SIMILAR OBLIGATIONS**

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Superannuation Scheme (LGSS), which are Defined Benefit Schemes. The STSS is administered by the Scottish Public Pensions Agency. The total pension cost for the period was £608,000 (2012 - £596,000)

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Total pension cost for the year:		
STSS - Contributions paid	278	260
LGSS - Charge to Income and Expenditure Account	330	336
	<b>608</b>	<b>596</b>

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME**

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

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

**LOCAL GOVERNMENT SUPERANNUATION SCHEME**

The Highland Council Pension Fund is a funded Defined Benefits Scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2013 were £456,000 (2012 - £461,000) of which Employer's contributions totalled £330,000 (2012 - £336,000) and Employees' contributions totalled £126,000 (2012 - £125,000). The agreed contribution rates for future years are variable rates for both employees and employer based on salary ranges.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2013 by a qualified independent actuary.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
RPI	2.60%	2.60%	3.50%	3.20%	3.60%
CPI	1.80%	1.80%	2.70%	2.70%	N/A
Rate of increase in salaries	5.10%	4.10%	5.00%	4.70%	5.10%
Rate of increase in pensions	2.80%	1.80%	2.70%	2.70%	3.60%
Discount rate for liabilities	4.60%	3.90%	5.30%	5.40%	6.00%

**Life expectancy from age 65 (years)**

	Last valuation as at 31 March 2008	Previous valuation as at 31 March 2005	
<i>Retiring Today</i>		Manuals	Officers (& post 98)
Males	21.3	17.64	19.35
Females	23.5	18.49	22.32
<i>Pensioners</i>			
Males	22.6	17.64	19.35
Females	25.1	18.49	22.32

**Employee Benefit Obligations**

The amounts recognised in the Balance Sheet are as follows:

Net Pension Assets as at:	<b>31 Jul 13</b>	<b>31 Jul 12</b>	<b>31 Jul 11</b>	<b>31 Jul 10</b>	<b>31 Jul 09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present Value of Funded Obligation	(14,466)	(13,005)	(11,737)	(9,949)	(8,543)
Fair Value of Scheme Assets	11,276	9,475	8,423	7,394	5,890
	<b>(3,190)</b>	<b>(3,530)</b>	<b>(3,314)</b>	<b>(2,555)</b>	<b>(2,653)</b>
Present Value of Unfunded Obligation	(78)	(75)	(59)	(66)	(73)
	<b>(3,268)</b>	<b>(3,605)</b>	<b>(3,373)</b>	<b>(2,621)</b>	<b>(2,726)</b>
Net Liability in Balance Sheet	<b>(3,268)</b>	<b>(3,605)</b>	<b>(3,373)</b>	<b>(2,621)</b>	<b>(2,726)</b>

**Amounts recognised in the Income and Expenditure Account**

	<b>Year Ended 31 July 2013</b>	<b>Year Ended 31 July 2012</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	544	439
Interest on Obligation	519	581
Expected Return on Scheme Assets	(477)	(587)
Past Service Cost	0	0
Losses/(gains) on curtailments and settlements	0	0
	<b>586</b>	433
Actual Return on Scheme Assets	<b>1,688</b>	299

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

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

	Year Ended 31 July 2013	Year Ended 31 July 2012
	£'000	£'000
Opening Defined Benefit Obligation	13,080	11,796
Service Cost	544	439
Interest Cost	519	581
Actuarial Losses/(Gains)	628	384
Estimated Benefits Paid (Net Transfers In)	(348)	(239)
Contributions by Scheme Participants	126	124
Unfunded Pension Payments	(5)	(5)
Closing Defined Benefit Obligation	<b>14,544</b>	<b>13,080</b>

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

Opening Fair Value of Scheme Assets	9,475	8,423
Expected Return on Scheme Assets	477	587
Actuarial Gains/(Losses)	1,211	216
Contributions by Employer	340	369
Contributions by Scheme Participants	126	124
Estimated Benefits Paid	(353)	(244)
	<b>11,276</b>	<b>9,475</b>

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

Actual Return less Expected Return on Pension		
Scheme Assets	(599)	(288)
Experience Gains and Losses	1,182	1,169
Changes in Assumptions Underlying the present value of the Scheme Liabilities	0	(1,049)
<b>Actuarial Gain/(Loss) in Pension Scheme</b>	<b>583</b>	<b>(168)</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and other Factors	---	---
<b>Actuarial Gain/(Loss) recognised in STRGL</b>	<b>583</b>	<b>(168)</b>

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

(Deficit) at Beginning of Year	(3,605)	(3,373)
Change in Asset Valuation	(42)	0
Current Service Cost	(544)	(439)
Employer Contributions	335	364
Unfunded Pension Payments	5	5
Other Finance Income	0	6
Settlements/Curtailments	0	0
Actuarial Gain/(Loss)	583	(168)
(Deficit) at End of the Year	<b>(3,268)</b>	<b>(3,605)</b>

**Amounts for the Current and Previous Periods**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined Benefit Obligation	(14,544)	(13,080)	(11,796)	(10,015)	(8,616)
Scheme Assets	11,276	9,475	8,423	7,394	5,890
(Deficit)	<b>(3,268)</b>	<b>(3,605)</b>	<b>(3,373)</b>	<b>(2,621)</b>	<b>(2,726)</b>
Experience Adjustments on					
Scheme Assets	1,211	216	190	136	(1,620)
Percent of Assets	0.0%	2.3%	2.3%	1.8%	-27.5%
Experience Adjustments on					
Scheme Liabilities	(29)	665	7	4	281
Percent of Liabilities	---	5.1%	---	---	3.3%
Cumulative Actuarial Gains and					
Losses	<b>(2,209)</b>	<b>(2,792)</b>	<b>(2,624)</b>	<b>(1,985)</b>	<b>(1,669)</b>

**26. RECONCILIATION OF OPERATING SURPLUS TO NET CASH**

<b>FLOW FROM OPERATING ACTIVITIES</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Deficit on Continuing Operations after depreciation of Assets at Valuation and Tax	(306)	375
Other non-cash movement	211	40
Depreciation (Note 15)	1,635	1,111
Loss on Demolitions	1	0
Deferred Grants Released to Income (Note 22)	(1,494)	(877)
Decrease/(Increase) in Debtors	117	618
Increase/(Decrease) in Creditors	307	(974)
Increase in Provisions	82	(5)
Interest Receivable	(8)	(10)
Interest Payable	100	103
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>645</b>	<b>381</b>

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

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Interest Received	8	10
Interest Paid	<b>(100)</b>	<b>(103)</b>
	<b>(92)</b>	<b>(93)</b>

CAPITAL EXPENDITURE

Payments to acquire Tangible Fixed Assets	<b>(277)</b>	<b>(2,851)</b>
Proceeds of disposal of Fixed Assets	142	0
Capital Grants Received	475	2,858
	<b>340</b>	<b>7</b>

FINANCING

Repayment of Loans	<b>(40)</b>	<b>(38)</b>
Funding from SFC		<b>(1,000)</b>
	<b>(40)</b>	<b>(1,038)</b>

**28. ANALYSIS OF CASH MOVEMENT**

	Open Balance £'000	Cash Flows £'000	Other Non- Cash Changes £'000	Closing Balance £'000
Cash	1,480	893	0	2,373
Debt due within One Year	<b>(40)</b>	<b>(3)</b>	0	<b>(43)</b>
Debt due after One Year	<b>(1,580)</b>	43	0	<b>(1,537)</b>
	<b>(140)</b>	<b>933</b>	<b>0</b>	<b>793</b>

**29. LOSSES AND SPECIAL PAYMENTS**

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

**30. POST BALANCE SHEET EVENTS**

There are no post Balance sheet events to disclose.

**31. RELATED PARTY TRANSACTIONS**

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

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.

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2013 (continued)

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<b>Member</b>	<b>Organisation</b>	<b>Position</b>
A MacDonald	Babcock International Group/DSRL	Change Director

Income transactions totalling £4,019 and expenditure transactions totalling £0 were made with Babcock International Group.

L Munro	Highland Council	Councillor
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Income transactions totalling £13,070 and expenditure transactions totalling £45,640 were made with Highland Council.

A McConnell	NDA
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Income transactions totalling £76,851 and expenditure transactions totalling £0 were made with NDA

B Dods	DSRL
K Nicol	DSRL

Income transactions totalling £64,711 and expenditure transactions totalling £0 were made with DSRL.

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

The Board of Management of North Highland College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC). SFC is regarded as a related party. During the period North Highland College had various material transactions with SFC and with other entities for which SFC is regarded as the sponsor department eg Student Awards Agency for Scotland.

During the period the College had various material transactions with the University of the Highlands & Islands (UHI). UHI was designated a higher education institute in April 2001 and received funding from the Scottish Funding Council from 1 July 2002. The College receives funding for higher education activity through UHI EO.

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

The College continues to hold a minority shareholding in Caithness Multi Media limited as detailed in Note 16. On 19 April 2013 a notice for striking off the company was deposited at Companies House.

### 32. BURSARY AND OTHER STUDENT SUPPORT

	FE Bursary £'000	FE Hardship £'000	EMAs £'000	HE Childcare £'000	HE Hardship £'000	Total 2013 £'000	Total 2012 £'000
Balance b/f	26	3	(6)	0	2	25	54
Funds Receivable in Year	1,188	117	124	22	24	1,475	1,413
Virement in Year	59	47	0	0	0	106	132
Expenditure	(1,247)	(164)	(120)	(4)	(20)	(1,555)	(1,539)
Repaid to UHI in Year	(26)	0	0	0	0	(26)	(30)
Balance c/f	<b>0</b>	<b>3</b>	<b>(2)</b>	<b>18</b>	<b>6</b>	<b>25</b>	<b>30</b>

Represented by:

Repayable to SFC as clawback	0	3	0	18	6
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Retained by College for Students	0	0	(2)	0	0
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#### FE Childcare Funds

Balance b/f	107	117
Funds Receivable in Year	192	189
Virement	(106)	(136)
Expenditure	(81)	(63)
Repaid to SFC in Year	0	0
Balance c/f	<b>112</b>	<b>108</b>

Represented by:

Repayable to SFC as clawback	112	107
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Retained by College for Students	0	0
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These Funding Council Grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore now excluded from the income and expenditure account with any unspent balance being included as a creditor in the Balance Sheet.

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

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