

Board Of Management Of Lews Castle College

Scotland · Charity number SC021204

Details

Known as	UHI Outer Hebrides - Innse Gall
Status	Not Submitted
Legal form	Statutory corporation (Royal Charter etc)
Registered	1993-04-01
Register	View on the OSCR register

Contact

Address lews Castle College
 Stornoway
 Isle of Lewis
 HS2 0XR

Website www.lews.uhi.ac.uk

Activities

Activities: 'It carries out activities or services itself'

Purposes: 'the advancement of education'

Beneficiaries: 'No specific group, or for the benefit of the community'

Objectives: The advancement of education.

Geography

- **Main operating location:** Western Isles
- **Geographical spread:** Operations cover all or most of Scotland

Finances

Period end	Income	Expenditure	Assets	Employees
2024-07-31	£0	£0	-	105
2023-07-31	£6,465,000	£7,861,000	-	105
2022-07-31	£7,076,000	£8,664,000	-	143
2021-07-31	£6,940,000	£7,139,000	-	142
2020-07-31	£6,955,000	£7,692,000	-	132

Board Of Management Of Lews Castle College

Scotland - Charity number SC021204

Accounts



University of the
Highlands and Islands
Lews Castle College

Oilthigh na Gàidhealtachd
agus nan Eilean
Colaisde a' Chaisteil

LEWS CASTLE COLLEGE

Colaisde a' Chaisteil

STORNOWAY, ISLE OF LEWIS

Report and Financial Statements
for the Year Ended 31 July 2023

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During the academic year 2021/22 the Board of Lews Castle College (Colaisde a'Chaisteil) agreed to merge with UHI North Highland and UHI West Highland colleges. Scottish Government approved the full business case, and the new college vested on 1st August 2023 to form UHI North, West and Hebrides. In accordance with guidance from Audit Scotland and Practice Note 10 where the activities of an organisation are to be transferred to another organisation within the public sector then the going concern basis of accounting is appropriate. Accordingly, these accounts have been prepared on the going concern basis.

PERFORMANCE REPORT

Performance Overview

Principal's Performance Statement

Our operational climate in 2022/23 was very challenging and continues to be so moving forward. During the year, the College continued to be affected by population decline, especially the 16-19 age group, as well as housing and travel issues associated with distant island living. The increase in employment opportunities as we emerged from Brexit and the pandemic has had a deleterious impact on full time recruitment and Higher Education continuation. Our shift from full to part-time provision has rescued our credit claim considerably.

The Outer Hebrides had the highest number of young people aged 16-19 in Scotland moving into employment and the lowest number in this age group remaining in education. The College also saw an acceleration in the ongoing shift of demand from full to part-time course delivery. We continued to increase short-course and work-based provision delivering over 88% of Further Education (FE) credits and almost 69% of Higher Education (HE) full time equivalents (FTE) on a part-time basis.

We increased resources allocated to the additional support for learning and student mental health and wellbeing. We worked closely with partners to support our communities, delivering online and face to face events throughout the year including online Gaelic language and culture workshops. We also hosted careers fayres with Skills Development Scotland, Developing Youth Workforce and several local employers.

We place our students at the centre of our organisation by working in close partnership with them to co-create, design, and develop our curriculum and support services. Over the year, we modified or redeveloped structures and increased resource for student services to an excellent experience and high level of student success. In academic year 2022/23, overall satisfaction for Further Education programmes was 99%, and 91% for Higher Education programmes (14% above the Scottish average for HE).

We continued to strengthen our partnership with the Highlands and Islands Student Association (HISA) by working closely to ensure that the student voice remains central to our decision making and operations. Our external agency partnerships have enhanced what already was the effective support of students' health and wellbeing and have enhanced social and study experiences.

We have positively progressed key priorities and plans and work effectively with partners and other key stakeholders to progress strategies and initiatives at local, regional, and national level. The College works closely with the local authority, Skills Development Scotland and Highlands and Islands Enterprise as we strengthen school and community learning provision as well as the alignment of Islands Growth Deal projects across the Outer Hebrides and pan-islands. The College continues to work within the UHI partnership to develop networked and shared course provision, deliver research projects and to contribute to the achievement of the University of the Highlands and Islands [UHI] Islands Strategy and UHI Gaelic Language Plan.

Key developments during this period included the Scottish Government approval of the full business case for the £2.1 million campus redevelopment project as part of the Islands Growth Deal. The project commenced August 2023.

The completion of phase one of Cnoc Soilleir, a joint venture with Ceolas (the Gaelic music and arts community organisation), provides a start-of-the-art facility in the heart of the community of South Uist from which the College delivers Gaelic language, music, archaeology and creative arts programmes as well as year-round events.

We have progressed several key strategic developments related to renewables and low carbon energy, space, cultural and creative industries and the blue economy funded through the Islands Growth Deal. An Islands Centre for Net Zero will be situated within our campus in Stornoway within the next two or three years.

We are working with UHI's 'TalEntEd Islands Project' to support small businesses develop their green credentials.

Other key strategic drivers are the ScotWind developments located off the Outer Hebrides. We have Memorandum of Understandings with two of the bid winners one of which has located its community engagement team within the Stornoway campus. They have in addition funded STEM coordinators who are working with schools and our students, and we continue to develop opportunities around skills and training to support the offshore wind sector.

The College continued to deliver on its Gaelic Language Plan by increasing online Gaelic language programmes and strengthening partnership working with Gaelic communities across the islands. That partnership arrangement, for example, has resulted in the development and delivery of a series of Gaelic language, culture and heritage classes throughout the year in community settings. A key partnership with eSgoil delivers Gaelic National Qualifications across Scotland and resulted last year in a success rate of 97%.

In academic year 2022/23, the college delivered a total of 4,919 FE credits against a target of 4,760 (103%). This compares to a total of 4,928 FE credits against a target of 4,760 (103%) in academic year 2021/22 and in academic year 2020/21, 3,476 credits against a target of 4,175 (83%). The increased delivery and stability of enrolments reflects the impact of a focused curriculum strategy and the continued shift from full time to part time demand.

In academic year 2022/23, our Undergraduate Taught (UGT) funded HE activity delivered 180 FTE against a target of 219 FTE (82%), compared to 212 FTE against a target of 254 FTE (83%) in academic year 2021/22. Below target delivery of Higher Education UGT funded FTE and the associated Regional Strategic Body [RSB] in-year clawback of funds lost the college about £183k of grant income in 2022/23.

We continue to implement our curriculum strategy and delivery plan by increasing our short course, part-time provision; micro-credentialling; and expanding our FE online provision for wider access by our smaller communities across the isles. Priority development areas include energy engineering, construction, maritime, health, creative industries, hospitality, archaeology, Gaelic, education, and digital pedagogy.

The College sector continues to operate within a challenging set of financial circumstances. In 2022/23 we continued implementing the Board approved financial sustainability plan. The sustainability plan was reviewed to account for the rapidly changing and the increasingly challenging financial environment in which the sector now finds itself. The College implemented a second phase of voluntary severance in 2022/23 and closed the college nursery facility, An Cotan. These actions brought significant cost savings, the benefits of which will be fully realised in academic year 2023/24.

The College Board agreed to merge with UHI North Highland and UHI West Highland colleges during academic year 2021/22. Scottish Government approved the full business case, and the new college vested on 1st August 2023 to form UHI North, West and Hebrides. With regards to the merger, this Performance Overview is signed by Lydia Rohmer, Principal and Chief Executive Officer of UHI North, West and Hebrides (see note 26).



**Principal and Chief Executive Officer
UHI North, West and Hebrides**

Statement of Purpose and Activities

Legal Status

The College was established in 1952 and incorporated under the Further and Higher Education (Scotland) Act 1992 on 1 April 1993. It is a registered charity (Scottish Charity Number SC021204) and is recognised by HMRC as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on charitable activities. The College receives no similar exemption in respect of Value Added Tax.

On 31 March 2014, the Office for National Statistics reclassified the Scottish College sector as a department of central government. Under the Assigned Colleges (University of the Highlands and Islands) Order 2014, the College was assigned to the University of the Highlands and Islands as part of the Highlands and Islands Regional Strategic Body (RSB).

The College's legal name and title is 'Lews Castle College,' though since 28 March 2022 for trading and related purposes it has operated under the brand name of 'UHI Outer Hebrides' followed by 'Innse Gall'.

On 1 August 2023, the College merged with UHI North Highland College and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has subsequently applied to formally change its name to The Board of Management of UHI North, West and Hebrides.

As a result, the College will no longer operate as a standalone entity and all the assets and liabilities were transferred to UHI North, West and Hebrides on 1 August 2023.

Our Vision

To be an excellent, connected, and sustainable learning organisation

Our Mission

To deliver more choice, more opportunity and more chances for our students and communities

Strategic Aims and Values

The College renewed its Strategic Plan in 2021, which covered the period 2021-2025. The plan set out the key aims and objectives of the College, which were underpinned by agreed priorities and plans. The three strategic aims of the Plan were underpinned by four core values and behaviours.

Strategic Aims	To Create Successful, Employment-ready Students		To Help Build Thriving Communities		To be a connected, sustainable Organisation
Values	We will develop and deliver high quality, demand-led curriculum and personalised learning and support to more people, across all our communities and through more channels		We will be a trusted and accountable organisation, working in partnership and contributing to the economic and social wellbeing of our communities		We will improve our resilience and reach through increased collaboration and partnership to share resource and expertise and maximise opportunity
	Innovation	Excellence	Inclusion	Trust	
Behaviours	To continually develop education best practice through creative approaches to learning and teaching and effective use of technology	To continually seek to enhance our performance and the quality of our services, publicly celebrating the achievements of our students and our organisation	To respect individual values, proactively promoting equality and diversity, and supporting individual aspirations	We will be socially responsible and accountable, leading by example and always acting with integrity	
Underpinning Strategies and Plans	Curriculum Learning and Teaching, Student Engagement, Corporate Parenting, Research and KE, Gaelic, Financial Sustainability, Estates, People				

Implementation of the Strategic Plan

The College's Operational Plan for 2022/23 focused mainly on:

- the implementation of its financial sustainability plan in response to the financial pressures facing the college
- the recovery and consolidation of previous business improvements in the light of the pandemic situation
- the actions required to prepare for the three-way merger of the College, along with UHI North Highland College and UHI West Highland College, on 1 August 2023 to form UHI North, West and Hebrides.

Key Risks and Opportunities

There were several issues and risks for the College, many common to the whole sector and others specific to the College.

The principal issues related to declining capital and revenue funding for the college and university sector and the cost-of-living crisis, including significant pay increase pressures and spiralling energy costs. The College also faced challenges relating to lack of funding to cover distant island allowance payments, the continued population decline across the Outer Hebrides and the impact of high employment levels across the islands.

The College mitigated these risks through the implementation of its financial sustainability plan to reduce cost and increase commercial income (including commercialising its estate), development of curriculum and modes of delivery aligned to changing demographics and working patterns, estates development projects and improved recruitment planning and activity.

Performance Analysis

Key Performance Indicators

In accordance with Scottish Funding Council (SFC) requirements, the College is required to publish and report progress against targets for national priorities. These indicators monitor the implementation of the College's financial objectives. The performance indicators used by the College measure actual results as follows:

KPI	Purpose	Actual 2021-22	Trend	Actual 2022-23
FE Activity in Credits	Number of Credits per year	4,928	→	4,919
Student numbers	Students enrolled on FE courses after census date	1,706	↗	1,830
Overall early retention	Measures student retention before cut-off date	97.6%	→	97.5%
Overall retention	Measures student retention	90.8%	↗	91.6%
Student outcome FE	Measures FE student success	81.2%	↗	85.3%
Operating surplus / (deficit) as a % of income	Measures the surplus / (deficit) on continuing operations as a % of total income	(30.3%)	↗	(13.5%)
Non SFC income as a % of income	Measures non SFC income as a % of total income	29.9%	→	28.6%
Staffing costs as a % of total income	Measures staff costs excluding exceptional staff costs as a % of total income	83.5%	→	79.5%
Current assets: current liabilities	Measures the college's ability to pay its current liabilities	0.60	→	0.45
Days cash	Cash divided by total expenditure less depreciation expressed in days	13.7	→	10.7
Staff turnover	FTE staff (permanent) that leave during the year divided by total permanent FTE staff	11.65%	↗	17.36%
Working days lost through sickness	Working days lost per staff FTE	12.55	↗	16.77

Student Recruitment, Achievement and Retainment

In 2022/23 the College recruited 303 students onto full-time courses (2021/22: 307 students and 2020/21: 351 students), with a further 2,244 taking part-time courses (2021/22 2,015 and 2020/21 1,121 students), that ranged from one day to more substantial postgraduate level. Pupils from Secondary Schools throughout the Outer Hebrides were also infilled into timetabled vocational programmes linked to their school studies.

The College continued to experience a fall in full-time student enrolments during the year, both in HE and FE enrolments. The College's FE credit target was successfully exceeded, achieving 4,919 credits against the target of 4,760 credits. However, HE undergraduate funded enrolments were below target at 180 FTE against a target of 219 FTE. This reflected the higher-than normal number of degree students who chose not to continue programmes as well as a fall in Higher National (HN) recruitment. The College continued to recruit well against its Postgraduate student target.

FE student achievement across all modes of study was 85.3% (2022/23). This represented an improvement of 4.1% on the previous year's figure of 81.2%. Achievement on full-time programmes in 2022/23 was 76% and again represented an improvement this time of 9% against the previous year's 67% figure. High job vacancies in the area continued to influence full-time student withdrawal and recruitment. Consequently, we modified the curriculum and its delivery to support workplace learning and enable students wishing to take up employment mid-programme to continue to study and complete their qualifications whilst in work.

Student Satisfaction

Student satisfaction remained high with 99% of FE students reporting overall satisfaction in the annual student satisfaction and experience survey, this is a significant increase on the previous academic year result of 91%. Final year HE students returned a 91% positive response to the question relating to overall student satisfaction in the national student survey.

Education Scotland Review

In February 2023, Education Scotland conducted our annual engagement visit (AEV). The report outlined several aspects of positive practice, found no main points for action and highlighted six areas for development. These development areas informed our college enhancement plans.

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2022/23 Government Financial Reporting Manual (FRM) and in accordance with applicable Accounting Standards. They conform to the 2022/23 Accounts Direction for Scotland's Colleges and other guidance issued by the SFC.

On 13 November 2024 the Scottish Funding Council issued amended Accounts direction to the college sector in Scotland. These amended directions set out new requirements for how colleges should account for the national job evaluation exercise. The direction requires colleges to recognise the costs of the job evaluation exercise as a liability and provide for the total costs of the exercise to date. Previously colleges had also recognised the funding for these costs as income and a debtor in their financial statements. The accounts direction requires colleges to no longer recognise this income and asset.

As this direction has been received from the SFC prior to the signing of these accounts, adjustments have been made in the year ended 31 July 2023 to reflect the revised accounting treatment for the National Job Evaluation Scheme. The change in the accounts direction has resulted in a significant change in the College's financial statements. The net impact on the operating deficit for the year ended 31 July 2023 is to increase the deficit by £461k from £935k to £1,396k.

The amended SFC Accounts Direction states the following:

"It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with [the Government] until the process is complete."

The College reported a deficit for the year of £1,396k (2021/22 deficit £2,145k) for the year ended 31 July 2023. This compares to an underlying operating deficit of £330k (2021/22 deficit of £475k) after adjustment for the non-cash items, specifically net depreciation, pension adjustments and other provisions.

Adjusted Operating Position	2022/23	2021/22
	£'000	£'000
Deficit for the year	(1,396)	(2,145)
Add back:		
Net Depreciation – net of deferred capital grant release	485	455
Pension adjustment – net service cost	205	1,165
Pension adjustment – net interest cost	(7)	59
Other provision – early retirement provision	(77)	(9)
Other provision – job evaluation	460	-
Underlying Operating Deficit	(330)	(475)

One consequence of college reclassification as central government bodies is that from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects amongst other things, the way in which non-cash depreciation charges are treated and how the colleges spend the cash funds earmarked for depreciation. There is potential for this spend to move the college's Statement of Comprehensive Income into a deficit position.

However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance, should be treated as a 'technical' deficit and should not be interpreted on its own, as a challenge to the College's ongoing financial sustainability.

There are accumulated reserves of £11,193k (2022: £10,734k).

The main movements in the Statement of Financial Position were:

- Fixed Assets – overall decrease of £593k. New fixed asset additions were only £247k in the year and were exceeded by the annual depreciation charge.
- Current Assets – a decrease of £726k, this is mainly attributable to the release in accrued income of £460k previously held for the job evaluation exercise, to lower accrued income balances on completion of a major project in June 2023 (2022: £117k) and a reduction in cash and cash equivalents of £84k due to the College's negative cash flow during 2022/23.
- Creditors due within one year – a decrease of £275k, which is mainly attributable to the release in accruals of £460k previously held for the job evaluation exercise and the inclusion within accruals of £216k for the expected liability in reference to the ongoing national pay bargaining negotiations.
- Creditors due after more than one year – decrease of £190k.
- Provisions – The provision for early retirement reduced in the year by £116k, of which £77k related to the reduction in the provision due to a favourable change in the estimated future liability due to changes in assumptions driven by movements in external financial markets. A new provision of £460k relating to job evaluation was established in the year.

Cash Budget for Priorities

Following reclassification as a central government body from 1 April 2014, the College is now required to comply with Central Government budgeting rules. In addressing the impact of these rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. The budget was spent as outlined below.

Revenue Priorities	2023	2022
	£'000	£'000
Lecturers pay award – 2015/16	47	47
Estates costs	96	96
Total	143	143

Cash Flows and Liquidity

The nature of the College's operations is such that there can be considerable unpredictable variation in the timing of cash inflows and outflows. In 2022-23 the College received a cash advance from UHI of £725,000 to ensure appropriate level of liquidity, this is repayable in 2023-24 and has been included within creditors due within one year.

Value for Money

The College works with Advance Procurement for Universities and Colleges (APUC) and seeks to embed sustainability and value for money in its procurement function. Value for Money (VfM) is considered as a matter of course during the work of Internal Audit and issues identified are reported to the College. Overall, there was evidence to support the College's achievement of VfM regarding the economy, efficiency, and effectiveness of the systems reviewed.

Payment Performance

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of the invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The College's average payment period during the year was 20 days (2022: 25 days). The College was not required to pay any interest during the year under the late payment of Commercial Debts (Interest) Act 1998.

Estates Strategy

During 2022/23 the focus of activity has been progressing key actions relating to the Estates Audit, Commercialisation of space, Stornoway Campus Redevelopment Project and Net Zero.

The Estates Audit has been completed which has provided a detailed analysis of all the physical areas of the Stornoway Campus. This has enabled better prioritisation of backlog and maintenance issues.

Demand for rental accommodation has continued across all three campuses in Stornoway, Benbecula and Castlebay resulting in new tenants.

The Stornoway Campus Redevelopment Project was approved which will transform the existing engineering and construction areas to enable the delivery of a range of innovative curricula, create a Student Hub where students can socialise and engage in collaborative or student-led learning and establish a Newton Room at the Stornoway Campus to provide high quality learning experiences for primary and early secondary school pupils in STEM subjects.

A successful bid was submitted to the Scottish Government Energy Efficiency Grant Fund for pre-capital funding to undertake a detailed Audit/Feasibility Study to support decarbonisation and energy efficiency.

Climate Change

The College is currently compiling data from the 2022/23 academic year to complete its annual Carbon reporting duties. Since our first year of reporting in 2009 we have removed in excess of 1280 tCO₂e from day-to-day business.

With an original figure of 810 tCO₂e we have managed to reduce emissions annually from between approximately 7% and 34%, reaching a low of 535tCO₂e in 2021. Carbon saving measures such as recycling, replacement lighting and reductions in materials use continue to be implemented and revised in order to move towards government targets of net zero.

With approximately 85% of our carbon footprint now consisting of Energy and Heating fuel, only major changes will give significant progress towards net zero targets.

As additional areas such as procurement, commuting and home working are being included in the carbon accounting, we are seeing small rises in the overall footprint. As part of the new merged college, UHI North, West and Hebrides we will be able to realise more efficiencies and savings that will enable more reductions towards net zero.

Digital Strategy

The college has continued to participate within UHI to achieve cyber essentials status as a mark of excellent practice and procedure when it comes to cyber security compliance. Some upgrading of IT equipment has taken place to mitigate issues when Microsoft stops support for Windows 10 in 2025 and older machines will not support Windows 11 rollout. This is an ongoing process that will require further resources to ensure adequate availability for staff and students.

Equality and Diversity

The College revised its equalities mainstreaming report and reported progress against each of our equality outcomes in 2022/23, highlighting progress against the themes of People (students and staff), Place (estates) and Learning and Teaching.

Non-financial Matters

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each 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 auditor is aware of the information.

With regard to the note on the merger at Note 26 to the Financial Statements, this Performance Analysis is approved by order of the members of the Board of Management of UHI North, West and Hebrides on 11 December 2024 and signed on its behalf by [REDACTED], Principal and Chief Executive Officer.

[REDACTED]

[REDACTED]

**Principal and Chief Executive Officer
UHI North, West and Hebrides**

ACCOUNTABILITY REPORT

Corporate Governance Report

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Corporate Governance Statement
- a Statement on Internal Control

Directors' Report

The membership of the Board of Management during the year and as at 31 July 2023 is set out on page 15.

The Board met the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. The College has worked over recent years towards implementing all the changes recommended by the Cabinet Secretary's Good Governance Task Force to ensure compliance in all areas of the Code.

The respective Register of Interests for these members is available from the Board Secretary to any member of the public who wishes to examine it. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board and Committee meetings.

The Board's authority, reserved matters and the delegation of authority are set out in the Scheme of Delegation. Delegation of authority in relation to financial decision-making is further detailed in the College's Financial Regulations and available from the Board Secretary.

The Executive Leadership Team

The Principal's Executive Leadership Team is responsible for the operational management of the College and considers issues of performance, internal control and risk, and advises the Principal on strategy and any issues relevant to the running of the College. Membership during the reporting period was as follows: -

Role	Name	Appointed	Resigned
Interim Principal and Chief Executive	Hannah-Ritchie Muir	01-Oct-22	31-Jul-23
	Sue Macfarlane	10-Aug-20	30-Sep-22
Depute Principal	Hannah-Ritchie Muir	02-Nov-20	30-Sep-22
Director of External Engagement and Growth	Joe MacPhee	01-Oct-22	31-Jul-23
Director of Finance and Resource	Kathleen MacDonald	06-Dec-21	13-Jan-23

The College Management Team comprises departmental managers and advises on day-day management concerns, including setting and monitoring of operational plans and risk and resolution of cross-college operational matters.

Statement of the Board of Management's responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Regional Strategic Body, the University of the Highlands and Islands, and the College's Board of Management, the Board, through the Principal and Chief Executive, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the near future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management took reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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.
- 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, which was designed to discharge the responsibilities set out above, included the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Finance & General Purposes Committee
- Professional internal audit team whose annual programme is approved by the Audit and Risk Committee, endorsed by the Board of Management, whose Head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Corporate Governance statement

Introduction

The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of Lews Castle College, and the 2016 Code of Good Governance for Scotland's Colleges. It is a condition of the Financial Memorandum that the College meets the principles of good governance set out in the Code of Good Governance for Scotland's Colleges.

Governance Framework

The Board and its committees play a vital role in the oversight of college business and hold management accountable for performance against targets and performance indicators, specifically Regional Outcome Agreement targets, the recommendations of self-evaluation activity against the 'How Good is Our College' framework and the delivery of key College strategies and plans.

All committees operate under the authority of, and with terms of reference approved by, the Board and minutes are available from the Board Secretary.

Audit and Risk Committee

The Audit and Risk Committee's responsibilities included the compilation of an annual audit report for consideration by the Board, recommending the approval of the Annual Accounts to the Board as well as advising and reviewing and monitoring governance arrangements.

The Committee also received and considered reports from the Scottish Funding Council as they affected the College's business and monitored adherence to the regulatory requirements and had responsibility for reviewing the Board's risk management framework, its strategic risks and consideration of management's review of operational risks.

The Committee advised the Board on the appointment and remuneration of internal auditors who had direct access to the Chair of the Board of Management and to the Audit and Risk Committee. The Chair of Audit met with the Internal and External Auditor prior to each Committee meeting. Management was responsible for the implementation of agreed audit recommendations and the Internal Auditors undertook periodic follow-up reviews to ensure that such recommendations had been implemented. The Audit and Risk Committee considered detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

The Committee, which comprised five non-executive members, met four times in 2022/23, one of which was inquorate. There was one joint meeting with the Finance and General Purposes Committee.

Finance and General Purposes Committee

The Finance and General Purposes Committee's responsibilities included approving all key decisions to be taken in relation to finance, monitoring actual performance against budget and key performance indicators, making recommendations to the Board on capital expenditure, investments and borrowing, setting tuition fee levels and making recommendations with regard to these, overseeing systems of financial control and delegated authority, liaison with External Auditors to ensure that the Annual Accounts showed a true and fair view and exhibited regularity of spend, ensuring consideration was given to value for money and compliance with the SFC and UHI's Financial Memorandums as well as the College's existing buildings and estates.

The Committee also had responsibility for setting the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff which included overseeing the development and auditing of all human resource strategies and work streams.

Staff were of critical importance in the delivery of learning and teaching services, and this cost represented a significant resource. By taking a more holistic perspective in the scrutiny of high-level aspects of the finance, estates, and HR functions and their inter dependencies, and despite challenging financial circumstances, the

Committee helped the Board fulfil its statutory responsibilities in these areas to best effect so as to progress the achievement of its strategic aims.

The Committee, which comprises five non-executive members, one staff member (the Principal and Chief Executive) and one student member, met three times in 2022/23. There was one joint meeting with the Audit and Risk Committee.

Quality Learning and Teaching Committee

All matters that related to this committee were reported to and managed directly by the Board of Management.

The Committee did not meet in 2022/23.

Remuneration Committee

The Remuneration Committee's responsibilities include considering, approving, and reporting to the Board on decisions regarding the remuneration package, terms, and conditions (including the annual reviews of such) and, where appropriate, severance payments of the College Principal and Chief Executive and College's Executive Leadership Team and in so doing ensuring the efficient and effective use of public funds.

In addition, the Committee retained an overview of wider HR and workforce issues within the College and was required to bring any relevant matters to the attention of the Finance & General Purposes Committee and the Board. It also undertook scrutiny of proposed severance schemes and settlement agreements before recommending approval to the Board and onwards to the RSB/SFC (in line with the SFC Guidance on Severance).

The Committee, which comprises four Board and Committee Chairs, met three times in 2022/23.

In compliance with the Code the Chair of the Board of Management does not chair the Committee.

Chairs Committee

The Chairs/Nomination Committee is responsible for taking urgent decisions between meetings when calling an extra-ordinary meeting was not required. If timescales permitted, decisions of the Committee are in the form of a recommendation to the Board or referred for a written decision of the Board so that Board Members were not excluded from taking a decision on matters that would otherwise have been presented to a committee or the Board.

Board of Management

The authority for appointments to the Board of Management, from 1 August 2014, resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments

The Board of Management ensured that a process is in place to provide appropriate induction training to new Board of Management members and new Board members were expected to undertake induction training.

Members were appointed to the Board for an initial period of four years, which can be extended for a further four years. Only in exceptional circumstances, and where compelling reasons exist, may a further extension of up to two years be approved.

The Board comprised a Chair appointed by the Regional Strategic Body, the Principal and Chief Executive, 7 non-executive members whose appointments are made in accordance with the relevant guidance, 2 staff members elected respectively by the academic and support staff of the College and 2 student members nominated by the Students' Association of the College.

The Board had in place a board secretary whose duties are consistent with those set out in the Code of Good Governance for Scotland's Colleges.

The members who served the College during the year were as follows:

Board Member	Standing Committee Appointments	Position Held	Appointed	End Date
	Finance & GP Remuneration	Board member	06-Nov-18	14-Apr-20
		Chair of Board	14-Apr-20	31-Jul-23
	Audit & Risk QL&T Remuneration	Chair of QL&T Chair of Remuneration	Mar-20	31-Jul-23
	Audit & Risk	n/a	15-Oct-21	31-Jul-23
	Finance & GP	Chair of Finance & GP	15-Oct-21	31-Jul-23
	Finance & GP	n/a	25-Nov-21	31-Jul-23
	Finance & GP	n/a	15-Jun-22	31-Jul-23
	Audit & Risk	Senior Independent Member	27-Jun-22	31-Jul-23
	Audit & Risk	n/a	27-Jun-22	31-Jul-23
	Audit & Risk	Chair of Audit & Risk	27-Jun-22	31-Jul-23
	Finance & GP	n/a	27-Jun-22	31-Jul-23
		n/a	27-Jun-22	31-Jul-23
	Finance & GP Remuneration	Chair of Finance & GP Senior Independent Member	28-Oct-18	28-Oct-22
	Finance & GP QL&T	Interim Principal and Chief Executive	01-Oct-22	31-Jul-23
	Finance & GP QL&T	Interim Principal and Chief Executive	08-Aug-20	30-Sep-22
	n/a	25-Oct-22	30-Jun-23	
	Finance & GP	QL&T	13-Dec-22	30-Jun-23
The Board meets government recommendations on gender split. On 30 June 2023, the split was 5 men and 9 women.				

Professional Advisors

Internal Auditor: [REDACTED]

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Macdonald Maciver & Co, Stornoway

External Audit: Deloitte UK, Manchester (The Auditor General for Scotland has appointed Deloitte UK to undertake the audit for the year ended to 31 July 2023.)

Committees

The following table shows the committees that each current member of the Board of Management served on during the year:

Name	Board of Management	Audit & Risk	Finance & General Purposes	Remuneration	Joint Audit and Finance	Chairs
	9/11	2/4*	3/3	2/2	0/1	1/1
	9/11	2/4*	2/3	3/3*	1/1	1/1*
	0/0	0/0	0/0	0/0	0/0	0/0
	0/1	n/a	1/1	1/1	n/a	1/1
	2/11	0/4	n/a	3/3	0/1	1/1
	0/2	n/a	0/1	n/a	0/1	n/a
	7/11	4/4	n/a	n/a	1/1	n/a
	10/11	n/a	3/3	3/3	1/1	n/a
	7/8	n/a	3/3	n/a	0/1	n/a
	10/11	n/a	1/1	n/a	1/1	n/a
	10/11	3/4	n/a	n/a	1/1	n/a
	11/11	4/4	3/3	n/a	1/1	n/a
	9/11	3/4	n/a	n/a	1/1	n/a
	11/11	4/4	2/3*	3/3	1/1	1/1
	n/a	n/a	n/a	n/a	n/a	n/a
	7/9	n/a	1/1*	n/a	n/a	n/a
	5/8	n/a	0/1	n/a	n/a	n/a

*Member attends by invitation.

Meetings of the Board

The full Board held a minimum of four meetings a year. In 2022/23, four ordinary meetings took place and seven extra-ordinary meetings.

As a result of the Covid-19 pandemic, the College moved all Board and Committee meetings to virtual platforms. This continued in 2022/23, with the proviso that the Board's Strategy event and one meeting of the Board should take place face-to-face.

However, in the event the annual strategy event was held face-to face in September 2022 but, in recognition of the College's financial challenges, all Board meetings took place virtually.

Chairs met quarterly before Board and Committee meetings to undertake business/pre-agenda planning. The Chairs, Principal and Board Secretary met regularly to ensure effective working relationships between members and constructive dialogue with officers.

Evaluation

A rolling 'Board Development Plan – Governance' was approved by the Board in June 2021, which included the 12 recommendations contained in the 2021 External Effectiveness Review (EER), which took account of findings of the 2021 Internal Effectiveness Review) and three additional recommendations made by the Assessor. The Plan also included any recommendations made by the External Auditor in their report on the annual audit of the end of year accounts.

EERs are currently conducted every three years.

A copy of the 2021 EER and the Development Plan was sent to the RSB and published on the College's website. Work on the action plan is ongoing. Due to absence and the withdrawal of the UHI 'Thinking Board' resource and a need to put in place alternative.

An External Effectiveness Review took place in 2021 and Internal Effectiveness Reviews in 2021/22 and 2022/23. In response to the findings of the External Effectiveness Review (EER) 2021 and a red rating for Governance at the end of 2020, the Board approved a rolling Board Development Plan – Governance at its meeting held on 24 October 2021. The Development Plan was RAG rated in line with best practice and scored for risk.

The Plan constituted one definitive plan of action to address 20 outstanding actions as well as recommendations from the 2021 EER and the IERs, together with other areas for improvement from the External Assessor and the External Auditors relating to: (1) Financial Management (rated amber in the March 2019/20 EA report, amber in the 2020/21 report and green in the 2021/22 report); (2) Financial Stability (rated amber in the March 2019/2020 EA, red in the 2020/2021 report and red in the 2021/22) and (3) Governance & Transparency (rated red in the March 2019/2020 EA report, amber in the 2020/21 report and green in the 2021/22 report).

The Audit and Risk Committee and Board continued to review its Development Plan throughout 2022/23. It was open to the Board at every meeting to add further strategic actions to the Plan for specific reporting on and monitoring by the Board.

In March 2023, the Board removed the three remaining outstanding actions from previous EERs and IERs as complete from the Plan and in light of the impending merger, and given the time available to the Board, it decided not to add additional areas for improvement on the basis that the new Board would develop its own monitoring arrangements in relation to its own development actions.

In June 2023, the Board agreed that the three recommendations made by the external auditors in their report for 2021/22 should all be closed as the College would no longer be able to deliver on them as an independent legal entity.

As a consequence of the above decisions, there were no outstanding actions remaining in the Development Plan at the Board's final, ordinary meeting in June 2023.

Risk Management

The risk register and mitigating actions were discussed at all Audit and Board meetings. The College used the standard UHI Risk Register format in compiling and presenting the register. A new Risk Policy was approved in December 2021 in response to an Internal Audit recommendation and the new policy clarified the role of the Board of Management and its committees in the development and review of risk management.

An annual review of the register took place in October 2022 which included considering whether risks were appropriately ranked based on likelihood and impact and considering whether mitigating controls highlighted as being in place were adequate. Board training for risk appetite and management was undertaken early in 2023.

Covid-19

In managing the impact of Covid-19, the College complied with advice and guidance provided by the Scottish Government and statutory agencies with monitoring and reporting to the senior management as required.

Statement of Internal Control

The Board was the College's governing body. It was responsible for bringing independent judgement to bear on issues pertaining to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and establishing high standards of academic conduct and probity.

The Board was ultimately responsible for the College's system of internal control and for reviewing its effectiveness. It was supported by committees with specific areas of remit which are set out in its constitution and Scheme of Delegation.

The Board of Management was provided with regular information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management met at least four times a year.

Review of Effectiveness

The College had responsibility for reviewing the effectiveness of the systems of internal control. The review of the effectiveness of the systems of internal control was informed by:

- the work of the internal auditor. The conclusion in their annual report was that Lews Castle College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.
- the work of the Executive Leadership Team and senior managers within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements.
- comments and recommendations made by the College's external auditor.
- the risk register.

The College had an internal audit service, which reported to the Board, the work of which concentrated on areas of key activities determined in accordance with the annual internal audit plan approved by the Board. In 2022/23 the system of internal financial control was based on administrative procedures, including segregation of duties appropriate to the size of organisation.

The Principal and Chief Executive continued to monitor and review financial control arrangements and reported to the Board of Management. The system of financial control included:

- a budget setting process, with the annual budget being approved by the Board of Management
- preparation of regular management accounts
- regular monitoring of budgets by the Board and senior management
- ongoing review of the reporting requirements of the Board
- regular review of the Risk Register by the Board and Audit Committee

Internal Control Statement

In their annual report for the year-ended 31 July 2023 the internal auditors' opinion, as expressed by TIAA's Head of Internal Audit was:

"TIAA is satisfied that for the areas reviewed during the year UHI Outer Hebrides has reasonable and effective risk management control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the College from its various sources of assurance."

Going Concern

On 1 August 2023, the College merged with UHI North Highland College and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has subsequently applied to formally change its name to The Board of Management of UHI North, West and Hebrides.

As a result, the College will no longer operate as a standalone entity and all the assets and liabilities were transferred to UHI North, West and Hebrides on 1 August 2023.

The accounts have been prepared on a going concern basis. No adjustments were required to write down any assets or reclassify any liabilities to current. The deferred grants will transfer over to UHI North, West and Hebrides and therefore have been presented as both current and non-current within the financial statements.

It is intended that once all statutory reporting requirements are met for the College, the legal entity Lews Castle College will be wound up. It is expected that this will occur in 2024.

Disclosure of information to auditors

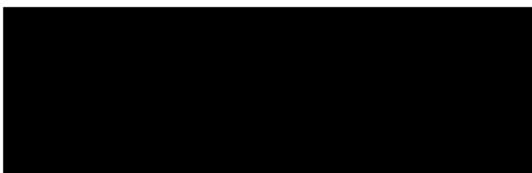
The Board members of UHI North, West and Hebrides who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and that each Board member has taken all the steps that he or she ought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

Conclusion

The Board members of UHI North, West and Hebrides have determined that, given the guidance, there is no need to prepare a Parliamentary Accountability Report. There were no significant losses or special payments that need to be reported in accordance with Managing Public Money. The College's Contingent Liabilities are detailed in note 21.

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management of UHI North, West and Hebrides that there was an ongoing process for identifying, evaluating and managing the College's significant risks in place for the year ended 31 July 2023 and that there has been an ongoing process for identifying, evaluating and managing UHI North, West and Hebrides significant risks in place up to the date of approval of the annual report and accounts.

With regard to the note on the merger at Note 26 to the Financial Statements, this Corporate Governance Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on 11 December 2024 and signed on its behalf by Derek Lewis, Chair of Board.



Chair of Board
UHI North, West and Hebrides

Remuneration and Staff Report

The Remuneration Committee met three times during the year and comprised the four sub-committee Chairs. The Chair of the Board of Management did not Chair the Committee. The role of the remuneration committee was to determine the salary scales for key staff, and the remuneration within these scales of the most senior post-holders, including the Principal and Chief Executive.

The Remuneration of the Principal and Chief Executive and senior post holders was based upon the following:

- Formal salary review process.
- The gathering of evidence in consideration of SFC guidance.
- Current Scottish Public Pay Sector Policy'
- Benchmarking from other colleges; and
- Any relevant submissions from staff and students.

In addition to the above the Remuneration Committee also considers any additional responsibility payments (or other non-consolidated payment) recommended by the Principal and Chief Executive for Director level posts.

The remuneration policy of the College is such that any salary increase is applied equally to all Academic staff, Support staff and Senior Managers. Following agreement for all other staff grades, it is normal practice that a proposal is then put to the Remuneration Committee to recommend that the Principal and Chief Executive and Directors receive the same settlement. It is then for the Committee to decide whether or not the Principal and Chief Executive should receive a pay award.

The following table provides detail of the remuneration and pension interests of senior management of the College. The information disclosed within the tables below are subject to audit by the College's external auditor, and all other sections of the Remuneration and Staff Report are reviewed for consistency.

Name	12 Months ending 31 July 2023			12 Months ending 31 July 2022		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
[REDACTED] Interim Principal and Chief Executive (from 10-Aug-20 to 30-Sep-22)	15-20	0-5	20-25	90-95	25-30	110-115
[REDACTED] - Interim Principal and Chief Executive (from 01-Oct-22 to 31-Jul-23) - Depute Principal (from 02-Nov-20 to 30-Sep-22)	80-85	15-20	100-105	75-80	15-20	90-95
[REDACTED] Director of Finance and Resources [0.6 FTE] (from 06-Dec-21 to 13-Jan-23)*	25-30	5-10	30-35	30-35	10-15	45-50
[REDACTED] Director of External Engagement and Growth (from 01-Oct-22 to 31-Jul-23)	50-55	5-10	55-60	-	-	-

*Following the resignation of the Lews Castle College Finance Director in January 2023, and with consideration to the expected merger, West Highland College offered the services of their Finance Director to provide senior support to the Executive Team. As they were not employed by Lews Castle, their salary has not been disclosed in this set of accounts.

The non-executive members of the Board of Management listed in Accountability Report are not included in this remuneration report and did not receive any salary or benefits.

As per the UK Government Financial Reporting Manual, the value of the pension benefit is calculated as the real increase in pension over the year multiplied by twenty plus the real increase in any lump sum less the contributions made by the individual. Per the manual, disclosed salary covers both pensionable and non-pensionable amounts and should include gross salaries; overtime; recruitment and retention allowances; payment in lieu of notice; severance or ex-gratia payments.

The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period which is the estimated life span following retirement. This does not represent any actual payment made during the financial year by either the employee or the College. The Principal and Chief Executive is an ordinary member of the Scottish Teachers Superannuation Scheme and, as such, pays contributions and receives benefits at the same rate as all other members.

Name	At 31 July 2023		1 August 2022 to 31 July 2023		At 31 July 2023	At 31 July 2022	Real increase in CETV
	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension	Real increase in lump sum	CETV	CETV	
	£'000	£'000	£'000	£'000	£'000	£'000	
	21	63	1	2	502	489	2
	22	66	4	12	412	330	71
	1	1	1	0	14	6	6
	1	0	1	0	17	0	14

Cash Equivalent Transfer Value (CETV)

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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

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

Real Increase in CETV

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

Trade Union Activity

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2023.

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number
2	0.17
Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	0
1% - 50%	2
51% - 99%	0
100%	0
Percentage of pay bill spent on facility time	
Total cost of facility time	£8,999
Total Pay Bill	£5,706,737
Percentage of the total pay bill spent on facility time	0.16%
Paid Trade Union Activities	
Time spent on trade union activities as a % of total paid facility time hours	100%

Fair Pay – Pay Multiples

Colleges are required to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce, summarised as follows:

	2022-23	2021-22	Change
	£'000	£'000	%
Range of workforce remuneration	20-93	20-93	
Highest paid official remuneration	93	93	-
Median (total pay & benefits)	37	33	12.1
Median (salary only)	37	33	12.1
Ratio	2.5:1	2.8:1	
25 th Percentile (total pay & benefits)	24	22	9.1
25 th Percentile (salary only)	24	22	9.1
Ratio	3.9:1	4.2:1	
75 th Percentile (total pay & benefits)	43	43	-
75 th Percentile (salary only)	43	43	-
Ratio	2.2:1	2.2:1	

Based on the 12-month equivalent figures above, the remuneration of the highest paid official in the College in the financial year 2022-23 was £93k (2022: £93k). This is the annualised salary for the highest paid official. This was 2.5 times (2022: 2.8 times) the median remuneration of the workforce which was £37k (2022: £33k).

Staff comparison

The College employed 86 females and 53 males as at 31 July 2023 (2022: 90 female and 53 male).

Sickness absence data

The average sickness absence rate over the period 1 August 2022 to 31 July 2023 was 6.4% (2022: 4.8%).

Staff Policies

The College's Recruitment Policy and procedures provided for the full and fair consideration for employment by the College of applicants who declare a disability. This was undertaken through the application of a guaranteed interview scheme, whereby disabled candidates who (on application) meet the minimum criteria for the job are guaranteed an interview. Disabled employees were protected from discrimination by law, and reasonable adjustments were made, on a case-by-case basis, to ensure disabled employees were not disadvantaged.

Expenditure on Consultancy

There is nothing to report under the above for Lews Castle College.

Off – Payroll Engagements

There is nothing to report under the above for Lews Castle College.

Compensation for loss of office

During the financial year 2022/23, permission was obtained from the SFC and the RSB to offer a voluntary severance program, to all staff members, as a key part of the College's financial recovery plan. The Scheme was approved, and two individuals deemed eligible left employment in March and June 2023. The scheme was funded via core resources. The total cost of voluntary severance packages was £36k.

A further seven employees left under redundancy terms on 28 July 2023 at a cost of £15k. The maximum settlement was £4,495, the minimum £305 and the median £1,958.

Exit package by cost band	Compulsory redundancies	Voluntary redundancies & other departures	Total
	Number	Number	Number
<£10,000	7	-	7
£10,001 - £25,000	-	2	2
Total	7	2	9
Total severance cost	£14,576	£35,737	£50,313

In addition to the severance costs some staff received additional payments for accrued annual leave, which would take the total of payments made to those employees to £60k.

Other Employee Matters

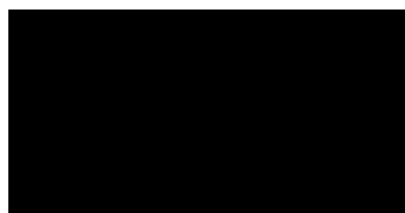
A national Job Evaluation exercise for support staff roles relevant to the National RPA is underway and is likely to be continued into the next reporting period and beyond.

Please see further staff cost disclosures, in line with the SFC Accounts Direction, within the financial statements at Notes 7 and 8. Specifically, staff costs distinguished between those on permanent and temporary contracts are disclosed in in note 7 and the number of senior staff in each pay band is disclosed in note 8.

With regard to the note on the merger at Note 26 to the Financial Statements, this Remuneration and Staff Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on 11 December 2024 and signed on its behalf by: Derek Lewis Chair of the Board, and Lydia Rohmer, Principal and Chief Executive Officer.



Chair of Board
UHI North, West and Hebrides



Principal and Chief Executive Officer
UHI North, West and Hebrides

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

Reporting on the audit of the financial statements

Qualified opinion on financial statements

We have audited the financial statements in the annual report and accounts of Lews Castle College and its group for the year ended 31 July 2023 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 Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college and its group as at 31 July 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

As explained in Note 13, the college has an interest in a joint venture, Cnoc Soilleir Limited, which meets the definition of a jointly controlled entity under FRS102. The college has recorded both their share of the results and interests in the joint venture as £1. In our opinion, this joint venture should be recognised as required by section 9 of the Further and Higher Education Statement of Recommended Practice (SORP) and Section 14.8 of Financial Reporting Standard (FRS) 102. This has resulted in the following material misstatements: the non-current assets on the balance sheet are understated by £4.710m (2021/22: £4.679m), and the deficit for the year has been overstated by £0.032m (2021/22: £2.668m). The results of the joint venture are also not disclosed in the annual report.

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

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

In addition, we identified a potential fraud risk that management may be incentivised to allocate revenue to future years given future year financial pressures. In response to this risk, we have performed testing of a sample of income recognised around the year end to assess whether it has been recorded in the correct period.

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified in relation to the exclusion of the college's interests in the joint venture, Cnoc Soilleir Limited. The results of the joint venture are also not disclosed in the annual report and accordingly we have concluded that the other information is materially misstated for the same reason.

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

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

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

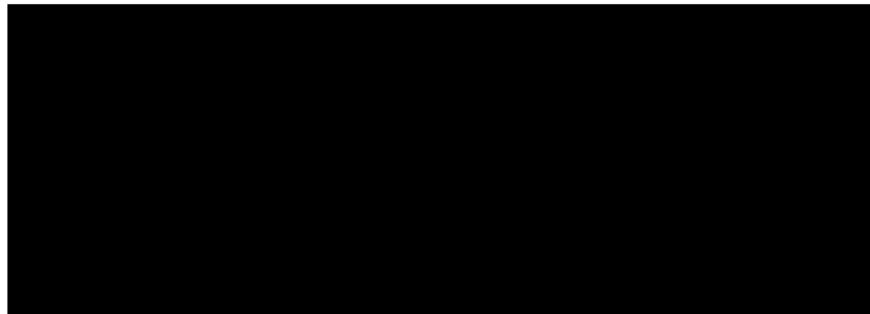
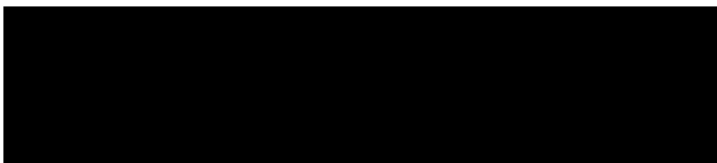
We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities


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

Use of our report

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



20 December 2024

 (for and on behalf of Deloitte LLP) is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

**Consolidated Statement of Comprehensive Income
for the year ended 31 July 2023**

	<i>Note</i>	Consolidated	
		2023	Restated
		£'000	2022
		£'000	£'000
Income			
Funding body grants	2	4,485	4,959
Tuition fees and education contracts	3	676	780
Other grant income	4	649	725
Other income	5	646	612
Interest receivable	6	9	-
Total Income		6,465	7,076
Expenditure			
Staff costs	7	5,707	7,075
Other operating expenses	9	1,314	1,230
Depreciation	12	840	857
Interest payable	10	-	59
Total Expenditure		7,861	9,221
Deficit for the year		(1,396)	(2,145)
Actuarial gain in respect of pension schemes	19	1,855	4,933
Unrealised surplus on revaluation of tangible assets		-	3,424
Total comprehensive income for the year		459	6,212
Represented by:			
Unrestricted comprehensive income for the year		459	6,212
		459	6,212

All of the above relate to the continuing activities of the Group and College.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 28 provides details of the adjusted operating position on a Central Government accounting basis.

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements.

**Consolidated and College Statement of Changes in Reserves
for the year ended 31 July 2023**

	Income & Expenditure Account	Revaluation Reserve	Total
	Unrestricted		
<u>Consolidated</u>	£'000	£'000	£'000
Balance at 1 August 2021 (Restated)	(3,543)	8,065	4,522
Deficit for the year - restated	(2,145)	-	(2,145)
Other comprehensive income - restated	4,933	-	4,933
Gain on revaluation	-	3,424	3,424
Transfers between revaluation and income and expenditure	132	(132)	-
Total comprehensive income for the year	2,920	3,292	6,212
Balance at 31 July 2022	(623)	11,357	10,734
Deficit for the year	(1,396)	-	(1,396)
Other comprehensive income	1,855	-	1,855
Transfers between revaluation and income and expenditure	132	(132)	-
Total comprehensive income for the year	591	(132)	459
Balance at 31 July 2023	(32)	11,225	11,193
<u>College</u>	£'000	£'000	£'000
Balance at 1 August 2021 (Restated)	(3,548)	8,065	4,517
Deficit for the year - restated	(2,145)	-	(2,145)
Other comprehensive income - restated	4,933	-	4,933
Gain on revaluation	-	3,424	3,424
Transfers between revaluation and income and expenditure	132	(132)	-
Total comprehensive income for the year	2,920	3,292	6,212
Balance at 31 July 2022	(628)	11,357	10,729
Deficit for the year	(1,396)	-	(1,396)
Other comprehensive income	1,855	-	1,855
Transfers between revaluation and income and expenditure	132	(132)	-
Total comprehensive income for the year	591	(132)	459
Balance at 31 July 2023	(37)	11,225	11,188

**Consolidated and College Statement of Financial Position
as at 31 July 2023**

	<i>Note</i>	Consolidated		College	
		2023	Restated 2022	2023	Restated 2022
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible fixed assets	12	17,252	17,845	17,252	17,845
Investments	13	1	1	1	1
Pension asset	19	1,959	302	1,959	302
		19,212	18,148	19,212	18,148
Current assets					
Debtors	14	395	1,037	395	1,037
Cash and cash equivalents	15	206	290	206	290
		601	1,327	601	1,327
Current liabilities					
Creditors: amounts falling due within one year	16	(1,923)	(2,198)	(1,928)	(2,203)
Net current liabilities		(1,322)	(871)	(1,327)	(876)
Total assets less net current liabilities		17,890	17,277	17,885	17,272
Creditors: amounts falling due after more than one year	17	(5,680)	(5,870)	(5,680)	(5,870)
Provisions					
Provisions for liabilities and charges	18	(1,017)	(673)	(1,017)	(673)
Total net assets		11,193	10,734	11,188	10,729
Unrestricted Reserves					
Income and expenditure reserve		(32)	(623)	(37)	(628)
Revaluation reserve		11,225	11,357	11,225	11,357
Total reserves		11,193	10,734	11,188	10,729

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements, which were approved by the Board of Management of UHI North, West and Hebrides on 11 December 2024 and signed on its behalf by:

Chair of the Board of Management
UHI North, West and Hebrides

Principal and Chief Executive
UHI North, West and Hebrides

**Consolidated Statement of Cash Flows
for the year ended 31 July 2023**

		Consolidated	
		Restated	
	<i>Note</i>	2023	2022
		£'000	£'000
Cashflow from operating activities			
Deficit for the year		(1,396)	(2,145)
Adjustment for non-cash items			
Depreciation	12	840	857
Decrease / (Increase) in debtors	14	642	(284)
(Decrease) / increase in creditors	16	(206)	778
Increase / (decrease) in other provisions	18	383	(9)
Pension costs less contributions payable		198	1,222
Adjustments for investing or financing activities			
Capital grant income		(355)	(402)
Interest receivable		(2)	-
Net return on pension assets		(7)	59
Net cash inflow from operating activities		97	76
Cash flows from investing activities			
Payments made to acquire fixed assets		(247)	(90)
Payments made for early retirement		(39)	(2)
		(286)	(92)
Cash flows from financing activities			
Capital grants received	17	96	-
Interest received		2	-
Net return on pension assets		7	(59)
		105	(59)
Decrease in cash and cash equivalents in the year		(84)	(75)
Cash and cash equivalents at beginning of the year		290	365
Cash and cash equivalents at end of the year		206	290
Decrease in cash and cash equivalents in the year	15	(84)	(75)

The accounting policies on pages 34-39 and the notes on pages 40-58 form an integral part of these financial statements.

**Statement of Accounting Policies
for the year ended 31 July 2023****1 Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, and in accordance with applicable Accounting Standards including Financial Reporting Standard 102 (FRS 102). They have been prepared in a form prescribed by the Scottish Ministers and in accordance with paragraph 28 of schedule 2 of the Further and Higher Education (Scotland) Act 1992 and in accordance with the Accounts Direction published by SFC. The accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed assets. The College is a public benefit entity under the requirements of FRS 102.

The consolidated financial statements, including 2021/22 comparatives, include the College and its subsidiaries, as detailed at note 13. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. All intra-group sales and profits are eliminated fully on consolidation.

The College has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College's Statement of Financial Position discloses cash at both the current and preceding reporting dates.

Going Concern

At 31 July 2023, the College reported a deficit of £1,396k and an underlying deficit of £330k after adjusting for non-cash accounting adjustments. At the year-end it held net assets of £11,193k and net current liabilities of £1,322k.

The College held cash of £206k at the year-end date and had no bank loans. The College in the year did however require a cash advance of £725k from the Regional Strategic Body in the last month of 2022/23 to ensure liquidity, as a consequence of exceptional restructuring costs, including voluntary severance costs in the previous year.

On 1 August 2023, the College merged with UHI North Highland College and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has subsequently applied to formally change its name to The Board of Management of UHI North, West and Hebrides.

As a result, the College will no longer operate as a standalone entity and all the assets and liabilities were transferred to UHI North, West and Hebrides on 1 August 2023.

The accounts have been prepared on a going concern basis. No adjustments were required to write down any assets or reclassify any liabilities to current. The deferred grants will transfer over to UHI North, West and Hebrides and therefore have been presented as both current and non-current within the financial statements.

It is intended that once all statutory reporting requirements are met for the College, the legal entity Lews Castle College will be wound up. It is expected that this will occur in 2024.

Accounting Policies

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate depreciated replacement cost has been used as a measure of fair value for land and buildings otherwise market value has been used.

It is the College's policy, in accordance with the direction given by the Scottish Funding Council, to ensure that a full revaluation takes place at least every five years, with an interim valuation in year three of each five-year cycle.

Land is not subject to depreciation.

Buildings are subject to depreciation. The increase in valuation and write back of depreciation charged since the last valuation have been transferred to the revaluation reserve, with depreciation being subsequently charged on the revalued amount over the remaining life of the assets.

Assets under construction

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

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £5,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

Buildings:	over remaining useful life
Equipment:	15% per annum
Motor Vehicles:	25% per annum
IT Equipment:	25% per annum

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

Impairment

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.

Investments

Unlisted investments are carried at historical cost less any provision for impairment.

Debtors

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

Creditors

Short term creditors are measured at the transaction price.

Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Scottish Teachers Superannuation Scheme and the Highland Pension Fund.

In the event of staff taking early retirement, the full liability of the College is calculated and charged to the Statement of Comprehensive Income on the year of retirement, with a corresponding provision established in the Statement of Financial Position. Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

Highland Pension Fund (HPF):

The HPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. The pension scheme's assets are measured using market values and are disclosed, as required by FRS 102. Pension scheme liabilities are measured using projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

Contributions to the Scheme are calculated to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary based on triennial valuations. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

Where the valuation results in a net asset, recognition of the asset is limited to the extent to which the College can recover its share of the surplus, either through reduced contributions in the future or through refunds from the plan.

Scottish Teachers Superannuation Scheme (STSS):

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College.

The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Provisions

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

Government grants

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

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

Grant funding for the National Job Evaluation Scheme has been subject to a change in Accounts Direction from the Scottish Funding Council, and the revised accounting policy is explained in the Job Evaluation accounting policy note.

Job Evaluation

The National Job Evaluation Scheme is an exercise that was initiated in 2018 whereby job roles and salary costs are being reviewed and aligned for support staff and middle management across the College sector in Scotland.

From 2018/19 financial year an accrual was made on an annual basis for the estimated cost of the job evaluation exercise on staff costs in the college. An equivalent amount was accrued each year as a debtor for the grant funding that was receivable from the Scottish Funding Council (SFC) to cover the costs. There was therefore no net impact on the reported operating result of the college each year.

On 13 November 2024 the SFC issued amended Accounts Direction to the college sector. These amended directions set out new requirements for how colleges should account for the national job evaluation exercise. The direction requires colleges to recognise the costs of the job evaluation exercise as a liability and provide for the total costs of the exercise to date. However, where previously colleges had also recognised the funding for these costs in their financial statements, the accounts direction now requires colleges to no longer recognise this asset.

As this direction has been received from the SFC prior to the signing of these accounts, adjustments have been made to reflect the revised accounting treatment for the National Job Evaluation Scheme. The change in the accounts direction has resulted in a significant change in the College's financial statements. The net impact on the operating deficit for the year ended 31 July 2023 is to increase the deficit by £460k from £936k to £1,396k.

The amended SFC accounts direction states the following:

"It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with [the Government] until the process is complete."

The full harmonisation costs of National Pay Bargaining support staff and middle management will not be confirmed until the national job evaluation exercise is concluded, the outcome of which would be implemented as from 1 September 2018.

In previous years, the SFC have held in reserve grant funding provided by the Scottish Government that relates to the National Job Evaluation Scheme, but these funds were returned to the Scottish Government in 2023, with the Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete.

Non-Government grants

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

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

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

Tuition fees and education contracts

Tuition fee income is stated net of any discounts and is recognised over the period for which the students are studying.

Bursaries and Other Student Support Funds

In accordance with Scottish Funding Council guidelines, funds received from SFC and the Student Awards Agency Scotland for the payments of Bursaries and other Student Support awards are not included in the Statement of Comprehensive Income, as the College acts only as paying agent.

Other income

Income from the sale of goods or rendering of services is recognised when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

Employee benefits

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

Maintenance of Premises

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

Leased assets

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

Non-exchange transactions

Non-exchange transactions, such as donations of cash, goods, assets or services, are recognised using the performance model. Non-exchange transactions that impose specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met. Non-exchange transactions with restrictions attached are recorded within the income on entitlement. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions

Taxation

The College has been granted charitable status by HM Revenue and Customs, as determined by the Finance Act 2010. Accordingly, it is exempt from Corporation Tax on the services it provides.

The College is partially exempt in respect of VAT. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate.

Financial instruments

Financial instruments are recognised in the Statement of Financial Position when the College becomes party to the contractual provisions of the instrument. All the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS 102. All of the College's financial instruments are initially measured at transaction price. At the end of each reporting period, basic financial instruments are measured at amortised cost.

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

Judgements in applying policies and key sources of estimation uncertainty

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

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

Valuation of buildings:

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuer. The last full valuation was carried out in July 2019, with an interim valuation being undertaken in July 2022.

Useful economic lives of land and buildings:

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

Obligations under defined benefit pension schemes:

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

**Notes to the financial statements
for the year ended 31 July 2023**

2 Funding body grants

	Consolidated	
	2023	2022
	£'000	£'000
SFC recurrent grant (including fee waiver)	3,178	3,225
UHI Millennium Institute recurrent grant	1,274	1,241
Release of deferred capital grants - buildings	149	183
- equipment	63	53
Other SFC grants	281	257
	<hr/> 4,945	<hr/> 4,959
SFC grant - Exceptional adjustment for Job Evaluation		
See Notes 1 and 27 relating to change in accounting policy	(460)	-
	<hr/> 4,485	<hr/> 4,959

3 Tuition fees and education contracts

	Consolidated	
	2023	2022
	£'000	£'000
FE fees – UK	70	122
HE fees	536	585
Education contracts	70	73
	<hr/> 676	<hr/> 780

4 Other grant income

	Consolidated	
	2023	2022
	£'000	£'000
UHI	3	53
Release of deferred capital grants – buildings	143	166
Other grants	503	506
	<hr/> 649	<hr/> 725

5 Other income

	Consolidated	
	2023	2022
	£'000	£'000
Catering	71	52
An Cotan Nursery fees	182	253
Room hire	76	59
Other income	317	248
	<hr/> 646	<hr/> 612

**Notes to the financial statements
for the year ended 31 July 2023**

6 Interest receivable

	Consolidated	
	2023	2022
	£'000	£'000
Interest receivable	2	-
Net return on pension assets	7	-
	9	-

7 Staff costs

	Consolidated	
	2023	Restated 2022
	£'000	£'000
Wages and salaries	4,367	4,691
Social security costs	384	410
Other pension costs	774	729
(Decrease) / increase in holiday accrual	(23)	80
	5,502	5,910
Pension adjustment – net service cost	205	1,165
	5,707	7,075
By staff category:		
Academic/teaching departments	3,135	3,652
Academic/teaching services	205	287
Research grants and contracts	177	119
Administration and central services	1,115	1,545
Premises	396	504
Other expenditure	251	313
Catering and nursery	378	458
	5,657	6,878
Voluntary severance and termination costs	50	197
	5,707	7,075
Analysed as:		
Staff on permanent contracts	5,561	6,963
Staff on temporary contracts	146	112
	5,707	7,075

**Notes to the financial statements
for the year ended 31 July 2023**

The average number of full-time equivalent employees, including higher paid employees, during the year was:

	2023	2022
	Number	Number
Academic/teaching departments	48	50
Academic teaching services	5	5
Research grants and contracts	6	7
Administration and central services	24	24
Premises	11	11
Other expenditure	1	-
Catering and nursery	10	12
	105	109

8 Emoluments of members of the Board and higher paid staff

No member of the Board of Management received a fee for services in the year (2022: £nil).

	2023	2022
	£'000	£'000
Travel & expenses paid to Board members	2	-

Remuneration of the Principal

	2023	2022
	£'000	£'000
Salary	96	93
Employers' pension contribution	22	21
	118	114

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

The number of higher paid staff, including the Principal, who received emoluments in the following ranges was:

	2023	2022
	Number	Number
£60,001 to £70,000	3	2
£70,001 to £80,000	-	1
£90,001 to £100,000	1	1

There are additional remuneration disclosures made in the remuneration and staff report on pages 21 to 24.

**Notes to the financial statements
for the year ended 31 July 2023**

9 Other operating expenses

	Staff costs	Operating expenses	Dep'n	Interest payable	2023	2022
	£'000	£'000	£'000	£'000	Total £'000	Total £'000
Academic/teaching departments	3,150	238	-	-	3,388	3,963
Academic/teaching services	205	40	-	-	245	335
Research grants and contracts	177	-	-	-	177	119
Admin and central services	1,114	190	56	-	1,360	2,092
Premises	417	572	784	-	1,773	1,773
Other expenditure	251	220	-	-	471	433
Catering & nursery	393	51	-	-	444	501
Childcare	-	3	-	-	3	5
	5,707	1,314	840	-	7,861	9,221

Other operating expenses include:

	2023 £'000	2022 £'000
External auditor's remuneration:		
- audit and assurance related services	37	32
Internal auditor's remuneration:		
- audit and assurance related services	15	13
Operating lease rentals – office equipment	13	13

10 Interest payable

	2023 £'000	2022 £'000
Net return on pension assets	-	59

11 Taxation

	2023 £'000	2022 £'000
UK corporation tax at 19% (2022: 19%)	-	-

Notes to the financial statements
for the year ended 31 July 2023

12 Tangible fixed assets

	Consolidated and College				Total £'000
	Land and buildings £'000	Motor Vehicles £'000	Equipment £'000	Assets under construction £'000	
Cost:					
At 1 August 2022	17,720	26	1,767	2	19,515
Additions	19	-	77	151	247
Revaluations	-	-	-	-	-
At 31 July 2023	17,739	26	1,844	153	19,762
Depreciation:					
At 1 August 2022	-	19	1,651	-	1,670
Charge for the year	784	2	54	-	840
Revaluation	-	-	-	-	-
At 31 July 2023	784	21	1,705	-	2,510
Net Book Value:					
At 31 July 2023	16,955	5	139	153	17,252
At 31 July 2022	17,720	7	116	2	17,845

All assets are financed by capital grant.

	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 August 2021	16,275	16	1,758	-	18,049
Additions	69	10	9	2	90
Revaluations	1,376	-	-	-	1,376
At 31 July 2022	17,720	26	1,767	2	19,515
Depreciation:					
At 1 August 2021	1,249	16	1,598	-	2,863
Charge for the year	801	3	53	-	857
Revaluation	(2,050)	-	-	-	(2,050)
At 31 July 2022	-	19	1,651	-	1,670
Net Book Value:					
At 31 July 2022	17,720	7	116	2	17,845
At 31 July 2021	15,026	-	160	-	15,186

All assets are financed by capital grant.

Notes to the financial statements for the year ended 31 July 2023

Buildings of net book value of £2,455k (2022: £2,557k) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the proceeds.

The land on which the College is located is owned by the college in terms of a Feu Disposition by the Stornoway Trust which allows use of the land, and the buildings on it, for educational purposes only. Since the abolition of feudal ownership in 2004 however, it is much more doubtful that such pre-2004 restrictions could be enforced.

The College's property portfolio underwent a full revaluation at 31 July 2019 and an interim valuation at 31 July 2022.

The interim valuation was undertaken by an independent valuer, FG Burnett, on the basis of fair value (market value or depreciated replacement costs where appropriate), with the values being computed in accordance with the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance notes.

13 Investments

	Consolidated		College	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Investment - subsidiary undertaking	-	-	-	-
Investment - unlisted	1	1	1	1
	1	1	1	1

Lews Castle College (Trading) Ltd is a wholly owned subsidiary undertakings of the College, a company registered in Scotland with issued share capital of two ordinary shares of £1 each. The company does not trade and is currently held for name protection purposes. The registered office is Lews Castle College, Lews Castle Grounds, Isle of Lewis, HS2 0XR.

The College holds an unlisted investment of 27% of in the ordinary shares of Greenspace Live Limited, but it does not participate in the operational or financial policies of the company and its financial results are not included within the College's consolidated financial statements. The investment is stated at cost less impairment.

The College and Ceolas Uibhist Limited entered into a 50:50 joint venture arrangement on 17 June 2019 to establish Cnoc Soilleir Ltd, a company limited by guarantee, to take forward the development and operation of the Cnoc Soilleir building and facility in Daliburgh, South Uist. The Phase One building was completed in the summer of 2022, being officially opened on the 1st September 2022, and 2022-23 has been the first year of the operation of the new facility.

**Notes to the financial statements
for the year ended 31 July 2023**

Cnoc Soilleir Ltd	Total 2023 £'000	Total 2022 £'000
Net income	64	5,336

Donations and legacies include £151k (2022: £5,349k) that is subject to restriction as it relates funds raised from stakeholders for the purpose of delivering the Phase I building and funding already secured towards the future Phase II.

	Total 2023 £'000	Total 2022 £'000
Net assets	9,421	9,357

Tangible fixed assets comprise long leasehold £6,363k (2022: £6,121k) and fixtures and fittings £112k (2022: £115k). Depreciation is provided on a historic cost basis.

Cash at bank of £3,050k (2022: £3,198k) is subject to restriction as it comprises funds raised from stakeholders for the purpose of delivering the Phase I building and funding already secured towards the future Phase II.

	Total 2023 £'000	Total 2022 £'000
College share of net income	32	2,668
Impairment	(32)	(2,668)
Carrying value of investment	-	-

	Total 2023 £'000	Total 2022 £'000
College share of net assets	4,710	4,678
Impairment	(4,710)	(4,678)
Carrying value of investment	-	-

The College has impaired the carrying value of its investment in Cnoc Soilleir Limited as:

- No distributions have been received since incorporation and, in accordance with future financial projections, none is expected to be received in future years
- The funds received and the assets held by the joint venture are restricted in nature, being granted by external funders for a specific purpose, with there being no expectation of financial benefit to the college in neither the current nor future years.

The College's investment is deemed to have a carrying value of £1 (2022: £1).

**Notes to the financial statements
for the year ended 31 July 2023**

14 Debtors

	Consolidated		College	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	74	119	74	119
Prepayments and accrued income	321	918	321	918
	395	1,037	395	1,037

Financial instrument assets comprise; trade debtors, accrued income and cash and cash equivalents of £544k (2022: £1,284k).

15 Cash and cash equivalents

	Consolidated	
	2023 £'000	2022 £'000
At 1 August	290	365
Cash outflow for the year	(84)	(75)
At 31 July	206	290

16 Creditors: Amounts falling due within one year

	Consolidated		College	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	69	40	69	40
Other taxation and social security	195	240	195	240
Other creditors	131	181	131	181
Owed to subsidiary undertakings	1	1	6	6
Deferred income – capital grants	333	402	333	402
Accruals and deferred income	1,194	1,334	1,194	1,334
	1,923	2,198	1,928	2,203

Contained within accruals and deferred income is £216k in respect of the expected liability in reference to the ongoing national bargaining negotiations. At the date of signing the accounts the senior management have estimated this expected cost based on the best available information. However, as negotiations are ongoing, this is a best estimate which may differ based on the outcome of the negotiations.

Financial instrument liabilities comprise of trade creditors, other taxation and social security, other creditors and owed to subsidiary undertakings of £396k (2022: £462k).

**Notes to the financial statements
for the year ended 31 July 2023**

17 Creditors: Amounts falling due after more than one year

	Consolidated		College	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Deferred income - capital grants	5,680	5,870	5,680	5,870
	5,680	5,870	5,680	5,870

18 Provisions for liabilities and charges

	Consolidated and College			
	Early retirement	Job evaluation	Total	Total
	2023	2023	2023	2022
	£'000	£'000	£'000	£'000
At 1 August	673	-	673	684
Expenditure in the year	(39)	-	(39)	(2)
Charged / (released) in the year	(77)	460	383	(9)
At 31 July	557	460	1,017	673

The early retirement provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the College. The cost is charged against the provision established to meet the cost when it arose.

The provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.75%. This interest rate is higher than the previous year due to CPI inflation increasing. The above liability is in respect of future pension liabilities arising from early retirements.

The job evaluation provision relates to the cost of undertaking a college wide job evaluation exercise. In determining these costs, the College has placed reliance on an assessment performed by the Scottish Funding Council using 2016-17 and 2017-18 payroll information.

19 Pension schemes

The College participates in the following pension schemes:

- The Highland Pension Fund (HPF)
- The Scottish Teachers' Superannuation Scheme (STSS)

Total pension costs for the year were:

	Consolidated and College	
	2023	2022
	£'000	£'000
HPF – charge to income statement	476	1,423
STSS – contributions paid	503	471
Total pension costs at 31 July	979	1,894

**Notes to the financial statements
for the year ended 31 July 2023**

Highland Pension Fund

The HPF is an externally funded multi-employer defined-benefit scheme that covers both past and present employees, which was contracted out of the State Second Pension (S2P) until 31 March 2016. The HPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other related benefits are paid out in accordance with the provisions of the Local Government Pension Scheme.

Total contributions made for the year are £367,000 (2022: £344,000), of which there are employers' contributions of £277,000 (2022: £259,000) and employees' contributions of £90,000 (2022: £85,000).

The College paid employer contributions of 17.7% of pensionable salaries and staff paid employee contributions in the range of 5.5% to 7.9% [support] and 7.2% to 11.9% [lecturing].

A valuation of the College's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2023 triennial valuation, rolled forward onto the following assumptions used as at 31 July 2023:

	2023	2022
Discount rate	5.05%	3.50%
Rate of increase in salaries	3.80%	3.55%
Rate of increase in pensions in	3.00%	2.75%

The weighted average life expectancies used to determine benefit obligations are as follows:

	Years	Years
Current pensioners		
Male	20.7	20.8
Female	23.5	23.3
Future pensioners		
Male	21.6	22.0
Female	25.1	25.3
	%	%

The assets in the scheme were:

Equities	69%	68%
Bonds	10%	11%
Property	15%	17%
Cash	6%	4%

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

	£'000	£'000
Total market value of assets	11,158	11,112
Present value of liabilities	(9,199)	(10,810)
Surplus in the scheme	1,959	302
Restriction applied to surplus recognition	-	-
Net pension asset under FRS 102	1,959	302

**Notes to the financial statements
for the year ended 31 July 2023**

Amount charged to operating deficit:

	2023	2022
	£'000	£'000
Staff costs:		
Current service cost	(482)	(866)
Past service cost	-	(557)
Total operating charge	<u>(482)</u>	<u>(1,423)</u>
Interest and other financial costs:		
Expected return on scheme assets	390	181
Interest on scheme liabilities	(383)	(240)
Total net return	<u>7</u>	<u>(59)</u>
Total HPF pension cost recognised in the statement of total comprehensive	<u>(475)</u>	<u>(1,482)</u>

Other comprehensive income (OCI):

	2023	2022
	£'000	£'000
Actual return on assets exc. amounts	(428)	(424)
Actuarial gain on scheme	2,283	5,357
	<u>1,855</u>	<u>4,933</u>
Restriction applied to recognition of actuarial gain on scheme assets	-	-
Actuarial gain recognised in the OCI	<u>1,855</u>	<u>4,933</u>

	2023	2022
	£'000	£'000
Movements in present value of scheme assets during the year:		
Assets at the beginning of the year	11,112	11,237
Movement in the year		
Interest income	390	181
Actual return on assets (excl.	(428)	(424)
Contributions by the employer	277	259
Contributions by scheme	90	85
Benefits paid	(283)	(226)
Assets at the end of the year	<u>11,158</u>	<u>11,112</u>

**Notes to the financial statements
for the year ended 31 July 2023**

23 Related party transactions

	Member(s)	Position	Sales £'000	Purchase £'000
Cnoc Soilleir	[REDACTED]	Chair	-	45
		Board member		
		Principal & CEO		
Stornoway Port Authority	[REDACTED]	Chair	1	1

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Management may have an interest.

All transactions involving organisations in which a member of the board of governors or the Senior Management Team may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures

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

During the year, the College had various material transactions with the University of the Highlands & Islands [UHI]. The College receives funding for higher education activity through UHI Executive Office. Funding in respect of further education activity is distributed by UHI Executive Office acting as the Regional Strategic Body to which the College has been assigned.

24 Bursaries and other student support funds

	Bursary £'000	HE Hardship £'000	FE Hardship £'000	EMA £'000	2023 Total £'000	2022 Total £'000
At 1 August	179	4	22	3	208	184
Allocation received in year	248	19	7	4	278	285
Expenditure	(81)	(18)	(7)	(4)	(110)	(164)
Other	(11)	-	(22)	-	(33)	-
Repaid to SFC/UHI	(90)	-	-	-	(90)	(47)
Intra-region reallocation	(125)	-	-	-	(125)	(50)
At 31 July	120	5	-	3	128	208

The College acts as an agent in the receipt and disbursement of bursary and other student support funds. These funds are excluded from the Statement of Comprehensive Income.

Represented by:

Repayable to SFC/UHI	120	-	-	-	120	-
Retained for students	-	5	-	3	8	208
	120	5	-	3	128	208

**Notes to the financial statements
for the year ended 31 July 2023**

25 Childcare funds

	2023	2022
	£'000	£'000
At 1 August	16	15
Allocation received in year	4	6
Expenditure	(4)	(5)
Other	(15)	-
At 31 July	1	16

The College acts as an agent in the receipt and disbursement of Childcare funds. These funds are excluded from the Statement of Comprehensive Income.

Represented by:

Repayable to SFC/UHI	1	-
Retained for students	-	16
	1	16

26 Events after the reporting period (Consolidated and College)

UHI North, West and Hebrides merger

From 1 August 2023, the existing staff and assets, including personal data, of Lews Castle College and UHI West Highland College have transferred to UHI North Highland College.

On 1 August 2023, the College merged with UHI North Highland College and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has subsequently applied to formally change its name to The Board of Management of UHI North, West and Hebrides.

No adjustments were required to write down any assets or reclassify any liabilities to current as part of the merger process.

As a result of the merger of Lews Castle College with UHI North Highland and UHI West Highland on 1 August 2023, and in accordance with the Transfer & Closure Order - [Lews Castle College \(Transfer & Closure\) Order 2023 - Fairer Scotland Duty summary \(www.gov.scot\)](#), the Board of Lews Castle College was wound up, and all responsibility for completion of the reports and financial statements for the year ended 31 July 2023 passed to the Board of UHI North, West and Hebrides. Derek Lewis and Lydia Rohmer are therefore approving these reports and financial statements on behalf of the Board of UHI North, West and Hebrides in their respective roles as Chair of Board and Principal/CEO.

Local Government Pension Scheme Valuation

The 2023 local government pension scheme triennial valuation was completed post year in March 2024. The valuation had a material change to the 2022/23 pension balances and disclosures and has been judged to be an adjusting post balance sheet event. The 2022/23 financial statements have been adjusted to consider the results of the valuation.

National Job Evaluation Scheme

In March 2023 funding relating to the National Job Evaluation Scheme was transferred from the Scottish Funding Council to the Scottish Government. Colleges were informed of this transfer in April 2024. This transfer represents a material change to the 2022/23 balances and has been assessed as meeting the criteria for an adjusting post balance sheet event. The College has reduced funding body grants income, accrued income and accruals by £460k and has established a provision of £460k.

Notes to the financial statements for the year ended 31 July 2023

27 Contingent asset

A full job evaluation exercise with the purpose of harmonising support and middle management staff costs across the College sector in Scotland was started in 2018. The responsibility for funding the exercise now sits with Scottish Government. The full extent of the costs to be worked through with National Pay Bargaining will not be confirmed until the job evaluation exercise is concluded, the outcome of which will be implemented as from 1 September 2018. Since 2018-19 colleges have accrued support staff and middle management costs and associated grant funding based on Colleges Scotland's February 2019 staff costings. For Lews Castle College this resulted in accumulated cost accrual and debtor balances of £460k to 31 July 2023.

The 2023-24 Accounts Direction from the Scottish Funding Council (SFC) signals a change in the accounting for the funding and costs of the job evaluation exercise, with a central focus on the Scottish Government being clear that responsibility for job evaluation funding commitments now rests with it until the process is complete.

As the Accounts Direction has been received from the SFC prior to the signing of these accounts for the year ended 31 July 2023, adjustments have been made to reflect the revised accounting treatment for the National Job Evaluation Scheme.

The job evaluation exercise is a past event where an obligation exists, its impact can be reliably measured, and it is likely to result in an outflow of benefits in future periods. On this basis, the costs of the exercise have been recognised as a provision for the total estimated cost of the exercise to date. The valuation of the provision is based on the figure originally provided in February 2019 with annual inflationary adjustments to align with uplifted payments to staff over the period. As the timing of the outflow of benefits remains uncertain, the previously accrued costs have been reclassified as a provision. This treatment is considered to be compliant with the SORP and the relevant underlying accounting standards.

The recognition of the revenue is not as clear due to the change in the funding arrangements. The SFC no longer hold the reserved cash funding, and although responsibility for job evaluation funding now sits with the Scottish Government, insufficient evidence has been provided for this income to be recognised in the financial statements. On this basis, the revenue element has been de-recognised in the accounts. There is however sufficient basis upon which to recognise a contingent asset of the value equal to that of the provision (£460k), to be recognised on the balance sheet at such time realisation of cash-flows become virtually certain and quantifiable.

28 Government non-cash allocation for depreciation

	Consolidated	
	2023	2022
	£'000	£'000
Deficit for the year before other gains and losses (FE-HE SORP basis)	(1,396)	(2,145)
Add back: Non-cash allocation for depreciation	840	857
Add back: Deferred capital grants	(355)	(402)
Operating deficit on Central Government accounting basis	(911)	(1,690)

Colleges receive a non-cash budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules.

Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

**Notes to the financial statements
for the year ended 31 July 2023**

29 Prior year adjustments

The financial statements for 2021-22 are restated due to three prior year adjustments relating to pensions, these effect the Consolidated Statement of Comprehensive Income on page 30, the Consolidated and College Statement of Changes in Reserves on page 31, the Consolidated and College Statement of Financial Position on page 32 and in the Notes to the Accounts to note 19 'pension schemes' on page 48.

Consolidated Statement of Comprehensive Income

	Consolidated 2022 £'000
Staff costs	6,518
<i>Adjustment one:</i> Correction of past service costs	557
Staff costs - restated	7,075

Adjustment one: To include past service costs omitted from the Consolidated Statement of Comprehensive Income, though included in the Consolidated and College Statement of Changes in Reserves and in the Consolidated Statement of Financial Position.

Consolidated and College Statement of Changes in Reserves

	Consolidated 2022 £'000	College 2022 £'000
Income and expenditure reserve @ 1 August 2021	(3,616)	(3,621)
<i>Adjustment two:</i> Correction of opening balance re HPF pension	73	73
Income and expenditure reserve - restated	(3,543)	(3,548)

Adjustment two: In 2021-22 a correction was made to the brought forward amount of the pension deficit at 1st August 2021. This was included within the Statement of Financial Position, but not the Statement of Comprehensive Income.

Consolidated and College Statement of Changes in Reserves

	Consolidated 2022 £'000	College 2022 £'000
Comprehensive income for the year	2,691	2,691
<i>Adjustment two:</i> Correction of opening balance re HPF pension	(73)	(73)
<i>Adjustment three:</i> Removal of restriction on recognising pension asset	302	302
Income and expenditure reserve - restated	2,920	2,920

**Notes to the financial statements
for the year ended 31 July 2023**

Adjustment three: In 2021-22 the Highland Pension Fund moved from a deficit to a surplus of £302,000, with an actuarial gain of £4,933,000.

College Statement of Financial Position

	Consolidated 2022 £'000	College 2022 £'000
Non-current assets		
Pension asset	-	-
<i>Adjustment three:</i> Removal of restriction on recognising pension asset	302	302
Pension asset - restated	302	302
	Consolidated 2022 £'000	
Note 19 – Pension schemes		
Liabilities at the end of the year - as stated	10,253	
<i>Adjustment one:</i> Correction of past service costs	557	
Liabilities at the end of the year - restated	10,810	

Consolidated Statement of Cash Flows

	Consolidated 2022 £'000
Cash outflow from operating activities	
Deficit for the year - as stated	1,588
<i>Adjustment one:</i> Correction of past service costs	557
Deficit for the year - restated	2,145
(Increase) in debtors	(290)
<i>Adjustment four:</i> Consolidation adjustment	6
(Increase) in debtors - restated	(284)
Adjustment four: In 2021-22 the inter-company creditor was correctly eliminated on consolidation, but the consolidation adjustment was made against debtors, not creditors.	
Cash outflow from operating activities	
Pension costs less contributions payable – as stated	-
<i>Adjustment five:</i> Pension costs less contributions payable	1,222
Pension costs less contributions payable – as restated	1,222

**Notes to the financial statements
for the year ended 31 July 2023**

Adjustment five: To include FRS 102 pension costs less contributions payable omitted from the cash flow in 2021-22.

	Consolidated 2022 £'000
Cash outflow from operating activities	
Increase in creditors – as stated	614
<i>Adjustment one:</i> Correction of past service costs	557
<i>Adjustment four:</i> Consolidation adjustment	(6)
<i>Adjustment six:</i> movement in deferred capital grants within 1 year	(9)
<i>Adjustment seven:</i> movement in deferred capital grants within 1 year	178
<i>Rounding</i>	1
Increase in creditors - as restated	778

Adjustment six: In 2021-22 the movement in deferred capital grants of £411k only referred to the portion falling due after more than one year. This is restated to a movement of £402k, by the inclusion of the movement in deferred capital grants falling due within one year.

Adjustment seven: In 2021-22 the bursary creditor of £178k was deducted from the movement in creditors. This deduction is reversed.

Cash outflow from operating activities	
Increase in pension provision – as stated	422
<i>Adjustment six:</i> movement in deferred capital grants within 1 year	9
<i>Adjustment eight:</i> Correction of calculation	(844)
As restated	(413)

Analysed as:

Release of deferred capital grants	(402)
(Decrease) in pension provision	(9)
Payments made for early retirement	(2)
As restated	(413)

In 2022-23 the movement in the deferred capital grants and the movement in the early retirement provision are shown separately, whereas in 2021-22 both were combined and reported as a movement in the pension provision.

Adjustment eight: In 2021-22 the movement in the pension provision was stated to be an increase of £422k, whereas this was a decrease of £(422)k.

Appendix 1

Accounts Direction for Scotland's Universities 2022-23

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts
2. Institutions must comply with this accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council
3. The annual report and accounts should be signed by the Chief Executive Officer and by the Chair, or one other member of the governing body

Scottish Funding Council
20 July 2023