

The North Highland College  
REPORT AND FINANCIAL STATEMENTS  
for the year ended 31 July 2009

---



**The North Highland College**  
**REPORT AND FINANCIAL STATEMENTS**  
for the year ended  
31 July 2009  
SCOTTISH CHARITY NUMBER SC021215

<b>CONTENTS</b>	<b>PAGE</b>
Operating and Financial Review	1-9
Statement of Corporate Governance	10-15
Statement of responsibilities of the Board of Management	16-17
Independent Auditors' Report to the Board of Management, the Auditor General and the Scottish Parliament	18-20
Income and expenditure account	21
Statement of historical cost surpluses and deficits	22
Statement of total recognised gains and losses	23
Balance sheet	24-25
Cash flow statement	26
Notes on financial statements	27-47

**The North Highland College**  
REPORT AND FINANCIAL STATEMENTS  
for the year ended 31 July 2009

---

## **NATURE, OBJECTIVES AND STRATEGIES**

### **Legal Status**

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

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

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

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

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

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

The Financial Statements cover all activities of the College.

### **Mission Statement**

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

### **Implementation of Strategic Plan**

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

- The delivery, in partnership with Lochaber College and Skye and Lochalsh Learning Centre, of over 2,800 WSUMS in Lochaber and over 850 WSUMS in Skye for the year 2008-09. With the success of the development of activity in the West over the last couple of years, the SFC has increased activity for 2009-10 to 2,900 WSUMS for Lochaber and 1,800 WSUMS for Skye. Funded activity for Argyll has increased from 7,233 WSUMS in 2008-09 to 8,133 WSUMS in 2009-10.
- Refurbishment of Burghfield House Hotel was completed by August 2009, and formal opening of the building by Alex Salmond, Scotland's First Minister, took place in October 2009.
- The Centre for History is now delivering its third year of a four year degree programme. Student numbers continue to grow ahead of target.
- The Environmental Research Institute secured funding for a major project called Maree which is due to commence in the autumn of 2009. This will see the appointment of research staff to investigate and model the tidal flows in the Pentland Firth, with a view to

further developing the science around this renewable resource, which has wider strategic significance for the Scottish economy as renewable energy is developed.

- Funding was secured for two major Estates projects on the Thurso campus – Centre for Energy and the Environment (CFEE - estimated cost £3 million), and Engineering Skills Centre (ENSC - estimated cost £7.1 million). The Centre for Energy will house the staff involved in Maree. The Engineering Skills Centre will provide a major facility in the North of Scotland for practical engineering skills using state of the art facilities and equipment. This will help provide a trained and talented workforce for the Caithness economy and beyond, for the change from Nuclear Power and decommissioning, to renewable power engineering and general engineering.

The strategic objectives for the forthcoming year(s) are as follows:

- To provide access to vocational, educational and research opportunities with clearly identified pathways of progression within a coherent and challenging curriculum framework delivered in an efficient and effective manner to ensure on-going financial security.
- To continue to improve the learning experience through the implementation of enhanced and well informed self-evaluation processes.
- To continue to deliver a high standard of governance and management to ensure the achievement of corporate objectives.
- To work with others to improve access to services by exploring and anticipating the needs of individuals and promote a fully inclusive learning, working and research environment free from any form of discrimination.
- To ensure that Burghfield House Hotel delivers educational and practical skills for students seeking a career in Hospitality Management, and Chefs training, in a live environment.
- To successfully manage the major Estates Projects (CFEE and ENSC) and the impact they will have of the current estates and College short-term finances in terms of cash flow.

### **Financial Objectives**

Aim 4 of the College's Strategic Plan for 2008-11, *To continue to deliver a high standard of governance and management to ensure the achievement of corporate objectives*, incorporates the financial aim of the College, which is to remain financially secure and create appropriate financial reserves. In order to achieve this, the College will work toward:

- A strategic financial review covering a period of the next five years to ensure that North Highland College can successfully meet the financial challenges of the future, and restore the college to financial surplus. This will look critically at estates, courses and administration of the college.
- Ensure that the estates projects – CFEE and ENSC – are delivered on time and within budget.
- The implementation of electronic procurement and further implementation of public procurement strategies.
- The successful delivery of the West Highland partnerships in respect of SFC objectives and appropriate financial management.
- Continuing to secure European funding to support Estate development and curriculum activity by accessing the new Highlands and Islands programme 2008- 2013
- Assisting all sections and research facilities in identifying further sources of income.

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

Further education activity amounted to 30,096 weighted sums (WSUMs) compared to 25,194 WSUMs in academic year 2007-08. Activity was delivered under the collaborative further education arrangements with Argyll College, Lochaber College and Skye and Lochalsh Learning

# The North Highland College

## OPERATING AND FINANCIAL REVIEW

Centre. WSUMS were as follows:

	Nos
North Highland College	19,004
Argyll College	7,379
Lochaber College	2,852
Skye and Lochalsh Learning Centre	<u>861</u>
	<u>30,096</u>

Higher Education activity as measured by full time equivalents (FTE's) amounted to 503 FTEs compared with 519 FTEs in 2007-08.

### Student Activity Indicators

The trend of College enrolments and student activity is as set out below. Higher education activity is reported separately and funded through UHI Millennium Institute. The figures for 2004-05 onwards take account of the collaborative arrangement for further education activity with Argyll College and from 2006 - 7 Skye & Lochalsh LCN and Lochaber College.

#### Analysis of College Further Education Enrolments 2004-05 to 2008-09

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	432	366	364	422	524
<b>Part-time</b>	6,216	6,645	8,224	9,239	10,123
	<u>6,648</u>	<u>7,011</u>	<u>8,588</u>	<u>9,661</u>	<u>10,647</u>
Weighted Sums Delivered	21,786	20,546	23,476	25,194	30,096

**Further Education remains the core function for The North Highland College. However, as required by the Scottish Funding Council, the delivery of FE summable activity will remain at its present level over the coming year, with new areas such as an expansion in Engineering and Construction Skills Training accommodated by re-profiling curriculum delivery.**

#### Analysis of College Higher Education Enrolments 2004-05 to 2008-09

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Mode of attendance	Count	Count	Count	Count	Count
<b>Full-time</b>	165	186	180	201	240
<b>Part-time</b>	580	577	578	782	627
<b>Total enrolments</b>	<u>745</u>	<u>763</u>	<u>758</u>	<u>983</u>	<u>867</u>
<b>Total FTEs</b>	<u>378</u>	<u>423</u>	<u>451</u>	<u>519</u>	<u>503</u>

### **Student Achievements**

The table below shows student outcomes for students on a FE programme with a national qualification aim. *(extracted from SFC Student and Staff performance indicators for Further Education Colleges in Scotland 2006-07)*

	<b>Weighted enrolments 2008-09</b>	<b>College PI 2008-09</b>
FE enrolments on programmes with a national qualification aim.	17,963	
Total enrolments for students completing programme	15,506	86%
Successful or progressing to the next year	12,416	80%
Progressing to the next year	2,122	14%
Not gaining award but may have achieved partial success	3,090	20%
Completing programme which is not designed to be assessed	0	0%
Completed programme, not assessed but designed to be.	1,053	2%

### **Continuous Professional Development of Staff**

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

Over the past few years the number of programmes for Professional Development in Learning, Teaching & Assessment practice provided to staff has increased significantly. The College now provides six different categories of certificated programmes and it is envisaged that this number will increase particularly as new Professional Development Awards are validated by the SQA. The increase in development opportunities available has been matched by an increase in the number of staff participating on such development programmes. Whilst success rates on these programmes have generally been good there is now a need for the support for all of these programmes to be defined in a College Policy Statement. The Policy Statement and associated Learning Agreement document provides clear guidance to staff on these matters and in particular defines the respective responsibilities of the College, the line manager and the member of staff undertaking a course of study.

Examples of specific staff development programmes are noted below.

#### **Use of ICT in Learning and Teaching**

As part of the College's new policy a new system is being implemented whereby Staff Development support will be provided through NHC On-line. Arrangements are in hand to enable a member of staff from NHC On-line to become qualified as an SFEU associate mentor in this area.

#### **NHC Management Development Programme: SCoPE**

The College intends to make use of the SFEU SCoPE (Scotland's Colleges Professional Enhancement) programme as a follow-up to last year's internal management development programme.

#### **SFEU Communities of Practice Programme 2008-9**

The College will continue to send the Section Leader Marketing and the Secretary to the Board to relevant Community of Practice events organised by the SFEU.

### **Employer Engagement**

The table below shows collated information gained via an annual Employer Survey. The full survey is published as a separate document and is published on the College's website.

<u>Year</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Unsatisfactory</u>
<b><i>Overall rating of service received</i></b>				
2006	51%	35%	14%	0%
2009	33%	54%	11%	2%

## **FINANCIAL POSITION**

### **Financial Results**

In accordance with best practice, the College has implemented the requirements of Financial Reporting Standard 17: Retirement Benefits (FRS 17). After adjustment has been made for the requirements of FRS 17, the Income and Expenditure account for the year 2008-09 showed an operating loss of £317,000 of but after adjusting for the effect of depreciation on revalued fixed assets, the historical cost surplus amounted to £262,000. The College Income and Expenditure account including the FRS 17 pension liability amounts to a deficit of £1,146,000 due to the increase of the College's share of deficit of Highland Council's Superannuation Scheme.

Cash at bank and in hand at 31 July 09 amounted to £345,000 in overdraft.

### **Charitable and Tax Status**

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

### **Treasury Policies and Objectives**

The College's Treasury policy this past year has been to generate interest rate returns using fixed term deposits prior to the main sizeable reduction in interest rates. At the same time it has sought to ensure sufficient liquidity to deliver the refurbishment of Burghfield House.

### **Cash Flows**

The refurbishment of Burghfield House Hotel has meant cash outflow, while the reimbursement of some of these monies has perhaps been slower than anticipated.

### **Liquidity**

There is a higher level of debt outstanding at 31 July 09 than in previous years. This relates mostly to outstanding grant claims for Burghfield, VAT reclaim on Burghfield and monies due for expenditure incurred on a fire in one of the labs at the Environmental Research Institute.

### **Creditor Payment Policy**

It is the policy of North Highland College to pay invoices promptly and within one month. Monthly runs of purchase payments are made. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998. Year-end creditors represented 2.25% (2009 4%) of the aggregate purchases invoiced during the year.

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

### **Student Numbers**

Student numbers excluding commercial short courses were as follows for the year ended 31 July 09:-

FE			HE		
Full Time	Part Time	Total	Full Time	Part Time	Total
<u>382</u>	<u>8,774</u>	<u>9,156</u>	<u>201</u>	<u>790</u>	<u>991</u>

### **Curriculum Developments**

The College is a tertiary education provider and will make extensive use of the Scottish

Certification and Qualification Framework (SCQF) at all levels from 1-12. This will ensure that all learners from school age to those on post-graduate programmes will receive recognition for the education, training, including relevant work-based activity. All existing College programmes allow for learner progression, however the introduction of shorter programmes Scottish Progression Awards (SPAs) and Professional Development Awards (PDAs) to allow for career changes and re-training, already available in Tourism Science & Engineering, will be more extensively used. The philosophy of delivering Further & Higher education within a realistic work environment and co-locating this with research active teams will inform all future development programmes.

This is the third year of the Scottish History Degree and student numbers continue to increase ahead of projections. Three new members of staff were taken on, supported by grant funding from Highlands and Islands Enterprise and Europe, to further develop modules.

Europe monies are being used to assist employing a member of staff in preparing modules for a degree in Drama studies, and assist in employing one full time member of staff and part time member of staff in preparing modules for a degree in Tourism and Hospitality studies.

### **Post Balance Sheet Events**

There are no post Balance Sheet events to disclose.

### **Future Developments**

The Board of Management is committed to a substantial investment programme to widen participation in both Further & Higher Education. This strategy requires both the consolidation of the North Highland College estate in Thurso, Wick, Dornoch and Ainess and a close contractual partnership with the local colleges in Argyll, Lochaber and Skye & Wester Ross. This together with further development of ICT supported delivery of the curriculum and infrastructure across the rural Highlands will thus be provided to ensure delivery to hitherto excluded learners as well as greater engagement with school pupils studying on vocational pathways.

The delivery of Further Education with pathways to advanced programmes is central to the corporate vision and development strategy for the College. Within the Highlands & Islands the past decade has seen a general decline in unemployment levels as a result of substantial investment within the area, which has been made possible by the EU structural programmes. However, the average GDP for the area is still substantially lower than that of the rest of the country, with much of the workforce in low paid sectors. This informed the decision by the European Commission to include the area within the Structural Programme for Convergence with the EU Accession states. The College will make considerable use of its experience to date in accessing these funds for curriculum and estate developments to widen participation to all learners.

The decision to decommission Dounreay will result in the potential loss of over 2,500 jobs in Caithness alone over the coming 10-20 years. The under-representation of 18-35 year olds is expected to increase. It is important that attractive employment opportunities are created to encourage them to remain in the area and to encourage immigration. It is imperative to establish a knowledge based economy as competition increases from both within the expanded European Union and the rest of the world.

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

The current situation shows that too many school leavers go straight into low paid employment where they have few chances to develop their skills. Meanwhile, employers find it difficult to fill posts requiring high level skills, which restrict business growth.

It is essential that all learners however remote are well advised with respect to career opportunities, and how they may access the skills necessary to fulfil their personal career aspirations. It is important that all businesses of the area are confident that they will have an adequate supply of employees with the appropriate skills, generic “employability skills”, and attitudinal skills, commitment to lifelong learning, innovation, entrepreneurship, etc., which may be utilised for business development. Thus, they should be assured that opportunities for continual development of these skills are embedded in all programmes offered at all levels. It will be the College’s job to see this is delivered in revised and enhanced curriculum and skills training programmes, coordinating this with our UHI partners and others where relevant.

This requires us to undertake a review of provision followed by a curriculum development plan with strategic fit to the area’s needs together with a delivery strategy which will make the curriculum accessible to all learners.

The College is a tertiary education provider and will make extensive use of the Scottish Certification and Qualification Framework (SCQF) at all levels from 1-12. This will ensure that all learners from school age to those on post-graduate programmes will receive recognition for the education, training, including relevant work-based activity. All existing College programmes allow for learner progression, however the introduction of shorter programmes Scottish Progression Awards (SPAs) and Professional Development Awards (PDAs) to allow for career changes and re-training, already available in Tourism Science & Engineering, will be more extensively used. The philosophy of delivering Further & Higher education within a realistic work environment and co-locating this with research active teams will inform all future development programmes.

#### *Key Development Activities*

- To assist all sections and research facilities in identifying further sources of income

It is anticipated that research activity will continue to grow over the planning period. It is anticipated that the NHC UHI Centre for History will continue to develop, attracting both public and private sector sponsorship. Funding was secured for a major piece of research work on the History of Forestry. Support has been provided by HIE and Europe for funding for 3 years (20 months still outstanding) to assist in the development of the BA History degree programme.

The ERI will have an increasing focus on renewable energy science. Funding has been secured under SUPERGEN to provide 4 renewable energy PhD studentships.

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

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

North Highland College will ensure that it has the necessary resources to assist partner colleges in the delivery of increased summable activity in Argyll, Lochaber, Skye & Lochalsh and to provide the necessary administrative support in terms of registration, bursary, hardship and childcare requirements.

- Implementation of electronic procurement and further implementation of public procurement strategies

The College has signed an agreement with CAP Gemini to implement an electronic procurement system. It is intended to roll-out system implementation to all sections of the College in 2009-10. North Highland College is now a member of Advanced Procurement for Universities and Colleges (APUC), and is benefitting from its knowledge in order to ensure a professional approach to its procurement management.

## **RESOURCES**

The College's Estates Strategy will be informed by the ambitious projects planned by the College during the life of the Strategic Plan 2008-2011 along with remedial works required to the existing Estate to ensure that the College can provide a learning, teaching and working environment which is designed to meet the challenges of a 21<sup>st</sup> century tertiary institution

### Dornoch Estate expansion

This project has seen the completion of the refurbishment of Burghfield House Hotel at the end of August 2009. The College has ambitions to see residential accommodation on site and the Centre for History relocated to the former Stable Block which is on site. The Centre for History has recruited five overseas students to their degree course, which is three years ahead of target, and it is anticipated more students would come to Dornoch if accommodation was on site. However this ambition is subject to finance, and the College recognises the impact of the deep recession the country is in.

### The Centre for Energy & the Environment, Thurso

This project which will see staff involved in the Maree project having state of the art facilities, is financed by the SFC, HIE, UHI DIUS and Europe (SDB), together with a contribution from the College which is anticipated to be met by the sale of the property Solaglas. Planning and design work has been done, with the main work on site due to commence early January 2010, with a view to completion by December 2010.

### Engineering Skills Centre

This project will see the build of an Engineering Skills Centre with facilities designed to provide practical experience to engineering students using state of the art engineering equipment. This is to provide the students and trainees of the area and beyond with the necessary skills to meet the challenge of Nuclear Decommissioning and Renewable Energy developments. This is being financed by the NDA, SFC, Europe (HIPP) and Highland Council. Planning and design work is under way, with the main tender for work likely by January 2010, with a view to completion by December 2010.

### Training for the Landbased Sector

The College will continue to lease their premises for their equestrian and game-keeping programmes for the delivery of intensive training to both full-time and part-time learners. It is now recognised that a number of programmes should be developed to provide progression from the very successful and widely recruited Rural Skills school-link programme across the area. The development of 3 NC programmes will dramatically increase the number of pathways available to learners wishing to secure a career in this important sector.

## **PRINCIPAL RISKS AND UNCERTAINTY**

North Highland College generated an underlying operating loss and this is being addressed. In the summer of 2009, there were targeted reductions in staffing with a number of short-term and temporary contracts terminated. The Board of Management has also agreed to prepare a five year sustainability plan and this will be worked on over the next number of months with a view to having a clear and focused plan to bring the college back into surplus.

## STAKEHOLDERS RELATIONSHIPS

The following are North Highland College stakeholders:-

UHI Executive Office  
UHI network of Colleges  
Highlands and Islands Enterprise  
Highland Council  
UKAEA and its main contractors  
National Skills Academy (Nuclear) and partners in the Scottish hub  
The NPP network of pf partners  
The Rural Colleges Group  
The North Forum  
European Partners: CEA, France  
University J F, Grenoble  
University of Kaunas, Lithuania  
University of Rome  
University of Pavia  
Verzlunarskoli Islands (The Commercial College of  
Iceland)

## EQUAL OPPORTINUITIES AND EMPLOYMENT OF DISABLED PERSONS

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

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


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

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

## DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Board on 14th December 2009 and signed on its behalf by:



**R Thompson**  
Principal

**W Bruce**  
Chairman

## **INTRODUCTION**

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

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

In the opinion of the Board of Management, the College complies with all the provisions of the Combined Code on Corporate Governance, in so far as they apply to the Further Education sector, and it has complied throughout the year ended 31 July 2009.

## **BOARD OF MANAGEMENT**

The College's Board of Management meets six times per year and has several committees; Audit & Assurance Committee, General Purposes Committee, Finance Committee, Nominations Committee, Remuneration Committee, Research Committee and Staffing Committee. All of these Committees are formally constituted with terms of reference. The role of the Board of Management is the strategic overview of the College.

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

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

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

## **TRANSPARENCY ARRANGEMENTS**

The College conducts its business through a number of committees. Minutes of all full Board of Management meetings are available from the College at:

The North Highland College  
Ormlie Road  
Thurso  
Caithness  
KW14 7EE

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

### **MEMBERS OF THE BOARD OF MANAGEMENT**

The Board of Management comprised of the following members during the period:

Mr P R G Arthur	Chairman / Chair - Remuneration and Nominations Committees / Ex-officio Member of Audit & Assurance, Finance, General Purposes and Staffing Committees (resigned May '09)
Mr W Bruce	Chair Research Committee, Member General Purposes Committee, Member Audit & Assurance Committee, Member Remuneration and Nominations Committees
Mrs J G Bundy	Vice Chair /Chair - Staffing Committee, Member of Audit & Assurance Committee, Member Remuneration and Nominations Committees
Mr D Buntain	Member Staffing Committee
Mr R Coghill	Member General Purposes Committee
Mrs S Henderson	Member Staffing Committee
Mr A Mackie	Member Finance Committee
Dr P Monaghan	Member Finance Committee
Mr J Munro	Academic Staff Representative, Member General Purposes Committee
Mrs L Munro	Member Finance Committee
Mrs S MacCaughey	Student Representative, Member General Purposes Committee (resigned August '08)
Mr J McGillivray	Member Research Committee
Mrs A MacConnell	Chair of Audit & Assurance Committee, Member Research Committee, Member Remuneration and Nominations Committees
Mrs A Swanson	Support Staff Representative / Member General Purposes Committee
Mr T Sayles	Chair - General Purposes Committee/ Member Audit & Assurance Committee, Member Remuneration and Nominations Committees
Mr J Stewart	Member
Mrs C Whitfield	Chair of Finance Committee / Member Audit & Assurance Committee, Member Remuneration and Nominations Committees (resigned April '09)
Mrs R Thompson	Principal and ex-officio member of Finance, Staffing and General Purposes Committees

C Whitfield, P Arthur and S MacCaughey resigned from the Board during Financial Year 2008-9.

D Buntain, J Stewart, L Munro, R Coghill, A Mackie and J McGillivray joined the Board during the same Period.

Ms Margaret Rose is the Secretary to the Board of Management.

### **ROLE OF COMMITTEES OF THE BOARD OF MANAGEMENT**

#### General Purposes Committee

Consider/approve key developments and initiatives within the College relating to the following areas -

- estates and facilities management
  - management of health & safety
  - marketing
  - quality management
  - liaison with external agencies
  - student services.
- Consider/approve allocation of the estates capital formula funding on an annual basis prior to referral to the Finance Committee.

- Consider/approve any college developments and initiatives not covered by 1) and, in addition, are not covered by the remits of either the Finance Committee or the Staffing Committee.
- Evaluate the operations of matters contained in items 1), 2) and 3) above against the context of the College's strategic plan.

#### Staffing Committee

The duties of the Committee rest in the following areas -

Staff Development – the Committee shall:

- On behalf of the BoM, monitor the college structure and staffing profile, in terms of its appropriateness for the effective and efficient delivery of the College's strategic objectives;
- On behalf of the BoM, monitor the College's staffing development programme within the context of the College's strategic plan.

Human Resource Management – the Committee shall:

- Monitor the College's compliance with the statutory requirements relating to both UK and EU employment legislation;
- Monitor the College's compliance with best personnel and human resource practise in line with IPD and ACAS guidelines.

#### Finance Committee

The duties of the Committee shall be:

- to advise the BoM with regards to the College and its subsidiaries' compliance with all statutory requirements relating to the college/subsidiary accounts and application of appropriate best practice in accounting procedures;
- to establish financial performance targets and to monitor the performance of the College and its subsidiaries against these targets;
- to advise the BoM that the allocation of resources is in accordance with college/subsidiary priorities as defined in the strategic plan;
- to approve amendments to the levels of course fees, as appropriate;
- to approve amendments to the Fee Waiver Policy;
- to advise the BoM that '*Value For Money*' is obtained by evaluating the outcome of each VFM study.

#### Audit & Assurance Committee

The duties of the Committee shall normally include:

- reviewing the processes for auditing the effectiveness of all internal control and financial systems;
- advising the Board on the criteria for the selection and appointment of the internal auditor;
- reviewing the scope and effectiveness of internal audit work including planning and operation of the work and the internal audit annual report;
- ensuring the College has systems and procedures to promote economy, efficiency and effectiveness and that activities are managed in accordance with legislation and regulations - this may require identifying specific value for money studies;
- considering the College and its subsidiaries' annual financial statements after review by the Finance Committee and prior to submission to the Board, focussing in particular on any changes in accounting policy, major judgmental areas,

significant audit adjustments, the going concern assumption and compliance with accounting standards and the Accounts Direction;

- reviewing the external auditor's Management Letter and management's response and having direct access to the external auditor;
- reviewing relevant reports from the SFC, Audit Scotland and other organisations;
- monitoring the performance and effectiveness of external and internal audit;
- carrying out an audit needs assessment for the College and drawing up a risk register and, from that, determining the audit programme;
- ensuring a system of risk management has been established and is being maintained.
- Monitoring the arrangements by which staff can raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence (Public Interest Disclosures Act 1998 -Whistleblowing), ensuring that proportionate and independent investigation of such matters can take place and the appropriate follow-up action taken.
- monitoring the implementation of the College's ICT Security Policy;
- such advice to the BoM as the Committee considers appropriate.

For additional guidance, see Annex B of the SFC 'Code of Audit Practice', the FRC 'Combined Code on Corporate Governance' and the ASC 'Guide for College Board Members'. The A&A Committee shall ensure that all significant losses have been properly investigated.

#### Research Committee

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

- Consider/approve key developments and initiatives within the College relating to Research activity.
- Evaluate the operations of research matters against the context of the College's strategic plan.

#### Nominations Committee

The duties of the Committee rest in the following areas: nominating to the Board such individuals as it considers right and proper to become members of the BoM within the framework of the Standing Orders of the BoM, taking account of;

- the composition and balance of the BoM
- any skills gaps identified by the BoM
- existing and proposed governance requirements and best practice

#### Remuneration Committee

The Committee shall determine and review the structure of the Senior Management Team and the remuneration package offered. The SMT comprises, The Principal, Depute Principal, Assistant Principals and Director of Finance, taking into account:

- the efficient and effective use of public funds
- that the College senior management team shall be fairly rewarded for their individual performance and contribution to the College's overall performance;
- where, in terms of senior management team remuneration, the College stands in relation to other comparable institutions in the sector;
- the relationship between the remuneration of the senior management team and that of other employees of the College;

- the benefits granted to the senior management team;
- the adequacy of pension arrangements and also the cost implication of pension arrangements, including the pension effect of remuneration proposals.

### **CORPORATE STRATEGY**

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

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

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

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place since August 2000 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Management and accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Further and Higher education.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Register of Strategic Risks will be reviewed over the summer recess by the senior management team and presented to Audit & Assurance Committee for approval during the first Board cycle of session 2009-10.

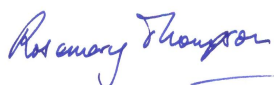
The senior management team and the Audit & Assurance Committee also receive regular reports from the internal audit and 'Health, Safety and the Working Environment monitoring' functions, which include recommendations for improvement.

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

### **GOING CONCERN**

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

Approved by order of the members of the Board on 14th December 2009 and signed on its behalf by:



**R Thompson**  
**Principal**

**W Bruce**  
**Chairman**

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

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

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

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

The Board of Management has taken reasonable steps to:

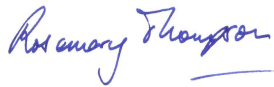
- ensure that funds from the Scottish Funding Council are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions that the SFC may from time to time prescribe;
- ensure that there are appropriate financial and management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

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

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

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

Approved by order of the members of the Board on 14th December 2009 and signed on its behalf by:



**R Thompson**  
Principal

**W Bruce**  
Chairman

# The North Highland College

## INDEPENDENT AUDITORS' REPORT

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

---

We have audited the financial statements of North Highland College for the year ended 31 July 2009 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to North Highland College and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body.

To the fullest extent permitted by law, we do not accept any responsibility to anyone other than North Highland College or the Auditor General for Scotland, for this report or the opinions we have formed.

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

The Board of Management and the Principal are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. They are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Board of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report if, in our opinion, the Report of the Board of Management is not consistent with the financial statements, if the body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report whether in all material respects:-

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2009; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

We review whether the Corporate Governance Statement reflects the college's compliance with the requirements of the Scottish Funding Council. We report if, in our opinion, it does not

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

---

comply with these requirements or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We have read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Management and Statement of the Board of Management's Responsibilities for the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

##### *Financial statements*

In our opinion

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction, of the state of affairs of the college as at 31 July 2009 and of its loss, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

##### *Regularity*

In our opinion in all material respects

- the expenditure and income shown in the financial statements were incurred or applied

# The North Highland College

## INDEPENDENT AUDITORS' REPORT

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

---

in accordance with any applicable enactments and guidance issued by the Scottish Ministers

- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2009; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

*Tenon Audit Limited*

*5 Kings Place,  
Perth,  
PH2 8AA.*

*Date: December 2009*

**The North Highland College**  
**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
<b>INCOME</b>			
SFC grants	2	7,974	6,289
UHIMI grants	3	1,773	1,760
Education contracts	4	184	237
Tuition fees and charges	5	832	805
Other grant income	6	1,551	1,533
Other operating income	7	740	799
Investment income	8	(1)	172
		<hr/>	<hr/>
<b>TOTAL INCOME</b>		<b>13,053</b>	<b>11,595</b>
Less:		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs - ongoing	9 and 11	6,900	6,428
Other operating expenses	11	5,834	4,522
Depreciation	11 and 15	536	504
Interest payable	11 and 12	100	73
		<hr/>	<hr/>
<b>TOTAL EXPENDITURE</b>		<b>13,370</b>	<b>11,527</b>
		<hr/>	<hr/>
<b>SURPLUS/ (DEFICIT) ON CONTINUING OPERATIONS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION AND BEFORE TAX</b>		<b>(317)</b>	<b>68</b>
Taxation	13	-	-
		<hr/>	<hr/>
<b>SURPLUS / (DEFICIT) ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND TAX</b>		<b>(317)</b>	<b>68</b>
	14	<b>===</b>	<b>===</b>

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

# The North Highland College

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2009

---

	Note	2009 £'000	2008 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	14	(317)	68
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	23	55	61
		—	—
<b>HISTORICAL COST SURPLUS FOR THE YEAR BEFORE TAXATION</b>		<b>(262)</b> ===	<b>129</b> ==
<b>HISTORICAL COST SURPLUS FOR THE YEAR AFTER TAXATION</b>		<b>(262)</b> ===	<b>129</b> ===

# The North Highland College

## STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax		(317)	68
Actuarial Gain/(Loss) recognised		(1,520)	(828)
Restatement of SSAP 24 Provision		-	-
		—	—
<b>TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR</b>		<b>(1,837)</b>	<b>(760)</b>
		—	—
<b>TOTAL RECOGNISED GAINS/(LOSSES) SINCE LAST FINANCIAL STATEMENTS</b>		<b>(1,837)</b>	<b>(760)</b>
		=====	=====
<b>RECONCILIATION</b>			
Opening Reserves as previously reported		3,133	3,893
Prior year adjustment		-	-
Total recognised Gains/(Losses) for the year		(1,837)	(760)
		—	—
<b>CLOSING RESERVES</b>	23	<b>1,296</b>	<b>3,133</b>
		=====	=====

# The North Highland College

## BALANCE SHEET

31 July 2009

---

		<b>2009</b>	<b>2008</b>
	Note	£'000	£'000
<b>FIXED ASSETS</b>			
Tangible Assets	15	11,028	9,460
Investments	16	0	0
		<u>11,028</u>	<u>9,460</u>
<b>CURRENT ASSETS</b>			
Stock	17	4	4
Debtors	18	2,171	1,188
Cash at Bank and in hand		0	1,379
		<u>2,175</u>	<u>2,571</u>
<b>CREDITORS</b>			
Amounts falling due within One Year	19	(1,360)	(761)
<b>NET CURRENT ASSETS</b>		<u>815</u>	<u>1,810</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,843</b>	<b>11,270</b>
<b>CREDITORS</b>			
Amounts falling due after more than One Year	20	(1,697)	(1,733)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	21	(748)	(680)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<b>9,398</b>	<b>8,857</b>
<b>PENSION LIABILITY</b>	25	<u>(2,726)</u>	<u>(1,127)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>6,672</u>	<u>7,730</u>

# The North Highland College

## BALANCE SHEET

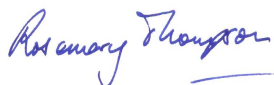
31 July 2009

---

### RESERVES

		<b>2009</b> £'000	<b>2008</b> £'000
Deferred Capital Grants	22	<b><u>5,375</u></b>	<b><u>4,597</u></b>
Revaluation Reserve	23	2,443	2,497
Designated Reserve	23	-	220
Income and Expenditure account including Pension Liability	23	<u>(1,146)</u>	<u>416</u>
Total Reserves		<b><u>1,297</u></b>	<b><u>3,133</u></b>
<b>TOTAL RESERVES</b>		<b><u>6,672</u></b> =====	<b><u>7,730</u></b> =====

The financial statements on pages 13 to 38 were approved by the Board of Management and signed on its behalf by:



**R Thompson**  
Principal

**W Bruce**  
Chairman

# The North Highland College

## CASH FLOW STATEMENT

for the year ended 31 July 2009

---

	<b>2009</b>	<b>2008</b>
	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>(696)</b>	<b>(173)</b>
Returns on investment and servicing of finance	(101)	99
Capital Grants / (expenditure)	(1,034)	(1,102)
Financing	110	1,582
	—	—
	<b>(1,721)</b>	<b>406</b>
	<b>=====</b>	<b>===</b>
(Decrease)/Increase in Cash in the year	(1,721)	406
Cash-flow from increase/decrease in debt	17	(1,584)
	—	—
	<b>(1,704)</b>	<b>(1,178)</b>
Net funds at 1 August 2008	<u>(372)</u>	<u>807</u>
Net funds at 31 July 2009	<u>(2,075)</u>	<u>(371)</u>
	<b>=====</b>	<b>=====</b>

### 1. ACCOUNTING POLICIES

#### BASIS OF PREPARATION

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

#### BASIS OF ACCOUNTING

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

#### RECOGNITION OF INCOME

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

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

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

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

#### PENSION SCHEMES

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

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

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

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

### TANGIBLE FIXED ASSETS

a. Land and Buildings

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

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

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

b. Plant and equipment

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

c. Computer equipment and motor vehicles

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

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

Freehold Buildings	10 - 60 years
Plant and Equipment	3 - 4 years
Computer Equipment	3 years
Motor Vehicles	4 years

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

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

### ASSETS UNDER CONSTRUCTION

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

### SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS

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

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

### LEASED ASSETS

Costs in respect of Operating Leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in Fixed Assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Income and Expenditure Account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

### INVESTMENTS

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

### STOCKS

Stocks are items held for resale and are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### MAINTENANCE OF PREMISES

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

### FOREIGN CURRENCY TRANSLATION

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

### TAXATION

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

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

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

### PROVISIONS

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

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

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

### REVALUATION RESERVE

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

### AGENCY ARRANGEMENTS

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

<b>2. SFC GRANTS</b>	<b>2009</b>	<b>2008</b>
	£'000	£'000
Recurrent Grant	7,176	5,294
Childcare	0	0
Release of Deferred Capital Grants (SFC)	76	87
Estates Grant	433	224
Other SFC Grants	<u>289</u>	<u>684</u>
	<b>7,974</b>	<b>6,289</b>
	=====	=====
<b>3. UHIMI GRANTS</b>		
Recurrent Grant	1,470	1,456
Other UHIMI Grants	303	304
	_____	_____
	<b>1,773</b>	<b>1,760</b>
	=====	=====
<b>4. EDUCATION CONTRACTS</b>		
Other Non – SFC Funded Tuition	<b>184</b>	<b>237</b>
	=====	=====

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

### 5. TUITION FEES AND CHARGES

Further education – Home and EU	352	373
Higher education – Home and EU	431	350
LEC Contracts	49	82
	832	805
	832	805

### 6. OTHER GRANT INCOME

European Funds	431	290
Other Funds	889	979
Student Allowances - LEC contracts	14	28
Release of Deferred Capital Grants (other)	217	236
	1,551	1,533
	1,551	1,533

### 7. OTHER OPERATING INCOME

Residences and Catering	129	124
Other Income Generating Activities	315	395
Other Income	296	280
	740	799
	740	799

### 8. INVESTMENT INCOME

Other Interest Receivable	46	100
Net return on Pension Asset / Liability	(47)	72
	(1)	172
	(1)	172

<b>TOTAL</b>	<b>13,053</b>	<b>11,595</b>
	<b>13,053</b>	<b>11,595</b>

### 9. STAFF

#### STAFF NUMBERS

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

	<b>2009</b>	<b>2008</b>	
	Number	Number	
Senior management		5	5
Teaching staff	86	97	
Teaching support	54	44	
Administration and central services	38	39	
Premises	15	15	
Other income generating activities	11	12	
Catering and residences	4	4	
	213	216	
	213	216	

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Analysed as:

Staff on permanent contracts	141	147
Staff on temporary contracts	72	69

— —

**213** **216**

=== ===

**2009**

£'000

**2008**

£'000

### STAFF COSTS

Staff costs for the above persons.

Wages and salaries	5,735	5,400
Social security costs		409 394
Other pension costs	756	634

— —

**6,900** **6,428**

=====

Senior management		388 358
Teaching staff	3,599	3,305
Administration and central services (including Teaching Support & Research)	2,284	2,105
Premises	296	292
Other income generating activities	270	310
Catering and residences	63	58

— —

**6,900** **6,428**

=====

Analysed as:

Staff on permanent contracts	4,565	4,392
Staff on temporary contracts	2,335	2,036

**6,900** **6,428**

=====

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

### EMOLUMENTS OF THE BOARD OF MANAGEMENT

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

	<b>2009</b>	<b>2008</b>
	£'000	£'000
Travel and subsistence paid to Board Members	<b>3</b>	<b>2</b>
	===	===

The number of staff, including Senior Post holders and the Principal, who received emoluments in the following ranges was:

	2009		2008	
	Number Senior Post-holders	Number Other Staff	Number Senior Post-holders	Number Other Staff
£50,001 - £60,000	1	-	3	-
£60,001 - £70,000	2	-	1	-
£70,001 - £80,000	1	-	1	-
£80,000 - £90,000	1	-	-	-

**Senior Post-holders emoluments:-**

	2009 Nos	2008 Nos
The number of senior post-holders, including the Principal was:	<u>5</u>	<u>5</u>

The emoluments paid were as follows:

	2009 £'000	2008 £'000
Salaries	306	287
Pension contributions	<u>52</u>	<u>44</u>
<b>Total Emoluments</b>	<b>358</b> ===	<b>333</b> ===

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

	2009	2008
Salaries	80	76
Pension contributions	<u>17</u>	<u>13</u>
<b>Total Emoluments</b>	<b>97</b> ===	<b>89</b> ===

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

**11. ANALYSIS OF EXPENDITURE**

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	Total £'000	2008 £'000
Teaching Activities	3,599	4,529	330	-	8,458	6,693
Residences and Catering	63	84	-	-	148	148
Other Income Generating Activities	270	23	-	-	293	389
Premises	296	615	186	100	1,197	1,199

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Administration	2,672	496	20	-	3,188	2,980
Other Expenses	-	86	-	-	86	118
	<u>6,900</u>	<u>5,833</u>	<u>536</u>	<u>100</u>	<u>13,370</u>	<u>11,527</u>
	=====	=====	=====	=====	=====	=====

**2009**  
£'000

**2008**  
£'000

Other operating expenses include:

Auditors' remuneration (including irrecoverable VAT)

- Internal Audit	11	3
- External Audit	14	15
Hire of Other Assets - Operating Leases	172	222

Included in other operating expenses is an additional Pension Provision of £103,000 required in respect of future pension costs arising from early retirement. Details of the basis of this provision are given at Note 21.

### 12. INTEREST PAYABLE

**2009**  
£'000

**2008**  
£'000

On Bank Loans, Overdrafts and Other Loans:

Repayable within 5 years	12	11
Repayable wholly or partly in more than 5 years	88	62

On finance leases	-	-
Net return on pension assets / liabilities	-	-
	—	—
	<b>100</b>	<b>73</b>
	===	===

### 13. TAXATION

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

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

**2009**  
£'000

**2008**  
£'000

Income and Expenditure Account	<b>(317)</b>	<b>68</b>
	===	===

### 15. TANGIBLE FIXED ASSETS

	Land & Buildings £'000	Computer Equipment £'000	Plant & Equipment £'000	Motor Vehicles £'000	Total £'000
--	---------------------------	-----------------------------	----------------------------	-------------------------	----------------

#### COST OR VALUATION

Balance Brought Forward	11,851	1,070	1,802	89	14,812
Additions	1,863	49	192	-	2,104
	—————	—————	—————	—————	—————

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

<b>At 31 July 2009</b>	<b>13,714</b>	<b>1,119</b>	<b>1,994</b>	<b>89</b>	<b>16,916</b>
------------------------	---------------	--------------	--------------	-----------	---------------

	_____	_____	_____	_____	_____
--	-------	-------	-------	-------	-------

### DEPRECIATION

Balance Brought Forward	2,905	992	1,386	69	5,352
Charge for year	186	61	280	9	536

	_____	_____	_____	_____	_____
--	-------	-------	-------	-------	-------

<b>At 31 July 2009</b>	<b>3,091</b>	<b>1,053</b>	<b>1,665</b>	<b>79</b>	<b>5,888</b>
------------------------	--------------	--------------	--------------	-----------	--------------

	_____	_____	_____	_____	_____
--	-------	-------	-------	-------	-------

### NET BOOK VALUE

<b>At 31 July 2009</b>	10,623	66	329	10	11,028
------------------------	--------	----	-----	----	--------

	=====	==	===	==	=====
--	-------	----	-----	----	-------

At 31 July 2008	8,946	78	416	20	9,460
-----------------	-------	----	-----	----	-------

	=====	==	===	==	=====
--	-------	----	-----	----	-------

### ANALYSIS

Inherited	2,845				2,845
Financed by capital grant	5,218	33	117	6	5,374
Other	2,561	33	212	3	2,809

	_____	_____	_____	_____	_____
--	-------	-------	-------	-------	-------

<b>At 31 July 2009</b>	<b>10,624</b>	<b>66</b>	<b>329</b>	<b>9</b>	<b>11,028</b>
------------------------	---------------	-----------	------------	----------	---------------

	=====	===	=====	===	=====
--	-------	-----	-------	-----	-------

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values on implementation have been retained. Inherited land and buildings are valued at Depreciated Replacement Cost on an existing use basis, which is considered to be equivalent to open market value on an existing use basis. Inherited land and buildings were valued by Montague Evans, Chartered Surveyors, for the purposes of the 1994 financial statements.

## 15. TANGIBLE FIXED ASSETS (continued)

The Net Book Value of Tangible Fixed Assets includes an amount of £121,000 (2007 - £0) in respect of assets held under finance leases and hire purchase agreements. The depreciation charge on these assets for the year was £17,000 (2007 - £0).

If Inherited Land and Buildings had not been valued they would have been included at the following amounts:

	<b>2009</b>	<b>2008</b>
	£'000	£'000
Cost	553	553

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Aggregate Depreciation based on cost	(144)	(135)
	—	—
<b>Net book value based on cost</b>	<b>409</b>	<b>418</b>
	=====	=====

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

The Depreciation Charge for the year is analysed as follows:

Depreciation based on cost	467	434
Depreciation based on valuation	70	70
	—	—
	<b>536</b>	<b>504</b>
	=====	=====

<b>FUTURE CAPITAL COMMITMENTS</b>	<b>2009</b>	<b>2008</b>
	£'000	£'000
Contracted for	1,156	2,304
	=====	=====
Authorised but not contracted for	9,579	289
	=====	=====

### 16. FIXED ASSET INVESTMENTS

<b>INVESTMENT</b>	£'000
	<b>Unlisted</b>
<b>COST</b>	
31 July 2008 and 2009	22
	—
<b>PROVISION FOR PERMANENT DIMINUTION IN VALUE</b>	
31 July 2008 and 2009	(22)
	—
<b>NET BOOK VALUE</b>	
31 July 2008 and 2009	-
	=====

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

<b>17. STOCK</b>	<b>2009</b>	<b>2008</b>
	£'000	£'000
Consumables	4	4
	==	==

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

<b>18. DEBTORS</b>	<b>2009</b>	<b>2008</b>
	£'000	£'000
Amounts Falling Due within one year		
Trade Debtors	200	120
Other Debtors	3	3
Prepayments and Accrued Income	1,967	1,065
	—	—
	<b>2,170</b>	<b>1,188</b>
	=====	=====
 <b>19. CREDITORS</b>		
Amounts falling due within One Year	<b>2009</b>	<b>2008</b>
	£'000	£'000
Bank Loans and Overdrafts (see note 20)	382	17
Obligations under Finance Leases (See note 20)	45	-
Trade Creditors	115	69
Other Taxation and Social Security	139	124
Accruals and Deferred Income		478 515
Other Creditors	202	36
	—	—
	<b>1,361</b>	<b>761</b>
	=====	=====
 <b>20. CREDITORS</b>		
Amounts falling due after more than One Year	<b>2009</b>	<b>2008</b>
	£'000	£'000
Bank loans	1,697	1,733
	—	—
	<b>1,697</b>	<b>1,733</b>
	=====	=====
 Bank Loans, Other Loans and Other Creditors are repayable as follows:		
In one year or less (see note 19)	36	17
Between one and two years	39	37
Between two and five years	130	122
In five years or more	1,528	1,574
	—	—
	<b>1,733</b>	<b>1,750</b>
	=====	=====

The term loan is held with Lloyds TSB Bank. The principal sum will be repaid in monthly instalments over a twenty five year period at a fixed rate of interest, with interest calculated monthly. The loan is unsecured.

The net finance lease obligation to which the institution is committed are:

In one year or less (See note 19)	45	-
Between one and two years	-	-
	<u>          </u>	<u>          </u>
	45	0
	<u>=====</u>	<u>=====</u>

**21. PROVISION FOR LIABILITIES AND CHARGES**

	<b>2009</b>	<b>2008</b>
	£'000	£'000
Future pension costs arising from early retirement including Scottish Teachers' Superannuation Scheme		
Opening Provision	680	657
Uplift for indexation allowance	19	14
Additional provision	103	72
	<u>802</u>	<u>743</u>
Charged to provision in year	(54)	(63)
Transfer of unfunded LGSS liability to pension (liability) / assets - note 26	<u>          </u>	<u>          </u>
<b>Closing Provision</b>	<b><u>748</u></b>	<b><u>680</u></b>
	<u>=====</u>	<u>=====</u>

The pension provision has been re-valued using actuarial tables supplied by SFC. The net interest applied was 2%. An additional provision of £103,000 has been made. The additional provision has been charged against other operating costs.

**22. DEFERRED CAPITAL GRANTS**

	<b>SFC</b>	<b>Other</b>	<b>Total</b>
	£'000	Grants £'000	£'000
<b>As at 1<sup>st</sup> August 2008</b>			
Land and buildings	1,231	2,971	4,202
Equipment	120	275	395
	<u>          </u>	<u>          </u>	<u>          </u>
	<b><u>1,351</u></b>	<b><u>3,246</u></b>	<b><u>4,597</u></b>
	<u>=====</u>	<u>=====</u>	<u>=====</u>
<b>GRANTS RECEIVABLE</b>			
Land and buildings	29	1,062	1,091
Equipment	0	(21)	(21)
	<u>          </u>	<u>          </u>	<u>          </u>
	<b><u>29</u></b>	<b><u>1,041</u></b>	<b><u>1,070</u></b>
	<u>=====</u>	<u>=====</u>	<u>=====</u>
<b>RELEASED TO INCOME AND EXPENDITURE ACCOUNT</b>			
Land and buildings	16	59	75
Equipment	60	157	217
	<u>          </u>	<u>          </u>	<u>          </u>
	<b><u>76</u></b>	<b><u>216</u></b>	<b><u>292</u></b>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

### AS AT 31 JULY 2008

Land and buildings	1,244	3,974	5,218
Equipment	60	97	157
	=====	=====	=====
	<b>1,304</b>	<b>4,071</b>	<b>5,375</b>
	=====	=====	=====

### 23. RESERVE

	Revaluation Reserves £'000	Designated Reserves £'000	Income & Expenditure Account £'000	Pension Reserve £'000	Total £'000
Balance Brought Forward	2,498	220	1,543	(1,127)	3,133
Transfer from Revaluation Reserve to Income & Expenditure Account	(55)		55		0
Surplus/(Deficit) on continuing activities of Tangible Fixed Assets at valuation			(317)		(317)
Actuarial Gain/(Loss) recognised in STRGL				(1,520)	(1,520)
Movement			79	(79)	0
Transfer re Designated Reserve	0	(220)	220	0	0
At 31 <sup>st</sup> July 09	2,442	0	1,580	(2,726)	1,296
	=====	=====	=====	=====	=====

### 24. FINANCIAL COMMITMENTS

At 31 July 2009, annual commitments under non-cancellable Operating Leases were as follows:

	2009 £'000	2008 £'000
<b>LAND AND BUILDINGS</b>		
Expiring within one year	45	45
Expiring within two and five years inclusive	98	180
Expiring in over five years	10	29
	---	---
	<b>153</b>	<b>254</b>
	=====	=====
<b>OTHER</b>		
Expiring within one year	54	74
Expiring within two and five years inclusive	20	70
Expiring in over five years	-	-
	---	---
	<b>74</b>	<b>144</b>
	=====	=====

**25 PENSION AND SIMILAR OBLIGATIONS**

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Superannuation Scheme (LGSS), which are Defined Benefit Schemes. The STSS is administered by the Scottish Public Pensions Agency. The total pension cost for the period was £725,000 (2008 – £654,000)

Total pension cost for the year

	<b>Year ended 31 July 2009</b>	<b>Year ended 31 July 2008</b>
	£'000	£'000
STSS : contributions paid	340	303
LGSS : Charge to income and expenditure account	385	351
	—————	—————
	<b>725</b>	<b>654</b>
	=====	=====

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME**

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

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

**LOCAL GOVERNMENT SUPERANNUATION SCHEME**

The Highland Council Pension Fund is a funded Defined Benefit Scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2009 was £518,000 (2008 - £482,000) of which Employer's contributions totalled £385,000 (2008 - £351,000) and Employees' contributions totalled £133,000 (2008 - £131,000). The agreed contribution rate for future years is 17.4% for the Employer and variable %age rates for Employees depending upon salary range.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2009 by a qualified Independent Actuary.

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Price increases	3.60%	3.90%	3.50%	3.10%
Rate of increase in salaries	5.10%	5.40%	5.00%	4.60%
Rate of increase for pensions	3.60%	3.90%	3.50%	3.10%
Discount rate for liabilities	6.00%	6.40%	5.80%	5.10%

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

	Last valuation as at 31 March 2008	Manuals	Officers (& post 98)
<i>Retiring today</i>			
Males	18.87	17.64	19.35
Females	21.91	18.49	22.32
<i>Pensioners</i>			
Males	19.88	17.64	19.35
Females	22.98	18.49	22.32

**Employee benefit obligations**

The amounts recognised in the Balance Sheet are as follows:

Net Pension Asset as at	31 July 2009 £'000	31 July 2008 £'000	31 July 2007 £'000
Present value of funded obligation	(8,543)	(7,607)	(7,096)
Fair value of scheme assets	<u>5,890</u>	<u>6,553</u>	<u>6,811</u>
<b>Net Liability</b>	<b>(2,653)</b>	<b>(1,054)</b>	<b>(285)</b>
Present Value of Unfunded obligation	(73)	(73)	(74)
<b>Deficit</b>	<b>(2,726)</b>	<b>(1,127)</b>	<b>(359)</b>
	=====	=====	=====
<b>Net liability in Balance Sheet</b>	<b>(2,726)</b>	<b>(1,127)</b>	<b>(359)</b>
	=====	=====	=====

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

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Current Service Cost	382	351
Interest on Obligation	490	427
Expected return on scheme assets	(443)	(499)
Past service cost	37	-
Losses/(gains) on curtailments and settlements	<u>-----</u>	<u>17</u>
<b>Total</b>	<b>466</b>	<b>296</b>
	=====	=====
Actual return on scheme assets	<u>(586)</u>	<u>(642)</u>

**Changes in the present value of the defined benefit obligation**

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

Opening defined benefit obligation	7,680	7,170
Service cost	382	351
Interest cost	490	427
Actuarial losses/(gains)	(100)	(312)

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Losses/(gains) on curtailments	-	17
Estimated benefits paid (net of transfers in)	(3)	(97)
Past service cost	37	-
Contributions by scheme participants	135	129
Unfunded pension payments	<u>(5)</u>	<u>(5)</u>
<b>Closing defined benefit obligation</b>	<b>8,616</b>	<b>7,680</b>
	=====	=====

### Changes in the fair value of scheme assets

Reconciliation of opening and closing balances of the fair value of scheme assets:-

Opening fair value of Scheme assets	6,553	6,811
Change in asset valuation	-	(11)
Expected return on Scheme assets	443	499
Actuarial gains and (losses)	(1,620)	(1,141)
Contributions by employer	382	363
Contributions by Scheme participants	135	129
Assets acquired in a business combination	-	-
Estimated benefits paid (net of transfers in)	(3)	(97)
Receipt of bulk transfer value	<u>-</u>	<u>-</u>
<b>Fair value of Scheme assets at end of period</b>	<b>5,890</b>	<b>6,553</b>
	=====	=====

### Amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	<b>2009</b>	<b>2008</b>
	£'000	£'000
Actual Return less expected return on Pension Scheme Assets	(1,029)	(1,140)
Experience Gains and Losses arising on the Scheme liabilities	(310)	0
Change in Financial and Demographic assumptions underlying the scheme liabilities	(181)	312
	—	—
<b>Actuarial loss recognised in STRGL</b>	<b>(1,520)</b>	<b>(828)</b>
	=====	=====

### Movement in (Deficit) during Year

Deficit in scheme at Beginning of Year	(1,127)	(359)
Change in asset valuation	-	(11)
Current Service Cost	(382)	(351)
Employer Contributions	382	368
Unfunded pensions payments	5	5
Past Service Costs	(37)	-
Other finance income	(47)	72
Impact of Settlements/Curtailments	-	(17)

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Actuarial Gain or Loss	(1,520)	(828)
<b>Deficit in scheme at Close of Year</b>	<b>(2,726)</b>	<b>(1,127)</b>

### Amounts for the current and previous four periods

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000	Year to 31 July 2006 £'000	Year to 31 July 2005 £'000
Defined benefit obligation	(8,616)	(7,680)	(7,170)	(7,393)	(6,186)
Scheme assets	<u>5,890</u>	<u>6,553</u>	<u>6,811</u>	<u>6,154</u>	<u>4,765</u>
Surplus/(Deficit)	<u>(2,726)</u>	<u>(1,127)</u>	<u>(359)</u>	<u>(1,239)</u>	<u>(1,421)</u>
Experience adjustments					
On Scheme assets	(1,620)	(1,141)	207	432	605
Percent of assets	-27.5%	-17.4%	3.0%	7.0%	12.7%
Experience adjustments					
On Scheme liabilities	281	-	-	73	(14)
Percent of liabilities	3.3%	-	-	1.0%	-0.2%
Cumulative actuarial gains					
And losses	<u>(1,669)</u>	<u>(149)</u>	<u>680</u>	<u>(41)</u>	<u>(255)</u>

### Sensitivity Analysis

The following table sets out the impact of a +/-1% change in discount rates on the Funded Obligation and Projected Service Cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Adjustment to discount rate	+1.0%	0%	-1.0%
	£'000	£'000	£'000
Present value of total obligation	8,417	8,616	8,820
Projected service cost	412	429	441
Adjustment to mortality age rating assumption	+ 1year	none	- 1year
Present value of total obligation	8,277	8,616	8,958
Projected service cost	405	426	448

### **26. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2009 £'000	2008 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax	(317)	68
Pension costs less contributions payable	0	(60)
Depreciation (note 15)	536	504
Deferred grants released to income (note 22)	(292)	(323)
(Increase) in debtors	(982)	(269)
Increase / (Decrease) in creditors	191	(19)
Increase in provisions	67	24

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

Interest receivable	1	(172)
Interest payable	100	73
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>(696)</b>	<b>(174)</b>
	===	====

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

	<b>2009</b>	<b>2008</b>
	£'000	£'000
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
Interest received	(1)	172
Interest paid	(100)	(73)
	<b>(101)</b>	<b>99</b>
	===	===

#### CAPITAL EXPENDITURE

Payments to acquire tangible fixed assets	(2,104)	(2,621)
Capital grants received	1,070	1,520
	<b>(1,034)</b>	<b>(1,101)</b>
	====	===

#### FINANCING

Repayment of loans	17	1,582
Repayment of finance lease	93	-
	<b>110</b>	<b>1,582</b>
	====	===

### 28. ANALYSIS OF CASH MOVEMENT

	Open Balance £'000	Cash Flows £'000	Other Non-Cash Changes £'000	Closing Balance £'000
Cash	1,379	(1,721)	0	(342)
Debt due within One Year	(17)	(19)	0	(36)
Debt due after One Year	(1,733)	36	0	(1,697)
	<b>(371)</b>	<b>(1,704)</b>	<b>0</b>	<b>(2,075)</b>
	====	=====	====	=====

### 29. LOSSES AND SPECIAL PAYMENTS

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

### 30. POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

### 31. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local and private sector organisations), it is possible that

transactions may take place with organisations in which a member of the College Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management or a key Manager of the College may have a material interest are conducted at arm's length in accordance with normal project and procurement procedures, and subject to the College's Conflict of Interest procedures.

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

<b>MEMBER</b>	<b>ORGANISATION</b>	<b>POSITION</b>
Mr P R G Arthur	UKAEA	Financial Controller
Mrs J G Bundy	UKAEA	Training Manager

Income transactions totalling £77,251 and expenditure transactions totalling £0 were made with UKAEA

S Henderson	Highland Council	Employee
-------------	------------------	----------

Income transactions totalling £77,069 and expenditure transactions totalling £6,097 were made with The Highland Council.

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

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

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

During the period the College had material transactions with Argyll College, Lochaber College, and Skye and Lochalsh Learning Centre. This is a collaborative partnership between North Highland College and the partners in the West. The Scottish Funding Council provides North Highland College with funding for Further Education delivery; North Highland College provides management services covering registration, bursary and hardship, and academic quality procedures for which it receives a management fee.

**Argyll**

**Lochaber**

**Skye**

# The North Highland College

## NOTES ON FINANCIAL STATEMENTS

31 July 2009 (continued)

---

	£000's	£000's	£000's
WSUMS Funding received	2,084	640	232
Management Charge	<u>172</u>	<u>73</u>	<u>41</u>
Monies Remitted	1,913	567	191
	====	===	===
Monies out with SUMS	<u>192</u>	<u>34</u>	<u>29</u>

The College continues to hold a minority shareholding in Caithness Multi Media limited as detailed in Note 16.

**33. BURSARY AND OTHER STUDENT SUPPORT FUNDS**

	<b>FE Bursary £'000</b>	<b>FE Hardship £'000</b>	<b>EMAs £'000</b>	<b>Other £'000</b>	<b>2009 Total £'000</b>	<b>2008 Total £'000</b>
Balance b/fwd	(105)	0	24	(5)	79	79
Funds receivable in year	1,000	77	94	38	839	839
Virement in year	0	0	0	0	37	37
Expenditure	(891)	(66)	(135)	(21)	(992)	(992)
Repaid to SFC in year	0	0	0	0	0	(49)
<b>Balance c/fwd</b>	<b>4</b>	<b>11</b>	<b>(17)</b>	<b>12</b>	<b>(86)</b>	<b>(86)</b>
	===	===	===	===	=====	===
Represented by:						
Repayable to SFC/UHI as clawback	76	3	-	12	91	-
Retained by College for Students	(72)	8	(17)	-	(81)	(86)

**FE CHILDCARE FUNDS**

	<b>2009</b>	<b>2008</b>
	£'000	£'000
Balance b/fwd	33	38
Funds received in year	122	88
Virement in year	0	(37)
Expenditure	(54)	(56)
Repaid to SFC in year	-	0
	—	—
<b>Balance c/fwd</b>	<b>101</b>	<b>33</b>
	===	===

Represented by:

Repayable to SFC as clawback	55	-
Retained by College for Students	46	33

These Funding Council Grants are available solely for students, the College acts only as paying agent. The grants and related disbursements are therefore now excluded from the Income and Expenditure account with any unspent balance being included as a Creditor in the Balance Sheet.

The sums shown as Other Funds relate to Higher Education Hardship Funds administered on behalf of UHIMI.