

# **University of the Highlands and Islands**

## **Report and Financial Statements For the year ended 31 July 2021**

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## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Nature, Objectives and Strategy of the University

The University of the Highlands and Islands (UHI) is a unique tertiary university in that it provides higher and further education through a partnership of twelve colleges, research institutes and specialist institutions across the Highlands and Islands. These partners are separate legal entities which employ their own staff and assets in the delivery of our education and research.

Through the partnership we are able to deliver to our students all the benefits of a tertiary institution, and we provide for Scotland an example of how institutional partnerships can work as one system. We provide educational pathways and lifelong learning opportunities to every student. These range from well-qualified school-leavers to students who were once excluded from further and higher education by geography and social circumstances. We are developing research and knowledge transfer in every partner. This is helping to provide a 'knowledge economy', for all of our region, from the cities of Perth and Inverness to our fragile island communities and other sparsely populated areas.

The Post 16 Education (Scotland) Act 2013 identified the University of the Highlands and Islands as a Regional Strategic Body with responsibilities for planning, delivery, monitoring and efficiency savings in further education across the Highlands and Islands area. The main provisions of this Act came into force on 1 August 2014 and further education for the region has been funded through the University from that date.

In accordance with the Act, further education funding for the Highlands and Islands is distributed by UHI to nine assigned colleges. The academic partners who were designated as assigned colleges from 1 August 2014 are Moray, Perth, Inverness, Lews Castle, North Highland, Shetland, Orkney and West Highland and from 1<sup>st</sup> January 2019, Argyll College (also an existing partner). For 2020-21, these remained the assigned colleges. In August 2021 Shetland College merged with NAFC Marine Centre and Train Shetland to form Shetland UHI. The new college is seeking to be assigned to the University. In addition, three other colleges (Lews Castle College, North Highland College and West Highland College are considering merging to form one college from January 2023. The University Court is the accountable body for both higher and further education performance in line with a single regional outcome agreement with the Scottish Funding Council (SFC).

The partnership is transforming the economic, social and cultural life of the Highlands and Islands by delivering a university for the region with national and international ambitions. The University continues to develop general programmes for providing skills, training and education to the people of the Highlands and Islands. We also continue to develop a range of degrees that reflect the distinctive environment, history, linguistic identity and culture of the area. In 2020-21 we began a curriculum review which will, over the next few years, develop our offer to the region and beyond in both further and higher education.

Our new Strategic Plan for 2021-2025, *Daring to be Different*, was approved by the Court in June 2021. This was the culmination of development and consultation over the year involving the whole of the partnership. The plan is summarised in our strategic framework and captures our intent to see students grow and succeed whatever stage of their learner journey.

The 'Daring to be Different' strategic framework is based around our mission, vision, core values and four strategic pillars:

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Nature, Objectives and Strategy of the University (continued)

<b>MISSION</b>	To have a transformational impact on the prospects of our region, its economy, its people and its communities			
<b>VISION</b>	To become a connected, streamlined and sustainable university			
<b>BRAND STORY</b>	<i>A university of today for the world of tomorrow</i>			
<b>CORE VALUES</b>	Collaboration	Openness	Respect	Excellence
<b>STAKEHOLDERS</b>	Staff   Students   Alumni   Business   Government   Community   Industry			
<b>STRATEGIC PILLARS</b>	<b>Tertiary education</b>	<b>Research Impact</b>	<b>Enterprise</b>	<b>Engagement</b>
	We will deliver a high-quality connected curriculum built on personalising the learner journey with more content, to more people, through more channels	We will enhance our research impact, ensuring it is internationally ranked, industry linked and world leading	We will embrace an entrepreneurial spirit based on strong economic and commercial growth, resulting in a socially responsible and well managed enterprise	We will be a connected organisation that pursues engagement with the people and the communities in which we work, always striving for mutual benefit
<b>ENABLING THEMES</b>	Equality and Inclusion   Gaelic Language   Climate Change			
<b>OPERATIONAL PLANS</b>	Academic Plan Student Recruitment Plan	Research Plan Knowledge Exchange Plan	Sustainability Plan Digital Enhancement Plan	Alumni and Advancement Plan Engagement Plan
<b>ENABLING PLANS</b>	International Plan • People and Culture Plan • Island Plan • Gaelic Language Plan • Highlands and Islands Students' Association Student Partnership Agreement			

The new plan affirms the university's role as a regionally focused partnership of independent colleges and research institutions covering the largest geographical area of any campus-based university or college in the UK. We contribute £560 million annually to the region, indirectly supporting 6,200 jobs.

The plan recognises the university partnership is at a critical point in its history; we are operating in an intensely competitive and dynamic higher education and research environment, we are experiencing challenges in further education delivery, and the full impact off COVID-19 on the tertiary education system is not yet known.

Our university's aspirations extend beyond the place-based education we have in our regions and communities and embrace a 'daring to be different' ethos. This ethos will harness our energy and set new ambitions in our areas of strength, namely: tertiary education, research impact, enterprise and engagement. These four pillars will also shape the leadership team of the university as the restructure that is currently underway is implemented.

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Nature, Objectives and Strategy of the University (continued)

*Daring to be Different* signals a shift in thinking, and sets an ambition of becoming more engaged with our communities and more enterprising in our activity.

The values of the organisation remain as collaboration, openness, respect and excellence. A copy of the Strategic Plan is available on our website at [strategic-plan.pdf \(uhi.ac.uk\)](https://www.uhi.ac.uk/strategic-plan.pdf)

#### Strategic Report - Current and Future Development and Performance

There were many positive developments across the University of the Highlands and Islands partnership during the 2020 to 2021 academic year.

In July, Researchers from the Language Sciences Institute and Soillse, a multi-institutional research collaboration, launched a new book highlighting the fragile state of Gaelic language transmission in Western Isles, Skye and Tiree communities.

August saw the publication of our first ever islands strategy as well as the launch of our first regional carbon management and sustainability plan.

Professor Crichton Lang, interim principal and vice-chancellor, welcomed the signing of the Moray Growth Deal on 24 August. The £100 million initiative will offer opportunities for Moray College UHI and the wider university partnership, including the Moray Aerospace, Advanced Technology and Innovation Campus and Business Enterprise Hub. We also welcomed the signing of the Islands Growth Deal in March in our role as a key delivery partner.

November saw the launch of our first 'live stream music tour' to support our music alumni community affected by the COVID-19 pandemic. #UHIMusicLive featured alumni performing a live set on Facebook, each receiving a fee for their performance thanks to donations to the student development fund.

In January, we assisted with the COVID-19 vaccination roll out by opening our Centre for Health Science building in Inverness as a vaccination hub for NHS workers. We were also awarded £100,000 by the Barclays 100x100 UK COVID-19 community relief fund to help students affected by the pandemic in the same month. The donation is being used to support students experiencing financial hardship and to enhance the university's mental health services.

We celebrated the university partnership's tenth birthday on 1 February, the same day we welcomed our new Principal and Vice-Chancellor, Professor Todd Walker. Professor Walker joined the university from Australia, where he has worked in multi-campus, regional universities for over 20 years. We also announced the appointment of Alastair MacColl, an experienced university governor and business leader, as our new chair of court in June.

In May, West Highland College UHI, North Highland College UHI and Inverness College UHI were named winners of the 'outstanding use of technology in delivering remote teaching and learning' award at the TES Further Education Awards. The accolade recognised the virtual schools project which uses technology to deliver courses to secondary school pupils in remote and rural areas. Argyll College UHI student John Frace, meanwhile, received a Herald Higher Education Award in June for his work on a Scottish coronavirus tracker website.

The National Student Survey results published in July indicated that our partnership performed significantly above average in both the Scottish and UK sector in all questions relating to COVID. Students were asked

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Strategic Report - Current and Future Development and Performance (continued)

about the delivery of courses, physical safety, mental health support, access to learning resources and course information. We were also rated as one of the top universities in the UK for postgraduate students in the 2021 Postgraduate Taught Experience Survey. The partnership received a score of 87% student satisfaction, placing us sixth out of the 88 higher education institutions which took part.

The academic year drew to an end with the news that the contractor was given access to the site for construction of our new £9 million Life Sciences Innovation Centre at Inverness Campus. Building works began in August. The development is a partnership project between the university partnership and Islands Enterprise and has been supported with funding through the Inverness and Highland City Region Deal and the European Regional Development Fund.

#### Outcome Agreement performance HE and FE

Colleges and universities in Scotland are required to complete outcome agreements which demonstrate how they will contribute towards the achievement of SFC objectives. The Highlands and Islands regional outcome agreement shares outcomes between the two funding streams and underpins the tertiary nature of the institution. In recognition of the impact of COVID-19, institutions were required to produce an interim, in-year agreement for 2020-21, rather than the usual forward planning timeframe. Within the interim agreement there was a set of reduced national measures. However, there was no requirement to set targets against the national outcome measures due to the likely impact of the pandemic, wherever possible, institutions were asked to commit to maintaining levels of performance as in the last audited year (2018-19).

The reduced set of higher education recruitment measures include number of Scottish domiciled undergraduate entrants (SDUE) and proportions from different groups (2020/21 figures are draft pending the completion of the 2020/21 HESA Student Return):

	2020-21 (draft)	2019-20	2018-19	Variance from 2018-
Number of SDUE	3216	3015	3190	1%
SIMD20 FT first degree	9.3%	10.3%	10.0%	-0.7%
Care experienced	1.8%	1.4%	1.5%	0.3%

The university increased its total higher education student FTEs in 2020/21 by 567 (7876 compared with 7309 in 2019/20), primarily from within our region.

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021

#### Strategic Report - Current and Future Development and Performance (continued)

##### Key Performance Indicators

##### Higher Education student numbers

<u>Total</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>
Heads	11,082	10,220	9,984	9703
Full-time equivalents	7,876	7,309	7278	7046

##### Scottish Funding Council fundable students

The university has targets for undergraduate non-controlled subjects and controlled subjects (nursing and initial teacher education):

<u>Total</u>	<u>2020/21</u>	<u>Target</u>	<u>2019/20</u>	<u>Target</u>	<u>2018/19</u>	<u>Target</u>	<u>2017/18</u>	<u>Target</u>
Non-controlled undergraduate FTEs	6,161	5,683	5,870	5,683	6046	5,783	6225	5,883
Postgraduate taught FTEs	372	N/A	302	N/A	269	N/A	186	N/A
Controlled FTEs	593	608	526	601	416	414	227	239

##### Student success/retention

The Higher Education Statistics Agency publishes annual performance indicators for all United Kingdom universities. One of these is a measure of full-time student non-continuation from year of entry. The most recent data published in March 2021 is for 2018-19 entrants and shows non-continuation rates into 2019-20. Data for 2019-20 entrants will not be published until March 2022:

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Degree students	13.3%	12.4%	11.9%	14.5%
Benchmark	10.2%	10.5%	9.6%	10.0%
Other undergraduate students	15.6%	18.5%	19.1%	19.9%
Benchmark	15.3%	16.5%	17.1%	18.7%

*The benchmark is the sector average adjusted to reflect the profile of students and subjects offered at each institution. Note, HESA changed the methodology for this performance indicator and as a result recalculated the statistics in previous years, which have been updated in the table above.*

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### Report of the University Court for the year ended 31 July 2021 Strategic Report - Current and Future Development and Performance (continued)

#### Further Education

For further education, the 2020-21 academic year was significantly impacted by the continued disruption caused by the COVID-19 pandemic, resulting in our regional activity target not being met. Social distancing measures have particularly disrupted some key areas of further education provision with high levels of practical delivery such as construction, engineering, hair and beauty and hospitality, and the impact of sustained periods of temporary business closures and furlough on our employment-based and apprenticeship provision has been significant. The SFC has said that it will not recover funding for under-delivery during the 'emergency years of 2019-20 and 2020-21 where that is related to the pandemic.

	<b>Core Target</b>	<b>ESIF Target</b>	<b>Actual</b>	<b>% Variance</b>
<b>2015-16</b>	110,968	3,940	116,644	1.9%
<b>2016-17</b>	110,968	4,400	116,778	1.2%
<b>2017-18</b>	110,968	2,200	114,969	1.6%
<b>2018-19</b>	110,382	2,200	114,555	1.7%
<b>2019-20</b>	110,382	2,200	109,565	-2.7%
<b>2020-21</b>	112,382	-	95,937	-14.6%

Despite these unprecedented challenging times, the partnership continues to deliver innovative and high quality further education provision for our students, with our award-winning virtual provision mitigating the impact of COVID-19 for many students. In the Scottish Funding Council Student Satisfaction and Engagement Survey 89% of students were satisfied with their overall experience in 2020-21.

The Scottish Funding Council publishes college sector performance indicators including student outcomes. 2019-20 PIs were published in February 2021. The latest available data for the regions' full-time FE students is:

Percentage of full-time further education students successfully completing their studies:

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Students completing studies	69.3%	68.6%	70.3%	67.5%
Benchmark	65.7%	65.2%	66.1%	65.3%

Our staff teams played a huge part in reassuring students during their studies last year with 97% of students feeling encouraged to take responsibility for their learning. 94% of FE students believe that staff treat them equally and fairly and 94% of students feel their Highlands and Islands Student Association influences change for the better. This is testimony to all the encouragement students received from everyone across the university in such a challenging year.

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Strategic Report - Current and Future Development and Performance (continued)

#### Student satisfaction

The university's National Student Survey (NSS) results for higher education students 2021 showed an 'overall satisfaction' score of 78%. This was comfortably above our benchmark (75%), which is based on our student demographics, curriculum, and modes of delivery, but below the Scottish sector average of 80%. Overall satisfaction decreased from 82% in 2020 although this was a smaller drop than 11 of the Scottish universities and we were in a group of 7 universities separated by only 1%. The university achieved above, or significantly above, its benchmarks for 24 of the 27 questions, and responses to the specific Covid-related questions were *extremely* positive relative to both Scotland and the UK results.

	<u>202-21</u>	<u>2019-20</u>	<u>2018-19</u>
Overall student satisfaction	78%	82%	84.5%
Benchmark	75%	82%	83.6%

The university performed above the Scottish sector for the following question scales: The Teaching on my Course, Learning Opportunities, Assessment and Feedback, Academic Support, Organisation and Management, and Student Voice. We performed below the Scottish sector for Learning Resource, and Learning Community. There was considerable variation between programmes, where some achieved 100% or very high overall satisfaction. A small number of courses with high student numbers had disappointing results which will have affected the institutional level results. The response rate was 76%, an increase of 4% compared to 2020.

The Postgraduate Taught Experience Survey (PTES) 2021 results showed the overall satisfaction rate was extremely positive at 87%, which was 9% above the national and Scottish mean scores. The response rate was well above the national mean at 32%. The university was ranked 6th overall out of 88 participating institutions across the UK. In three discipline areas, the university was ranked in first place nationally. The statements with the highest scores were related to assessment, marking and feedback; statements with lower scores related to subject-specific resources when on campus.

PTES	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Overall student satisfaction	87%	85%	89%
Scottish figure	77%	78%	80%

The university operates internally-managed annual satisfaction surveys across both FE and HE students (excluding students in the NSS pool). The Early Student Experience Survey (ESES) was run for the third year as a UHI-wide regional survey. Overall satisfaction for all respondents remains high with 83.2% of HE students selecting 'Strongly Agree' or 'Agree' in relation to the statement: "Overall, I am satisfied with my student experience so far." However, this is a drop from 95.5% in 2019 (pre-Covid), and most questions

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2020 Strategic Report - Current and Future Development and Performance (continued)

have seen a drop in scores. Early data from Student Satisfaction and Engagement Survey (SSES) indicates overall satisfaction was 84.2%, a decrease from 91% when the survey last ran in 2019 (i.e. pre-Covid). Again, most questions have seen a drop in scores, corresponding with national trends.

The module evaluation survey results showed over 75% of respondents answered 'strongly agree' or 'agree' to all questions in both semesters, indicating overall positive satisfaction. The response rate was 28.1% in Semester 1 and 20.7% in Semester 2. The most positive responses were for questions on teaching staff, timeliness of feedback, and module content. In both semesters, students were least positive in response to the question on the learning environment, although still fairly high with 80.1% and 77.8%.

The university also participates in the annual Scottish Funding Council Student Satisfaction and Engagement Survey for FE students. The 2019-20 survey was cancelled as the fieldwork coincided with the Covid-19 lockdown. The 2020-21 report is due to be published November 2021. The latest data is:

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Overall student satisfaction	94.1%	96.1%	94.5%
Scottish figure	93%	93.6%	92.8%

#### Graduate destinations

The Higher Education Statistics Agency conducts an annual survey of graduate destinations. Previously this data has been used to publish a performance indicator for UK HEIs (HESA Employment Indicator). A new survey was introduced in 2019-20, the Graduate Outcome survey, which has a different methodology and questionnaire from the previous version, also graduates are now surveyed 15 months after graduation rather than the previous six months. The latest data is for 2018-19 leavers and is published in a series of interactive tables on the HESA website. Currently HESA has not developed a specific performance indicator for graduate employment.

Comparative data from the Graduate Outcome survey:

Graduate destinations	2018-19 leavers			2017-18 leavers		
	UHI	Scotland	UK	UHI	Scotland	UK
In work or further study	84%	88%	88%	88%	90%	89%
Other including travel, caring for someone, or retired	10%	5%	5%	8%	5%	6%
Unemployed and due to start work/study	2%	1%	1%	1%	1%	1%
Unemployed	4%	5%	5%	3%	4%	4%

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Strategic Report - Current and Future Development and Performance (continued)

The Scottish Funding Council also publishes results from the college leavers' destinations. The latest data available is for 2019-20 leavers which was published in October 2021. The latest results for our FE leavers are:

Proportion of leavers in a positive destination, 3 – 6 months after qualifying:

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
FE qualifiers	91.8%	93.8%	95.6%	94.8%
Scottish figure	93.8%	95.1%	95.4%	95.0%

#### Research

Research activity this year was heavily focussed on the submission of the University's return to the Research Excellence Framework (REF) 2021. This is the UK wide system for assessing the quality and volume of research. It takes place approximately every six years. We made our submission nine days ahead of the deadline of 31st March, and included in that submission were 267 research outputs, 17 impact case studies, and 8 environment statements. The submission involved 117.04 FTE academic staff and we submitted in seven units of assessment (board subject disciplines). Institutions' submissions will be assessed over the next few months, and the results will be announced on 12<sup>th</sup> May 2022, with the concomitant funding allocations applying from 2022/23 to the next REF exercise.

Impact activities were strong despite the COVID-19 pandemic

The university had been actively involved in all the UIF-driven RCDG-led national collaborative initiatives contributing to the strategy and planning process for each of the cluster groups as well as being a member of the steering group of the Innovation cluster and leading on two SME demand stimulation strands (SME journey mapping and collaborative SME focused events planning).

An initiative driven by the UHI KE Energy Team during 2020-21 has led to a new project currently being developed aimed at creating a new Net UHI Zero Carbon Hub. UIF funding was used to map expertise and opportunities and a business plan will be drafted. This work aims to pull together the expertise within the university around Net Zero to offer support, advice and cutting edge research opportunities to businesses and other clients/communities

#### Staff Development

The University continued to ensure staff development and capacity building, delivering the staff development programme to embed scholarship and research across the partnership through our Learning and Teaching Academy. Focused investment in staff development will continue to enhance the student experience and ensure compliance with all relevant legislation and governance codes.

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021 Strategic Report - Resources and Principal Risks

#### Risk Management

##### Risk Policy Statement

The University Court reviews its Risk Policy and Risk Appetite statements on an annual basis, The following policy statements were reviewed and approved in November 2020:

**Risk Policy** - The University's general approach is to minimise its exposure to risk. It will seek to recognise risk and mitigate the adverse consequences. However, the University recognises that in pursuit of its mission and academic objectives it may choose to accept an increased level of risk. It will do so, subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

**Risk Appetite** - The University will take a portfolio approach to risk management – i.e. whilst at any one time it may be carrying a high level of risks in one or more parts of its business, it will ensure that the number of areas exposed to high risk at any time are minimised and balanced with a low risk approach in other areas. The portfolio of risk will be regularly reviewed by the risk review group, finance and general purposes committee and university court. High risk areas will be very closely aligned to strategic priorities and aligned to high returns i.e. the university should not be exposed to high levels of risk if returns are likely to be minimal or if the activity is not business critical. The elapsed time over which the university is exposed to a high level of risk in any area should be minimised as much as possible.

##### Information security risk management

The Scottish Government requires all public bodies, including universities and colleges to hold Cyber Essentials Plus accreditation. The university obtained this, with a whole of institution scope, in 2019. It is subject to an annual external verification audit.

The university is a partner in the Chief Information Security Officer (CISO) shared service, provided by HE/FE Shared Technology & Information Services (HEFESTIS), the same organisation that provides the university's data protection officer (DPO). The university has adopted HEFESTIS's information security risk management framework based on an information security maturity model of controls and a governance structure to manage those controls. This aligns with the Scottish Government's cyber resilience framework, that all public bodies in Scotland are required to comply with and report progress against.

There are three university partnership groups that meet to manage information security risk across the university:

##### Information Risk Working Group (IRWG)

The IRWG is a part of the university's formal risk management structure and provides oversight on risks and risk mitigation efforts with regards information security. The group's remit is to: Define the top information risks to the institution, Maintain the Information Security Risk Register, Maintain the Risk Control Matrix, Devise and monitor Risk Control performance. Members include the CISO, Information Security Officer, DPOs, University Archivist and Records Manager, University Head of Internal Audit, academic partner senior managers and the Director of Learning and Information Services.

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### Report of the University Court for the year ended 31 July 2021 Strategic Report - Resources and Principal Risks (Continued)

#### Information Security Working Group (ISWG)

The ISWG is made up of ICT professionals across the partnership with the aim of consistent implementation of technical controls to ensure best practice and retention of our current Cyber Essentials Plus accreditation in information security.

#### Risk Review Group

The role of the Risk Review Group is to support and advise Finance & General Purposes Committee, and through it the Board of Governors, on the implementation and monitoring of the risk management policy.

#### Cyber Incident

The University experienced a cyber incident on 5th March 2021. The University's incident management procedure was enacted and the incident was quickly contained by isolating services, removing devices from the network and restricting external connections. The university holds a cyber insurance policy, and our insurers appointed a legal team, a public relations team, and forensic consultants to advise and support our response including investigation, recovery, and management of the situation. The university also received advice and support from JISC and HEFESTIS, who respectively provide the university's internet service and our Data Protection and Chief Information Security officers.

The Scottish Government's Cyber Resilience Unit was informed and initiated its Multi Agency Cyber Incident Co-ordination Group including representation from Scottish Government, the University, Police Scotland and the National Cyber Security Centre. The aim of this group was to coordinate the response within the public sector and Scottish Government including messaging to ministers, technical support and intelligence. This group was stood down on the 18 March 2021 as it was agreed that the incident had been well contained and there was no impact on the wider public sector. The Information Commissioner's Office was notified and the University has assisted Police Scotland with their investigation into the incident. Independent forensic consultants were engaged by the University's insurers to conduct a review and analysis in relation to the cause of the incident including an assessment of whether any critical or personal data had been unlawfully accessed or exfiltrated and their report concluded that there was no evidence of any data exfiltration or loss of personal data. The ICO were informed and subsequently advised that no further action was necessary.

We continue to monitor compliance matters on a consistent and regular basis and report on progress to the Regional Strategy Committee. The appointment of one data protection officer for the whole partnership has made a major contribution to improvements in compliance and consistency of approach in data protection. This service will be strengthened further in 2021/22 through the appointment of a new Data Protection Analyst who will work with the Data Protection Officer and colleagues across the partnership to further enhance compliance.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Section 172(1) Statement - Companies Act 2006**

This statement sets out how the Directors of the University of the Highlands and Islands have applied and complied with Section 172(1) of the Companies Act 2006 in accordance with The Companies (Miscellaneous Reporting) Regulations 2018.

The Directors of the university, as those of all UK companies, must act in accordance with a set of general duties set out in section 172 of the Companies Act 2006 (the Act). The University Court consider, both individually and together, that they have acted in the way, in good faith, that would be most likely to promote the success of the university for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 July 2021.

#### **Decision Making**

The University Court's intention is to behave responsibly and ensure that the business operates in a responsible manner with the aim of maintaining a reputation for high standards of business conduct and good governance.

The Court is collectively responsible for the long-term success of the business and, as part of their induction programme, directors are briefed on their duties under the Act. Directors also have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties as directors on the Board.

The directors fulfil their duties partly through a governance framework that facilitates delegation of day-to-day decision making to senior managers in the university. Delegation of all areas of the university's activities below Court level, as well as the financial parameters of authority, are set out in the delegated authority framework. This framework ensures that unusual or material transactions are brought to the Court for approval.

The Court maintains oversight of the university's performance including financial reporting, risk management, governance and internal control processes through its regular meetings, its committee structures and meetings with senior managers.

Academic session 2020/21 sees the start of the university's institutional strategic planning process, allowing us to shape our ambitions for the future. It is intended that the process will be values-led, collaborative and inclusive. Our plan will have our student experience at its core emphasising excellence in teaching and research, and will demonstrate the value the university is adding to the region linking its success to the Scottish Government's national performance framework and the UN sustainability goals. The first two years of the new 5 year strategic plan will focus on financial sustainability post Covid, the following three years will look to grow and develop the activities of the university in line with its mission and purpose.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Section 172(1) Statement - Companies Act 2006 (continued)**

##### **Communication with staff**

The University of the Highlands and Islands approaches internal communication with staff in two ways. This is either at a regional and partnership level to all staff and then via each individual employer to their own staff groups.

With around 3,500 staff in our partnership, it is important to ensure messages from our senior teams are consistent and this coordination is done through a communication practitioners' group. This enables messaging to be contextualised and delivered at a local level in a way that staff expect.

The university communications team also produces a fortnightly email round up of news which is sent directly to all partnership staff. Messaging is also highlighted in our internal social network, Yammer and via externally facing social media.

We have also recently started a regular monthly briefing from partnership council to all staff which features key strategic initiatives and announcements. This is cascaded and delivered by each of the 14 principals to their own staff. This includes the university principal. In addition, the principal communicates regularly with all staff though his ToddTalks blog.

The COVID-19 pandemic has assisted in ensuring we are more coordinated in our communication to our staff groups to ensure ongoing information about health and wellbeing and human resource issues is communicated and discussed.

We have also carried out pulse check surveys and have adjusted our own university communication to respond to changing priorities and needs.

##### **Communication with students**

The COVID-19 pandemic has highlighted the importance of clear and coordinated communication to our students and how important this is to a satisfying student experience.

We continue to work closely with the Highlands and Islands Students' Association to ensure good liaison and feedback and participation for our students.

Our students' association has representatives on all the major governance boards and committees across our partnership and at institutional level. This gives them a voice at the highest level. Recent changes in our governance structure have further enhanced this and the student voice is clearly represented in our current change programme plan.

As with our approach to staff communication, student communication is also coordinated across our partnership for important announcements and messaging. This has been crucial to keeping students informed during the COVID-19 pandemic. The pandemic has also given us many challenges as our student body is geographically spread and at many different levels throughout further and higher education. As such template messaging has been important, as this can then be tailored for individual audiences either by campus or by course.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Section 172(1) Statement - Companies Act 2006 (continued)**

Students also have access to a wide range of information online on all our partnership websites, via social media and on the student MyDay portal as well as directly from their course contacts via our virtual learning environment, Brightspace.

#### **The Impact of the University on the Region**

To align with the university celebrating its 10<sup>th</sup> anniversary of achieving university title in February 2021, the university commissioned an economic impact assessment to demonstrate what has been achieved in its formative stages. The report demonstrated:

- Our goal is to act as a force for good, reducing the outmigration of young people by fundamentally transforming the offering of post-school learning.
- We are helping to change the mindsets of young people about remaining in the area and have become a vehicle for supporting key frontline services in the public sector.

The University offers infrastructure that is crucial in guiding the future economic and social direction of the Highlands and Islands, Moray and Perthshire by responding to the needs of business, industry and the wider community.

- We are deeply aligned with regional needs and have become a respected anchor institution within local communities.
- As well as its economic impact, the University has become a distinctive organisation with a tertiary education offering that reflects the region it has grown from, encompassing past heritage, current needs and future evolution.
- We are a technology-rich organisation, built around connecting the region. Our virtual learning environment was ahead of its time when it was designed and allows the networked delivery of courses across an area which is equal to the size of Belgium. Our networked delivery has brought about a step change in the range of options available, particularly so for the most remote and rural parts of the region. Our reputation in this field has drawn interest from other countries that are interested in our delivery model.
- We are the only tertiary education provider in Scotland and able to offer qualifications at every level from NC and VQ qualifications up to Masters and PhDs.
- The curriculum offers a range of specialist courses that are grounded in the fabric of the region. While 89% of the University's students are from the Highlands and Islands, Moray and Perthshire, the remainder are drawn in by a growing range of specialist courses, particularly in higher education, such as those offered by the School of Adventure Studies

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Section 172(1) Statement - Companies Act 2006 (continued)**

- at West Highland College, archaeology studies in Orkney, environmental science in Thurso and marine science in Oban.
- We are viewed as a strategic and operational partner in economic development as well as a service provider in education. The academic partners are heavily involved in delivering the Growth Deals for their areas and are active members in their local communities, strongly focused on delivering what their local economies need. Their presence and the networked capacity of the University build economic resilience into the region and provide a powerful vehicle for assisting in the economic recovery following the COVID-19 pandemic.

In 2020-21 we have continued to develop on the impact described in the Biggar report.

#### **Strategic Report - Value for Money**

The University of the Highlands and Islands has continued to deliver its Value for Money Strategy through improved procurement processes to reduce costs, rigorous budget challenge exercises and a number of initiatives to share services and costs across the partnership whilst improving efficiency.

#### **Strategic Report - Review of Financial Activities**

UHI's income increased by £2.2m in the year, mainly due to an increase in SFC grants. Staff costs increased by £2.9m to £17.9m compared to £15.0m the previous year, mainly due to pension provision adjustments of £2.7m. Other operating expenses increased by £3.0m compared to 2020/21 at £122.3m.

The outturn for the year ended 31 July 2021 was a deficit before other gains and losses of £3.9m. This compares with a deficit of £0.2m in the previous year. Total comprehensive income for the year was a deficit of £3.1m compared to a deficit of £7.6m in 2019/20. The reason for the reduction in deficit is due to the actuarial gain on the pension scheme of £1.6m, compared to a loss of £7.7m in the previous year and the effect of the termination of the Service Concession arrangement and the purchases of the two special purpose companies owning the student residences at Elgin and Dornoch.

As required by Generally Accepted Accounting Practice (GAAP), the University has implemented the principles of FRS 102 (28) in relation to Retirement Benefits as detailed on page 49. As a result, the University is required to disclose a liability relating to current commitments of £30.1m (2019/20 - £29.6m) on its balance sheet. Overall, this has resulted in net liabilities of £14.9m (2019/20 – net liabilities £11.8m). The actuarial gain on the pension scheme in the year of £1.6m (2019/20 - loss of £7.7m) is shown within the consolidated statement of comprehensive income & expenditure.

Overall, within the Balance Sheet, there are total net liabilities of £14.9m at 31 July 2021, compared with net liabilities of £11.8m the previous year. This is due to the increase in the pension liability, from £29.6m to £30.1m offset a reduction in liabilities relating to the Service Concession, writing off of the goodwill on acquisition of the student residences.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Strategic Report - Review of Financial Activities (continued)**

Other movements in the balance sheet include:

A decrease in fixed assets compared to the previous year of £22.7m, with a corresponding reduction in long-term creditors of £26.8m, which is due to the service concession being removed and partially replaced with a finance lease on the residences.

The overall balance sheet position has worsened from 2019/20 due principally to the revised pension liability being offset by the termination of the Service Concession, and the writing off of the goodwill on acquisition of the student residences. UHI still has a healthy cash and term deposit investments balance and has net current assets of £5.0m, compared to £9.3m in the previous year. This means it can continue to fund the core activity of the UHI partnership, providing learning and teaching in further and higher education across the Highlands & Islands.

In terms of the pension liabilities reported, both in terms of the USS and the LGPS liabilities, the university is working with the sector to attempt to create a more sustainable model which can work for the sector in the future.

#### **Payments to Suppliers**

The University of the Highlands and Islands complies with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following the month of invoice, or on the suppliers' terms, if earlier.

The effect of the University's policy is that its trade creditors at the year-end (excluding academic partner balances and transactions) represent 4 days purchases (2020 – 17 days) which is 1.15% of purchases (2020 – 4.55%). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

#### **Public Sector Climate Change Duty**

The university developed and rolled out its first Partnership Carbon Management and Sustainability Plan, covering 2020-23. The four workstreams will be overseen and managed by the Carbon Management and Sustainability Project Board. We will continue to engage with and use the resources of Environmental Association for Universities and Colleges and the Sustainable Scotland Network to support the workstreams.

The student-led Environment and Sustainability Group continues and will soon be complemented by a staff-focussed group which will consider curriculum and research. The three groups will have link members to ensure joined-up working and avoid duplication.

## University of the Highlands and Islands

### Report of the University Court for the year ended 31 July 2021

#### Energy Consumption and Efficiency Reporting

The university consumes electricity, gas, water and transport equivalents for its own use. Consumption figures have been computed from utility bills provided by providers. The energy consumption in kWh and other measurements for each category and the carbon footprint in tCO<sub>2</sub>e for the year ending 31 July 2021 are disclosed as follows:

<b>Emission</b>	<b>Units</b>	<b>tCO<sub>2</sub>e</b>
Electricity	662,196 kWh	167.7
Natural gas	881,925 kWh	162.2
Water supply	1,557 m <sup>3</sup>	0.2
Water treatment	1,479 m <sup>3</sup>	0.3
Car	724 km	0.1
Taxi	0 km	0
Flights	4,036 km	0.6
Rail	1,415 km	0.1
Mixed recycling	10 tonnes	0.2
Refuse – landfill	3 tonnes	1.3
Homeworking emissions	93%	95.7
<b>Total</b>		<b>428.4</b>

#### *Carbon Emissions and Energy Consumption*

Over the last year, the university had carbon emissions of 428.4 tCO<sub>2</sub>e, which is a decrease of 69.4 tCO<sub>2</sub>e or 14% from 2019/20 emissions of 497.7 tCO<sub>2</sub>e.

The main reasons for the decrease in carbon emissions were reductions in electricity usage, as well as reduction in car usage, short and long haul flights and rail travel. This was mainly due to the Covid19 pandemic, although this was offset by an assumption for homeworking emissions which was based on the percentage of university staff who were working from home over the period.

#### **Statement on Employment of Disabled Persons**

The Equality, Diversity, and Inclusiveness Policy outlines the University's commitment and approach towards promoting equal opportunities for staff with protected characteristics, including disabled people.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Statement on Employment of Disabled Persons (continued)**

The University is committed to promoting opportunities for current and prospective staff with disabilities and makes every reasonable effort to provide or arrange necessary support, adaptations, equipment and staff development in order to enable staff to fulfil their potential.

Our Equality Duty commitments, under the Public Sector Equality Duty and the Equality Act 2010, are reviewed bi-annually and this provides an effective focus for helping to evaluate, develop and improve our support to disabled staff, as well as reviewing the University's broader equality and diversity objectives and outcomes.

Our April 2021 report on equality mainstreaming, equality outcomes, staff data and pay gaps is published on our website and available to view at the following [LINK](#)

#### **Facilities Time Data**

As the university does not have a recognition agreement with any trade union, there is no requirement to give trade union staff representatives time off for union duties.

#### **Modern Slavery Act 2015**

The University of the Highlands and Islands is committed to carrying out procurement of goods and services in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to this commitment.

Much of the university's procurement of goods and services is carried out through APUC (Advanced Procurement for Universities and Colleges) Ltd of which it is a member. APUC require all suppliers to sign a supply chain code of conduct to acknowledge their compliance with the code in respect of their organisation and their supply chain. The code of conduct includes confirmation that the supplier does not use forced, involuntary or underage labour, provides suitable working conditions and terms and treats employees fairly.

As part of APUC Ltd's standard template for supplier's tendering for the award of a contract a pass/fail question: "Does the supplier meet its obligations under the Modern Slavery Act?" requires to be answered. A further (non-mandatory) question allows the tender to be scored on a graded basis as part of the award criteria: "What measures will you take to ensure slavery and human trafficking is not taking place in your supply chains?"

The university uses the same supply chain code of conduct for suppliers who are sourced directly by the university and asks all potential suppliers to respond to the pass/fail question above.

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Constitution**

The University of the Highlands and Islands (previously UHI Millennium Institute) is a company limited by guarantee, incorporated on 24 December 1993 and has been established under the Further and Higher Education Act 1992. It is an exempt charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005. Under the terms of the Fundable Bodies (University of the Highlands and Islands) Order 2011, which came into effect in March 2011, the University of the Highlands and Islands was designated as an institution eligible to receive support from funds administered by the Scottish Funding Council (prior to March 2011, UHI Millennium Institute was designated as an institution eligible to receive support from funds administered by the Scottish Funding Council under the terms of the Designation of UHI Millennium Institute (Scotland) Order 2001).

#### **Leadership**

Professor Crichton Lang led the University as Principal and Vice Chancellor throughout the year, until he retired on 31<sup>st</sup> December 2020. He was succeeded as Principal and Vice Chancellor by Professor Todd Walker who took up the role on 1<sup>st</sup> February 2021. (Professor Neil Simco served as acting interim Vice Chancellor and Principal throughout January 2021).

Garry Coutts final term of office as Chair of the University Court ended on 31<sup>st</sup> July 2021. The University conducted a recruitment campaign for a new Chair during the year and Alastair MacColl was duly elected and appointed to the role of Chair of Court and Senior Lay member in accordance with the requirements of Section 7 of the Higher Education Governance (Scotland) Act 2016 with effect from 1<sup>st</sup> August 2021.

Anton Edwards retired as Rector and Chair of the University Foundation on 31<sup>st</sup> July 2021. The University Foundation conducted an election to identify a new Rector in July and Fiona Mclean (former Independent member and Vice Chair of Court) was elected to the role of Rector with effect from 1<sup>st</sup> August 2021. The Rector is an ex officio member of the University Court.

The University's first FE Regional Lead Michael Foxley also retired on 31<sup>st</sup> July 2021 having completed his final term of office. Court duly appointed a new FE Regional Lead following an open recruitment process in October 2021 and Mr Angus Campbell was appointed to the role with effect from 25<sup>th</sup> October 2021.

#### **Chancellor**

The Chancellor of the University is HRH the Princess Royal. The announcement of the appointment was made in November 2011 and Her Royal Highness was installed as Chancellor in June 2012.

#### **Equal Opportunities and Widening Participation**

The University is focused on improving access to further and higher education opportunities for people living in dispersed and sparsely populated areas of the Highlands and Islands.

Our April 2021 report on equality mainstreaming, equality outcomes, staff data and pay gaps is published on our website and available to view at the following [LINK](#).

## **University of the Highlands and Islands**

### **Report of the University Court for the year ended 31 July 2021**

#### **Elections**

The company has elected to:

- (i) dispense with the laying of Accounts and Reports before the Company in general meeting in respect of the year ending 31 July 2003 and subsequent financial years.
- (ii) dispense with the holding of the Annual General Meeting for 2003 and subsequent years.
- (iii) dispense with the obligation to appoint Auditors annually.

#### **Company Secretary**

The University's former Chief Operating Officer and Secretary Fiona M Larg MBE retired in April 2021. Roger Sendall was appointed Acting University Secretary and Company Secretary on 16<sup>th</sup> April 2021.

In signing this report, the University Court Members confirm that they have approved the Strategic Report in their capacity as Company Directors of the University of the Highlands and Islands.

**Mr Alastair Angus MacColl**

**Chairman**

Ness Walk

INVERNESS

IV3 5SQ

Date 23 December 2021

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021**

#### **Introduction**

The University Court (Court) is the governing body of the University of the Highlands and Islands, and governs in accordance with the Articles of Association of the University of the Highlands and Islands (formerly UHI Millennium Institute), as amended by resolutions dated 6 March 1997, 21 September 1998, 23 March 2001, 4 November 2003, 23 June 2005, 27 March 2007, 22 September 2009, 15 February 2011, 8 July 2014 and 19<sup>th</sup> June 2019 pursuant to Sections 4 and 381A of the Companies Act 2006. The Court is committed to exhibiting best practice in all aspects of corporate governance. The Court is also the Board of Directors of the University of the Highlands and Islands.

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance.

In the opinion of the Governing Body, the University complies with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance.

As the Regional Strategic Body for further education in the Highlands and Islands, the University is also required to comply with the principles and guidelines set out in the Code of Good Governance for Scotland's Colleges which was published in September 2016.

The University complies as far as is possible with the Code of Good Governance for Scotland's Colleges. Areas of non-compliance with the FE Code are:

- As a university it cannot comply with the collective agreements placed on it through national collective bargaining for colleges as staff terms and conditions are different in each sector.
- The University secretary reports to the Principal and Vice Chancellor of the University rather than direct to the chair in common with other universities.
- The further education regional lead is appointed by the University Court in line with our constitution and not by Scottish Ministers as in other college regions in Scotland.

#### **Governance Structure**

The Court is responsible for the strategic direction of the University, for the University's system of internal controls, approval of major developments and capital projects, health and safety, and human resources matters, and receives reports from senior managers on the operation of the day-to-day business of the University. The Court is required to meet at least four times per year under the 2017 Code and met 4 times in the period from 1 August 2020 – 31 July 2021 to discuss and transact normal business. There is a clear division of responsibility between the roles of the Chairman and the Principal and Vice-Chancellor of the University. Under the Articles of Association the University Court delegates academic business to the Academic Council.

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

#### **Company Secretary**

The University's former Chief Operating Officer and Secretary Fiona M Larg MBE retired in April 2021. Roger Sendall was appointed Acting University Secretary and Company Secretary on 16<sup>th</sup> April 2021.

All Court members have access to the University Secretary, who is also the Clerk to the Court. The University secretary is responsible to the Court for ensuring that the Court complies with the requirements of the Scottish Funding Council, relevant legislation and sectoral norms for governance processes and procedures.

Due to the Covid-19 pandemic all meetings of the Court and its committees have been held by video conference since lockdown in March 2020 and all Court and Court Committee meetings have been carried out successfully online this year. The impact of remote working on governance has therefore been limited with Board and Executive business progressing well via online video enabled platforms.

#### **Training and Development of Court Members**

All Court members are given induction training on joining the University and ongoing development sessions are held with Court members on topics of importance to the university and the higher education sector more widely.

No disclosure checks are carried out on Court members as no students are based at the Executive Office of the University which is where the majority of meetings are held.

#### **Effectiveness Reviews**

In accordance with the Scottish Code of Good Higher Education Governance, Court is expected to review its own effectiveness each year and to undertake an externally facilitated evaluation of its own effectiveness and that of its committees at least every five years. Consistent with this requirement the University conducted an externally facilitated effectiveness in 2017.

Subsequent to the external review the University has surveyed Court members annually using online tools to canvas opinions and to seek views on a number of specific issues that were identified by the original review including the frequency, timing and length of meetings, clarity of roles/responsibilities and on tertiary governance structures. The University conducts these annual reviews via the Independent Audit Thinking Board resource. We renewed our subscription to this service in 2020 the results of our most recent internal annual effectiveness review were presented to Court in March 2021. Our next externally facilitated effectiveness review will be progressed in 2022.

#### **University Court – Membership**

The following table provides a summary of Court membership for the period 01 August 2020 to 31 July 2021. The composition of the University Court is prescribed within Article 12.1 of the University's Articles of Association. Members are appointed for a term of 3 years, which can be renewed for a further term of 3 years. In exceptional circumstances, a third term of 3 years may

## University of the Highlands and Islands

### Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)

be permitted, giving a maximum of 9 years' membership. No member of the Court other than ex officio members may hold appointment for more than ten years in total.

<b>Category of membership</b>	<b>Period of office</b>	<b>Date appointed</b>	<b>NAME</b>
<i>Independent Chair – elected in accordance with Higher Education Governance (Scotland) Act 2016.</i>	<i>3 years.</i>	<i>01/08/2021</i>	<i>Mr Alastair Angus MacColl</i>
<i>Independent Chair – appointed by Court</i>		<i>01/08/2014</i>	<i>Mr Garry Coutts (formerly UHI Rector)  Mr Coutts retired on 31<sup>st</sup> July 2021 following completion of his final term of office as Chair.</i>
<i>Interim Principal &amp; Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/08/2019</i>	<i>Professor Crichton Lang (retired 31/12/2020)</i>
<i>Principal &amp; Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/02/2021</i>	<i>Professor Todd Walker</i>
<i>President of the Highlands &amp; Islands Students' Association</i>	<i>Ex officio</i>	<i>01/08/2020</i>	<i>Florence Jansen</i>
<i>Rector - elected Rector by the UHI Foundation</i>	<i>Ex officio</i>	<i>01/08/2021</i>	<i>Ms Fiona Combe Maclean</i>
<i>Rector</i>	<i>Ex officio</i>	<i>01/08/2014</i>	<i>Mr Anton Edwards retired on 31<sup>st</sup> July 2021 following completion of his final term of office as Rector.</i>
<i>Staff member – elected by and from the staff</i>	<i>3 years</i>	<i>01/03/2021</i>	<i>Dr Mei-Li Roberts</i>
<i>Staff member – elected by and from the staff</i>	<i>3 years</i>	<i>15/09/2017</i>	<i>Dr Gareth Davies resigned on 1<sup>st</sup> March 2021 following completion of his term of office</i>
<i>Staff member - elected by and from the staff</i>	<i>3 years</i>	<i>15/09/2017</i>	<i>Rosemary McCormack  Re-elected for 2<sup>nd</sup> term February 2021</i>

<i>Student Governor – elected by the students</i>		<i>01/07/2019</i>	<i>Natasha Morgan resigned 09/09/2020</i>
<i>Student Governor – elected by the students</i>		<i>09/09/2020</i>	<i>Jack Shehata resigned on 15/10/2021</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research &amp; Specialist Partners</i>	<i>3 years (renewable)</i>	<i>10/04/2018</i>	<i>Mr David Sandison – NAFC</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research &amp; Specialist Partners</i>	<i>3 years (renewable)</i>	<i>31/01/2020</i>	<i>Brian Crichton</i>
<i>Independent - FE Regional Lead</i>	<i>3 years (renewable) Appointment extended by Court until 31/07/2021</i>	<i>01/08/2014</i>	<i>Dr Michael Foxley retired on 31st July 2021 following completion of his final term of office as FE Lead.</i>
<i>Independent - FE Regional Lead</i>	<i>3 years (renewable)</i>	<i>09/09/2020</i>	<i>Mr Angus Campbell Originally appointed as Independent member by HIE to replace Mr Dodds. Appointed to FERL role 25/10/2021</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>18/09/2017</i>	<i>Mrs Andrea Robertson Appointed Vice Chair 17<sup>th</sup> March 2021</i>
<i>Independent – appointed by the Chief Executives of each of the Local Authorities</i>	<i>3 years (renewable)</i>	<i>10/04/2020</i>	<i>Mr Malcolm Burr</i>
<i>Independent – appointed by the Highlands and Islands Enterprise</i>	<i>3 years (renewable)</i>	<i>09/10/2017</i>	<i>Mr Alistair Dodds (resigned 09/09/2020)</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable) Appointment extended by Court until 31/01/2021</i>	<i>01/08/2014</i>	<i>Mr William Printie (resigned 01/02/2021 following completion of two terms of office and an extension)</i>

<i>Independent – appointed by Court</i>	<i>3 years (renewable) Appointment extended by Court until 31/01/2021</i>	<i>01/08/2014</i>	<i>Professor Fiona McLean (Vice Chair) (resigned 01/02/2021 following completion of two terms of office and an extension)  Re-appointed following election as Rector 01/08/2021</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>09/02/2018</i>	<i>Ms Linda Kirkland</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>09/02/2018</i>	<i>Dr Poonam Malik</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>20/04/2018</i>	<i>Heidi May Resigned 14/10/2021</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>27/06/2019</i>	<i>Dr Sarah Helps</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>29/07/2019</i>	<i>Ms Kirsty Macpherson</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>01/10/2019</i>	<i>Lesley Cole Resigned 30/11/2021</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>16/12/2019</i>	<i>Sarah O’Hagan</i>
<b>Co-Opted Independent Committee members</b>			
<i>FGPC</i>	<i>3 years (renewable)</i>	<i>From 03/2018</i>	<i>Duncan Macaulay</i>
<i>Audit</i>	<i>3 years (renewable)</i>	<i>From 03/2017</i>	<i>Frank Gribben (Chair since 09/09/2020)</i>
	<i>Initial appointment was for 12 months but extended to 3 years (renewable)</i>	<i>From 03/2017</i>	<i>Sinead Urquhart</i>

Attendance at the University Court is recorded at each meeting. Generally, inadequate attendance is dealt with by self-regulation in discussion with the Chair and Secretary of the Court. The Court reviews its performance by periodic external scrutiny from UHI’s internal auditors and by periodic measurement against national guidelines.

In common with most higher education institutions and other registered charities, there is no remuneration directly associated with membership of Court for ordinary members, however, the University does meet reasonable expenses incurred in connection with certain activities undertaken on behalf of the University and the Articles of Association also allow for reasonable remuneration or directors’ fees to be paid to the chair of the Court, the FE Regional Lead and the vice chair of Court for services rendered by them to the University.

## University of the Highlands and Islands

### Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)

During the financial year 2020/21 the University offered the chair of Court, the Further Education Regional Lead and the vice chair of Court a fixed remuneration rate of £38.26 per hour or a daily rate of £287 based on a 7.5 hour day.

	2019/20		2019/20	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	938.5	£35,907	751	£28,708
Dr Michael Foxley	566	£21,655	600	£22,928
Professor Fiona McLean	67	£2,563	82	£3,135

The Court is committed to the Nolan Principles regarding standards to be adopted in public life. It maintains a Register of Interest of its members which is publicly available for inspection and current interests of members are published on the University's web site. In addition, the University routinely publishes court member expenses on a quarterly basis.

### Committees of the University Court

The Court exercises its role with the support of several committees. The Court approves the remits and memberships of the committees. The decisions and recommendations of these committees are formally reported to the Court. The Committees comprise the Finance and General Purposes Committee, the Audit Committee, the Nominations Committee, the Remuneration Committee, the Honorary Awards Committee and Regional Strategy Committee. The remit of each of the Court committees is set out below.

### Attendance Summary (1 August 2020 – 31 July 2021)

#### University Court and Senior Committees

	Court	Audit Committee	Finance & General Purposes Committee	Remuneration Committee	Regional Strategy Committee	
Garry Coutts*	4/4			5/5		Garry Coutts*
Crichton Lang**	2/2		2/2		2/2	Crichton Lang**
Florence Jansen	3/4				4/4	Florence Jansen
Jack Shehata	3/4					Jack Shehata

Anton Edwards	4/4			5/5		Anton Edwards
Mei Le Roberts	1/2					Mei Le Roberts
Gareth Davies	1/2					Gareth Davies
Rosemary McCormack	4/4					Rosemary McCormack
David Sandison	4/4				4/4	David Sandison
Michael Foxley	4/4				4/4	Michael Foxley
Andrea Robertson	4/4		5/5			Andrea Robertson
Angus Campbell	4/4	1/2				Angus Campbell
William Printie	2/2	2/2			2/2	William Printie
Fiona McLean	2/2	2/2			2/2	Fiona McLean
Linda Kirkland	3/4		5/5	4/5		Linda Kirkland
Poonam Malik	4/4		5/5	2/5		Poonam Malik
Heidi May	2/4					Heidi May
Sarah Helps	4/4	1/4				Sarah Helps
Kirsty Macpherson	3/4	1/4		3/5		Kirsty Macpherson
Brian Crichton	4/4				4/4	Brian Crichton
Malcolm Burr	3/4					Malcolm Burr
Lesley Cole	2/4					Lesley Cole
Sarah O'Hagan	4/4					Sarah O'Hagan
Duncan Macaulay – co-opted			5/5			Duncan Macaulay – co-opted
Frank Gribben – co-opted		4/4				Frank Gribben – co-opted

\* As the chair is an ex officio member of every committee of Court (other than the Audit committee) his attendance at individual meetings has not been included within the above table. The Chair's attendance at committee meetings is recorded within the minutes of each meeting.

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

\*\* The Principal and Vice Chancellor is in attendance at Audit Committee meetings, but is not a member.

#### **Audit Committee**

The Audit Committee meets four times per annum and advises and reports to the Court on external and internal audit matters and keeps under review the effectiveness of the risk management, control and governance arrangements and in particular reviews the external auditor's management letter, the internal auditor's reports and management responses and the annual report of the internal auditor.

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

The Finance and General Purposes Committee meets on a regular basis (usually once every eight weeks) to advise the Court on a range of financial and related matters, to oversee the system of financial control and administration, to recommend budgets, monitor progress against these, approves activities within its delegated authority from the Court and advises the Court on all employment, industrial relations, health and safety and equality and diversity issues.

#### **Remuneration Committee**

The Remuneration Committee is chaired by an independent member of Court. The Committee is delegated by the Court to implement the remuneration policy approved by the Court including setting the salaries of senior staff and approving any changes thereto. The Committee also approves any general movements in staff salaries e.g. annual inflationary rises. In respect of the former task the Committee commissions external advice drawn both from the universities and college sector and elsewhere. In respect of the latter the Committee consider annual inflationary trends, national and local market forces and benchmarks including salary movements implemented by the University's academic partners.

#### **Regional Strategy Committee**

The primary role of the Regional Strategy Committee is to bring together university court members, the chairs of the academic partners and other key partners to ensure the university partnership delivers high quality tertiary education strategically across the university partnership. The functions of the committee include:

1. Working with the university court, to advise on and monitor the implementation of the university strategy for further and higher education, research and knowledge exchange provision across the region the university serves.
2. To advise the university court on all matters relating to the implementation of the university strategy for further and higher education, research and knowledge exchange, including the regional capital and infrastructure priorities and the ways that the university and individual academic partners are implementing the strategy.
3. To advise the university court, through the finance and general purposes committee, on the allocation of funding to the academic partners and the priorities for capital expenditure.

**Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

4. To oversee the mapping, planning and allocation of further and higher education funding and curriculum provision across the region ensuring equality of access and delivery
5. To ensure that the university's strategy and resource allocation are based on evidence of future need, including the skills needs, economy and the social and cultural needs for our region, its localities and Scotland and that the UK and international context of these plans are understood
6. To ensure that the educational needs (including support needs) of potential students are understood
7. To oversee the development of and advise the court on the appropriateness of the outcome agreement with the Scottish Funding Council
8. Hold the senior executive of the partnership, through the university principal and vice-chancellor, to account for the delivery of the university strategy and outcome agreement with Scottish Funding Council
9. To oversee the content of a local outcome agreement with each of the academic partners and hold each to account for its delivery
10. To monitor performance of individual academic partners to ensure that the outcome agreement is delivered collectively, that quality is high and that the impact of education on the well-being of the students, former students, partner localities and Scotland is understood, ensuring that corrective action is taken if required
11. To promote the use by the partners of appropriate credit and qualification frameworks
12. To liaise with the university court's finance and general purposes and audit committees to ensure adequate administrative and support resources are in place to enable accurate and timeous reporting, accounting and audit assurance of education provision
13. To ensure that risks associated with the planning and delivery of further and higher education, research and knowledge exchange are identified and managed in line with the university risk management policy
14. To ensure that all reporting requirements to internal and external stakeholders relating to the university's provision are met accurately and timeously
15. To provide a focal point for engagement with national and regional partners and ensure oversight of local college links with community planning partnerships
16. To encourage and support innovation within and between the university and academic partners
17. To encourage sustainable development
18. To advise the chair of the university court and the principal and vice chancellor on the use of their right to attend and address any meetings of an academic partner as may be deemed appropriate
19. To ensure effective regional communication, where appropriate consulting and collaborating, or ensuring consultation or collaboration, with its colleges, representatives of trade unions, student associations, local authorities, employers, training providers, Skills Development Scotland, Scottish Qualifications Authority, Highlands and Islands Enterprise and Scottish Enterprise

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

#### **Nominations Committee**

The Nominations Committee is chaired by the Vice Chair of the Court. The Committee meets at least twice each year and as required to review the membership of the University Court, to seek new members when vacancies arise and to ensure that the committees of the Court are fully populated by members in line with their agreed remit and composition. In seeking new members of Court the Nominations Committee draws up a specification of the balance of skills and professional expertise which is deemed useful to the Court and seeks to implement the University's policies in respect of equality and diversity. The terms of reference for this committee were reviewed and updated by Court in September 2021 and this committee now also has responsibility for ensuring that appropriate effectiveness reviews of Court and Committees of Court are completed in accordance with obligations contained within the Code of Good Governance.

#### **Honorary Awards Committee**

The Honorary Awards Committee is chaired by the Chair of Court and meets on an "as required" basis to recommend potential recipients of University fellowships and honorary awards.

#### **Foundation**

Foundation, a body through which the people of the Highlands and Islands may influence and support the development of the University of the Highlands and Islands, is an important element in the constitution of the University. Foundation requires to be consulted on any proposal to amend the mission statement of the University and its approval is required for constitutional change and for changes to academic partner agreements.

#### **Academic Council**

The Academic Council is responsible for issues relating to research, scholarship, teaching and courses of the University, the development of academic activities and the granting and conferring of degrees and other academic awards.

#### **Going Concern**

In line with the Financial Reporting Council's guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

The Group's financial statements for 2020/21 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the Covid-19 pandemic, has been considered as part of the Group's adoption of the going concern basis in these financial statements and in developing a sustainable financial plan. While Covid-19 implications have consequences across the Group's range of activities, the most significant impacts are those arising from teaching and the ability and willingness of students to travel to campuses for the purposes of Further and Higher Education. The potential impact of volatility on student numbers was a significant factor in producing the Group's financial plan. These financial statements have been prepared on a going concern basis which the Board of Directors believe to be appropriate for the reasons outlined below.

UHI is well-established and renowned for its excellence in teaching and research. As such the demand for learning at UHI remains strong, as evidenced in the student cohort for 2020/21, even during the pandemic. UHI's ability to adapt its teaching model, with all lectures being delivered online, supplemented by face to

## University of the Highlands and Islands

### Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)

face teaching for small group tutorials and seminars enables students the ability to learn on campus or remotely, mitigating the risk of Covid-19 on teaching activity.

A financial plan for 2021/22 through to 2022/23 is in place which takes into consideration the anticipated impact of Covid-19, recognising the significant impact it has had on the Group. In support of this plan, cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated group balance. On this basis, the Group is forecast to operate within its available committed facilities, with forecast headroom no lower than £18m throughout the going concern period. Management carefully monitors the impact of Covid-19 on its financial position regularly. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver on-line teaching mitigates risk in this respect against any further government enforced restrictions, with the expectation, backed by the latest Government indicators, that students would remain in residential accommodation throughout any period of additional restrictions. From the very outset of the outbreak we maintained effective communication with our staff, students and customers; their health and wellbeing was paramount. We carefully measure the likely impact for the future and engaged with our customers and suppliers to ensure continuation of necessary services and limited the negative impact to UHI and the wider community.

At 31 July 2021, the company had a deficit in its unrestricted fund of £16.9 million. The university reported a deficit before other gains and losses of £3.8 million and overall, the net liability has increased from £11.8 million to £14.9 million. This is due to the pension liability for both LGPS and USS of £30.1 million.

The result of this has been a decrease in net current assets, from £9.3 million in 2019/20 to £5.0 million in 2020/21. The key focus is to ensure that on an ongoing basis, the university can pay its debts over the next twelve months.

For the medium term, although deficits are forecast for 2021/22 and 2022/23, these are forecast to reduce, with plans in place to further reduce the operational deficit of the student residences to a more manageable level, and to make savings/ generate additional income across all areas of the university.

Based on the above, management do not believe there to be a material uncertainty relating to going concern.

#### Key risks

The Covid-19 pandemic continues to significantly affect the world and the sector that UHI operates in. While the immediate risks arising from the pandemic have been managed over the past two years, longer term risks are emerging. On the direct risks relating to potential further lockdowns and impacts of provision because of social distancing, we are continuing to meet as a partnership crisis management group to maintain effective communication with our staff, students and customers; their health and wellbeing remain paramount.

The more indirect risks of the pandemic relate to demand for further and higher education. The Scottish Funding Council has expanded places in both further and higher education in response to an expected rise in youth unemployment and increases in young people achieving university qualifications as a result of interim examination arrangements. Alongside this, the Government has funded expansion in other provision for young people. The impact of the pandemic on youth employment has been much less than anticipated. The impact of The United Kingdom leaving the European has compounded the impact of the

## University of the Highlands and Islands

### Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)

issues above. Because EU students are no longer eligible for free university undergraduate provision, the places available for Scottish domiciled students has expanded. In addition, the ending of Labour mobility seems to have created a very tight labour market in our region. Taken together, with the impact of the pandemic, these have created significant challenges to the University's recruitment which create a risk to future funding. We are mitigating these risks with recruitment activity, our curriculum review and engagement with the SFC.

### Future Developments

The University will continue with its change programme. This will enhance both our efficiency and our effectiveness. We will continue with the changes to the way that we fund our academic partners, the resources allocation method (or RAM). A major element of the change programme will be the curriculum review. We will also support change within the partnership. An example of this is the proposed merger of Lews Castle, North Highland and West Highland College to form a new rural and Island College.

As we begin to return to the workplace after the pandemic we will change the way that we work and will move to a hybrid working model that will increase our ability to operate as a region-wide employer. Over time we will consider changes to our estate to support this.

### Long term sustainability

The University Court's framework for long term sustainability primarily consists of provisions set out in its Articles of Association, which include restricting the activities of the university "to carry on and conduct the activities of a further and higher education institution", that "the income and property of the University shall be applied solely towards promotion of its objects" and require that true accounts shall be kept of the sums of money received and expended by the University.

The Strategic Plan for the University 2015-2020 forms part of the framework, as one of three enabling strategies identified is financial sustainability and states that "the financial strength of the university and our academic partners is vital if we are to achieve our overarching vision, achieve global reach and become a distinctive, world-class institution. Financial sustainability requires us to secure a fair share of public funding for both our further and higher education, including for research. Importantly, however, it will require us to further supplement our core public funding through improved grant capture and increased philanthropic and commercial income, the latter including from self and employer-funded students. It also requires us to further enhance the economy, effectiveness and efficiency of our activities, whilst maintaining a broad range of geographically dispersed activity, including teaching, research and support functions, across our university partnership. Our approach to risk and how this is managed and applied to the breadth of our research, commercial and teaching activities across our diverse partnership underpins financial sustainability. This requires an increasingly collective and collaborative approach to the strategic management of our university partnership and activities, but one which is sensitive to the diversity within the partnership and the need to remain responsive to local and sub-regional needs. Greater financial independence and sustainability will enhance our institutional confidence and staff morale, as well as allowing a longer-term strategic view to be taken. This will maximise the use of resources across the university partnership. Financial sustainability will allow us to grow, make strategic investments, move to the next phase in our development and be agile and responsive to the opportunities which arise."

The Court monitors the long-term sustainability of the institution as follows:

- Setting a critical performance indicator on level of annual surplus achieved across the partnership, and key performance indicators on achievement of non-public sector income and philanthropic giving and monitoring against these.

## University of the Highlands and Islands

### Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)

- Setting a financial strategy to reduce dependency on public sector funding
- Review and challenge of 3 year financial forecasts, annual budgets and quarterly performance against budget.
- Annual assessment of the organisation as a going concern.

CPI - Consolidated partnership surplus – target is surplus of 1% of turnover – actual for 2019/20 was a consolidated deficit of 6.1% (2018/19 – consolidated deficit of 4.3%)

KPI – consolidated non SFC income – target is to increase 3% on 2016/17 baseline (£57.9 million) – actual for 2019/20 was £65.2 million, a 6.1% decrease compared to 2018/19 (£69.4 million).

KPI – philanthropic funding – target of £250,000 – actual for 2019/20 was £231,000 (2018/19 - £2.4 million).

In terms of the first indicator, the reason for the deficits is the impact of the Covid 19 pandemic on non SFC income.

For the second indicator, the non-SFC income has decreased by 6.1% in 2019/20 and this has been largely down to the impact of the Covid-19 pandemic.

Finally, the philanthropic funding target was not achieved in 2019/20 due to the impact of Covid 19.

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

#### **Disclosure of information to Auditor**

The members of the University Court who were members at the time of approving the accounts are listed on pages 23 to 24. Having made enquiries of fellow University Court members and the University's auditor, each of these Court members confirms that:

- to the best of each Court member's knowledge and belief, there is no information relevant to the preparation of their report of which the University's auditor is unaware; and
- each Court member has taken all the steps a member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the University's auditor is aware of that information.

#### **Statement on the System of Internal Control**

The University Court is responsible for the System of Internal Control and for reviewing its effectiveness. It is the responsibility of the Director of Corporate Resources to ensure that an effective system of internal financial control is maintained and operated by the University of the Highlands and Islands. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the University Court;
- regular reviews by the University Court of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines where appropriate.

The University of the Highlands and Islands has an internal audit process, which operates in accordance with the requirements of the Scottish Funding Council. The work of the internal audit function is informed by an analysis of the risks to which the University is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the University Court on the recommendation of the Audit Committee. At least annually, the Internal Auditor provides the University Court with a report on internal audit activity in the University. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the University's system of Risk Management, Control and Governance.

There is a process for identifying, evaluating and managing the University's significant risks. The risk management policy has been approved by the University Court and the high level risk register of the

## **University of the Highlands and Islands**

### **Corporate Governance and Internal Control for the year ended 31 July 2021 (continued)**

#### **Statement on the System of Internal Control (continued)**

University is regularly reviewed by a Risk Review Group, the Audit Committee and approved by the University Court.

UHI's review of the effectiveness of the system of internal control is informed by a number of factors: (i) the work of the internal auditor; (ii) the Audit Committee which oversees the work of internal audit and external auditor; (iii) the executive managers within the University who have responsibility for the development and maintenance of the internal control framework; and (iv) the work of the University's external auditor.

On the basis of the work carried out since 1 August 2020, the Head of Internal Audit concludes that where scope to improve controls was identified management actions have been agreed to address these. There is sufficient evidence of controls and procedures to provide reasonable assurance that the University has adequate and effective arrangements for risk management, control and governance.

On the basis of the work carried out since 1 August 2020, the Head of Internal Audit concludes that the University has in place a Value for Money Policy and Procedures which confirms the University's commitment to achieving value for money from all of its activities, regardless of the method of funding. It further defines the scope, responsibilities, concept of value for money and approaches to assessing value for money to help promote and secure value for money within the University.

There is sufficient evidence (subject to compliance with the Value for Money Policy and Procedures and the provision of appropriate assurances from Academic Partners) that there are processes and procedures to provide reasonable assurance that the University has adequate and effective arrangements to promote economy, efficiency and effectiveness (value for money).

#### **Signed on behalf of the University**

**Alastair MacColl**  
**Chair of University Court**

**Date 23 December 2021**

**Professor Todd L Walker**  
**Principal and Vice-Chancellor**

## **University of the Highlands and Islands**

### **Statement of the Responsibilities of the University Court for the year ended 31 July 2021**

The Court of the University of the Highlands and Islands is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Court of the University of the Highlands and Islands is required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the University of the Highlands and Islands, the University, through its Principal and Vice-Chancellor, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions – and which give a true and fair view of the state of affairs of the University and the result for that year.

In preparing the financial statements, the University is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the University will continue in operation.

The University of the Highlands and Islands is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the University. The University must ensure that the financial statements are prepared in accordance with the relevant legislation of the company and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the University and to prevent and detect fraud and other irregularities.

The University Court is responsible for ensuring that funds from the Scottish Funding Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. The University Court must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, the University Court is responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

### **Signed on behalf of the University**

**Alastair MacColl**

**Chairman**

**Date 23 December 2021**

**Professor Todd L Walker**

**Principal and Vice-Chancellor**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY COURT OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS**

### **Opinion**

We have audited the financial statements of the University of the Highlands and Islands ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Statement of Principal Accounting Policies, Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting for further and higher education 2019.

In our opinion, the financial statements:

- give a true and fair view of the group's and of the University's state of affairs as at 31 July 2021 and of the group and University's income and expenditure, recognised gains and losses, and statement of cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter**

We draw attention to note 2 "Going concern", on page 47 of the financial statements, which outlines the economic uncertainties faced by the University as a result of ongoing impacts of COVID 19 on the Universities operations. Our opinion is not modified in respect of this matter.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY COURT OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS (continued)**

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report set out on pages 2 - 36, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions**

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY COURT OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS (continued)**

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

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.
- Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on page 37, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group's and the parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY COURT OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS (continued)**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and knowledge of the Company to identify or recognise non-compliance with applicable laws and regulations. The applicable laws and regulations include compliance with FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher education 2019, the Scottish Funding Council Accounts Direction, the Companies Act 2006, UK Tax Legislation, Health and Safety legislation, and Data Protection regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- We assessed the level of fraud risk and concluded that the area's most susceptible to fraud were revenue recognition and management override of internal controls.

To address the risk of fraud/error with regard to revenue recognition, we:

- Performed substantive tests over revenue in the year and cut off testing at the year end.

To address the risk of fraud through management bias and override of controls, we:

- Tested journal entries recorded on the Company's finance system to identify unusual transactions that may indicate override of controls;
- Reviewed key judgements and estimates for any evidence of management bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management to identify actual and potential litigation and claims.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY COURT OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS (continued)**

responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilites>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the University Court of the University of the Highlands and Islands, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of the Highlands and Islands and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Martin Johnston CA (Senior statutory auditor)***

For and on behalf of  
Armstrong Watson Audit Limited  
Statutory Auditor  
Glasgow

23 December 2021

**Consolidated and Institution Statement of Comprehensive Income**  
Year Ended 31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated	Institution	Consolidated	Institution
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	12,030	12,030	11,623	11,622
Funding body grants	2	110,236	110,236	105,672	105,672
Research grants and contracts	3	3,373	3,345	5,823	5,823
Other income	4	12,885	12,910	13,377	13,360
Investment income	5	63	62	151	151
Gain on revaluation of investment		195	195	-	-
<b>Total income before endowments and donations</b>		<b>138,781</b>	<b>138,779</b>	136,646	136,629
Donations and endowments	6	269	269	231	231
<b>Total income</b>		<b>139,050</b>	<b>139,048</b>	136,877	136,860
<b>Expenditure</b>					
Staff costs	7	17,902	17,902	15,028	15,028
Other operating expenses	9	122,264	122,313	119,267	119,257
Depreciation	12	2,308	2,276	2,212	2,212
Fair value movement	12	(16)	(16)	-	-
Impairment of investment	17	-	-	73	73
Interest and other finance costs	8	449	431	484	484
<b>Total expenditure</b>		<b>142,907</b>	<b>142,906</b>	137,064	137,053
<b>Deficit before other gains/losses</b>		<b>(3,857)</b>	<b>(3,858)</b>	(187)	(193)
Gain/(Loss) on revaluation of investment property	12	-	-	326	326
Exceptional items	15	(900)	2,834	-	-
<b>Deficit before tax</b>		<b>(4,758)</b>	<b>(1,024)</b>	139	133
Taxation	10	22	-	-	-
<b>Deficit for the year</b>		<b>(4,735)</b>	<b>(1,024)</b>	139	133
Actuarial gain/(loss) in respect of pension schemes	33	1,618	1,618	(7,717)	(7,717)
<b>Total comprehensive (expense)/income for the year</b>		<b>(3,117)</b>	<b>594</b>	<b>(7,578)</b>	<b>(7,584)</b>
Represented by:					
Restricted comprehensive income for the year		(112)	(112)	(156)	(156)
Unrestricted comprehensive income for the year		(3,005)	706	(7,422)	(7,428)
		<b>(3,117)</b>	<b>594</b>	<b>(7,578)</b>	<b>(7,584)</b>
<b>(Deficit)/surplus for the year attributable to:</b>					
Institution		(4,735)	(1,024)	139	133
<b>Total Comprehensive (expense)/income for the year attributable to:</b>		<b>(3,117)</b>	<b>594</b>	<b>(7,578)</b>	<b>(7,584)</b>

All items of income and expenditure relate to continuing activities

**University of the Highlands and Islands**  
**Consolidated Statement of Changes in Reserves**  
Year ended 31 July 2021

Consolidated	Income and expenditure account		Total £'000
	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	
<b>Balance at 1 August 2019</b>	2,329	(6,545)	<b>(4,216)</b>
Deficit from the income and expenditure statement	(156)	295	139
Other comprehensive income	-	(7,717)	(7,717)
Release of restricted funds spent in year	-	-	-
<b>Total comprehensive income for the year</b>	<b>(156)</b>	<b>(7,422)</b>	<b>(7,578)</b>
<b>Balance at 1 August 2020</b>	<b>2,173</b>	<b>(13,967)</b>	<b>(11,794)</b>
Deficit from the income and expenditure statement	(112)	(4,624)	(4,736)
Other comprehensive income	-	1,618	1,618
<b>Total comprehensive income for the year</b>	<b>(112)</b>	<b>(3,006)</b>	<b>(3,118)</b>
<b>Balance at 31 July 2021</b>	<b>2,061</b>	<b>(16,973)</b>	<b>(14,912)</b>

# University of the Highlands and Islands

## Consolidated and Institution Statement of Financial Position

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Non-current assets</b>					
Fixed assets	12	<u>43,894</u>	<u>41,675</u>	<u>66,554</u>	<u>66,554</u>
		<u>43,894</u>	<u>41,675</u>	<u>66,554</u>	<u>66,554</u>
Investments	17	1,089	1,089	894	894
Investment in Subsidiary Companies	13	-	871	-	-
Goodwill	11	-	-	-	-
<b>Current assets</b>					
Trade and other receivables	16	6,902	6,889	6,987	6,914
Amounts due from subsidiaries		-	2,439	-	-
Deferred tax asset		41	-	-	-
Investments	17	6,000	6,000	6,000	6,000
Cash and cash equivalents	23	<u>22,603</u>	<u>22,538</u>	<u>22,537</u>	<u>22,519</u>
		<u>35,546</u>	<u>37,867</u>	<u>35,524</u>	<u>35,433</u>
Less: Creditors: amounts falling due within one year	18	<u>(30,557)</u>	<u>(30,418)</u>	<u>(26,244)</u>	<u>(26,160)</u>
<b>Net current assets</b>		<b>4,989</b>	<b>7,449</b>	<b>9,279</b>	<b>9,273</b>
<b>Total assets less current liabilities</b>		<b>49,971</b>	<b>51,084</b>	<b>76,727</b>	<b>76,721</b>
Creditors: amounts falling due after more than one year	19	(34,779)	(32,186)	(58,949)	(58,949)
<b>Provisions</b>					
Pension provisions	20	(30,105)	(30,105)	(29,572)	(29,572)
<b>Total net liabilities</b>		<b><u>(14,912)</u></b>	<b><u>(11,206)</u></b>	<b><u>(11,793)</u></b>	<b><u>(11,799)</u></b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - restricted reserve	21	2,061	2,061	2,173	2,173
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		(16,973)	(13,267)	(13,966)	(13,973)
<b>Total Reserves</b>		<b><u>(14,912)</u></b>	<b><u>(11,206)</u></b>	<b><u>(11,793)</u></b>	<b><u>(11,799)</u></b>

Alastair MacColl  
Chairman

Professor Todd L Walker  
Principal and Vice-Chancellor

# Consolidated Cash Flow

Year ended 31 July 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(3,118)	(7,578)
<b>Adjustment for non-cash items</b>			
Depreciation	12	2,308	2,212
Deferred capital grants on disposed assets		-	123
Impairment of goodwill	11	3,734	-
Impairment of investment/(Gain on revaluation)	17	(195)	73
(Gain)/Loss on revaluation of investment property	12	(16)	(326)
Decrease/(increase) in debtors	16	65	(743)
Increase/(decrease) in creditors	18	26,124	1,761
Increase/(decrease) in pension provision	20	533	7,251
Increase/(decrease) in other provisions	20	-	-
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(63)	(151)
Interest payable	8	449	484
Loss/(gain) on fixed assets	15	(2,833)	-
<b>Net cash inflow from operating activities</b>		<b>26,988</b>	<b>3,106</b>
<b>Cash flows from investing activities</b>			
Investment income	5	63	151
Payments made to acquire fixed assets	12	(25,664)	(256)
Purchase of Subsidiary Companies	13	(871)	-
		<b>(26,472)</b>	<b>(105)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(449)	(484)
New loans		-	-
		<b>(449)</b>	<b>(484)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>66</b>	<b>2,517</b>
Cash and cash equivalents at beginning of the year	23	22,537	20,021
Cash and cash equivalents at end of the year	23	22,603	22,537

# University of the Highlands and Islands

## Statement of Accounting Policies

for the year ended 31 July 2021

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### 1. Basis of preparation

The University of the Highlands and Islands is a limited company incorporated in Scotland. Its registered office is 12b Ness Walk, Inverness, Scotland, IV3 5SQ. The University is also a registered Scottish charity.

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified to include listed investments at their market value.

The financial position and strategy of the University are set out in the Report of the University Court on pages 2 to 21. The financial statements continue to be prepared on a going concern basis as the University Court considers that the University has adequate financial resources to continue in operational existence for the foreseeable future.

The financial statements of the University were authorised for issue by the University Court on 14 December 2021. The functional currency of the University is pound sterling and the financial statements have been prepared to the rounded £000.

### 2. Going concern

In line with the Financial Reporting Council's guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

The Group's financial statements for 2020/21 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the Covid-19 pandemic, has been considered as part of the Group's adoption of the going concern basis in these financial statements and in developing a sustainable financial plan. While Covid-19 implications have consequences across the Group's range of activities, the most significant impacts are those arising from teaching and the ability and willingness of students to travel to campuses for the purposes of Further and Higher Education. The potential impact of volatility on student numbers was a significant factor in producing the Group's financial plan. These financial statements have been prepared on a going concern basis which the Board of Directors believe to be appropriate for the reasons outlined below.

UHI is well-established and renowned for its excellence in teaching and research. As such the demand for learning at UHI remains strong, as evidenced in the student cohort for 2020/21, even during the pandemic. UHI's ability to adapt its teaching model, with all lectures being delivered online, supplemented by face to face remote small group tutorials and seminars enables students the ability to learn on campus or remotely, mitigating the risk of Covid-19 on teaching activity.

A financial plan for 2020/21 through to 2022/23 is in place which takes into consideration the anticipated impact of Covid-19, recognising the significant impact it has had on the Group. In support of this plan, cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated Group balance. On this basis, the Group is forecast to operate within its available committed facilities, with forecast headroom no lower than £18m throughout the going concern period. Management carefully monitors the impact of Covid-19 on its financial position regularly. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver on-line teaching mitigates the risk in this respect against any further government enforced restrictions, with the expectation, backed by the latest Government indicators, that students would remain in residential accommodation throughout any period of additional restrictions. From the very outset of the outbreak we maintained effective communication with our staff, students and customers; their health and wellbeing was paramount. We carefully measure the likely impact for the future and engaged with our customers and suppliers to ensure continuity of necessary services and limited the negative impact to UHI and the wider community.

At 31 July 2021, the company had a deficit in its unrestricted fund of £16.9 million. The university reported a deficit before other gains and losses of £3.8 million, and overall the net liability has increased from £11.8 million to £14.9 million. This is due to the pension liability for both LGPS and USS of £30.1 million.

The result of this has been a decrease in net current assets, from £9.3 million in 2019/20 to £5.0 million in 2020/21. The key focus is to ensure that on an ongoing basis, the university can pay its debts over the next twelve months.

For the medium term, although deficits are forecast for 2021/22 and 2022/23 these are forecast to reduce, with plans in place to further reduce the operational deficit of the student residences to a more manageable level, and to make savings/generate additional income across all areas of the university.

Based on the above, management do not believe there to be a material uncertainty relating to going concern.

# University of the Highlands and Islands

## Statement of Accounting Policies

for the year ended 31 July 2021

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### 3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2021. Intra-group transactions are eliminated on consolidation.

Although the Post 16 (Scotland) Education Act 2013 and the Assigned Colleges (University of the Highlands and Islands) Order 2014 assigned the incorporated colleges (Inverness College, Lews Castle College, Moray College, North Highland College and Perth College) to the University in its role as Regional Strategic Body, giving the University powers to appoint the majority of the board of these colleges, the University does not consider that it was in a position to exercise “dominant influence” over these colleges during the year sufficient to class them as “subsidiary undertakings” as defined by the Companies Act 2006 and FRS102. As a result the University has not consolidated the incorporated colleges’ accounts into the group accounts in 2020/21. As the nature of the relationship between the University and the incorporated colleges continues to evolve while the full effects of the legislation come into force, the University will review this position on an ongoing basis.

### 4. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

#### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

# University of the Highlands and Islands

## Statement of Accounting Policies (continued)

for the year ended 31 July 2021

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### 5. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS).

#### USS

Throughout the current and preceding periods, the USS scheme was a defined benefit pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

#### LGPS

The LGPS scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The fund is valued every three years by professionally qualified independent actuaries.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### 6. Employment benefits

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

### 7. Service Concession Arrangements

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

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

In June 2021, the University purchased two Special Purpose Companies which owned two of the 5 residences which were held under Service Concessions, and terminated the Service Concession contract for all 5 residences.

### 8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

# University of the Highlands and Islands

## Statement of Accounting Policies (continued)

for the year ended 31 July 2021

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### 9. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

### 10. Investment properties

Certain of the University's properties are held for long-term investment. Investment properties are accounted for as follows:

- ♦ Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure
- ♦ Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

### 11. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Land and buildings

Freehold land where it can be separately identified and valued, is not depreciated as it is considered to have an indefinite useful life. Freehold buildings and land which cannot be separately valued are depreciated on a straight line basis over their expected useful lives over 50 years. Buildings under construction are not depreciated until they come into use.

Where buildings are acquired with the aid of specific government grants, they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred income account and released to the income and expenditure account over the expected useful economic life of the related building.

Leasehold improvements costing more than £5,000 are capitalised and depreciated over the term of the lease. Where they have been acquired with the aid of specific government grants, the related grant is credited to a deferred income account and released to the income and expenditure account over its expected useful economic life.

#### Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its expected useful life as follows:

Computer Equipment	3 years
Research & Specialist Equipment	5 years
Furniture and fittings	5 years

Where equipment is acquired with the aid of specific government grants, they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred income account and released to the income and expenditure account over the expected useful economic life of the related equipment.

The Celtica and Theological Collections are not depreciated, as the University is required to maintain the collections in such condition that their value is not impaired over life.

#### Investments

Endowment asset investments relate to restricted endowments held and controlled by UHI and are included in the balance sheet at valuation. Income less expenditure and net movements in the valuation are included in the Statement of Comprehensive Income and Expenditure.

Other listed investments are included at market value.

Investments in subsidiary are measured at cost less accumulated depreciation.

# University of the Highlands and Islands

## Statement of Accounting Policies (continued)

for the year ended 31 July 2021

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### 12. Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### 14. Taxation

The University is an exempt Charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator (charity no. SC022228).

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

### 15. Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### 16. Intangible assets

#### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Accordingly amortisation is provided on the following basis:

Goodwill – 10% on cost

The full balance of the goodwill arising on the acquisition of the Special Purpose Companies which own 2 student residences has been impaired as management consider that this is not supportable by the underlying assets/profitability.

**University of the Highlands and Islands**  
**Notes to the Accounts**  
for the year ended 31 July 2021

1 Tuition fees and education contracts	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Scotland and EU fees		10,612	10,612	9,814	9,814
RUK (new fee rates)		1,217	1,217	856	856
Non-EU fees		196	196	932	932
Education contracts		4	4	22	22
		<b>12,030</b>	<b>12,030</b>	<b>11,623</b>	<b>11,623</b>

2 Funding body grants	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Recurrent grant</b>				
General Fund - Teaching	39,493	39,493	39,468	39,468
General Fund - Research and Knowledge Exchange	4,413	4,413	3,536	3,536
Release of deferred capital grants	25	25	20	20
<b>Specific grants</b>				
Strategic funding	-	-	14	14
Capital maintenance grants	1,542	1,542	1,263	1,263
Grants for FE provision	61,337	61,337	57,884	57,884
Ring-fenced grants funded by Scottish Government	3,425	3,425	3,487	3,487
	<b>110,236</b>	<b>110,236</b>	<b>105,672</b>	<b>105,672</b>

3 Research grants and contracts	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research councils	-	-	166	166
Research charities	612	612	257	257
Government (UK and overseas)	1,005	1,005	2,098	2,098
EU	1,239	1,239	2,353	2,353
Industry and commerce	90	77	30	30
Other	427	412	919	919
	<b>3,373</b>	<b>3,345</b>	<b>5,823</b>	<b>5,823</b>

4 Other income	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Other revenue grants	3,135	3,135	2,883	2,883
Enterprise Agency grants	-	-	27	27
Other grant income	271	271	872	821
Other capital grants	238	238	355	355
Apprenticeship Grants	3,075	3,075	3,300	3,300
Other income	4,341	4,367	3,454	3,489
Residences Income	673	673	-	-
Other income generating activities	1,152	1,152	2,487	2,487
	<b>12,885</b>	<b>12,910</b>	<b>13,377</b>	<b>13,360</b>

5 Investment income	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Other investment income	63	62	151	151
Net return on pension scheme	-	-	-	-
	<b>63</b>	<b>62</b>	<b>151</b>	<b>151</b>

6 Donations and endowments	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Donations with restrictions	269	269	231	231
	<b>269</b>	<b>269</b>	<b>231</b>	<b>231</b>

**University of the Highlands and Islands**  
**Notes to the Accounts**  
for the year ended 31 July 2021

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Staff costs</b>				
<b>Staff Costs :</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Salaries	12,280	12,280	12,139	12,139
Social security costs	1,264	1,264	1,265	1,265
Pension contributions paid	2,515	2,515	2,454	2,454
Pension net service cost	2,145	2,145	1,373	1,373
Movement on USS provision	(303)	(303)	(2,203)	(2,203)
<b>Total</b>	<b>17,902</b>	<b>17,902</b>	15,028	15,028
Administration and Central Services	7,852	7,852	7,689	7,689
Premises	71	71	50	50
Research Grants and Contracts	1,973	1,973	2,516	2,516
Academic/Teaching Departments	2,932	2,932	2,951	2,951
Academic/Teaching Support Services	3,164	3,164	2,652	2,652
Movement on pension provision	1,842	1,842	(830)	(830)
Restructuring costs	68	68	-	-
	<b>17,902</b>	<b>17,902</b>	15,028	15,028

	Year ended 31 July 2021			Year ended 31 July 2020	
	Prof C Lang £'000	Prof N Simco £'000	Prof T Walker £'000	Total £'000	£'000
<b>Emoluments of the Vice-Chancellor:</b>					
Salary	75	10	104	189	178
Pension contributions	11	2	22	35	27
	86	12	126	224	205

Professor Crichton Lang was appointed Interim Principal and Vice-Chancellor on 1st August 2019 and retired in December 2020. Professor Neil Simco was appointed Acting Principal and Vice-Chancellor for the month of January 2021 until Professor Todd Walker took up post on 1st February 2021

The remuneration of the Principal equates to 5.73 x the median annualised full time equivalent basic salary of all other employees and 5.79 x the median total remuneration.

Remuneration of other higher paid staff, not including the Vice-Chancellor disclosed above, excluding employer's pension contributions:

	No.	No.
£100,000 to £109,999	-	2
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	2	1
	<b>2</b>	<b>3</b>

Average staff numbers by major category :	No.	No.
Administration and Central Services	175	159
Premises	2	1
Research Grants and Contracts	42	46
Academic/Teaching Departments	50	47
Academic Services	66	53
	<b>335</b>	<b>306</b>

Most teaching staff are employed and paid by the University's academic partners and are therefore not included in the numbers above.

**University of the Highlands and Islands**  
**Notes to the Accounts**  
**for the year ended 31 July 2021**

**7 Staff costs (continued)**

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

Key Management Personnel are the Principal and Vice-Chancellor, the Chief Operating Officer and Secretary (Secretary only from May 2021), the Vice Principal (Further Education), the Vice Principal (Research & Impact) and the Vice Principal (Strategic Developments).

Following the retirement of the Chief Operating Officer and Secretary, the role of Chief Operating Officer and Vice Principal (Further Education) is currently held by a secondee from the Scottish Funding Council. The cost of these secondments are not included in these figures.

3 Further Vice Principals are on half-time secondment from Academic Partners and are not included in these figures.

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July</b>	<b>31 July</b>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Key management personnel compensation</b>	<b>497</b>	<b>617</b>

**Court Members**

The University Court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Court, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Court may have an interest. All transactions involving organisations in which a member of Court may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

A Register of Interests is maintained and published on the University's website.

During the financial year 2020/21 the University offered the Chair and Vice-Chair of Court and Chair of the FE Regional board a fixed remuneration rate of £38.26 per hour or a daily rate of £287 based on a 7.5 hour day.

	<b>2020/21</b>		<b>2019/20</b>	
	<b>Hours claimed</b>	<b>Remuneration</b>	<b>Hours claimed</b>	<b>Remuneration</b>
Mr Garry Coutts	938.5	£35,907	751	£28,708
Dr Michael Foxley	566	£21,655	600	£22,928
Prof Fiona MacLean	67	£2,563	82	£3,135

The total expenses paid to or on behalf of 26 court members was £20,340 (2020 - £8,045 to 25 court members). This represents travel and subsistence expenses incurred in attending Court, Committee meetings and other events in their official capacity.

# University of the Highlands and Islands

## Notes to the Accounts

for the year ended 31 July 2021

Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>				
Net charge on pension scheme	33	408	460	460
Loan Interest		41	24	24
		<u>449</u>	<u>484</u>	<u>484</u>

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure		103,753	100,269	100,269
Administration and central services		9,663	9,729	9,718
Premises (including service concession cost)		1,936	2,861	2,861
Residences, catering and conferences		-	-	-
Research grants and contracts		6,277	5,369	5,369
Agency Staff		4	54	54
Other expenses		632	986	986
		<u>122,264</u>	<u>119,267</u>	<u>119,257</u>

### Other operating expenses include:

External auditor remuneration in respect of audit services - current	65	89
External auditor remuneration in respect of audit services - previous	49	-
External auditor remuneration in respect of non-audit services	8	6
Internal auditor remuneration in respect of internal audit services	8	23

### Operating lease rentals:

Land and buildings	78	58
Other	15	28

## 10 Deferred Taxation

### Year Ended 31 July 2021

	Consolidated £'000
As at 1 August 2020	-
Additions on acquisitions of subsidiaries	18
Charged to income statement	22
As at 31 July 2021	<u>40</u>
Represented by:	
Unutilised losses carried forward	15
Fixed asset timing differences	25
Unrealised capital gains	-
	<u>40</u>

## 11 Intangible Assets

### Goodwill

### Year Ended 31 July 2021

	Consolidated £'000
<b>Cost</b>	
As at 1 August 2020	-
Additions	3,734
As at 31 July 2021	<u>3,734</u>
<b>Amortisation</b>	
As at 1 August 2020	-
Additions	-
Impairment	3,734
As at 31 July 2021	<u>3,734</u>
<b>Net Book Value</b>	
As at 1 August 2020	-
Additions	3,734
Impairment	(3,734)
As at 31 July 2021	<u>-</u>

**University of the Highlands and Islands**  
**Notes to the Accounts**  
for the year ended 31 July 2021

**12 Fixed Assets**

**Fixed assets comprises:**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Property, plant and equipment - at cost	38,894	36,675	61,028	61,028
Investment properties - at fair value	5,000	5,000	5,526	5,526
	<b>43,894</b>	<b>41,675</b>	<b>66,554</b>	<b>66,554</b>

The investment property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued, in accordance with the current edition of the RICS Valuation - Global Standards which incorporate IVSC International Valuation Standards.

Movements in the fair value of investment property is as follows:

	Consolidated £'000	University £'000
<b>Fair value</b>		
At 1 August 2020	5,526	5,526
Additions	2,250	-
Transferred to Property, plant and equipment	(2,250)	-
Change of use adjustment	(526)	(526)
As at 31 July 2021	<b>5,000</b>	<b>5,000</b>

The historic cost of investment property is £5.7m (University and Consolidated)

**Consolidated**

	Freehold Land and Buildings £'000	Service concession arrangement Land and Buildings (Note 14) £'000	Finance Lease Assets £'000	Leasehold Improvement £'000	Celtica and Theological collections £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>							
At 1 August 2020	12,721	55,218	-	313	82	9,663	77,997
Additions	293	-	24,981	-	-	390	25,664
Addition on acquisition	2,250	-	-	-	-	-	2,250
Change of use adjustment	541	-	-	-	-	-	541
Disposals	-	(55,218)	-	-	-	-	(55,218)
<b>At 31 July 2021</b>	<b>15,805</b>	<b>-</b>	<b>24,981</b>	<b>313</b>	<b>82</b>	<b>10,053</b>	<b>51,234</b>
<b>Depreciation and impairment</b>							
At 1 August 2020	2,182	5,454	-	231	-	9,102	16,969
Charge for the year	426	1,465	136	21	-	260	2,308
Restatement gain	(16)	-	-	-	-	-	(16)
Disposals	-	(6,919)	-	-	-	-	(6,919)
<b>At 31 July 2021</b>	<b>2,592</b>	<b>-</b>	<b>136</b>	<b>252</b>	<b>-</b>	<b>9,362</b>	<b>12,341</b>
<b>Net book value</b>							
<b>At 31 July 2021</b>	<b>13,214</b>	<b>-</b>	<b>24,845</b>	<b>61</b>	<b>82</b>	<b>691</b>	<b>38,894</b>
At 1 August 2020	10,539	49,764	-	82	82	561	61,028

**University**

	Freehold Land and Buildings £'000	Service concession arrangement Land and Buildings (Note 12) £'000	Finance Lease Assets £'000	Leasehold Improvement £'000	Celtica and Theological collections £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>							
At 1 August 2020	12,721	55,218	-	313	82	9,663	77,997
Additions	293	-	24,981	-	-	390	25,664
Change of use adjustment	541	-	-	-	-	-	541
Disposals	-	(55,218)	-	-	-	-	(55,218)
<b>At 31 July 2021</b>	<b>13,555</b>	<b>-</b>	<b>24,981</b>	<b>313</b>	<b>82</b>	<b>10,053</b>	<b>48,984</b>
<b>Depreciation and impairment</b>							
At 1 August 2020	2,182	5,454	-	231	-	9,102	16,969
Charge for the year	394	1,465	136	21	-	260	2,276
Restatement gain	(16)	-	-	-	-	-	(16)
Disposals	-	(6,919)	-	-	-	-	(6,919)
<b>At 31 July 2021</b>	<b>2,560</b>	<b>-</b>	<b>136</b>	<b>252</b>	<b>-</b>	<b>9,362</b>	<b>12,310</b>
<b>Net book value</b>							
<b>At 31 July 2021</b>	<b>10,995</b>	<b>-</b>	<b>24,845</b>	<b>61</b>	<b>82</b>	<b>691</b>	<b>36,675</b>
At 1 August 2020	10,539	49,764	-	82	82	561	61,028

At 31 July 2021, freehold land and buildings included £0.532m (2020 - £0.239m) in respect of freehold land and is not depreciated.

The majority of the assets across the partnership are owned by the University's academic partners and are therefore not included in the numbers above.

The Celtica and Theological book collections are not depreciated, as the university is required to maintain the collections in such condition that their value is not impaired over their life. Due to the nature of the books in the collection, and the limited historical value, these have not been deemed to be heritage assets.

**University of the Highlands and Islands**  
**Notes to the Accounts**  
for the year ended 31 July 2021

**13 Business combinations**

The University acquired 100% of the share capital of MPI Elgin Ltd and MPI Dornoch Ltd on 11 June 2021. Upon acquisition a fair value assessment in line with FRS 102 section 19 was carried out to assess the fair value of the assets and liabilities acquired. The results of this exercise are noted below.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book Value £000	Fair Value Adjustments £000	Fair Value £000
<b>Fixed Assets</b>			
Property plant and equipment			-
Investments			-
Investment Property	5,968	( 3,718)	2,250
	5,968	( 3,718)	2,250
<b>Current Assets</b>			
Debtors	21		21
<b>Total Assets</b>	5,989	( 3,718)	2,271
<b>Creditors</b>			
Due within one year	( 2,445)		( 2,445)
Other loans	( 2,690)		( 2,690)
<b>Total Liabilities</b>	( 5,135)	-	( 5,135)
<b>Total identifiable net assets/(liabilities)</b>	855	( 3,718)	( 2,863)
Goodwill / (Gain on bargain purchase)			3,734
<b>Total purchase consideration</b>			871

The book values of the properties purchased on acquisitions are in accordance with professional valuations carried out by FG Burnett Limited on 17 March 2021. The fair value adjustment was as a result of further valuations carried out on 26 November 2021, also by FG Burnett Limited.

<b>Consideration</b>	<b>£000</b>
Cash	856
Directly attributable costs	15
<b>Total purchase consideration</b>	871

<b>Cash in/outflow on acquisition</b>	<b>£000</b>
Purchase consideration settled in cash, as above	( 856)
Directly attributable costs	( 15)
	( 871)
Add Cash & Cash Equivalents Acquired	-
<b>Net cash in/outflow on acquisition</b>	( 871)

Goodwill has arisen on the acquisition of the two companies in the current year as a result of the fair value exercise carried out. Management consider that this is not supportable by the underlying assets/profitability and as a result have fully impaired the balance.

# University of the Highlands and Islands

## Notes to the Accounts

### for the year ended 31 July 2021

#### 14 Service Concession Arrangements

The University had two on Balance Sheet arrangements where service delivery had commenced. These arrangements were terminated during the year.

##### Movement in Service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31/07/2021 is £NIL (31/07/2020 £49,747,000).

##### Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31/07/2021 were £NIL (31/07/2020 £51,284,486).

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Opening balance	51,284	52,444
Additions	-	0
Payments	(1,084)	(1,160)
Adjustment on termination	(50,200)	0
	<u>0</u>	<u>51,284</u>

##### Future commitments

As the service concession arrangements were terminated during the year, there are no future commitments.

##### a) On Balance Sheet concession arrangements

In July 2016 the University entered into a 35-year contract with a third party provider for the provision and maintenance of Student Residences at Fort William, providing accommodation to 40 students. Service commenced in July 2016 and the contract was to finish in July 2051.

In August 2016 the University entered into a 35-year contract with a third party provider for the provision and maintenance of Student Residences at Inverness Campus, providing accommodation to 150 students. Service commenced in August 2016 and the contract was to finish in August 2051.

In August 2017 the university entered into 35 year contracts with third party providers for the provision and maintenance of Student residences at Inverness Campus (phase 2), Dornoch and Elgin, providing accommodation for 230 students. Service commenced in August 2017 and the contracts was to finish in August 2052.

On 11 July 2021, the contracts were terminated and the university assumed responsibility for the provision of the residences.

#### 15 Exceptional Items

The exceptional items arose on the termination of the Service Concession on the Student Residences, and the impairment of the goodwill arising from the purchase of the Special Purpose Companies owning two of the residences.

	Consolidated	University
Effect of terminating Service Concession	2,834	2,834
Impairment of Goodwill	11 (3,734)	0
	<u>(900)</u>	<u>2,834</u>

# University of the Highlands and Islands

## Notes to the Accounts

### for the year ended 31 July 2021

#### 14 Service Concession Arrangements

The University had two on Balance Sheet arrangements where service delivery had commenced. These arrangements were terminated during the year.

##### Movement in Service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31/07/2021 is £NIL (31/07/2020 £49,747,000).

##### Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31/07/2021 were £NIL (31/07/2020 £51,284,486).

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Opening balance	51,284	52,444
Additions	-	-
Payments	(1,084)	(1,160)
Adjustment on termination	<u>(50,200)</u>	<u>-</u>
	<u>-</u>	<u>51,284</u>

##### Future commitments

As the service concession arrangements were terminated during the year, there are no future commitments.

##### a) On Balance Sheet concession arrangements

In July 2016 the University entered into a 35-year contract with a third party provider for the provision and maintenance of Student Residences at Fort William, providing accommodation to 40 students. Service commenced in July 2016 and the contract was to finish in July 2051.

In August 2016 the University entered into a 35-year contract with a third party provider for the provision and maintenance of Student Residences at Inverness Campus, providing accommodation to 150 students. Service commenced in August 2016 and the contract was to finish in August 2051.

In August 2017 the university entered into 35 year contracts with third party providers for the provision and maintenance of Student residences at Inverness Campus (phase 2), Dornoch and Elgin, providing accommodation for 230 students. Service commenced in August 2017 and the contracts was to finish in August 2052

On 11 July 2021, the contracts were terminated and the university assumed responsibility for the provision of the residences.

#### 15 Exceptional Items

The exceptional items arose on the termination of the Service Concession on the Student Residences, and the impairment of the goodwill arising from the purchase of the Special Purpose Companies owning two of the residences.

	Consolidated	University
	£'000	£'000
Effect of terminating Service Concession	2,834	2,834
Impairment of Goodwill	11 (3,734)	-
	<u>(900)</u>	<u>2,834</u>

**University of the Highlands and Islands**  
**Notes to the Accounts**  
**for the year ended 31 July 2021**

**16 Trade and other receivables**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	1,007	1,007	1,211	1,211
Other trade receivables	1,498	1,488	1,712	1,640
Prepayments and accrued income	4,398	4,395	4,063	4,064
Amounts due from subsidiary companies	-	2,439	-	-
	<u>6,902</u>	<u>9,329</u>	<u>6,987</u>	<u>6,914</u>

**17 Investments**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
As at 31 July 2020	894	894	967	967
Additions - Market Securities	-	-	-	-
Gain on valuation	195	195	(73)	(73)
As at 31 July 2021	<u>1,089</u>	<u>1,089</u>	<u>894</u>	<u>894</u>

The investments held relate to a legacy bequeathed to the university.

**Current Investments**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term deposits	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

Deposits are held with banks operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2021 the weighted average interest rate of these fixed rate deposits was 0.6% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 97 days. The fair value of these deposits was not materially different from the book value.

**18 Creditors : amounts falling due within one year**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Service concession arrangements (note 14)	-	-	1,182	1,182
Finance lease creditor	1,150	1,150	-	-
Trade payables	766	766	1,347	1,347
Social security and other taxation payable	63	61	125	124
Accruals and deferred income	28,029	27,950	23,099	23,015
SFC Loan	491	491	491	491
Bank loan	58	-	-	-
	<u>30,557</u>	<u>30,418</u>	<u>26,244</u>	<u>26,160</u>

The bank loans from Santander are secured by bond and floating charge which contains a negative pledge.

**Deferred income**

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Accruals	18,196	18,197	14,472	14,414
Research grants received on account	50	50	366	345
Grant income	5,081	5,081	4,537	4,532
Deferred Government Capital Grants	22 3,024	3,024	3,260	3,260
Other income	1,677	1,597	464	464
	<u>28,029</u>	<u>27,950</u>	<u>23,099</u>	<u>23,015</u>

**University of the Highlands and Islands**  
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**19 Creditors : amounts falling due after more than one year**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Service concession liabilities due after one year	0	0	50,102	50,102
Finance Lease Creditor	23,830	23,830	0	0
SFC Loan	8,356	8,356	8,847	8,847
Santander Loan	2,593	0	0	0
	<b>34,779</b>	<b>32,186</b>	<b>58,949</b>	<b>58,949</b>

Loans repayable, included within creditors, are analysed as follows:

	Group		University	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current	549	491	491	491
1-2 Years	550	491	491	491
2-5 Years	4,009	1,475	1,475	1,475
5 Years +	6,390	6,881	6,390	6,881
Long Term				
	<b>11,498</b>	<b>9,338</b>	<b>8,847</b>	<b>9,338</b>

The loan from SFC University Financial Transactions Programme, relates to the purchase of the Centre for Health Science and is repayable over 20 years at a fixed interest rate of 0.25%.

The loans from Santander to the subsidiary companies are repayable in full in January 2024. The loans are secured by bond and floating charge which contains a negative pledge

**20 Provisions for liabilities**

Consolidated and University	Obligation to fund deficit on USS Pension £'000	Defined Benefit Obligations (Note 33) £'000	Total Pensions Provisions £'000
At 1 August 2020	2,943	26,629	29,572
Utilised in year	0	0	0
Additions in 2020/21	(281)	814	533
Unused amounts reversed in 2020/21	0	0	0
<b>At 31 July 2021</b>	<b>2,662</b>	<b>27,443</b>	<b>30,105</b>

**USS deficit**

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions and further information is provided in note 33.

# University of the Highlands and Islands

## Notes to the Accounts

### for the year ended 31 July 2021

#### 21 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University	
	2021 Total £'000	2020 Total £'000
<b>Donations</b>		
<b>Balances at 1 August 2020</b>	<b>2,173</b>	<b>2,329</b>
New donations	269	231
Expenditure	(381)	(387)
<b>Total restricted comprehensive income for the year</b>	<b>(112)</b>	<b>(156)</b>
<b>At 31 July 2021</b>	<b>2,061</b>	<b>2,173</b>
	<b>2021 Total £'000</b>	<b>2020 Total £'000</b>
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Research support	17	50
Course development	175	-
Student support	77	181
	<b>269</b>	<b>231</b>

#### 22 Deferred Capital Grants

Group and University	Funding Council £'000	Other £'000	Total £'000
At 1 August 2020	34	3,226	3,260
Released to income and expenditure account:			
Land and buildings	2	107	109
Equipment	23	104	127
	<b>25</b>	<b>211</b>	<b>236</b>
At 31 July 2021			
Land and buildings	9	2,671	2,680
Equipment	-	344	344
	<b>9</b>	<b>3,015</b>	<b>3,024</b>

#### 23 Cash and cash equivalents

	At 1st August 2020 £'000	Cash Flows £'000	At 31st July 2021 £'000
<b>Consolidated</b>			
Cash and cash equivalents	22,425	(379)	22,046
Student support funds	112	445	557
	<b>22,537</b>	<b>66</b>	<b>22,603</b>
<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	22,407	(425)	21,981
Student support funds	112	445	557
	<b>22,519</b>	<b>20</b>	<b>22,538</b>

**University of the Highlands and Islands**  
**Notes to the Accounts**  
for the year ended 31 July 2021

**23 Cash and cash equivalents (continued)**

<b>Consolidated reconciliation of net debt</b>	<b>31 July 2021</b>	
	<b>£'000</b>	
Net debt 1 August 2020	38,234	
Movement in cash and cash equivalents	66	
New loans	-	
Other non-cash changes	(24,425)	
Net debt 31 July 2021	<u>13,875</u>	
<b>Change in net debt</b>	<b>(24,359)</b>	
<b>Analysis of net debt:</b>	<b>31 July 2021</b>	<b>31 July 2020</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	22,603	22,537
Borrowings: amounts falling due within one year		
Secured loans	549	491
Finance leases	1,150	78
Service concession arrangements (note 14)	-	1,182
	<u>1,699</u>	<u>1,751</u>
Borrowings: amounts falling due after more than one year		
Secured loans	10,949	8,847
Service concession liabilities due after one year	-	50,102
Finance leases due after one year	23,830	71
	<u>34,779</u>	<u>59,020</u>
<b>Net debt</b>	<b><u>13,875</u></b>	<b><u>38,234</u></b>

**24 Capital and other commitments**

On 17 June 2021, UHI purchased a plot of land at Inverness Campus for the Life Sciences Innovation Centre. The estimated date of completion of the building is 23 September 2022, at an estimated cost of £4.6m.

**25 Lease obligations**

Total rentals payable under operating leases:

	<b>Group and University</b>			31 July 2020
	<b>31 July 2021</b>		<b>Total</b>	
	<b>Land and Buildings</b>	<b>Plant and Machinery</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Payable during the year</b>	<b>77</b>	<b>15</b>	<b>92</b>	<b>86</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	78	18	96	94
Later than 1 year and not later than 5 years	-	13	13	84
Later than 5 years	-	-	-	-
<b>Total lease payments due</b>	<b><u>78</u></b>	<b><u>31</u></b>	<b><u>109</u></b>	<b><u>178</u></b>
<b>Lessor</b>				
<b>Future minimum lease payments due:</b>				
Not later than 1 year	575	-	575	
Later than 1 year and not later than 5 years	574	-	574	
Later than 5 years	-	-	-	
<b>Total lease payments due</b>	<b><u>1,149</u></b>	<b><u>-</u></b>	<b><u>1,149</u></b>	

**26 Events after the reporting period**

**USS pension scheme March 2020 Valuation**

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2018 valuation Schedule of Contributions. This new plan has a dual rate schedule of contributions.

\* Leg 1, which includes a small increase in contribution rates from the 2018 Valuation and a longer deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee?(JNC) subject to member consultation

\* leg 2, which includes more significant increases in contribution rates from the 2018 Valuation and shorter deficit recovery period, which only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022.

As at 31 July 2021 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £7.8m, an increase of £5.0m from the current year end provision and a higher face of the Statement of Comprehensive Income of £5.2m.

# University of the Highlands and Islands

## Notes to the Accounts for the year ended 31 July 2021

### 27 Subsidiary undertakings

The subsidiary companies (registered in Scotland), wholly-owned by the University, are as follows:

Company	Principal Activity	Status
UHI Research and Enterprise Ltd	Delivery of commercial research, knowledge exchange, consultancy and work based learning	100% owned
MPI (Elgin) Ltd	Ownership and leasing of student residences	100% owned
MPI (Dornoch) Ltd	Ownership and leasing of student residences	100% owned

During the year the subsidiary companies had net profits for the statutory period (12 months for UHI Research and Enterprise Ltd, 11 months for MPI (Elgin) Ltd and MPI (Dornoch) Ltd) of £551,532 (2020 - £7,028).

Profits for the post acquisition period will be transferred under gift aid to UHI. Net assets at 31 July 2021 are £706,159.

### 28 Related Party Transactions

Due to the nature of the University's operations and the composition of the University Court (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Court may have an interest. All transactions involving organisations in which a member of the Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. The ultimate controlling party is the University Court.

The University has 13 constituent partners at the end of the year in order to deliver a range of higher education services throughout the Highlands and Islands. The transactions with all of these partners during the financial year are outlined below:

Partner	Invoiced to	Payments to	Amounts due from	
	Partners	Partners	to Partners at	Partners at
	£000	£000	31 July 2021	31 July 2021
Argyll College	117	5,863	15	16
HTC	5	364	-	-
Inverness College	625	23,241	23	125
Lewis Castle College	108	5,546	3	10
Moray College	359	14,068	30	91
North Atlantic Fisheries College	7	434	8	4
North Highland College	320	11,352	3	20
Orkney Islands Council	150	4,285	2	6
Perth College	502	24,433	15	127
SAMS	29	3,240	-	104
Shetland Islands Council	48	3,645	16	2
Shetland UHI	30	21	-	8
SMO	12	924	56	2
West Highland College	124	6,349	-	12
	<b>2,436</b>	<b>103,765</b>	<b>171</b>	<b>527</b>

### 29 Hardship Funds and Childcare Funds

	NMDF	HE Covid	HE	HE	2020/21	2019/20
	£000	Fund	Childcare	Discretionary	Total	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward	-	-	3	39	42	-
Allocation received in year	15	529	7	420	971	494
Expenditure	(12)	(495)	(3)	(422)	(932)	(452)
To be returned to SAAS	(3)	(34)	(7)	(37)	(81)	(42)
Balance carried forward	-	-	-	-	-	-

Funding Council grants are available solely for students; UHI acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### 30 Federal Student Aid

	US \$000	£000
<b>Received and distributed</b>		
Federal Direct Unsub Loan	32	26
Federal Direct Sub Loan	17	16
	<b>49</b>	<b>42</b>

Federal Student Aid Loans are available solely for students; UHI acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Tuition fees payable are retained on specific instruction from the student.

### 31 Contingent Liabilities

The University of the Highlands and Islands receives funding from SFC for distribution to academic partners for the furtherance of Higher Education activities, and also for Further Education activities following its appointment as Further Education Regional Strategic Body. The University relies on confirmation from its academic partners, its knowledge of the number of HE and FE students in each college and an expected benchmark cost of providing HE and FE to confirm that the funding issued to academic partners is expensed on Higher Education and Further Education activities. In the event that monies transferred were not expensed on Higher Education and Further Education activities then the academic partners would be liable to return this funding to the University and the University would in turn be liable to refund these monies to SFC. The University is confident from reports on the quality of its academic partners' HE and FE output and the review of the above information that no such refund will be required.

### 32 Securities

The Millennium Commission has been granted a standard security over the property at Ness Walk.

The bank loans from Santander are secured by bond and floating charge over the properties at Elgin and Dornoch, which contains a negative pledge.

# University of the Highlands and Islands

## Notes to the Accounts for the year ended 31 July 2021

### 33 Pension Schemes

Different categories of staff were eligible to join one of three different schemes:

- Universities' Superannuation Scheme (USS)
- Local Government Pension Scheme (LGPS)
- NEST

The two main schemes, being USS and LGPS, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds. No staff are currently enrolled in the NEST scheme.

#### (i) The Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS).

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised through the Statement of Comprehensive Income.

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. The percentage for the year was 21.1% (2020 21.1%).

The total charged to the profit and loss account is £1,297k (2020 £1,365k). Deficit recovery contributions due within one year for the institution are £332,601 (2019 £134,236).

The latest available complete actuarial valuation of the Retirement Income Builder Section of the scheme is at 31 March 2018 ("the valuation date") which was carried out using the projected unit method. The valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI+ 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 31 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 Valuation Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post-retirement 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

**University of the Highlands and Islands**  
**Notes to the Accounts**  
**for the year ended 31 July 2021**

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**33 Pension Schemes (continued)**

The current life expectancies on retirement at age 65 are:

	<b>2018</b>	<b>2017</b>
	<b>Valuation</b>	<b>Valuation</b>
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	<b>2021</b>	<b>2020</b>
Discount rate	0.87%	0.73%
Pensionable salary growth	4.00%	2.81%

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2018 valuation Schedule of Contributions. This new plan has a dual rate schedule of contributions.

- \* Leg 1, which includes a small increase in contribution rates from the 2018 Valuation and a longer deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee (JNC) subject to member consultation
- \* leg 2, which includes more significant increases in contribution rates from the 2018 Valuation and shorter deficit recovery period, which only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022.

As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £7.8m, an increase of £5.0m from the current year end provision and a higher face of the Statement of Comprehensive Income of £5.2m.

# University of the Highlands and Islands

## Notes to the Accounts for the year ended 31 July 2021

### 33 Pension Schemes (continued)

#### (ii) Local Government Pension Scheme

The Highland Councils LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2021 was £1,548k of which employers' contributions totalled £1,153k and employees' contributions totalled £396k.

The following information is based upon pension expense calculation as at 31 July 2021.

#### Valuation method

As required under the Accounting Standard, the projected unit credit method of valuation has been used.

#### Demographic/Statistical Assumptions for the Scheme

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

#### **Mortality**

	<b>Males</b>	<b>Females</b>
Current pensioners	20.9 years	23.5 years
Future pensioners*	22.3 years	25.5 years

\*Figures assume members aged 45 as at the last formal valuation date.

#### **Historic Mortality**

<b>Period ended</b>	<b>Prospective Pensioners</b>	<b>Pensioners</b>
31-Jul-21	CMI 2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25%pa	CMI 2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25%pa

The mortality assumptions used to value the Obligations in the Employer's Closing Position are identical to those used to value the Obligations in the Employer's Opening Position.

#### **Commutation**

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

#### Financial Assumptions for the Scheme

Assumptions as at	31-Jul-21		31-Jul-20		31-Jul-19	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.30%	0.20%	3.10%	-0.40%	3.50%	0.10%
CPI Increases	2.85%	0.65%	2.20%	-0.30%	2.50%	0.10%
Salary Increases	3.65%	0.55%	3.10%	-0.30%	3.40%	0.00%
Pension Increases	2.85%	0.65%	2.20%	-0.30%	2.40%	0.00%
Discount Rate	1.60%	0.20%	1.40%	-0.70%	2.10%	-0.70%

#### Expected Return on Assets for the Scheme

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 August 2020 for the year to 31 July 2021). The expected return on assets assumption is set equal to the discount rate.

#### Analysis of movement in the fair value of scheme assets

	<b>Year to 31-Jul-21 £'000</b>	<b>Year to 31-Jul-20 £'000</b>
Fair value of assets at the start of the year	37,026	36,294
Expected return on assets	524	772
Actuarial gain on assets	7,180	(997)
Actual contributions paid by University	1,270	1,185
Actual member contributions	400	399
Actual benefit payments	(776)	(627)
Fair value of scheme assets at the end of the year	<u>45,624</u>	<u>37,026</u>
Present value of liabilities at the start of the year	63,655	53,549
Current service cost	3,267	2,760
Past service costs	48	(298)
Interest cost on defined benefit obligation	911	1,152
Actual member contributions	400	399
Actual benefit payments	(776)	(627)
Changes in financial assumptions	6,876	6,954
Changes in demographic assumptions	(2,308)	-
Other experience adjustments	994	(234)
Present value of funded liabilities	<u>73,067</u>	<u>63,655</u>
Fair value of scheme assets at the end of the year	45,624	37,026
Present value of funded liabilities	<u>(73,067)</u>	<u>(63,655)</u>
Net liability in Balance Sheet	<u>(27,443)</u>	<u>(26,629)</u>

**University of the Highlands and Islands**  
**Notes to the Accounts**  
**for the year ended 31 July 2021**

**33 Pension Schemes (continued)**

Analysis of the amount charged to  
UHI Statement of Comprehensive Income and Expenditure

	<b>Year to 31-Jul-21</b>	<b>Year to 31-Jul-20</b>
	£'000	£'000
Current service cost *	3,267	2,760
Past service costs	48	(298)
Interest on obligation	911	1,152
Expected return on scheme assets	7,180	(997)
Actuarial loss in respect of pension schemes	(1,618)	7,717
<b>Total</b>	<b>9,788</b>	<b>10,334</b>

\*The current service cost contains an allowance for administration expenses of 0.6% of payroll.

Sensitivity analysis to UHI obligations and service costs

	Approx. % increase to Employer Liability	Approx. monetary amount £000
0.1% decrease in Real Discount Rate	2%	1,725
1 year increase in member life expectancy	4%	2,895
0.1% increase in Salary Increase Rate	0%	300
0.1% increase in Pension Increase Rate	2%	1,396

Reconciliation of opening and closing deficit

	<b>Year to 31-Jul-21</b>	<b>Year to 31-Jul-20</b>
	£'000	£'000
Deficit at beginning of year	(26,629)	(17,255)
Current service cost	(3,267)	(2,760)
Past service cost	(48)	298
Employer contributions	1,270	1,185
Other finance income	(387)	(380)
Actuarial (loss)/gain	1,618	(7,717)
<b>Deficit at end of the year</b>	<b>(27,443)</b>	<b>(26,629)</b>

Projected pension expense for the year to 31 July 2022  
UHI share of the LGPS

	<b>Year to 31-Jul-22</b>
	£'000
Service cost *	3,536
Interest cost	1,183
Return on assets	(726)
<b>Total</b>	<b>3,993</b>
Employer contributions	1,188

\* The current service costs includes an allowance for administration expenses of 0.7% of payroll.

The above figures should be treated as estimates and may need to be adjusted to take account of:

- Any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the fund;
- Any change to accounting practices;
- Any change to the Scheme benefit or member contribution rates; and/or
- Any full funding valuation that may have been carried out on the Employer's behalf.

The monetary amount of the projected service cost for the period to 31 July 2022 may be adjusted to take account of actual pensionable payroll for the period.

# University of the Highlands and Islands

## Notes to the Accounts

for the year ended 31 July 2021

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### 34 Accounting estimates and judgements

#### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the balance sheet date and the amounts reported for income and expenses during the year. These estimates will, by definition, seldom equal the related actual results particularly given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below.

#### USS Pension Scheme

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

#### LGPS

The costs of defined benefit pension plans pension benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant judgement.

#### Service Concession arrangements

UHI terminated agreements with Cityheart for the operation and management of student residences at West Highland College (UHI) at Fort William and Inverness College (UHI) and residences at Dornoch and Elgin. The nature of this agreement required that it was treated as a Service Concession arrangement in line with FRS102 (S34.12).

As a result of the termination, the infrastructure asset and a related liability have been removed and a gain recognised as an exceptional item in the year.

#### Impairment

The university is required to carry out impairment testing on any assets that show indications of impairment. This testing involves exercising management judgements about future cashflows and other events which are by their nature uncertain.

Where there are indicators of impairment of individual assets, the University performs impairment test based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 years and do not include restructuring activities that the University is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Investments in subsidiaries are measured at cost less accumulated impairment.

# University of the Highlands and Islands

## Notes to the Accounts for the year ended 31 July 2021

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### 34 Accounting estimates and judgements (continued)

#### Turnover recognition

Judgement must be exercised to ensure that turnover is recognised in accordance with contractual terms, including in relation to the level of expected returns.

#### Revaluation of investment properties

##### Centre for Health Science

The University carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The University engaged independent valuation specialists to determine fair value at 31 July 2020. The valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment property is most sensitive to the estimated yields as well as the long term vacancy rate.

The valuation prepared by independent valuations specialists has been reported on the basis of material valuation uncertainty as a result of the outbreak of Covid-19. This uncertainty means that less certainty, and a higher degree of caution, is attached to the valuation of the University's investment property. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied on, but rather to be clear and transparent with all parties that less certainty is attached to the valuation.

##### Student Accommodation held under finance lease

The value of the finance lease assets (Fort William and Inverness Student Residences) is an estimate based on the net present value of the lease, discounted using an average of current borrowing costs.

**University of the Highlands and Islands**  
**US Department of Education Financial Responsibility Supplemental Schedule**  
**for the year ended 31 July 2021**

In satisfaction of its obligations to facilitate students' access to US Federal Financial aid, the University of the Highlands and Islands is required, by the US Department of Education to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedule have been:

- \* prepared under the historical cost convention, subject to the revaluation of certain fixed assets
- \* prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Accounting for Further and Higher Education (2019 edition)
- \* presented in pounds sterling

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

<b>Note</b>	<b>Primary Reserve Ratio</b>	<b>31-Jul-21</b>
		<b>£'000</b>
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	
	Unrestricted reserves	(16,973)
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	
	Restricted reserves	2,061
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(527)
Note 12	Statement of Financial Position - Property, Plant and Equipment - pre-implementation	
	Net book value excluding Finance Lease Asset L&B	(14,048)
Note 12	Statement of Financial Position - Lease right of use asset - pre-implementation	
	Net book value of Finance Lease Asset L&B	(24,845)
Statement of Financial Position	Statement of Financial Position - Post-employment and pension liabilities	
	Pension provisions	30,105
Note 19	Statement of Financial Position - Long term debt for long term purposes	
	Loans repayable	11,498
	Modify for post implementation debt not related to purchase of assets	(433)
Notes 18/19	Statement of Financial Position - Lease of right of use asset liability	
	Finance Lease Creditor <1 year + Finance Lease Creditor >1 ye	24,980
	<b>Expendable Net Assets</b>	<b><u>11,818</u></b>
Statement of Comprehensive income	Statement of Comprehensive Income - Total operating expenses	
	Total expenditure less fair value movement	142,923
Statement of Comprehensive income	Statement of Comprehensive Income - Other gains (losses)	
	Exceptional items less fair value movement less taxation	862
	<b>Total expenses and losses</b>	<b><u>143,785</u></b>
	<b>Equity ratio</b>	
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	
	Unrestricted reserves	(16,973)
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	
	Restricted reserves	2,061
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(527)
	<b>Modified Net Assets</b>	<b><u>(15,439)</u></b>
Statement of Financial Position	Statement of Financial Position - Total assets	
	Tangible fixed assets + investments + current assets	80,529
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(527)
	<b>Modified Assets</b>	<b><u>80,002</u></b>
	<b>Net income ratio</b>	
Statement of Financial Position	Statement of Financial Position - Change in net assets without donor restrictions	
	Change in unrestricted reserves	<b><u>(3,006)</u></b>
Statement of Comprehensive income	Statement of Comprehensive income - Total operating revenue - unrestricted	
	Total income less donations	138,854
Statement of Comprehensive income	Statement of Comprehensive Income - Investment return appropriated for spending	
	Investment income	(63)
	<b>Total Revenue and Gains</b>	<b><u>138,791</u></b>