

University of the Highlands and Islands

Report and Financial Statements For the year ended 31 July 2022

University of the Highlands and Islands

Contents

Report of the University Court	2 - 19
Corporate Governance and Internal Control	20 – 35
Statement of the Responsibilities of the University Court	36
Independent Auditor's Report to the Court of the University of the Highlands and Islands	37-41
Consolidated and Institution Statement of Comprehensive Income	42
Consolidated and Institution Statement of Changes in Reserves	43
Consolidated and University Statement of Financial Position	44
Consolidated Cash Flow	45
Notes to the financial statements	46-68

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 Nature, Objectives and Strategy of the University

The UHI 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 Court drives the strategic direction of the UHI partnership underpinning the transformation of the economic, social and cultural life of our region by delivering a university for the region with national and international ambitions.

Work has continued on our strategic plan for 2021-2025, 'Daring to be Different', which was approved by Court in June 2021.

UHI is a diverse and flexible tertiary partnership serving our communities and connected to their needs. We are 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 have one of the largest student bodies in Scotland, with nearly 31,000 students studying with us each year, and we contribute £560 million annually to the region, indirectly supporting 6,200 jobs. As a multiplier effect, UHI puts back £4 for every £1 spent into the economies of the Highlands and Islands, Moray and Perthshire.

We are proud to be different and of our fundamental role in supporting our communities and supporting a place where learning means more. We offer flexible and supported learning from access level to PhD, which suits more people, at more levels, for more reasons. Students can start where they need to and progress as far as they want at a pace that is right for them: all within the same institution. The future world of work will require us all to be constantly learning, so whatever the stage of life or current qualification, we provide everyone with the opportunity to keep their skills relevant and up to date.

We take the best of our growing academic reputation, world-class research and our proud history of vocational training to join the world of learning to the world of work. We involve industry experts to ensure our courses teach the skills employers are looking for and match these to our students' ambitions. Our blended learning approach has connected our student community here and across the world for over 20 years.

All across our region we have centres of excellence and world-class thinking that are pushing the boundaries of academic and applied knowledge, where staff and students are playing a part in changing our region and the world. In the REF for 2021, 72% of the UHI research was recognised as excellent or world leading.

Students are at the heart of what we do. We take time to help our students find their unique learner journey. We care passionately not just about our students and staff but also our region, its people, communities and future prosperity. The 2022 NSS results placed UHI 4th in Scotland for Student Satisfaction and 1st for taught post graduate satisfaction.

We provide higher and further education through a partnership of twelve institutions across the Highlands and Islands, Moray and Perthshire. These partners are separate legal entities which employ their own staff and assets in the delivery of our education and research.

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 our operating area. The main provisions of this Act came into force on 1 August 2014 and further education for the region has been funded through UHI from that date.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 Nature, Objectives and Strategy of the University (continued)

In accordance with the Act, further education funding is distributed by UHI to nine assigned colleges. The academic partners who were designated as assigned colleges are UHI Moray, UHI Perth, UHI Inverness, UHI Outer Hebrides, UHI North Highland, UHI Shetland, Orkney College UHI and UHI West Highland and UHI Argyll. In August 2021 Shetland College UHI merged with NAFC Marine Centre UHI and Train Shetland to form UHI Shetland. In early 2021, the boards of management at UHI North Highland, UHI Outer Hebrides and UHI West Highland commissioned a review into their long-term strategic future. A partnership board was formed in September 2021 to formally explore the option of merger. An initial consultation took place with staff, students, and the public in early 2022. Feedback from the initial consultation supported the development of a full merger proposal and business case and this work is currently progressing.

Strategic Report - Current and Future Development and Performance

There were many positive developments across the University of the Highlands and Islands partnership during the 2021 to 2022 academic year.

In August, the project to merge Shetland College UHI, NAFC Marine Centre UHI and Train Shetland reached its conclusion with the vesting of Shetland UHI. Construction also began on our new £9m Life Sciences Innovation Centre on Inverness Campus; a partnership project between UHI and Highlands and Islands Enterprise.

A report by researchers from North Highland College UHI's Environmental Research Institute highlighted the threat marine plastic pollution poses to seabirds across Northwest Europe. In the same month, UHI was rated as one of the top universities in the UK for postgraduate student satisfaction, placing us sixth, and significantly higher than the UK average.

In September, our report by researchers at the Centre for Remote and Sustainable Communities, Centre for Mountain Studies, Centre for Recreation and Tourism Research, Institute for Northern Studies and the Environmental Research Institute identified that support for a growing number of people 'hardest hit' by COVID-19 would be key to the region's recovery from the pandemic. In February 2022 this was followed by research carried out jointly with NHS Highland on the impact of COVID-19 on the mental wellbeing of health and social care workers in the area.

Experts from around the UHI partnership travelled to Glasgow to present at events during the UN Climate Change Conference, COP26 during October and November, joining world leaders and 20,000 delegates. Perth College UHI and Moray College UHI also celebrated 50 years of serving their communities.

An independent report found that an outreach programme from UHI helped young people across the Highlands gain better access to vital education in science, technology, engineering and maths (STEM). Our STEM project, which received more than half a million pounds from renewable energy developer SSE Renewables, helped to lower barriers to engagement in STEM education and training and generated more peer-to-peer knowledge.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

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

March saw a big change for our partnership with the launch of the new UHI visual identity and brand. The new look aimed to strengthening engagement with communities and market our courses more effectively through a connected and recognisable brand family. As well as new approaches to photography and design, the change featured a new logo across campuses, based on the letters UHI, and an embedded plus sign and strapline: 'where learning means more'.

In April we launched a public survey to find out how well the strategic themes of our Islands Strategy align with and can support community and economic development priorities for the islands of Orkney, Shetland and the Outer Hebrides. UHI department of nursing and midwifery student Roma Gibb from Evanton was also accepted to this year's Converge KickStart Challenge for her plans to develop a novel device, the Bed Band, to support people with mobility issues.

This was a year for good results in a range of important sectoral measures around the performance of our partnership.

Nearly three quarters of UHI research submitted for review to the 2021 Research Excellence Framework achieved the top two grades: world leading or internationally excellent. UHI has consolidated its research standing and strong performance from 2014, showing significant improvement in several areas. This gives us a solid platform for future research development.

The publication of the latest National Student Survey results in July saw UHI ranked fourth in Scotland for overall satisfaction, our highest ever ranking and performing well above the Scottish sector in sections relating to course teaching, learning opportunities, assessment and feedback, academic support, organisation and management, and student voice.

UHI also ranked first in Scotland in the postgraduate taught experience survey. Respondents rated UHI very highly for organisation, engagement, teaching, assessment, and support.

The impacts on our university partnership of the COVID-19 pandemic and Brexit continued into 2021-22. These two external influences contributed to sustained recruitment challenges in both further and higher education. Issues included disruption to provision particularly in practical and work-based programmes, the continuation of social distancing measures on capacity and the learner experience, changes to approaches within schools and an inability to provide face-to-face recruitment and taster activities. For Higher Education, another factor was increasing competition in the Scottish sector due to additional funded places being provided by SFC to all universities and a shift in demand towards higher tariff universities most likely influenced by use of teacher assessed grades in schools.

There is evidence that our region has been particularly hard hit and vulnerable to some of the impacts of the pandemic (SDS resilience and vulnerability index looking among other things at digital connectivity) and Brexit. Within our region, we had the six most vulnerable local authorities to the impact the UK's departure from the EU, including the impact on the labour market of the out-migration of EU workers.

As with the rest of the country, the impacts on the region varied during the different phases of the pandemic. While employment levels initially fell across our region, with youth unemployment rising significantly in some areas, vacancies started to grow as jobs lost during the pandemic and through the removal of EU workers were replaced. Job opportunities and unfilled vacancies across the region increased, giving more options for those who may have otherwise considered further or higher education. The impact of employment opportunities plus the increasing cost of living crisis are continuing to affect student numbers in 2022-23 particularly for full-time study and mature students.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 Strategic Report - Current and Future Development and Performance (continued)

Outcome Agreement performance HE and FE

Colleges and universities in Scotland are required to complete outcome agreements to demonstrate their contribution to SFC priorities and provide assurance and accountability for the use of allocated funding and investment. 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 continued challenging environment for colleges and universities due to the pandemic, the 2021-22 transitional year outcome agreement was again an in-year publication with a reduced set of national measures.

HE measures (*measures focus on Scottish domiciled undergraduate entrants (SDUE), (rather than funded FTEs which are the basis for the SFC targets)*).

	2021-22	2020-21	2019-20	Variance to 2020*
Number of SDUE	2,689	3,235	3,015	-16.9%
SIMD20 FT first degree	12.2%	9.3%	10.3%	-2.9%
Care experienced	1.5%	1.8%	1.4%	-0.3%

*2020-21 and 2021-22 highlight the different impacts in student behaviour and external environment during the Covid-19 pandemic.

FE credits (*measures focus on credits, for 2021-22, there were no targets only in-year estimates, the table below shows FE credits compared to the SFC targets*).

RSB regional summary 2021-22	Core credits	Foundation apprenticeship credits	Deferred credits*	Total	Core & deferred	With 2% tolerance
SFC Target	112,382	3,760	2,981	119,123	115,363	113,056
Delivered	107,729	2,030	0	109,759	107,729	107,729
<i>Variance from target</i>	<i>-4,653</i>	<i>-1,730</i>	<i>-2981</i>	<i>-9,364</i>	<i>-7634</i>	<i>-5327</i>
<i>Difference (%)</i>	<i>-4.1%</i>	<i>-46%</i>	<i>-100%</i>	<i>-7.9%</i>	<i>-6.6%</i>	<i>-4.7%</i>

*Deferred credits refer to additional credit provided by SFC to accommodate any students who needed to return to complete where their studies were impacted the previous year by the pandemic, UHI was able to accommodate these students within our core allocation.

Key Performance Indicators

Note: for the most recent years, many of these measures have been impacted by the Covid-19 pandemic and therefore may not be directly comparable to previous data.

Higher Education student numbers

Total	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>
Heads	10,847	11,082	10,220	9,984
Full-time equivalents	7,263	7,876	7,309	7,278

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

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

Scottish Funding Council fundable students

The university has targets for undergraduate non-controlled subjects and controlled subjects (nursing and initial teacher education). In 2021-22, funding for new entrants to graduate apprenticeships moved from SDS to SFC:

	Non-controlled undergraduate			New graduate apprenticeships		Controlled	
	Actual FTEs	Target	2% tolerance target	Actual FTEs	Target	Actual FTEs	Target
2021-22	5,377	5,913	5795	15	37	636	678
2020-21	6,161	5,683	-	-	-	593	608
2019-20	5,870	5,683	-	-	-	526	601
2018-19	6,046	5,783	-	-	-	416	414
2017-18	6,225	5,883	-	-	-	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 2022 is for 2019-20 entrants and shows non-continuation rates into 2020-21. Data for 2020-21 entrants will not be published until March 2023:

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Degree students	11.9%	13.3%	12.4%	11.9%
Benchmark	8.3%	10.2%	10.5%	9.6%
Other undergraduate students	20.2%	15.6%	18.5%	19.1%
Benchmark	17.0%	15.3%	16.5%	17.1%

The benchmark is the sector average adjusted to reflect the profile of students and subjects offered at each institution.

Further Education

For further education, the 2021-22 academic year- whilst still impacted by the continued disruption caused by the COVID-19 pandemic and Brexit, and resulting in our regional activity target not being met - achieved significant signs of recovery towards pre-pandemic levels in comparison to the previous year, consistent with our recovery forecasting. This was driven by particularly strong recovery across part-time provision, which reached higher levels than pre-pandemic years in credit terms. Full-time provision also saw recovery from 2020-21, albeit not to pre-pandemic levels, impacted by the context of high employment rates across our region and the backlog of deferred learners and disrupted practical provision from the previous year continuing to impact on provision capacity for new enrolments. The SFC has stated that a 2% tolerance threshold will be implemented for determining clawback for this academic year, for which the implications on EO and academic partner budgets are currently being analysed ahead of any final funding clawback decision. However, work to evidence the continued disproportionate impact to our region, and the need for SFC to support out continued FE recovery in it's funding decisions, is ongoing.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 Strategic Report - Current and Future Development and Performance (continued)

Academic year	SFC target			Actual	Variance
	Core	ESIF	Deferred		
2015-16	110,968	3,940		116,644	1.90%
2016-17	110,968	3,400		116,778	1.20%
2017-18	110,968	2,200		114,969	1.60%
2018-19	110,382	2,200		114,555	1.70%
2019-20	110,382	2,200		109,565	-2.70%
2020-21	112,382	-		95,937	-14.60%
2021-22	112,382	-	2,981	107,729	-6.60%

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 93% of students were satisfied with their overall experience in 2021-22

The Scottish Funding Council publishes college sector performance indicators including student outcomes. 2020-21 PIs were published in February 2022, again outcomes for these students were impacted by Covid-19 across the sector. The latest available data for the regions' full-time FE students is:

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Students completing studies	63.7%	69.3%	68.6%	70.3%	67.5%
Benchmark	61.3%	66.0%	65.2%	66.1%	65.3%

Student satisfaction

Postgraduate students at UHI rated their study experience as the best in Scotland in a UK-wide survey. UHI received a score of 95% student satisfaction in the 2022 Postgraduate Taught Experience Survey. The result means that UHI achieved the highest rating of any Scottish university and has been ranked fourth out of the 91 participating institutions across the UK. UHI had the highest scores in Scotland in 7 of the 9 question areas: overall satisfaction, assessment, dissertation, engagement, organisation and teaching support and performed extremely strongly compared with other universities across the UK.

At undergraduate level, UHI achieved its highest ever ranking for student satisfaction in the 2022 National Student Survey. The results place UHI fourth in Scotland for student satisfaction, above 14 other universities across Scotland. UHI scored higher than the Scottish average in 22 of the 27 questions, with strong results in the teaching, learning opportunities, academic support, organisation and management and student voice categories. Four of UHI's courses - the applied music BA (Hons), business HND, marine science BSc (Hons) and music business BA (Hons) - received a 100% satisfaction rate and the results for the assessment and feedback category were 16% above the Scottish sectoral average.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

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

The university operates internally-managed annual satisfaction surveys across both FE and HE students (excluding students in the NSS pool). In 2021-22 The Early Student Experience Survey (ESES) was run for the fourth year as a UHI-wide regional survey. Overall satisfaction increased with 89.7% of HE students selecting 'Strongly Agree' or 'Agree' in relation to the statement: "Overall, I am satisfied with my student experience so far." This brings satisfaction levels close to those in 2019, prior to COVID (95.5%), with most other questions in the survey seeing a similar rise in scores, including an increase of 4.7% for students agreeing with "I am happy with the way my course is taught" to 85.5%.

Data from the Student Satisfaction and Engagement Survey (SSES) shows overall satisfaction was 86.6% for HE students, bringing these results back to pre-COVID levels. Similar trends are found in relation to the other survey questions with satisfaction rates higher than in 2021/22 for all except two of the questions. In addition to these excellent results, the University has also worked to share results of surveys more effectively with staff across the partnership. Results from all student surveys are now available through a central SharePoint site, and a dashboard for ESES and SSES results is being developed for 2022-23 which will allow staff to interrogate and disaggregate the data according to their individual needs.

The university also participates in the annual Scottish Funding Council Student Satisfaction and Engagement Survey for FE students. The latest data is:

	<u>2021-22</u>	<u>2020-21</u>	<u>2018-19</u>	<u>2017-18*</u>
Overall student satisfaction	93.9%	89.6%	94.3%	96.1%
Scottish figure	93.1%	89.2%	93.4%	93.1%

2019-20 survey was cancelled due to COVID.

**(Data reported for FT students only due to responses rates)*

Graduate destinations

The Higher Education Statistics Agency conducts an annual survey of graduate destinations. HESA introduced a new survey for 2017-18 leavers, the Graduate Outcome survey that collects destinations 15 months after graduation. The previous survey used a different methodology, questions and was conducted six months after graduation. Comparable data therefore is only provided from 2017-18 leavers onwards. The latest data is for 2019-20 leavers, HESA publishes this data in a series of interactive tables on their website. Currently HESA has not developed a specific performance indicator for graduate employment.

Comparative data from the Graduate Outcome survey:

Graduate destinations	2019-20 leavers		2018-19 leavers		2017-18 leavers	
	UHI	Scotland	UHI	Scotland	UHI	Scotland
In work or further study	88%	90%	84%	88%	88%	90%
Other including travel, caring for someone, or retired	7%	5%	10%	5%	8%	5%
Unemployed	5%	5%	6%	7%	4%	5%

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 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 November 2021. Results for 2020-21 leavers will be available in December 2022. The latest results for our FE leavers are:

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

	2019-20 leavers	2018-19 leavers	2017-18 leavers	2016-17 leavers
FE qualifiers	91.8%	93.8%	95.1%	94.8%
Scottish figure	93.9%	95.2%	95.1%	94.9%

Research

The University received the results of the research excellence framework (REF 2021) exercise in May 2022. REF is a UK wide exercise, conducted roughly once every 6 years, which assesses the volume and quality of research across universities throughout the UK. It is highly significant in terms of individual institutions research reputation and has significant funding consequentials too. UHI entered research outputs and evidence of research impact across environmental science, health, arts, humanities and social science.

Overall, the 2021 REF results for the University of the Highlands and Islands were very strong. The University has significantly enhanced its position compared with the last REF exercise and as such has consolidated its position as research credible and research respected institution. In regard to research outputs the university has seen significant improvement as compared with its 2014 performance in regard to outputs deemed to be world-leading, rising from 11.05% of outputs in 2014 to 25.63% in 2021. In regard to the impact of our research, the University has also seen significant improvement from its 2014 position, with research impacts deemed to be world leading rising from 12.02% to 49.43% This is an especially good outcome given the mission of our university to have impact on communities within the region and beyond. The University is looking to support the development of its research environment still further as this was a less strong area in the REF 2021 results.

In terms of funding consequentials, because the University's REF performance was strong, UHI saw a significant increase in core research income from the Scottish Funding Council. 8 universities and higher education institutions in Scotland saw a decline in their research and innovation grant income, with two others in an approximately flat cash position. Overall UHI's research and innovation grants for 2022/23 have increased by around 7% to £4.052M, and within this we have a 17% increase in our Research Excellence Grant income, some £404K, rising to £2.78M.

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 2022 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 re-approved in November 2021 and again on 16th November 2022:

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. Accreditation is subject to an annual external verification audit and the University is currently progressing an application for re-accreditation in December 2022.

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 regularly to consider and manage information security risk across the university:

Risk Review Group (RRG)

The Risk Review Group is authorised by the Finance and General Purposes committee to monitor and review all University and academic partner risk registers to ensure that an independent view can be fed back to risk register owners and to provide assurance for Court.

Information Risk Working Group (IRWG)

The IRWG comprises practitioners and senior managers with responsibility for identifying and implementing appropriate mitigation for identified information risks. This group is led by the Director of IT and Digital Infrastructure with the following key personnel in attendance: Chief Information Security Officer, Information Security Officer, University Data Protection Officer, University Director of Corporate

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022 Strategic Report - Resources and Principal Risks

Governance, University Archivist and Records Manager, University Head of Internal Audit and three academic partner staff representatives with similar roles and responsibilities.

Information Security Working Group (ISWG)

The ISWG is made up of ICT professionals from across the partnership with the aim of consistent implementation of technical controls to ensure best practice and compliance with relevant policies.

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 2022.

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 2021/22 was the first session for the 2021-2025 Strategic Plan, which identifies the university's ambitions for the future. This first year has focussed on financial sustainability post Covid and on the identification of activities that would support the university working more effectively as an integrated partnership. Through partnership conferences held in June and August 2022 for all partnership principals and chairs with some Court members and senior executive team, the university identified seven strategic workstreams ('UHI2024 initiatives') intended to provide an appropriate underpinning for the organisational sustainability through the challenging internal and external environment.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

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

Communication with staff

UHI 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 over 3,000 staff in our partnership, it is important to ensure messages from our senior teams are consistent and this coordination is done through practitioners' groups. This enables messaging to be contextualised and delivered at a local level in a way that staff expect.

The UHI corporate communications team also produces a fortnightly email summary of news which is sent directly to all partnership staff. Messaging is also highlighted in our internal social network, Yammer, on SharePoint hubs and intranets and via externally facing social media.

At individual employer level this is enhanced by face-to-face briefings in person or via MS Teams or Webex as well as individual departmental updates, institutional updates and team briefings.

We continued a regular briefing from partnership council to all staff which features key strategic initiatives and announcements. This is cascaded and delivered by each of the 13 principals to their own staff. This includes the university principal. In addition, the principal communicates regularly with all staff through a 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 2022

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 10th 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 enhancing 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 2022

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 2021-22 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 decreased by £7.3m in the year, mainly due to a decrease in SFC grants. Staff costs increased by £4.5 m to £22.4m, mainly due to pension adjustments of £3.9m. Other operating expenses decreased by £6.6m compared to 2020/21, due to a decrease in SFC grant payments to Academic Partners.

The outturn for the year ended 31 July 2022 was a deficit before other gains and losses of £10.0m. This compares with a deficit of £3.9m in the previous year. Total comprehensive income for the year was a surplus of £17.4m compared to a deficit of £3.1m in 2020/21. The reason for the increased surplus is due to the actuarial gain on the pension scheme of £27.4m, compared to a gain of £1.6m in the previous year.

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 £8.8m (2020/21 - £30.1m) on its balance sheet. Overall, this has resulted in net assets of £2.5m (2020/21 – net liabilities £14.9m). The actuarial gain on the pension scheme in the year of £27.4m (2020/21 - gain of £1.6m) is shown within the consolidated statement of comprehensive income & expenditure.

Overall, within the Balance Sheet, there are total net assets of £2.5m at 31 July 2022, compared with net liabilities of £14.9m the previous year. This is mainly due to the decrease in the pension liability, from £30.6m to £8m.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

Strategic Report - Review of Financial Activities (continued)

Other movements in the balance sheet include:

An increase in fixed assets compared to the previous year of £0.8m, which is due to the construction costs of the Life Sciences & Innovation Centre being built on the Inverness Campus. The centre is due to be completed by December 2022.

The overall balance sheet position has improved from 2020/21 due principally to the reduced pension liability, which has decreased from £30.1m to £8.8m. UHI still has a healthy cash and term deposit investments balance of £31.5m and has a net current liability of £0.3m, compared to net current assets of £4.9m 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.

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 31 days purchases (2021 - 4 days) which is 8.56% of purchases (2021 – 1.15%). 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. This strategy will expire in March '23 and the University has a project underway to develop a new Sustainability strategy and plan. In addition, the governance structure has been strengthened by the establishment of a more robust and wider governance model, comprising:

- 1/ Sheena Stewart, University Secretary has been assigned as the accountable person for UHI's Carbon Emissions, and Net Zero activities now reside within her portfolio.
- 2/ A Net Zero steering group for the University, that is tasked with the development and implementation of the new Sustainability strategy and plan.
- 3/ A cross-partnership Net Zero Senior Leadership group. This group has the responsibility to drive the actions across the partnership to achieve our Net Zero targets.
- 4/ A cross-partnership Net Zero estates group. This group has been tasked with driving down the partnerships emissions within our estates, with particular urgency on reducing the "Heat in Buildings" emissions to zero.
- 5/ The student-led Environment and Sustainability Group continues to develop and recruit "Green Champions" across the partnership

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

Public Sector Climate Change Duty (continued)

The University has also established a wider regional steering group with other public sector bodies, including Highlands and Islands Enterprise and Highland Council. The purpose of this group is to investigate and implement regional approaches to achieving Net Zero, alongside, sharing resources and best practice. Furthermore, the University is contributing and adopting best practice from the wider academic community through membership of the Environmental Association for Universities and Colleges and the Sustainable Scotland Network.

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 tCO₂e, for the period April '21 - March '22, are disclosed as follows:

	2021/22	2021/22	2020/21	2020/21
Emission	Units	tCO ₂ e	Units	tCO ₂ e
Electricity	1,452,738 kWh	335.8	662,196 kWh	167.7
Natural Gas	1,969,613 kWh	360.8	881,925 kWh	162.2
Water Supply	5,530 m ³	0.6	1,557 m ³	0.2
Water Treatment	5,253 m ³	1.2	1,479 m ³	0.3
Car	14,170 km	2.4	724 km	0.1
Taxi	644 km	0.1	0 km	0.0
Flights	73,677 km	16.0	4,036 km	0.6
Rail	21,485 km	0.8	1,415 km	0.1
Mixed Recycling	38 tonnes	0.8	10 tonnes	0.2
Refuse – Landfill	46 tonnes	21.3	3 tonnes	1.3
Homeworking Emissions	83%	75.9	93%	95.7
Total		815.7		428.4

Carbon Emissions and Energy Consumption

Over the last year, the University reported carbon emissions have increased. This is mostly due to the inclusion of the emissions from our four student residence sites in the report for the first time. This additional estate equates to approximately half of the University's overall emissions.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2022

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.

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 2022

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

Alastair MacColl was 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 1st August 2021.

Professor Todd Walker led the University as Principal and Vice Chancellor throughout the year, until he resigned on 16 September 2022. In October 22 the University Court appointed Mrs Vicki Nairn as Interim Principal and Vice Chancellor and she took up this role on 26 October 2022 for an 18 month period.

Fiona Mclean (former Independent member and Vice Chair of Court) was elected to the role of Rector with effect from 1st 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 31st 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 25th 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 2022

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 16th April 2021. Sheena Stewart joined the University as the permanent Secretary in March 22.

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

15 December 2022

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022

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 19th 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 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 5 times in the period from 1 August 2021 – 31 July 2022 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 2022 (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 16th April 2021 until 27th March 2022. Sheena Stewart was appointed University Secretary from 28th March 2022.

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 most of the meetings of the Court and its committees have been held by video conference. The impact of remote working on governance has 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.

We are undertaking an externally facilitated effectiveness review, which we hope to conclude by the end of 2022.

University Court – Membership

The following table provides a summary of Court membership for the period 1 August 2021 to 31 July 2022. 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 2022 (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.

Category of membership	Period of office	Date appointed	NAME
<i>Independent Chair – elected in accordance with Higher Education Governance (Scotland) Act 2016.</i>	<i>3 years (renewable)</i>	<i>01/08/2021</i>	<i>Mr Alastair MacColl</i>
<i>Principal & Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/02/2021</i>	<i>Professor Todd Walker Resigned 16/09/2022</i>
<i>Interim Principal and Vice-Chancellor</i>	<i>Ex officio</i>	<i>27/10/2022</i>	<i>Mrs Victoria Nairn</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>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>Rosemary McCormack Re-elected for 2nd term February 2021</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>15/08/2022</i>	<i>Ms Heather Innes</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>05/08/2022</i>	<i>Miss Madeleine Brown</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research & Specialist Partners</i>	<i>3 years (renewable)</i>	<i>10/04/2018</i>	<i>Mr David Sandison</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research & Specialist Partners</i>	<i>3 years (renewable)</i>	<i>31/01/2020</i>	<i>Brian Crichton [Term expired 30th September 2022]</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research & Specialist Partners</i>	<i>3 years (renewable)</i>	<i>19/10/2022</i>	<i>Mr Derek Compton Lewis</i>

<i>Independent - FE Regional Lead</i>	<i>3 years (renewable)</i>	<i>09/09/2020</i>	<i>Mr Angus Campbell</i> <i>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</i> <i>Appointed Vice Chair 17th 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 Court</i>	<i>3 years (renewable)</i>	<i>05/01/2022</i>	<i>Ms Jo De Sylva</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 Highlands and Islands Enterprise</i>	<i>3 years (renewable)</i>	<i>05/01/2022</i>	<i>Mr Calum Ross</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>01/11/2021</i>	<i>Mr Duncan Macaulay</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>25/03/2022</i>	<i>Mr John Murray Easton</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>16/12/2019</i>	<i>Sarah O’Hagan</i>
Resignations/changes within year			
<i>President of the Highlands & Islands Students’ Association</i>	<i>Ex officio</i>	<i>01/08/2020</i>	<i>Florence Jansen</i> <i>Resigned 18/02/2022</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>18/10/2021</i>	<i>Kyle Gee</i> <i>Resigned 24/06/2022</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>09/09/2020</i>	<i>Jack Shehata</i> <i>Resigned 15/10/2021</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>20/04/2018</i>	<i>Heidi May</i> <i>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>Resigned 23/05/2022</i>

<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>29/07/2019</i>	<i>Ms Kirsty Macpherson Resigned 10/03/2022</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>01/10/2019</i>	<i>Lesley Cole Resigned 30/11/2021</i>
Co-Opted Independent Committee members			
<i>FGPC</i>	<i>3 years (renewable)</i>	<i>From 03/2018</i>	<i>Duncan Macaulay Appointed as Director 01/11/2021</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.

During the financial year 2021/22 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.

	2021/22		2020/21	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	-	-	938.5	£35,907
Dr Michael Foxley	-	-	566	£21,655
Professor Fiona McLean	-	-	67	£2,563
Alastair MacColl	780	29,843	-	-
Angus Campbell	169.5	6,485		

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

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 2021 – 31 July 2022)

University Court and Senior Committees

	Court	Audit Committee	Finance & General Purposes Committee	Remuneration Committee	Regional Strategy Committee	
Alastair MacColl*	5/5	2/4	4/5	1/1	4/4	Alastair MacColl*
Todd Walker**	5/5	3/4	5/5	1/1	4/4	Todd Walker**
Frank Gribben		4/4				Frank Gribben
Sinead Urquhart		3/4				Sinead Urquhart
Fiona Maclean	4/5					Fiona Maclean
Andrea Robertson	5/5		4/5	1/1		Andrea Robertson
Linda Kirkland	4/5		5/5	1/1		Linda Kirkland
David Sandison	4/5				1/4	David Sandison
Poonam Malik	5/5		3/5	1/1		Poonam Malik
Sarah Helps	2/4	2/3				Sarah Helps

Malcolm Burr	3/5	2/2				Malcolm Burr
Brian Crichton	5/5				3/4	Brian Crichton
Heidi May	1/1					Heidi May
Angus Campbell	5/5	4/4			4/4	Angus Campbell
Mei-Li Roberts	5/5					Mei-Li Roberts
Rosemary McCormack	5/5				3/4	Rosemary McCormack
Sarah O'Hagan	5/5					Sarah O'Hagan
Lesley Cole	1/1					Lesley Cole
Florence Jansen	3/3				2/3	Florence Jansen
Kyle Gee	3/4				3/4	Kyle Gee
Duncan Macaulay	4/4		5/5			Duncan Macaulay
Kirsty Macpherson	2/2			1/1		Kirsty Macpherson
Beverley Clubley	0/4				3/4	Beverley Clubley
Calum Ross	2/2					Calum Ross
Joe De Sylva	2/2					Joe De Sylva
Murray Easton	2/2		5/5			Murray Easton
Heather Innes	1/2				1/1	Heather Innes
Derek Lewis			3/5			Derek Lewis

* 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.

** 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.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

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.

Partnership Forum (formerly Regional Strategy Committee)

The primary role of the Partnership Forum 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 remit and membership were amended during the session to (a) provide a more succinct remit; and (b) extend the membership to all of the chairs of the academic partners rather than a sub-set as there was previously. The change took effect from September 2022.

The functions of the forum include:

- To advise on and monitor the implementation of the university's strategic plan across the region and report thereon to the University Court regarding priorities and the ways in which the Academic Partners are implementing it.
- 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.
- To ensure that funding and curriculum provision across the university ensures equality of access to education.
- To ensure that strategy and resource allocation are based on future regional and national needs.
- To oversee development of, and advise University Court on, the outcome agreement with the SFC, ensuring that each Academic Partner is accountable for its delivery.
- To ensure that risks associated with the University's strategic plan are managed in line with the University's risk management policy.
- To encourage collaboration, innovation, and sustainable development within the University.
- To have oversight of effective communication with internal and external stakeholders and representative groups

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (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. An externally-facilitated effectiveness review of Court and Committees of Court was initiated during the session and is expected to report back to University Court in December 2022.

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 2021/22 have been prepared on a going concern basis. The key drivers for the university in terms of financial sustainability are the forecast flat SFC funding, the increasing staffing costs and other grant funding streams coming to an end. The main impacts on the 2022/23 university budget continue to be achievement of student activity targets and the related impact on grant income, the continued likelihood of flat or reduced SFC funding and operational deficits within the student residences. There are also a number of external pressures impacting on the university which include pay and non-pay inflation being at the highest level for a number of years, increases in employer national insurance and pension contributions and the increasing costs of utilities.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the current economic crisis and inflationary pressures 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 the economic crisis and inflationary pressure implications have consequences across the Group's range of activities, the most significant financial impacts are those arising from not meeting our student activity targets.

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 had remained 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 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. However, due to a number of factors, the student numbers in HE activity have reduced in 2021/22 and are also forecast to reduce in 2022/23. Measures are being put in place to reduce the forecast reductions, which include running in-year courses to increase student numbers overall.

The financial plan for the university is to move from its current deficit position to a break-even position within a three-year period, and then begin to generate surpluses in future years. 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 income & expenditure forecasts as well.

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 the economic crisis and inflationary impacts on its financial position regularly. Senior management have considered various scenarios in assessing the impact of these on future financial performance and cashflows. 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 2022, the company had a surplus in its unrestricted fund of £0.6m, compared to a deficit of £16.9m in 2020/21. The university reported a deficit before other gains and losses of £10.2 million, compared to a deficit of £3.8 million in 2020/21 and overall, the company is reporting net assets of £2.2 million, compared to a net liability of £14.9 million in 2020/21. The move from a net liability position to a net asset position is due to the pension liability for both LGPS and USS of £30.1 million being reduced to £8.8 million at the end of 21/22. There has also been a decrease in net current assets, from £4.9 million in 2020/21 to a net current liability of £0.3 million in 2021/22.

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.

A number of actions are being taken by the university to address the forecast deficits, and these are noted below.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

The university (EO) is about to launch a voluntary severance scheme, with the aim of making staff cost savings of between 15% to 20% and as such, we are not looking to remove a specific number of posts but hope to achieve a total saving across a range of salary grades, subject to business need and scheme affordability. The senior executive team will review all of the applications against business requirements and affordability criteria, with colleagues being advised of the outcomes by early February 2023.

The university is engaged with SFC in ongoing discussions around FE and HE clawback for previous years. We have already had confirmation from the SFC that there will be no clawback for 2019/20 and 2020/21, the total of these funds would have amounted to circa £5.4m clawback over the 2 years. However, there is still the potential for FE and HE clawback for 2021/22 and the university and academic partners are working together to make a case to SFC for no clawback for 2021/22. The potential clawback for the UHI partnership is £3.7 million for FE and £3.4 million for HE.

The university has recently recruited a new Director of Student Recruitment and Admissions and they will be working alongside colleagues across the partnership on a new HE student recruitment plan. Other actions which are planned include:

- Marketing and promotion is underway for January 2023 start courses, to compliment activity Academic Partners are already undertaking, including additional social media campaigns and a radio campaign across the region.
- To aid September 2023 recruitment, in collaboration with Academic Partners, we will be focusing on how we engage with our enquirers to nurture a relationship with UHI, developing a conversion campaign to encourage applicants to make us their final choice, delivering a late market campaign including promotion of progression through the levels for our existing students and of our articulation agreement with local colleges, developing a more ambitious Clearing campaign for August 2023.
- Longer term, looking to September 2024 recruitment, we will have a Recruitment Strategy which will include additional plans for an Admissions Portal, implementation of a partner wide CRM system, targeted recruitment plans for RUK and Internationally and plans for engaging student influencers such as parents/carers, teachers and advisers.
- At all stages, the development of plans we be undertaken collaboratively with partners to ensure they are fit for their needs and purposes and will add value to their already excellent practice.
- Currently we are still aiming to recruit 5,800 FTE of SFC funded student places for the 2023-24 entry year and in the region of 600 RUK and International students.

In June and August 2022, academic partner board chairs and principals, members of the UHI senior executive team, HISA, the chair of the UHI court and representative court members met to discuss how we can create the accelerated change needed to ensure that the UHI partnership can move forwards together, creating an environment where three core principles can be met:

1. Ensuring a consistently high student experience
2. Ensuring the whole partnership is financially sustainable, and creating a surplus that can be used to reinvest in the partnership
3. Ensuring a UHI structure that creates a simplified and truly collaborative partnership, which resolves the 30-year debate between executive office and the partners

Court has now approved a series of projects that, when implemented, will fundamentally change the way UHI operates. These projects will commence in January 2023 and will all be completed by the end of the academic year 2023/2024 – with the overarching programme of work being known as ‘UHI 2024’.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

UHI 2024 will see seven time-bound strategic initiatives implemented by the UHI partnership. We will work together to reduce expenditure and increase and diversify income, simplify our governing structures, and develop and implement a five-year strategic vision:

1. Relevant, cohesive, and cost-efficient tertiary curriculum offering
2. Shared services, and service level agreements for delivery of services from one partner to another
3. Establish a more focused executive office based on stakeholder need
4. Simplified partnership governance structure, with delegated authorities clearly articulated and adhered to
5. Partnership-wide collaborative communications
6. Partnership-wide people and culture plan
7. Vision and strategy for the partnership across a five-year period

The initiatives will be delivered at pace and implemented by the end of the 2023/2024 academic year, but many completing much earlier than this.

Each of the seven strategic initiatives will be led by a member of senior staff identified from across UHI. Through UHI court, academic partner boards and partnership council, the whole partnership will be involved in supporting and facilitating each strategic initiative, with the UHI court being the ultimate owner of UHI 2024 initiatives. There will be a project board that will oversee the work and a programme manager will be brought in to lead UHI 2024. We will also create a SharePoint site to allow staff to follow the progress of the projects.

The programme of strategic initiatives does not include, but aligns with, other significant changes across UHI, including the potential for further mergers, and the commitment to ensure that our partnership is financially sustainable. It is recognised that the specialist academic partners, HTC, SAMS and Sabhal Mòr Ostaig, will participate and engage with the strategic initiatives in ways that reflect their constitutional status.

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

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

anticipated. The impact of The United Kingdom leaving the European has compounded the impact of the 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 2020-2025 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."

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

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.
- 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 2020/21 was a consolidated deficit of 5.5% (2019/20 – consolidated deficit of 6.1%)

KPI – consolidated non SFC income – target is to increase 3% on 2016/17 baseline (£57.9 million) – actual for 2020/21 was £61.2 million, a 6.1% decrease compared to 2019/20 (£65.2 million).

KPI – philanthropic funding – target of £250,000 – actual for 2020/21 was £269,000 (2019/20 - £231,000).

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 2020/21 and this has been largely down to the impact of the Covid-19 pandemic.

Finally, the philanthropic funding target was not achieved in 2020/21 due to the impact of Covid 19.

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 22 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.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2022 (continued)

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 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
15 December 2022

Victoria Nairn
Interim Principal and Vice-Chancellor

University of the Highlands and Islands

Statement of the Responsibilities of the University Court for the year ended 31 July 2022

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
15 December 2022

Victoria Nairn
Interim 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 2022 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 2022 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 46 and 47 of the financial statements, which outlines the economic uncertainties faced by the University. 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 36, 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 University to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the University through discussions with directors and other management and review of appropriate industry knowledge. Key laws and regulations we identified during the audit were 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 assessed the extent of compliance with the laws and regulations identified above by making enquiries of management and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the University'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
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;
- 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.
- reviewed the application of accounting policies with focus on those with heightened estimation uncertainty.

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.

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

We are not 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/auditorsresponsibilities>. 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

Date

University of the Highlands and Islands
Consolidated and Institution Statement of Comprehensive Income
Year Ended 31 July 2022

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Income					
Tuition fees and education contracts	1	14,058	14,058	12,030	12,030
Funding body grants	2	101,517	101,517	110,236	110,236
Research grants and contracts	3	2,954	2,940	3,373	3,345
Other income	4	13,110	13,236	12,885	12,910
Investment income	5	34	34	63	62
Gain on revaluation of investment		0	0	195	195
Total income before endowments and donations		131,673	131,786	138,781	138,779
Donations and endowments	6	110	110	269	269
Total income		131,783	131,896	139,050	139,048
Expenditure					
Staff costs	7	22,438	22,438	17,902	17,902
Other operating expenses	9	115,651	115,932	122,264	122,313
Depreciation	12	1,455	1,383	2,308	2,276
Impairment of fixed assets	12	1,589	868	-	-
Impairment of investment	16	90	90	-	-
Interest and other finance costs	8	593	499	449	431
Total expenditure		141,817	141,210	142,907	142,906
Deficit before other gains/losses		(10,034)	(9,315)	(3,857)	(3,858)
Gain/(Loss) on revaluation of investment property	12	-	-	-	-
Exceptional items	15	-	-	(900)	2,834
Deficit before tax		(10,034)	(9,315)	(4,758)	(1,024)
Taxation	10	(18)	-	22	-
Deficit for the year		(10,052)	(9,315)	(4,735)	(1,024)
Actuarial gain/(loss) in respect of pension schemes	32	27,431	27,431	1,618	1,618
Total comprehensive (expense)/income for the year		17,379	18,116	(3,117)	594
Represented by:					
Restricted comprehensive income for the year		(228)	(228)	(112)	(112)
Unrestricted comprehensive income for the year		17,607	18,344	(3,005)	706
		17,379	18,116	(3,117)	594
(Deficit)/surplus for the year attributable to:					
Institution		(10,052)	(9,315)	(4,735)	(1,024)
Total Comprehensive (expense)/income for the year attributable to:		17,379	18,116	(3,117)	594
Institution		17,379	18,116	(3,117)	594

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 2022

Consolidated	Income and expenditure account		Total £'000
	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	
Balance at 1 August 2020	2,173	(13,967)	(11,794)
Deficit from the income and expenditure statement	(112)	(4,623)	(4,735)
Other comprehensive income	-	1,618	1,618
Release of restricted funds spent in year	-	-	-
Total comprehensive income for the year	(112)	(3,005)	(3,117)
Balance at 1 August 2021	2,061	(16,973)	(14,912)
Deficit from the income and expenditure statement	(227)	(9,824)	(10,052)
Other comprehensive income	-	27,431	27,431
Total comprehensive income for the year	(227)	17,607	17,379
Balance at 31 July 2022	1,834	634	2,467

University of the Highlands and Islands
Consolidated and Institution Statement of Financial Position
As at 31 July 2022

	Notes	As at 31 July 2022		As at 31 July 2021	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Non-current assets					
Fixed assets	12	<u>44,721</u>	<u>43,295</u>	43,894	41,675
		<u>44,721</u>	<u>43,295</u>	43,894	41,675
Investments	16	999	999	1,089	1,089
Investment in Subsidiary Companies	13	-	869	-	871
Goodwill	11	-	-	-	-
Current assets					
Trade and other receivables	15	12,203	12,318	6,902	6,889
Amounts due from subsidiaries		-	2,456	-	2,439
Deferred tax asset		22	-	41	-
Investments	16	6,000	6,000	6,000	6,000
Cash and cash equivalents	22	<u>25,494</u>	<u>25,393</u>	22,603	22,538
		<u>43,719</u>	<u>46,167</u>	35,546	37,867
Less: Creditors: amounts falling due within one year	17	<u>(44,041)</u>	<u>(43,928)</u>	(30,557)	(30,418)
Net current(liabilities)/assets		(322)	2,239	4,989	7,449
Total assets less current liabilities		45,398	47,402	49,971	51,084
Creditors: amounts falling due after more than one year	18	<u>(34,150)</u>	<u>(31,712)</u>	(34,779)	(32,186)
Provisions					
Pension provisions	19	<u>(8,781)</u>	<u>(8,781)</u>	(30,105)	(30,105)
Total net assets/(liabilities)		<u>2,467</u>	<u>6,909</u>	<u>(14,912)</u>	<u>(11,206)</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	20	1,834	1,834	2,061	2,061
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		633	5,075	(16,973)	(13,267)
Total Reserves		<u>2,467</u>	<u>6,909</u>	<u>(14,912)</u>	<u>(11,206)</u>

The financial statements were approved by the Governing Body on 15 December 2022 and were signed on its behalf by:

Alastair MacColl
Chairman

Victoria Nairn
Interim Principal and Vice-Chancellor

Consolidated Cash Flow

Year ended 31 July 2022

	Notes	Year ended 31 July 2022	Year ended 31 July 2021
		£'000	£'000
Cash flow from operating activities			
(Deficit) for the year		17,379	(3,118)
Adjustment for non-cash items			
Depreciation	12	1,455	2,308
Deferred capital grants on disposed assets		-	-
Impairment of goodwill	11	-	3,734
Impairment of investment/(Gain on revaluation)	16	90	(195)
Impairment of tangible fixed assets	12	1,589	-
(Gain)/Loss on revaluation of investment property		-	(16)
Decrease/(increase) in debtors	15	(5,282)	65
Increase/(decrease) in creditors	17	12,848	26,124
Increase/(decrease) in pension provision	19	(21,324)	533
Increase/(decrease) in other provisions	19	-	-
Adjustment for investing or financing activities			
Investment income	5	(34)	(63)
Interest payable	8	593	449
Loss/(gain) on fixed assets	14	-	(2,833)
Net cash inflow from operating activities		<u>7,314</u>	<u>26,988</u>
Cash flows from investing activities			
Investment income	5	34	63
Payments made to acquire fixed assets	12	(3,866)	(25,664)
Purchase of Subsidiary Companies	13	2	(871)
		<u>(3,830)</u>	<u>(26,472)</u>
Cash flows from financing activities			
Interest paid	8	(593)	(449)
New loans		-	-
		<u>(593)</u>	<u>(449)</u>
Increase in cash and cash equivalents in the year		<u>2,891</u>	<u>66</u>
Cash and cash equivalents at beginning of the year	22	22,603	22,537
Cash and cash equivalents at end of the year	22	25,494	22,603

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2022

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 19. 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 15 December 2022. 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 2021/22 have been prepared on a going concern basis. The key drivers for the university in terms of financial sustainability are the forecast flat SFC funding, the increasing staffing costs and other grant funding streams coming to an end. The main impacts on the 2022/23 university budget continue to be achievement of student activity targets and the related impact on grant income, the continued likelihood of flat or reduced SFC funding and operational deficits within the student residences. There are also a number of external pressures impacting on the university which include pay and non-pay inflation being at the highest level for a number of years, increases in employer national insurance and pension contributions and the increasing cost of utilities.

The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the current economic crisis and inflationary pressures 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 economic crisis and inflationary pressure implications have consequences across the Group's range of activities, the most significant impacts are those arising from not meeting our student activity targets.

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 had remained 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. However, due to a number of factors, the student numbers in HE activity have reduced in 2021/22 and are also forecast to reduce in 2022/23. Measures are being put in place to reduce the forecast reductions, which include running in-year courses to increase student numbers overall.

The financial plan for the university is to move from its current deficit position to a break-even position within a three-year period, and then begin to generate surpluses in future years. 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 income and expenditure statements as well.

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 the economic crisis and inflationary impacts on its financial position regularly. Senior management have considered various scenarios in assessing the impact of these on future financial performance and cashflows. 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 2022, the company had a surplus in its unrestricted fund of £1.8 million compared to a deficit of £16.9m in 2020/21. The university reported a deficit before other gains and losses of £10.0 million, compared to a deficit of £3.8 million in 2020/21, and overall, the company is reporting net assets of £2.5 million, compared to a net liability of £14.9 million in 2020/21. The move from a net liability position to a net asset position is due to the pension liability for both LGPS and USS of £30.1 million being reduced to £8.8 million at the end of 2021/22. The result of this has been a decrease in net current assets, from £4.9 million in 2020/21 to a net current liability of £0.3 million in 2021/22.

For the medium term, although deficits are forecast for 2022/23 and 2023/24 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.

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2022

2. Going concern (continued)

A number of actions are being taken by the university to address the forecast deficits, and these are noted below.

The university (EO) is about to launch a voluntary severance scheme, with the aim of making staff cost savings of between 15% to 20% and as such, we are not looking to remove a specific number of posts but hope to achieve a total saving across a range of salary grades, subject to business need and scheme affordability. The senior executive team will review all of the applications against business requirements and affordability criteria, with colleagues being advised of the outcomes by early February 2023.

The university is engaged with SFC in ongoing discussions around FE and HE clawback for previous years. We have already had confirmation from the SFC that there will be no clawback for 2019/20 and 2020/21, the total of these funds would have amounted to circa £5.4m clawback over the 2 years. However, there is still the potential for FE and HE clawback for 2021/22 and the university and academic partners are working together to make a case to SFC for no clawback for 2021/22. The potential clawback for the UHI partnership is £3.7 million for FE and £3.4 million for HE.

The university has recently recruited a new Director of Student Recruitment and Admissions and they will be working alongside colleagues across the partnership on a new HE student recruitment plan. Other actions which are planned include:

- Marketing and promotion is underway for January 2023 start courses, to compliment activity Academic Partners are already undertaking, including additional social media campaigns and a radio campaign across the region.
- To aid September 2023 recruitment, in collaboration with Academic Partners, we will be focusing on how we engage with our enquirers to nurture a relationship with UHI, developing a conversion campaign to encourage applicants to make us their final choice, delivering a late market campaign including promotion of progression through the levels for our existing students and of our articulation agreement with local colleges, developing a more ambitious Clearing campaign for August 2023.
- Longer term, looking to September 2024 recruitment, we will have a Recruitment Strategy which will include additional plans for an Admissions Portal, implementation of a partner wide CRM system, targeted recruitment plans for RUK and Internationally and plans for engaging student influencers such as parents/carers, teachers and advisers.
- At all stages, the development of plans we be undertaken collaboratively with partners to ensure they are fit for their needs and purposes and will add value to their already excellent practice.
- Currently we are still aiming to recruit 5,800 FTE of SFC funded student places for the 2023-24 entry year and in the region of 600 RUK and International students.

In June and August 2022, academic partner board chairs and principals, members of the UHI senior executive team, HISA, the chair of the UHI court and representative court members met to discuss how we can create the accelerated change needed to ensure that the UHI partnership can move forwards together, creating an environment where three core principles can be met:

1. Ensuring a consistently high student experience
2. Ensuring the whole partnership is financially sustainable, and creating a surplus that can be used to reinvest in the partnership
3. Ensuring a UHI structure that creates a simplified and truly collaborative partnership, which resolves the 30-year debate between executive office and the partners

Court has now approved a series of projects that, when implemented, will fundamentally change the way UHI operates. These projects will commence in January 2023 and will all be completed by the end of the academic year 2023/2024 – with the overarching programme of work being known as 'UHI 2024'.

UHI 2024 will see seven time-bound strategic initiatives implemented by the UHI partnership. We will work together to reduce expenditure and increase and diversify income, simplify our governing structures, and develop and implement a five-year strategic vision:

1. Relevant, cohesive, and cost-efficient tertiary curriculum offering
2. Shared services, and service level agreements for delivery of services from one partner to another
3. Establish a more focused executive office based on stakeholder need
4. Simplified partnership governance structure, with delegated authorities clearly articulated and adhered to
5. Partnership-wide collaborative communications
6. Partnership-wide people and culture plan
7. Vision and strategy for the partnership across a five-year period

The initiatives will be delivered at pace and implemented by the end of the 2023/2024 academic year, but many completing much earlier than this.

Each of the seven strategic initiatives will be led by a member of senior staff identified from across UHI. Through UHI court, academic partner boards and partnership council, the whole partnership will be involved in supporting and facilitating each strategic initiative, with the UHI court being the ultimate owner of UHI 2024 initiatives. There will be a project board that will oversee the work and a programme manager will be brought in to lead UHI 2024. We will also create a SharePoint site to allow staff to follow the progress of the projects.

The programme of strategic initiatives does not include, but aligns with, other significant changes across UHI, including the potential for further mergers, and the commitment to ensure that our partnership is financially sustainable. It is recognised that the specialist academic partners, HTC, SAMS and Sabhal Mòr Ostaig, will participate and engage with the strategic initiatives in ways that reflect their constitutional status.

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 2022

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2022. 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 2021/22. 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 2022

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

The institution participates in Universities Superannuation Scheme. 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 FRS 102 "Employee Benefits", the institution 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. 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) with related expenses being recognised through 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. Leases

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.

Leased assets: the Company as lessee:

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

University of the Highlands and Islands

Statement of Accounting Policies (continued)

for the year ended 31 July 2022

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 2022

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 2022

	Notes	Year Ended 31 July 2022		Year Ended 31 July 2021	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts					
Scotland and EU fees		10,924	10,924	10,612	10,612
RUK (new fee rates)		1,155	1,155	1,217	1,217
Non-EU fees		945	945	196	196
Education contracts		1,034	1,034	4	4
		14,058	14,058	12,030	12,030
2 Funding body grants					
Recurrent grant					
General Fund - Teaching		36,245	36,245	39,493	39,493
General Fund - Research and Knowledge Exchange		3,736	3,736	4,413	4,413
Release of deferred capital grants		20	20	25	25
Specific grants					
Strategic funding		-	-	-	-
Capital maintenance grants		1,216	1,216	1,542	1,542
Grants for FE provision		57,125	57,125	61,337	61,337
Ring-fenced grants funded by Scottish Government		3,175	3,175	3,425	3,425
		101,517	101,517	110,236	110,236
3 Research grants and contracts					
Research councils		-	-	-	-
Research charities		761	761	612	612
Government (UK and overseas)		1,244	1,244	1,005	1,005
EU		154	154	1,239	1,239
Industry and commerce		182	182	90	77
Other		613	599	427	412
		2,954	2,940	3,373	3,345
4 Other income					
Other revenue grants		1,695	1,695	3,135	3,135
Enterprise Agency grants		-	-	-	-
Other grant income		426	426	271	271
Other capital grants		-33	-33	238	238
Apprenticeship Grants		3,718	3,718	3,075	3,075
Other income		4,503	4,629	4,341	4,366
Residences Income		1,715	1,715	673	673
Other income generating activities		1,086	1,086	1,152	1,152
		13,110	13,236	12,885	12,910
5 Investment income					
Other investment income		34	34	63	62
Net return on pension scheme	33	-	-	-	-
		34	34	63	62
6 Donations and endowments					
Donations with restrictions	21	110	110	269	269
		110	110	269	269

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2022

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	12,680	12,680	12,280	12,280
Social security costs	1,350	1,350	1,264	1,264
Pension contributions paid	2,737	2,737	2,516	2,516
Pension net service cost	2,283	2,283	2,145	2,145
Movement on USS provision	3,388	3,388	(303)	(303)
Total	22,438	22,438	17,902	17,902
Administration and Central Services	8,692	8,692	7,852	7,852
Premises	78	78	71	71
Research Grants and Contracts	1,862	1,862	1,973	1,973
Academic/Teaching Departments	3,039	3,039	2,932	2,932
Academic/Teaching Support Services	3,036	3,036	3,164	3,164
Movement on pension provision	5,671	5,671	1,842	1,842
Restructuring costs	60	60	68	68
	22,438	22,438	17,902	17,902

	Year ended 31 July 2022	Year ended 31 July 2021
Emoluments of the Vice-Chancellor:	£'000	£'000
Salary	210	189
Pension contributions	46	35
	256	224

The remuneration of the Principal equates to 5.68 x the median annualised full time equivalent basic salary of all other employees and 5.73 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	1	1
	1	3

Average staff numbers by major category :	No.	No.
Administration and Central Services	166	159
Premises	2	1
Research Grants and Contracts	32	46
Academic/Teaching Departments	49	47
Academic Services	60	53
	309	306

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 2022

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 Vice Principal (Operations), University Secretary, the Vice Principal (Engagement), the Vice Principal (Research & Impact) Vice Principal (Strategic Developments), and the Chief People Officer.

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Key management personnel compensation	634	497

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 2021/22 the University offered the Chair and FE Regional lead a fixed remuneration rate of £38.26 per hour or a daily rate of £287 based on a 7.5 hour day.

	2021/22		2020/21	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	-	-	938.5	£35,907
Dr Michael Foxley	-	-	566	£21,655
Prof Fiona MacLean	-	-	67	£2,563
Alastair MacColl	780	£29,843	-	-
Angus Campbell	169.5	£6,485	-	-

The total expenses paid to or on behalf of 29 court members was £4,354 (2021 - £20,340 to 26 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 2022

	Notes	Year Ended 31 July 2022		Year Ended 31 July 2021	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs					
Net charge on pension scheme	33	480	480	408	408
Loan Interest		113	19	41	23
		<u>593</u>	<u>499</u>	<u>449</u>	<u>431</u>

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Analysis of total expenditure by activity				
Academic and related expenditure	95,456	95,456	103,753	103,753
Administration and central services	10,608	10,575	9,663	9,662
Premises (including service concession cost)	3,019	3,319	1,936	1,985
Residences, catering and conferences	-	-	-	-
Research grants and contracts	5,570	5,584	6,277	6,277
Agency Staff	27	27	4	4
Other expenses	971	971	632	632
	<u>115,651</u>	<u>115,932</u>	<u>122,264</u>	<u>122,313</u>

Other operating expenses include:

External auditor remuneration in respect of audit services - current	40	65
External auditor remuneration in respect of audit services - previous	10	49
External auditor remuneration in respect of non-audit services	8	8
Internal auditor remuneration in respect of internal audit services	34	8

Operating lease rentals:

Land and buildings	72	78
Other	24	15

10 Deferred Taxation

	Year Ended 31 July 2022 Consolidated £'000
As at 1 August 2021	40
Additions on acquisitions of subsidiaries	-
Charged to income statement	(18)
As at 31 July 2022	<u>22</u>
Represented by:	
Unutilised losses carried forward	-
Fixed asset timing differences	22
Unrealised capital gains	-
	<u>22</u>

11 Intangible Assets

	Year Ended 31 July 2022 Consolidated £'000
Goodwill	
Cost	
As at 1 August 2021	3,734
Additions	-
As at 31 July 2022	<u>3,734</u>
Amortisation	
As at 1 August 2021	3,734
Additions	-
Impairment	-
As at 31 July 2022	<u>3,734</u>
Net Book Value	
As at 1 August 2021	-
Additions	-
Impairment	-
As at 31 July 2022	<u>-</u>

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2022

12 Fixed Assets

Fixed assets comprises:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Property, plant and equipment - at cost	39,721	38,295	38,894	36,675
Investment properties - at fair value	5,000	5,000	5,000	5,000
	44,721	43,295	43,894	41,675

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	University
	£'000	£'000
Fair value		
At 1 August 2021	5,000	5,000
Additions	-	-
Transferred to Property, plant and equipment	-	-
Change of use adjustment	-	-
As at 31 July 2022	5,000	5,000

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

Consolidated

	Freehold Land and Buildings	Asset under Construction	Finance Lease Assets	Leasehold Improvement	Celtica and Theological collections	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 August 2021	15,805	-	24,981	313	82	10,053	51,234
Additions	-	3,447	-	-	-	419	3,866
Addition on acquisition	-	-	-	-	-	-	-
Change of use adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2022	15,805	3,447	24,981	313	82	10,472	55,100
Depreciation and impairment							
At 1 August 2021	2,592	-	136	252	-	9,356	12,336
Charge for the year	333	-	816	21	-	286	1,455
Impairment	1,589	-	-	-	-	-	1,589
Disposals	-	-	-	-	-	-	-
At 31 July 2022	4,514	-	952	273	-	9,641	15,380
Net book value							
At 31 July 2022	11,291	3,447	24,029	41	82	831	39,721
At 1 August 2021	13,214	-	24,845	61	82	691	38,894

University

	Freehold Land and Buildings	Asset under Construction	Finance Lease Assets	Leasehold Improvement	Celtica and Theological collections	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 August 2021	13,555	-	24,981	313	82	10,053	48,984
Additions	-	3,447	-	-	-	419	3,866
Change of use adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2022	13,555	3,447	24,981	313	82	10,472	52,850
Depreciation and impairment							
At 1 August 2021	2,560	-	136	252	-	9,356	12,304
Charge for the year	260	-	816	21	-	286	1,383
Impairment	868	-	-	-	-	-	868
Disposals	-	-	-	-	-	-	-
At 31 July 2022	3,688	-	952	273	-	9,642	14,555
Net book value							
At 31 July 2022	9,867	3,447	24,029	40	82	830	38,295
At 1 August 2021	10,995	-	24,845	61	82	691	36,675

At 31 July 2022, 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 2022

13 Investment in subsidiary

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. During the year an overpayment of completion funds was identified and returned to UHI.

Consideration	Year ended 31 July 2022		Year ended 31 July 2021	
	£'000		£'000	
Cash	856		856	
Overpayment refunded	(2)			
Directly attributable costs	15		15	
Total investment in subsidiary	<u>869</u>		<u>871</u>	

14 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.

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Effect of terminating Service Concession	-	-	2,834	2,834
Impairment of Goodwill	11	-	(3,734)	-
	<u>-</u>	<u>-</u>	<u>(900)</u>	<u>2,834</u>

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2022

15 Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	812	812	1,007	1,007
Other trade receivables	1,207	1,207	1,498	1,488
Prepayments and accrued income	10,184	10,299	4,398	4,395
Amounts due from subsidiary companies	-	2,456	-	2,439
	<u>12,203</u>	<u>14,774</u>	<u>6,902</u>	<u>9,329</u>

16 Investments

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
As at 31 July 2021	1,089	1,089	894	894
Additions - Market Securities	-	-	-	-
(Loss)/Gain on valuation	(90)	(90)	195	195
As at 31 July 2022	<u>999</u>	<u>999</u>	<u>1,089</u>	<u>1,089</u>

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

Current Investments

	Year ended 31 July 2022		Year ended 31 July 2021	
	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 2022 the weighted average interest rate of these fixed rate deposits was 0.36% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days. The fair value of these deposits was not materially different from the book value.

17 Creditors : amounts falling due within one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Service concession arrangements (note 14)	-	-	-	-
Finance lease creditor	573	573	1,150	1,150
Trade payables	3,070	3,070	766	766
Social security and other taxation payable	909	909	63	61
Accruals and deferred income	38,940	38,885	28,029	27,950
SFC Loan	491	491	491	491
Bank loan	58	-	58	-
	<u>44,041</u>	<u>43,928</u>	<u>30,557</u>	<u>30,418</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 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Accruals	20,135	20,353	18,196	18,197
Research grants received on account	1,094	1,094	50	50
Grant income	10,412	10,139	5,081	5,081
Deferred tax liability	-	-	-	-
Deferred Government Capital Grants	22 6,796	6,796	3,024	3,024
Other income	503	503	1,677	1,597
	<u>38,940</u>	<u>38,885</u>	<u>28,029</u>	<u>27,950</u>

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2022

18 Creditors : amounts falling due after more than one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finance Lease Creditor	23,848	23,848	23,830	23,830
SFC Loan	7,864	7,864	8,356	8,356
Santander Loan	2,438	-	2,593	-
	34,150	31,712	34,779	32,186

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

	Group		University	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current	549	549	491	491
1-2 Years	1,692	550	491	491
2-5 Years	2,712	4,009	1,475	1,475
5 Years + Long Term	5,899	6,390	5,899	6,390
	10,852	11,498	8,356	8,847

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

19 Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension £'000	Defined Benefit Obligations (Note 32) £'000	Total Pensions Provisions £'000
At 1 August 2021	2,662	27,443	30,105
Utilised in year	-	-	-
Additions in 2021/22	3,411	(24,735)	(21,324)
Unused amounts reversed in 2021/22	-	-	-
At 31 July 2022	6,073	2,708	8,781

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 32.

University of the Highlands and Islands

Notes to the Accounts

for the year ended 31 July 2022

20 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University	
	2022 Total £'000	2021 Total £'000
Donations		
Balances at 1 August 2021	2,061	2,173
New donations	110	269
Expenditure	(337)	(381)
Total restricted comprehensive income for the year	(227)	(112)
At 31 July 2022	1,834	2,061
Analysis of other restricted funds /donations by type of purpose:	2022 Total £'000	2021 Total £'000
Research support	19	17
Course development	-	175
Student support	91	77
	110	269

21 Deferred Capital Grants

Group and University	Funding Council £'000	Other £'000	Total £'000
At 1 August 2021	9	3,015	3,024
Adjustments	8	(8)	-
Cash received and assets donated:			
Land & buildings	-	3,739	3,739
Equipment	21	-	21
	<u>21</u>	<u>3,739</u>	<u>3,760</u>
Released to income and expenditure account:			
Land and buildings	9	(67)	(58)
Equipment	3	44	47
	<u>12</u>	<u>(23)</u>	<u>(11)</u>
At 31 July 2022			
Land and buildings	-	6,707	6,700
Equipment	26	62	95
	<u>26</u>	<u>6,769</u>	<u>6,795</u>

22 Cash and cash equivalents

	At 1st August 2021 £'000	Cash Flows £'000	At 31st July 2022 £'000
Consolidated			
Cash and cash equivalents	22,046	3,117	25,163
Student support funds	557	(226)	331
	<u>22,603</u>	<u>2,891</u>	<u>25,494</u>
University			
Cash and cash equivalents	21,981	3,081	25,062
Student support funds	557	(226)	331
	<u>22,538</u>	<u>2,855</u>	<u>25,393</u>

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2022

22 Cash and cash equivalents (continued)

Consolidated reconciliation of net debt	31 July 2022	
	£'000	
Net debt 1 August 2021	13,875	
Movement in cash and cash equivalents	2,891	
New loans	-	
Other non-cash changes	(6,988)	
Net debt 31 July 2022	<u>9,779</u>	
Change in net debt	<u>(4,096)</u>	
Analysis of net debt:	31 July 2022	31 July 2021
	£'000	£'000
Cash and cash equivalents	25,494	22,603
Borrowings: amounts falling due within one year		
Secured loans	549	549
Finance leases	573	1,150
Service concession arrangements (note 14)	-	-
	<u>1,123</u>	<u>1,699</u>
Borrowings: amounts falling due after more than one year		
Secured loans	10,302	10,949
Service concession liabilities due after one year	-	-
Finance leases due after one year	23,848	23,830
	<u>34,150</u>	<u>34,779</u>
Net debt	<u>9,779</u>	<u>13,875</u>

23 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 20 December 2022, at an estimated cost of £4.8m.

24 Lease obligations

Total rentals payable under operating leases:	Group and University			31 July 2021
	31 July 2022		Total	
	Land and Buildings £'000	Plant and Machinery £'000	£'000	£'000
Payable during the year	72	24	96	92
Future minimum lease payments due:				
Not later than 1 year	-	27	27	96
Later than 1 year and not later than 5 years	-	68	68	13
Later than 5 years	-	-	-	-
Total lease payments due	-	95	95	109
Lessor				
Future minimum lease payments due:				
Not later than 1 year	693	-	575	-
Later than 1 year and not later than 5 years	151	-	574	-
Later than 5 years	-	-	-	-
Total lease payments due	844	-	1,149	-
Total rentals payable under finance leases:				
	31 July 2022		31 July 2021	
	Land and Buildings		Land and Buildings	
	£'000		£'000	
Payable during the year	559		-	
Future minimum lease payments due:				
Not later than 1 year	573		559	
Later than 1 year and not later than 5 years	2,439		2,380	
Later than 5 years	21,409		22,041	
Total lease payments due	24,421		24,980	

The finance lease relates to the student residences at Inverness and Fort William and is valued at the discounted present value of future cash flows, based on the rents prevailing at the date of recognising the asset. Future changes in rents are contingent rents and recorded in the income and expenditure statement in the year they occur, and not recognised in the liability recognised in the balance sheet. The university

25 Events after the reporting period

There were no events to report.

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2022

26 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 losses for the statutory period of £61,657 (2021 - profit £551,532).
Net assets at 31 July 2022 are £608,506 (2021 - £706,159)

27 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	Amounts due
	Partners	Partners	to Partners at	from
	£000	£000	31 July 2022	Partners at
			£000	31 July 2022
			£000	£000
Argyll College	174	5,319	-	22
HTC	7	437	-	-
Inverness College	1,110	22,596	31	109
Lewis Castle College	134	5,966	30	21
Moray College	735	14,482	-	147
North Atlantic Fisheries College	-	44	-	-
North Highland College	532	14,704	3	34
Orkney Islands Council	252	3,932	5	52
Perth College	666	21,381	2	157
SAMS	30	2,287	-	107
Shetland Islands Council	54	-	-	-
Shetland UHI	-	467	2	41
SMO	19	983	-	(1)
West Highland College	193	5,765	-	22
	3,906	98,363	73	711

28 Hardship Funds and Childcare Funds

	NMDF	HE Covid	HE	HE	2021/22	2020/21
	£000	Fund	Childcare	Discretionary	Total	Total
		£000	£000	£000	£000	£000
Balance brought forward	-	-	-	-	-	42
Allocation received in year	43	408	7	441	899	971
Expenditure	(36)	(163)	(32)	(505)	(736)	(932)
Virements		(89)	25	64	-	-
To be returned to SAAS	(7)	(156)	-	-	(163)	(81)
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.

29 Federal Student Aid

	US \$000	£000
Received and distributed		
Federal Direct Unsub Loan	2	1
Federal Direct Sub Loan	26	19
PLUS	31	25
	59	45

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.

30 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 and expected benchmark cost of providing HE and FE to confirm that the funding issued to academic partners is expended on Higher Education and Further Education activities. In the event that monies transferred were not expended 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.

31 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 2022

32 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% until September 2021 rising to 21.4% until March 2022 and 21.6% from April 2022 (2021 21.1%).

The total charged to the profit and loss account is £1,329k (2021 £1,297k). Deficit recovery contributions due within one year for the institution are £401,450 (2021 £332,601).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), and was carried out using the projected unit method.

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 2020 valuation was the sixth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI Assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% p.a. from 2040.
Pension increase (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post-retirement: 1.00% p.a.

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 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020 Valuation
Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality	CMI 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.31%	0.87%
Pensionable salary growth	3.00%	4.00%

University of the Highlands and Islands

Notes to the Accounts

for the year ended 31 July 2022

32 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 2022 was £1,683k of which employers' contributions totalled £1,288k and employees' contributions totalled £395k.

The following information is based upon pension expense calculation as at 31 July 2022.

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Mortality

	Males	Females
Current pensioners	20.8 years	23.3 years
Future pensioners*	22.0 years	25.3 years

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

Historic Mortality

Period ended	Prospective Pensioners	Pensioners
31-Jul-22	CMI 2020 model assuming an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a.	CMI 2020 model assuming an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a.

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-22		31-Jul-21		31-Jul-20		Real
	% p.a.	Real	% p.a.	Real	% p.a.	Real	
RPI Increases	3.50%	0.20%	3.30%	0.20%	3.10%	-0.40%	
CPI Increases	2.75%	-0.10%	2.85%	0.65%	2.20%	-0.30%	
Salary Increases	3.55%	-0.10%	3.65%	0.55%	3.10%	-0.30%	
Pension Increases	2.75%	-0.10%	2.85%	0.65%	2.20%	-0.30%	
Discount Rate	3.50%	1.90%	1.60%	0.20%	1.40%	-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 2021 for the year to 31 July 2022). The expected return on assets assumption is set equal to the discount rate.

Analysis of movement in the fair value of scheme assets

	Year to 31-Jul-22 £'000	Year to 31-Jul-21 £'000
Fair value of assets at the start of the year	45,624	37,026
Expected return on assets	726	524
Actuarial gain on assets	(1,702)	7,180
Actual contributions paid by University	1,332	1,270
Actual member contributions	396	400
Actual benefit payments	(795)	(776)
Fair value of scheme assets at the end of the year	45,581	45,624
Present value of liabilities at the start of the year	73,067	63,655
Current service cost	3,571	3,267
Past service costs	-	48
Interest cost on defined benefit obligation	1,183	911
Actual member contributions	396	400
Actual benefit payments	(795)	(776)
Changes in financial assumptions	(29,015)	6,876
Changes in demographic assumptions	(243)	(2,308)
Other experience adjustments	125	994
Present value of funded liabilities	48,289	73,067
Fair value of scheme assets at the end of the year	45,581	45,624
Present value of funded liabilities	(48,289)	(73,067)
Net liability in Balance Sheet	(2,708)	(27,443)

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2022

32 Pension Schemes (continued)

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

	Year to 31-Jul-22	Year to 31-Jul-21
	£'000	£'000
Current service cost *	3,571	3,267
Past service costs	-	48
Interest on obligation	1,183	911
Expected return on scheme assets	(1,702)	7,180
Actuarial loss in respect of pension schemes	27,431	(1,618)
Total	<u>30,483</u>	<u>9,788</u>

*The current service cost contains an allowance for administration expenses of 0.7% 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%	1,110
1 year increase in member life expectancy	4%	1,904
0.1% increase in Salary Increase Rate	0%	186
0.1% increase in Pension Increase Rate	2%	927

Reconciliation of opening and closing deficit

	Year to 31-Jul-22	Year to 31-Jul-21
	£'000	£'000
Deficit at beginning of year	(27,443)	(26,629)
Current service cost	(3,571)	(3,267)
Past service cost	-	(48)
Employer contributions	1,332	1,270
Other finance income	(457)	(387)
Actuarial (loss)/gain	27,431	1,618
Deficit at end of the year	<u>(2,708)</u>	<u>(27,443)</u>

Projected pension expense for the year to 31 July 2023

UHI share of the LGPS

	Year to 31-Jul-23
	£'000
Service cost *	1,914
Interest cost	1,690
Return on assets	(1,585)
Total	<u>2,019</u>
Employer contributions	1,332

* 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 2023 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 2022

33 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

In 2021 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 to 31 July 2021.

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 2022

33 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 2022

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.

Note	Primary Reserve Ratio	31-Jul-22
		£'000
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	
	Unrestricted reserves	633
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	
	Restricted reserves	1,834
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(711)
Note 12	Statement of Financial Position - Property, Plant and Equipment - pre-implementation	
	Net book value excluding Finance Lease Asset L&B	(15,692)
Note 12	Statement of Financial Position - Lease right of use asset - pre-implementation	
	Net book value of Finance Lease Asset L&B	(24,029)
Statement of Financial Position	Statement of Financial Position - Post-employment and pension liabilities	
	Pension provisions	8,781
Note 19	Statement of Financial Position - Long term debt for long term purposes	
	Loans repayable	10,851
	Modify for post implementation debt not related to purchase of assets	(1,071)
Notes 18/19	Statement of Financial Position - Lease of right of use asset liability	
	Finance Lease Creditor <1 year + Finance Lease Creditor >1 ye	24,421
	Expendable Net Assets	5,017
Statement of Comprehensive income	Statement of Comprehensive Income - Total operating expenses	
	Total expenditure less fair value movement	141,727
Statement of Comprehensive income	Statement of Comprehensive Income - Other gains (losses)	
	Exceptional items less fair value movement less taxation	-
	Total expenses and losses	141,727
	Equity ratio	
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	
	Unrestricted reserves	633
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	
	Restricted reserves	1,834
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(711)
	Modified Net Assets	1,756
Statement of Financial Position	Statement of Financial Position - Total assets	
	Tangible fixed assets + investments + current assets	89,439
Note 28	Statement of Financial Position - Unsecured related party receivable	
	Amounts due from partners	(711)
	Modified Assets	88,728
	Net income ratio	
Statement of Financial Position	Statement of Financial Position - Change in net assets without donor restrictions	
	Change in unrestricted reserves	17,624
Statement of Comprehensive income	Statement of Comprehensive income - Total operating revenue - unrestricted	
	Total income less donations	131,783
Statement of Comprehensive income	Statement of Comprehensive Income - Investment return appropriated for spending	
	Investment income	(34)
	Total Revenue and Gains	131,749