

University of the Highlands and Islands

Report and Financial Statements For the year ended 31 July 2023

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Report of the University Court for the year ended 31 July 2023 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 University 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.

UHI is a globally recognised tertiary institution and we are proud to celebrate our exceptional partnership of colleges, internationally recognised research institutions and specialist teaching centres. UHI is more than a traditional university and we pride ourselves on delivering further education, higher education, and world class research to over 36,000 students per year, across our campus of 70 teaching and learning centres.

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.

In 2023 the University launched its new 2030 Strategy 'Where learning means more' which was approved by the University Court in June 2023. Our 2030 strategy builds on our success to date and takes our ambition forward across five key strategic themes: teaching, learning and student support; research and innovation impact; enterprise and growth; environmental sustainability; and operational excellence. During the lifetime of this strategy we will think, plan and act as one institution in delivering our mission and vision, and our strategic themes will be underpinned by significant transformation across our institution to deliver.

Each year, we contribute £560 million to the region, indirectly supporting 6,200 jobs. As a multiplier effect, UHI puts back at least £4 for every £1 spent into the economies of the Highlands and Islands, Moray, and Perthshire. Our philosophy is based on our founding values of creating sustainable education for students of all ages and abilities. This ethos is underpinned by our mission to have a transformational impact on our people, communities, and economy. We care passionately about our regions, and we demonstrate our commitment through our excellent student experience and by offering flexible and supported learning from access level to PhD, delivering direct skills and apprenticeship programmes linked to workforce demand, all within the same institution.

A fundamental part of our mission is to drive co-created education and research, enhanced by our unique landscape, heritage, and cultures, ensuring that learning outcomes are second to none. We are also committed to affirming all of the languages, dialects and cultures throughout our regions, including Gaelic language and culture. Across the UHI operating area we have centres of excellence and worldclass thinking that are pushing the boundaries of academic and applied knowledge, where staff, students, industry, and communities are collaborating to drive innovation and new ways of thinking.

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 6th in Scotland for Student Satisfaction and 1st for taught post graduate satisfaction.

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Report of the University Court for the year ended 31 July 2023 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 which will be incorporated in 2023/4. 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 and agreed to merge into a single college, UHI North West and Hebrides, which vested on the 1st August 2023.

Strategic Report - Current and Future Development and Performance

There were many developments across the University of the Highlands and Islands partnership during the 2022 to 2023 academic year.

In September 2022 the Principal and Vice Chancellor, Professor Todd Walker left the organisation, and following a competitive recruitment process a new interim Principal and Vice Chancellor, Mrs Vicki Nairn was appointed for a period of 18 months. In November 2023, UHI announced a new smaller Executive structure and a move to focus on financial sustainability including a streamlining and reprofile of the workforce during 2022/23 as part of its move to be a fully integrated, financially sustainable and people orientated organisation that delivers outstanding teaching, research, and knowledge exchange from a solid foundation of the very best professional services, systems, and processes.

In 2022/23 UHI also launched a partnership wide transformation programme called UHI 2024 which had a number of workstreams focused on curriculum review, data sharing, efficiency and effectiveness which resulted in the new 2030 strategy for the Partnership. The new 2030 strategy delivers our academic reputation, world-class research and our proud history of vocational training to join the world of learning to the world of work, integrating with business and industry and underpinned by our university values of collaboration, openness, respect and excellence.

In April 2023 UHI opened its flagship £9m Life Sciences Innovation Centre on Inverness Campus; a partnership project between UHI and Highlands and Islands Enterprise and officially opened by The Princess Royal. The centre will attract more life science companies to the region and encourage collaboration between academic researchers, industry, and the health sector, supporting the development of new products, processes, and services to improve healthcare. Designed by Austin-Smith:Lord and built by Robertson Construction, it offers flexible laboratory and office space and provides access to specialist equipment and resources. The building forms part of a wider project with the NHS National Treatment Centre - Highland on Inverness Campus. The three organisations will integrate academic healthcare research, delivery of clinical care to patients and the creation of new commercial opportunities, products and services in health science and technology. Between them, the developments are forecast to support more than 200 jobs.

During 2022/23 considerable work was undertaken to support the merger of UHI North Highland, UHI Outer Hebrides and UHI West Highland to form UHI North, West and Hebrides. An initial consultation took place with staff, students, and the public in early 2022. Feedback from the initial consultation supported the development of the full merger proposal and business case, which was originally published on 8 August 2022. A merger summary document was also produced. A 10-week public consultation ran from 8th August 2022 to 14 October 2022. This consisted of:

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

- Online information events
- Drop-ins with our merger coordinator across campuses and learning centres
- A survey for staff, students, and the public
- Comment cards on campuses and learning centres
- Staff focus groups
- Let's blether sessions for students
- External stakeholder engagement events and meetings

Consultation feedback was collated and analysed independently by Ashbrook Research and Consultancy. The boards of management at UHI North Highland, UHI Outer Hebrides and UHI West Highland met in November 2022 and voted unanimously in favour of merger. The merger proposal and business case was submitted to the Scottish Government by the Regional Strategic Body and approved by Graeme Dey MSP, the Scottish Government Minister for Higher Education and Further Education, Jenny Gilruth MSP, Cabinet Secretary for Education and Skills, and ratified through the Scottish Parliament in June 2023. UHI North, West and Hebrides celebrated its legal vesting date on 1st August 2023, with launch activities following in September 2023.

ScotWind was announced in January 2022, though it will be a number of years before even the earliest projects come through construction into operation. These projects will however need a highly skilled local workforce to enable delivery while maximising local value, with much of that potential future workforce still in both primary and secondary schools today. Recognising this, UHI engaged the West of Orkney Windfarm consortia of global businesses to anchor support for our STEM Outreach Programme, which had been tested with primary schools in the Highland region over the past six years. The aim of the programme is to ensure that every young person, across all communities in the north of Scotland, have the chance to be inspired by the opportunities in offshore wind, to be able to pursue their studies within UHI's regions, and to develop skills to achieve careers in the sector.

With a view on increasing the scale and impact of this programme, West of Orkney Windfarm took UHI's proposal to the wider Collaborative Framework and three further developers subsequently joined the funding partnership: Ossian, Thistle Wind Partners, and Buchan Offshore Wind. Together the four funding partners are now contributing £900k to the programme over three years.

This is the largest package of corporate giving UHI has received and industry and academia working together like this will undoubtedly make a significant difference to the region and the choices available to our young people now and in the future.

Leveraging wider industry support for UHI's priorities means more than £1.2m has now been secured and the programme now employs eight part-time and two full-time STEM coordinators. This funding has also enabled a substantial expansion of scope, to schools in Orkney, the Western Isles and Shetland, Argyll and Bute, Moray and Perthshire local authority areas, reaching over 400 schools and many thousands of children, helping to enthuse and empower them to follow a career path in offshore wind and connecting UHI to its future students.

In 2022-23 the university put in place a number of measures to develop our research environment and culture. This included the appointment of a new Head of Research Culture and Environment to lead on enhancing our research environment and establishing a more cohesive and comprehensive approach to professional development for research staff and students. We also went through a consultation on a new academic structure for UHI. For the first time, research is included formally in the remit of our two new faculties, and we have also committed to developing a net-zero hub to provide a forum for our climate change related research and other academic activity.

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We have also developed a renewed focus on research income in the light of the impact of Brexit and the conclusion of various tranches of start-up funding on some of our research areas, notably in health. Accordingly, during 2022-23 we looked to build on what has been achieved in previous years to diversify research income, and over time increase the amount of income from UKRI/Research Council and Innovate UK.

In January 2023, we held our biennial research conference. This brings together our researchers and PhD students for a three-day event which both showcases our research and knowledge exchange outputs and provides a rich environment for networking. This event complements our annual online research forum and taken together these two events also provide opportunities for the research community to receive information about key developments in the sector.

The university's Knowledge Exchange Sectoral Groups (KESGs) continue to be the focus for our knowledge exchange activities. The sectors covered include aquaculture; energy; rural health; active health and well-being; tourism; the creative economy; and water quality innovation. During academic year 2022-23, post pandemic, we saw a welcome increase in face-to-face meetings and networking, while our continued use of online connectivity allowed flexibility in business engagement.

The university is hoping to achieve a sustained income exceeding £10 million per annum by 2022-23 in relation to its knowledge exchange activities. The achievement of this target in the current financial circumstances reflects an impressive performance. At the time of writing, the annual return is being collated, and we will be able to report on this early in 2024.

A UHI-led Highlands and Islands Business Ideas competition took place face-to-face in May 2023. This competition has become a major pipeline feeder into the national Converge Challenge competition. This year we delivered the 'Make it Happen Day', an impact and innovation day for potential business competition entrants from 2021-22 which was well received by participants. In addition, we delivered a number of creativity and problem-solving workshops across the UHI partnership to encourage entry into the Business Ideas competition. We saw an excess of 750 students attend this programme.

The impacts on our university partnership of the COVID-19 pandemic and Brexit continued into 2022-23, especially with regard to higher education recruitment in a very competitive market. Significant work was undertaken across the partnership on further education which has recovered well.

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 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.

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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. The SFC guidance highlighted that 2022-23 was another 'transitional year' in the pandemic recovery and continued as an in-year report rather than the previous future focused document, 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)*).

	2022-23*	2021-22	2020-21	Variance to 2020
Number of SDUE	2,463	2,689	3,235	-16.9%
SIMD20 FT first degree	11.8%	12.2%	9.3%	-2.9%
Care experienced	1.8%	1.5%	1.8%	-0.3%

The shift between 2022-23 and 2021-22 highlights the different impacts on student behaviour and external environment during the Covid-19 pandemic, impacts of Brexit on our region and the cost-of-living crisis.

*Significant changes have occurred in the data model for the 2022-23 Higher Education Statistics Agency (HESA) student data return from which these measures are derived. The figures provided are included in the recent SFC outcome agreement, however the HESA has still to be finalised and signed off.

FE credits (*measures focus on credits, for 2022-23 the total credits delivered subject to final SFC audit were*):

RSB regional summary 2022-23	Core credits	Foundation Apprenticeship (FA) credits	Total
SFC Target	108,983	3,942	112,925
Delivered	112,427	3,415	115,842
Variance from target	3,444	-527	2,917
Difference (%)	3.2%	-13.4%	2.6%

Key Performance Indicators

Higher Education student numbers

Total	2022/23	2021/22	2020/21	2019/20
Heads	10,051	10,847	11,082	10,220
Full-time equivalents	6,674	7,263	7,876	7,309

These figures again highlight the impact and longer-term influence of the pandemic, Brexit and cost-of-living on higher education student choices.

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

Scottish Funding Council fundable students

The university has targets for higher education non-controlled subjects and controlled subjects (nursing and initial teacher education). From 2021-22, funding for new entrants to graduate apprenticeships moved from SDS to SFC and are now subsumed within the non-controlled subject target.

	Non-controlled undergraduate (including Graduate Apprenticeships)			Controlled		
	Actual FTEs	Target	2% tolerance target	Actual FTEs	Target	3% tolerance target
2022-23	4,878	5,879	5,761	608	724	702
2021-22	5,392	5,950	5,831	636	678	658
2020-21	6,161	5,683	-	593	608	590
2019-20	5,870	5,683	-	526	601	583
2018-19	6,046	5,783	-	416	414	401

No information is available on the approach to clawback for under-delivery in 2022-23, with the exception of nursing where SFC has confirmed that no clawback will be applied where universities can evidence concerted efforts to recruit.

For further education, the 2022-23 regional position highlights the continued recovery following the downturn experienced during the pandemic and initial impacts of Brexit. This was driven by strong recovery across part-time provision, accounting for approximately 44% of credits delivered.

Academic year	SFC target			Actual	Varianc
	Core (plus Foundation apprenticeships)	ESIF	Deferred		
2022-23	112,925	-	-	115,842	2.6%
2021-22	112,382	-	2,981	107,729	-6.6%
2020-21	112,382	-		95,937	-14.6%
2019-20	110,382	2,200		109,565	-2.7%
2018-19	110,382	2,200		114,555	1.7%

Student success/retention

The Higher Education Statistics Agency has published annual UK university performance indicators for many years. One of these was a measure of full-time student non-continuation from year of entry with calculated sector benchmarks for each institution. However, the last release of this PI data was in March 2022 for entrants starting in 2019-20. A review of existing indicators will determine which measures will be migrated into core official statistics and open data published in 2024.

The Scottish Funding Council publishes college sector performance indicators including student outcomes. 2022-23 PIs will be published in February 2024. The latest available data for the regions' full-time FE students is:

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

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Students completing studies	63.9%	63.4%	69.3%	68.6%	70.3%
Benchmark	59.0%	60.9%	66.0%	65.2%	66.1%

Outcomes for students in recent years will have been impacted by Covid-19 across the sector.

Student satisfaction

Taught postgraduate:

UHI students rated their experience as the best in Scotland in the 2023 Postgraduate Taught Experience Survey (PTES). UHI received a score of 92% student satisfaction, the highest rating of any Scottish university, with a UK ranking of third out of the 101 participating institutions.

Undergraduate:

The 2023 National Student Survey results consolidated UHI's strong performance in the previous year's survey. Overall student satisfaction was 81%, above our benchmark of 79% and the Scottish sector average of 77%. The results placed UHI sixth in Scotland.

Further Education - (Scottish Funding Council Student Satisfaction and Engagement Survey):

The university also participates in the annual Scottish Funding Council Student Satisfaction and Engagement Survey for FE students. The 2022-23 survey results will be published in November 2023. The latest data is:

	<u>2021-22</u>	<u>2020-21</u>	<u>2018-19</u>	<u>2017-18*</u>
UHI 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. The current Graduate Outcome survey was introduced for 2017-18 leavers and collects destinations 15 months after graduation. 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:

	2020-21 leavers		2019-20 leavers		2018-19 leavers		2017-18 leavers	
	UHI	Scotland	UHI	Scotland	UHI	Scotland	UHI	Scotland
In work or further study	89%	91%	88%	90%	84%	88%	88%	90%
Other including travel, caring for someone, or retired	8%	5%	7%	5%	10%	5%	8%	5%
Unemployed	3%	5%	5%	5%	6%	7%	4%	5%

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The Scottish Funding Council also publishes results of the college leavers' destinations survey. Results for 2021-22 leavers will be available in December 2023. The latest results for our FE leavers are:

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

	2020-21	2019-20 leavers	2018-19 leavers	2017-18 leavers
UHI FE qualifiers	94.8%	91.8%	93.8%	95.1%
Scottish figure	91.0%	93.9%	95.2%	95.1%

Research and Knowledge Exchange

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 consequential too. UHI entered research outputs and evidence of research impact across environmental science, health, arts, humanities and social science. The REF2021 results were very strong, especially in regard to our research 'outputs' and the impact of our research. Taken together these two areas count for some 85% of the assessment. However, 'research environment' – 15% of the assessment - was a weaker area. Consequently in 2022/23 we have put in place a number of measures to enhance our research environment and culture. This has included the appointment of a new Head of Research Culture and Environment to lead developments in our research environment, and also the development of a more cohesive and comprehensive approach to professional development for research staff and students. We also went through a consultation on a new academic structure for UHI which was concluded in June 2022. For the first time, research is included formally in the remit of our two new faculties, and we have also committed to developing a net-zero hub to provide a forum for our climate change related research and other academic activity.

We have also developed a renewed focus on research income in the light of the impact of BREXIT and the conclusion of various tranches of start-up funding on some of our research areas, notably in Health. Accordingly, during 2022/23 we looked to build on all that has been achieved in previous years to diversify research income, and over time increase the amount of income from UKRI/Research Council and Innovate UK.

In January 2023, we held our biennial research conference. This brings together all of our researchers and PhD students for a three-day event which both showcases our research and knowledge exchange outputs, and provides a rich environment for networking. This event complements our annual online 'research forum' and taken together these two events also provide opportunities for the research community to receive information about key developments in the sector.

In knowledge exchange, we achieved ten innovation vouchers in 2022/23 in partnership with a number of companies, mostly SMEs. We also progressed four 'live' knowledge exchange partnership (KTPs) and we have three more under development. We submitted 11 applications for Converge, the Scotland wide competition for entrepreneurial ideas arising from academia. Across our knowledge exchange sector groups, which interface with key sectors in the Highlands and Islands economy, such as aquaculture, energy and the creative economy amongst others reported income was £2,440, 095. This includes income from CPD projects, innovation vouchers, KTPs, self-financing modules, and KE related consultancy projects.

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Report of the University Court for the year ended 31 July 2023 Strategic Report - Current and Future Development and Performance (continued)

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 team. Focused investment in staff development will continue to enhance the student experience and ensure compliance with all relevant legislation and governance codes.

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 November 2022 and again on 1 November 2023:

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, senior executive team, 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 achieved whole organisation certification on 22 March 2023.

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:

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Report of the University Court for the year ended 31 July 2023 Strategic Report - Resources and Principal Risks

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 Governance, University Archivist and Records Manager, 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 2023.

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 scheme of delegation. This scheme that unusual or material transactions are brought to the Court for approval.

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Report of the University Court for the year ended 31 July 2023

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

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 2022/23 saw the university develop a new Strategic Plan in 2023, providing a more detailed and further developed strategy than the previously-approved 2021-2025 Strategic Plan. The need for a new Strategy had been identified through partnership conferences held in June and August 2022 for all partnership principals and chairs with some Court members and senior executive team. Arising from these events was a 'Strategy' workstream and this led to the new Strategic Plan being approved by Court in June 2023. Court had an opportunity prior to final approval, to discuss and provide comments on an earlier draft of the Plan.

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 approximately 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, 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 was cascaded and delivered by each of the 13 principals to their own staff. This included the (interim) university principal.

We have adjusted our 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.

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

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. 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.

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 at West Highland College, archaeology studies in Orkney, environmental science in Thurso and marine science in Oban.

University of the Highlands and Islands
Report of the University Court for the year ended 31 July 2023

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

- 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 2022-23 we have continued to develop on the impact described in the Biggar report.

Strategic Report - Value for Money

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

Strategic Report - Review of Financial Activities

UHI's income increased by £6.4m in the year compared to the previous year, mainly due to an increase in SFC grants. Staff costs decreased by £5.3 m to £17.1m compared to the previous year, mainly due to a decrease in pension adjustments. Other operating expenses increased by £3.0m compared to 2021/22, due to an increase in SFC grant payments to Academic Partners.

The outturn for the year ended 31 July 2023 was a surplus before other gains and losses of £0.7m, compared to a deficit of £10.0m in 2021/22. Total comprehensive income for the year was a surplus of £3.9m, compared to a surplus of £17.4m in 2021/22. The reason for the decreased surplus is due to the actuarial gain on the pension scheme of £3.8m, being lower than 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 50. As a result, the University is required to disclose a liability relating to current commitments of £4.2m (2021/22 - £8.8m) on its balance sheet. Overall, this has resulted in net assets of £6.3m (2021/22 – net assets £2.5m). The actuarial gain on the pension scheme in the year of £3.7m (2021/22 - gain of £27.4m) is shown within the consolidated statement of comprehensive income & expenditure.

Overall, within the Balance Sheet, there are total net assets of £6.3m at 31 July 2023, compared with net assets of £2.5m the previous year. This is mainly due to the decrease in the pension liability, from £8.8m to £4.2m.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2023

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 mainly due to the final construction costs of the Life Sciences & Innovation Centre being built on the Inverness Campus. The centre was officially opened in April 2023.

The overall balance sheet position has improved from 2021/22 due principally to the reduced pension liability, which has decreased from £8.8m to £4.2m. UHI has cash and term deposit investments balance of £21.9m and has a net current liability position of £5.4m, compared to net current liabilities of £0.3m in the previous year.

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 9 days purchases (2022 - 31 days) which is 2.49% of purchases (2022 – 8.56%). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Public Sector Climate Change Duty

The university developed its first Sustainability Strategy to 2023 and first Sustainability Policy through extensive consultation with both internal and external stakeholders. These were approved by the University Court in June 2023. They replaced the earlier Partnership Carbon Management and Sustainability Plan, which covered the period 2020-2023. The new governance structure introduced during 2022/23 strengthened the University's activities in this area. These comprised:

- 1/ Sheena Stewart, University Secretary, was assigned as the accountable person for UHI's Carbon Emissions, and Sustainability 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 2023

Public Sector Climate Change Duty (continued)

The University has also established connections with other public sector bodies, including Highlands and Islands Enterprise and Highland Council with a view to investigating and implementing 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 '22 - March '23, are disclosed as follows:

	2022/23	2022/23	2021/22	2021/22
Emission	Units	tCO₂e	Units	tCO₂e
Electricity	1,846,074 kWh	389.6	1,452,738 kWh	335.8
Natural Gas	1,515,467 kWh	276.6	1,969,613 kWh	360.8
Water Supply	2,246 m ³	0.2	5,530 m ³	0.6
Water Treatment	2,167 m ³	0.4	5,253 m ³	1.2
Car	63,080 km	10.8	14,170 km	2.4
Taxi	879 km	0.1	644 km	0.1
Flights	165,044 km	34.3	73,677 km	16.0
Rail	70,638 km	2.5	21,485 km	0.8
Mixed Recycling	20 tonnes	0.4	38 tonnes	0.8
Refuse – Landfill	12 tonnes	5.4	46 tonnes	21.3
Homeworking Emissions	63%	85.5	83%	75.9
Total		805.8		815.7

Carbon Emissions and Energy Consumption

There has been a small reduction in reported CO₂ based on annual PBCCD reporting of 10 tonnes between 21-22 and 22-23. A drop of 1.47%.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2023

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 2023 report on Public Sector Equality Duty – Mainstreaming and Outcomes is published on our website and available to view at the following [uhi-psed.pdf](#).

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 2023

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 2022 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.

Court appointed Mr Angus Campbell as the new FE Regional Lead following an open recruitment process in 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 2023 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 2023

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 Company Secretary is Sheena Stewart, who joined the University as the permanent University 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

UHI House
Old Perth Road
INVERNESS
IV2 3JH

Date: 19 December 2023

Corporate Governance and Internal Control for the year ended 31 July 2023

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 2023 which replaced the 2017 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 2023 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, a revised version of which was published in September 2022.

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 expected to meet at least four times per year under the 2023 Code and met 7 times in the period from 1 August 2022 – 31 July 2023: 6 times to discuss and transact normal business and once to receive an update on partnership conferences held during June to August 2022. The meetings varied between entirely on-line (4 meetings) and in-person - with the option for members exceptionally to join the meeting on-line (3 meetings). 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 2023 (continued)

Company Secretary

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.

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 were 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 review in 2022.

In addition, 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 review were presented to Court in March 2021.

University Court – Membership

The following table provides a summary of Court membership for the period 1 August 2022 to 31 July 2023. The composition of the University Court is prescribed within Article 12.1 of the University's Articles of Association.

The Chair of Court is appointed for a period of three years, extendable by one further consecutive period of three years. Independent Governors are appointed for a period of three years and may each be re-appointed for two consecutive periods of three years.

No member of the Court other than ex officii members may hold appointment for more than ten years in total.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

<i>Category of membership</i>	<i>Period of office</i>	<i>Date appointed</i>	<i>NAME</i>
<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>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</i> <i>Re-elected for 2nd term February 2021</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>01/10/2023</i>	<i>Mr William Campbell</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>01/10/2023</i>	<i>Mr Gary Souter</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>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>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>01/06/2023</i>	<i>Mr Allan Clow</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>01/06/2023</i>	<i>Mr Alex Paterson</i>

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>17/07/2023</i>	<i>Ms Helen Macinnes</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>14/08/2023</i>	<i>Miss Heather Offord</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>28/08/2023</i>	<i>Mr Paul Travill</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>16/12/2019</i>	<i>Sara O’Hagan</i> <i>Second term effective from 16/12/2022</i>
<i>Resignations/changes within year</i>			
<i>Principal & Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/02/2021</i>	<i>Professor Todd Walker</i> <i>Resigned 16/09/2022</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>05/08/2022</i>	<i>Miss Madeleine Brown</i> <i>Resigned 17/07/2023</i>
<i>Student Governor – elected by the students</i>	<i>Ex officio</i>	<i>15/08/2022</i>	<i>Ms Heather Innes</i> <i>Resigned 17/07/2023</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>25/03/2022</i>	<i>Mr John Murray Easton</i> <i>Resigned 31/07/2023</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>01/11/2021</i>	<i>Mr Duncan Macaulay</i> <i>Resigned 23/03/2023</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>05/01/2022</i>	<i>Ms Jo De Sylva</i> <i>Resigned 30/05/2023</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>09/02/2018</i>	<i>Ms Linda Kirkland</i> <i>Resigned 31/01/2023</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</i> <i>Resigned - term expired 30th September 2022</i>
<i>Co-Opted Independent Committee members</i>			
<i>Audit</i>	<i>3 years (renewable)</i>	<i>From 09/2023</i>	<i>Liz Stewart</i>
	<i>3 years (renewable)</i>	<i>From 03/2017</i>	<i>Frank Gribben (Chair since 09/09/2020)</i> <i>Resigned 30/11/2022</i>
	<i>Initial appointment was for 12 months but extended to 3 years (renewable)</i>	<i>From 03/2017</i>	<i>Sinead Urquhart</i> <i>Term expired 24/05/2023</i>

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

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 2022/23 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.

	2022/23		2021/22	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Alastair MacColl	783.9	29,992	780	29,843
Angus Campbell	201.5	7,709	169.5	6,485

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 Partnership Forum (formerly Regional Strategic Committee). The remit of each of the Court committees is set out below.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Attendance Summary (1 August 2022 – 31 July 2023)

University Court and Senior Committees

	Court	Audit Committee	Finance & General Purposes Committee	Remuneration Committee	Partnership Forum	
Alastair MacColl*	10/10					Alastair MacColl*
Victoria Nairn**	8/8	3/3	4/4		3/3	Victoria Nairn**
Fiona Maclean	8/10					Fiona Maclean
Mei-Li Roberts	10/10					Mei-Li Roberts
Rosemary McCormack	9/10				4/4	Rosemary McCormack
William Campbell***						William Campbell
Gary Souter***						Gary Souter
David Sandison	10/10				4/4	David Sandison
Derek Lewis	8/8		4/6		3/4	Derek Lewis
Angus Campbell	10/10		3/3	2/3	4/4	Angus Campbell
Andrea Robertson	10/10	1/2	5/6	5/7		Andrea Robertson
Malcolm Burr	7/10	1/4				Malcolm Burr
Poonam Malik	9/10		4/6	7/7		Poonam Malik
Calum Ross	7/10					Calum Ross
Allan Clow	1/2					
Alex Patterson	2/2					
Sarah O'Hagan	9/10					Sara O'Hagan

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Helen Macinnes***						Helen Macinnes***
Heather Offord***						Heather Offord***
Paul Travill ***						Paul Travill ***
Todd Walker**	1/1	1/1	1/2		0/1	Todd Walker**
Heather Innes	9/10				3/4	Heather Innes
Madeleine Brown	7/10					Madeleine Brown
Murray Easton	10/10	3/3	4/5			Murray Easton
Linda Kirkland	5/7		3/4	4/4		Linda Kirkland
Duncan Macaulay	6/7		3/5			Duncan Macaulay
Joe De Sylva	2/7					Joe De Sylva
Brian Crichton	1/2				3/4	Brian Crichton
Frank Gribben		2/2				Frank Gribben
Sinead Urquhart		3/4				Sinead Urquhart

* 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.

*** Appointed to Court after 31/08/2023

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 2023 (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 21/22 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 2023 (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 reported 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. One meeting of Foundation per year is held as part of the annual public stakeholder's event.

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.

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

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 2022/23 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 2023/24 university budget continue to be achievement of student activity targets and the related impact on grant income and the continued likelihood of flat or reduced SFC funding. 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.

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.

At 31 July 2023, the company has a surplus in its unrestricted fund of £4.4m, compared to a surplus of £0.6m in 2021/22. The university reported a surplus before other gains and losses of £0.7m, compared to a deficit of £10.0m in 2021/22 and overall, the group is reporting net assets of £6.3 million, compared to a net assets of £2.5 million in 2021/22. The increase in the net asset position is mainly due to the pension liability being reduced to £4.2 million at the end of 22/23. There has also been an increase in net current liabilities, from £0.3 million in 2021/22 to a

net current liability of £5.4 million in 2022/23. The increase in net current liabilities has been addressed in the updated cashflow forecasts. Given the current financial climate, the cashflow forecasts are regularly updated and reviewed on a monthly basis, with revised reports being presented to FGPC at every meeting. These updated forecasts include all known current commitments and have been included as commitments within the cashflow forecast and held as restricted cash within the cashflow forecast.

The original UHI EO budget for 2023/24 shows an improving situation, with a significantly reduced cash deficit forecast for 2024/25 at £0.2 million and a return to a cash surplus in 2025/26. In terms of available cash, the forecast is for this to remain at around £7 million over the forecast period, with forecast cash balances being £24 million over the next 3 years. An annualised savings target of £4m was set for the Organisational Redesign - £3m of staff costs and £1m non-staff costs. £1.8m of staff cost and £0.7m of non-staff cost savings were targeted for 2023/24, with £2.5m of reserves being ring-fenced to fund severance and pension strain costs. The cashflow forecast for 2023/24 assumes £2.5m of inflow from the sale proceeds of Ness Walk. The 3-year budget also includes investment in admissions and student recruitment, as well as commercial development resource and years 2 and 3 include assumptions of some income growth as a result of this investment. Available cash reserves stabilise at c.£7m each year – just below 70 days liquidity days.

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Going Concern (continued)

An updated financial forecast for 2023/24 has been produced, which contains an update from the latest restructure proposals, and associated savings, HE student recruitment, grant capture, strategic investments, and other income generation. It shows that for 2023/24, the available cash at year-end remains the same as the original budget forecast, at £7.1 million. However, due to the savings target of £4 million currently being forecast to be short by £1.3 million, the available cash is currently forecast to be lower in 24/25 & 25/26, at £5.6 million and £4.4 million. This is currently being reviewed and everything will be done in the remainder of the year to ensure that the overall savings target of £4 million is met for 2023/24.

Given the current funding climate, which is presenting the University and College sectors with unprecedented threats and challenges to financial sustainability, and the financial position of the UHI partnership, there are some key financial challenges that will be a prioritised over the coming year and these are set out below:

- EO budget – generate a further £1.3m of recurring savings (or new income generation) from 2024/25 onwards to generate a break-even budget by the end of 2025/26.
- Unrestricted UHI EO cash reserves must be protected and strengthened in order to be able to provide both liquidity cover to the partnership and funds to invest for growth – the current cash reserves across the partnership are not sustainable and details are noted below on the progress being made in terms of the UHI 2024 initiative.
- HE UGT student number growth is a top priority – if UHI was to deliver our SFC funded target in 2023/24, this would bring £4.7m of additional income to the partnership – of which c.£1.5m would be allocated to EO. This would make a significant contribution towards the financial sustainability of all UHI partners in 2023/24.
- Academic Partner financial recovery plans should continue to be monitored and reported on a regular basis to both the RSB and F&GPC to ensure in-year cashflow requests are kept to a minimum and avoid additional pressures on EO cash reserves. The latest financial forecasts submitted to the SFC in June 2023, even with a margin of improvement for recovery plans, are clearly not sustainable.
- SFC Clawback funds for 2022/23 (£5.8m) – discussions are on-going with the SFC regarding 22/23 clawback – given the financial forecasts for 2023/24, a positive outcome from this discussion could be key in the short-term.
- Income diversification, and a reduction of the partnership’s dependence on SFC funding, is key to our financial recovery, however this will take time to develop and deliver financial impact. Continual cost cutting will pose a significant threat to our ability to both deliver and grow our mission. Income growth must run in parallel with ‘right-sizing’ our partnership cost base and funding models.

As noted above, there are a number of partners who are forecasting cash deficits in the coming year and at this point we would like to clarify the role of the Regional Strategic Body (RSB) in supporting the academic partnership of UHI.

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Going Concern (continued)

The purpose of the RSB is to distribute funds from the SFC for HE/FE and Research and to ensure that there is appropriate use of those funds in line with appropriate financial management and the regional outcome agreement in each of the Academic Partners. This is in line with the conditions of the Financial Memorandum in place between the RSB and the Partners, which is noted below:

- UHI – AP FM – Page 8, section 15 - What the College can expect from the Regional Strategic Body - The Regional Strategic Body will allocate and pay grant to the College in accordance with its current policies and procedures. The College will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.

The RSB is purely the statutory and regulatory funding mechanism, put in place by SFC and Scottish Government, in relation to the assigned academic partners. The RSB does not hold any funds or reserves of its own and therefore has no assets over and above what funding is distributed to the RSB by the SFC. Furthermore, it has no responsibility to provide funds to academic partners, unless it chooses to, via loan mechanisms.

For clarity, the role of the RSB should not be confused with the University (UHI Limited), and which trades in its own right as a higher education academic partner. The University holds the degree and research awarding powers of the University together with also providing a number of 'central' services to Partners which is reflected in the UHI legislation/Articles of Association.

As such, with respect to the UHI Partnership, the SFC/Scottish Government have the responsibility for providing funding support to the colleges via the RSB funding mechanism, NOT the RSB itself, and it is the SFC which should be considered as the 'bank' not UHI Limited, acting as EO. This is highlighted below in the FM:

- SFC_UHI FM – Page 6 , section 1 - Responsibilities of the Scottish Funding Council - SFC is the national, strategic body with responsibility for funding further and higher education, research and other activities in Scotland's colleges, universities and other HEIs. Its funding decisions support the Scottish Government's national priorities.

UHI is also not responsible for partners financial sustainability, partners are responsible. This is set out in the FM and is noted below:

- UHI-AP FM – Page 9 , section 17 - The Regional Strategic Body's governance requirements of the College - The College plans and manages its activities to remain sustainable and financially viable. A College is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Going Concern (continued)

As highlighted in last year's accounts, 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.

In broad terms the programme of work has progressed well with notable outputs being:

- Completed and actioned an HE curriculum review, the outcomes of which have now been approved by academic planning committee and will now be implemented.
- Developed and had approved a new partnership wide strategic plan that sets the context within which we will work until 2030.
- Made significant savings within executive office to ensure that its running costs are aligned to the current financial realities.
- Progressing multi partner procurement of core corporate systems to enhance functionality, procure more efficiently, standardise process and practice and provide for the foundations of single services.
- Gathered and analysed clear comparable baseline information on workforce and staffing costs that can be used to inform discussions around service configuration.

Where the programme has been less successful is developing the operational detail of what and how "acting as one" means in practice, the efficiency gains that is likely to bring and the changes that are required to deliver it. For example, work on how functions within executive office dovetail with the same functions delivered by academic partners, how single or shared services might be developed and delivered, and the operational shape that we desire to be. It is in these areas that the more substantial and partnership wide savings were to be made and are therefore not currently being realised.

It was subsequently agreed that the status quo was not sustainable and two actions were to be taken forward.

1. The iPVC was to hold discussions with the assigned college principals with aim of identifying a more effective and efficient structure and operating model for the partnership.
2. That the Programme Board consider where UHI 2024 workstreams could be refocused or adapted to deliver greater levels of change.

In response to action one, the iPVC held individual meetings with Principals, followed by a meeting of the Chairs and Principals of the University and the assigned colleges. At that meeting it was agreed that the iPVC would lead a piece of work to develop a target operating model for discussion with the Scottish Funding Council. In response to action two, the UHI 2024 programme board agreed a proposal to fold significant elements of the UHI 2024 programme into the development of the target operating model as the work largely aligned with the actions that the individual workstreams were to take forward, consolidating and increasing the pace of the work.

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Going Concern (continued)

The iPVC executive group has been meeting regularly since the end of August 2023 to develop the target operating model. They have agreed a draft set of principles that frame the work and a set of outcomes that the partnership would seek to achieve through the implementation of the target operating model. To provide structure to the discussions they have broken the target operating model into seven domains as noted below;

- Vision and Strategy
- Governance and reporting (including performance and standards)
- Organisational design
- People
- Systems and processes
- Pedagogue
- Funding mechanism

In parallel we are mapping the current operating model against the same domains, so that we can undertake comparative analysis between the two and the relative costs, benefits, deficits and impact of the two models. Consideration will also be given to how we can move between the current and the target operating model so there is clarity on what can be achieved at our own hand, and what legislative or regulatory changes may be required. The intention will be to discuss the outline of the model with the SFC in November and then agree a final model with the SFC in January.

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

Key risks

The impact of The United Kingdom leaving the European has compounded the impact of the Covid-19 pandemic. 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. The current general UK and Scottish operating environment has increased the likelihood of some of our agreed common risks occurring. The risk of financial failures resulting from economic pressures including inflation, a diminishing Unit of Resource, failure to achieve core HE student numbers and risks associated with the loss of key staff via compulsory and voluntary redundancy schemes are high on the University's risk register and a wide range of mitigating actions are in place.

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

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

our academic partners is vital if we are to achieve our overarching vision, achieve global reach and become a distinctive, world-class institution. Financial sustainability requires us to secure a fair share of public funding for both our further and higher education, including for research. Importantly, however, it will require us to further supplement our core public funding through improved grant capture and increased philanthropic and commercial income, the latter including from self and employer-funded students. It also requires us to further enhance the economy, effectiveness and efficiency of our activities, whilst maintaining a broad range of geographically dispersed activity, including teaching, research and support functions, across our university partnership. Our approach to risk and how this is managed and applied to the breadth of our research, commercial and teaching activities across our diverse partnership underpins financial sustainability.

This requires an increasingly collective and collaborative approach to the strategic management of our university partnership and activities, but one which is sensitive to the diversity within the partnership and the need to remain responsive to local and sub-regional needs. Greater financial independence and sustainability will enhance our institutional confidence and staff morale, as well as allowing a longer-term strategic view to be taken. This will maximise the use of resources across the university partnership. Financial sustainability will allow us to grow, make strategic investments, move to the next phase in our development and be agile and responsive to the opportunities which arise.”

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

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

Key figures in relation to partnership are noted below:

- CPI - Consolidated partnership surplus – target is surplus of 1% of turnover – actual for 2021/22 was a consolidated deficit of 12% (2020/21 – consolidated deficit of 5.5%)
- KPI – consolidated non SFC income – target is to increase 3% on 2016/17 baseline (£57.9 million) – actual for 2021/22 was £71.1 million, a 17% decrease compared to 2020/21 (£61.2 million).
- KPI – philanthropic funding – target of £250,000 – actual for 2021/22 was £110,000 (2020/21 - £269,000).

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 23. 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 2023 (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 Finance 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 Auditors provide the University Court with a report on internal audit activity in the University. The report includes the Internal Auditors' 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 2022, the Internal Auditors conclude 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.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2023 (continued)

Statement on the System of Internal Control (continued)

On the basis of the work carried out since 1 August 2022, the Internal Auditors conclude that the University has in place a Value for Money Policy and Procedures which confirms the University's commitment to achieving value for money from all of its activities, regardless of the method of funding. It further defines the scope, responsibilities, concept of value for money and approaches to assessing value for money to help promote and secure value for money within the University.

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

Signed on behalf of the University



Alastair MacColl
Chair of University Court

Date: 19 December 2023



Victoria Nairn
Interim Principal and Vice-Chancellor

Date: 19 December 2023

University of the Highlands and Islands

Statement of the Responsibilities of the University Court for the year ended 31 July 2023

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



Victoria Nairn
Interim Principal and Vice-Chancellor

Date: 19 December 2023

Date: 19 December 2023

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 2023 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 33, 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 2023 and of the group and University's income and expenditure, recognised gains and losses, and statement of cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Emphasis of matter

We draw attention to note 2 "Going concern", on page 47 to 49 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

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 - 37, 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

Matters on which we are required to report by exception

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(l)(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

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

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

Martin Johnston CA (Senior statutory auditor)

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

Date: 20th December 2023

University of the Highlands and Islands
Consolidated and Institution Statement of Comprehensive Income
Year Ended 31 July 2023

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Income					
Tuition fees and education contracts	1	12,614	12,614	14,058	14,058
Funding body grants	2	108,680	108,680	101,517	101,517
Research grants and contracts	3	4,266	4,266	2,954	2,940
Other income	4	11,721	11,888	13,110	13,236
Investment income	5	465	464	34	34
Gain on revaluation of investment		-	-	-	-
Total income before endowments and donations		137,745	137,912	131,673	131,786
Donations and endowments	6	476	476	110	110
Total Income		138,221	138,387	131,783	131,896
Expenditure					
Staff costs	7	17,102	17,102	22,438	22,438
Other operating expenses	9	118,351	118,631	115,651	115,932
Depreciation	12	1,480	1,434	1,455	1,383
Impairment of fixed assets	12	-	-	1,589	868
Impairment of investment	15	21	21	90	90
Interest and other finance costs	8	540	417	593	499
Total Expenditure		137,493	137,605	141,817	141,210
Surplus/(deficit) before other gains/losses		728	782	(10,034)	(9,315)
Gain/(Loss) on revaluation of investment property	12	(520)	(520)	-	-
Surplus/(deficit) before tax		207	261	(10,034)	(9,315)
Taxation	10	(22)	-	(18)	-
Surplus/(deficit) for the year		185	261	(10,052)	(9,315)
Actuarial gain in respect of pension schemes	31	3,691	3,691	27,431	27,431
Total comprehensive income for the year		3,876	3,952	17,379	18,116
Represented by:					
Restricted comprehensive income/ (expense) for the year		58	58	(228)	(228)
Unrestricted comprehensive income for the year		3,818	3,894	17,607	18,344
		3,876	3,952	17,379	18,116
Surplus/(deficit) for the year attributable to:					
Institution		185	261	(10,052)	(9,315)
Total Comprehensive income for the year attributable to:					
Institution		3,876	3,952	17,379	18,116

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 2023

Consolidated	Income and expenditure account		Total
	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	
Balance at 1 August 2021	2,061	(16,973)	(14,912)
Deficit from the income and expenditure statement	(228)	(9,824)	(10,052)
Other comprehensive income	-	27,431	27,431
Release of restricted funds spent in year	-	-	-
Total comprehensive income for the year	(228)	17,607	17,379
Balance at 1 August 2022	1,833	634	2,467
Surplus from the income and expenditure statement	58	127	185
Other comprehensive income	-	3,691	3,691
Total comprehensive income for the year	58	3,818	3,876
Balance at 31 July 2023	1,891	4,452	6,343

University of the Highlands and Islands
Consolidated and Institution Statement of Financial Position
As at 31 July 2023

	Notes	As at 31 July 2023		As at 31 July 2022	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Non-current assets					
Fixed assets	12	<u>45,539</u>	<u>44,160</u>	<u>44,721</u>	<u>43,295</u>
		<u>45,539</u>	<u>44,160</u>	<u>44,721</u>	<u>43,295</u>
Investments	15	978	978	999	999
Investment in Subsidiary Companies	13	-	869	-	869
Goodwill	11	-	-	-	-
Current assets					
Trade and other receivables	14	11,660	11,854	12,203	12,318
Amounts due from subsidiaries		-	2,472	-	2,456
Deferred tax asset		-	-	22	-
Investments	15	6,000	6,000	6,000	6,000
Cash and cash equivalents	21	<u>15,779</u>	<u>15,715</u>	<u>25,494</u>	<u>25,393</u>
		<u>33,439</u>	<u>36,041</u>	<u>43,719</u>	<u>46,167</u>
Less: Creditors: amounts falling due within one year	16	<u>(38,885)</u>	<u>(36,457)</u>	<u>(44,041)</u>	<u>(43,928)</u>
Net current(liabilities)/assets		(5,446)	(416)	(322)	2,239
Total assets less current liabilities		41,072	45,591	45,398	47,402
Creditors: amounts falling due after more than one year	17	(30,510)	(30,510)	(34,150)	(31,712)
Provisions					
Pension provisions	18	(4,219)	(4,219)	(8,781)	(8,781)
Total net assets		<u>6,342</u>	<u>10,862</u>	<u>2,467</u>	<u>6,909</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	19	1,891	1,891	1,834	1,834
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		4,451	8,970	633	5,075
Total Reserves		<u>6,342</u>	<u>10,862</u>	<u>2,467</u>	<u>6,909</u>

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



Alastair MacColl
Chairman



Victoria Nairn
Interim Principal and Vice-Chancellor

Date: 19th December 2023

Date: 19th December 2023

Consolidated Cash Flow

Year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Cash flow from operating activities			
Surplus for the year		3,876	17,379
Adjustment for non-cash items			
Depreciation	12	1,480	1,455
Deferred capital grants on disposed assets		-	-
Impairment of goodwill	11	-	-
Impairment of investment/(Gain on revaluation)	15	21	90
Impairment of tangible fixed assets	12	-	1,589
(Gain)/Loss on revaluation of investment property		520	-
Decrease/(increase) in debtors	14	565	(5,282)
Increase/(decrease) in creditors	16	(8,796)	12,848
Increase/(decrease) in pension provision	18	(4,562)	(21,324)
Increase/(decrease) in other provisions	18	-	-
Adjustment for investing or financing activities			
Investment income	5	(465)	(34)
Interest payable	8	540	593
Net cash inflow from operating activities		(6,820)	7,314
Cash flows from investing activities			
Investment income	5	465	34
Payments made to acquire fixed assets	12	(2,819)	(3,866)
Purchase of Subsidiary Companies	13	-	2
		(2,355)	(3,830)
Cash flows from financing activities			
Interest paid	8	(540)	(593)
New loans		-	-
		(540)	(593)
Increase in cash and cash equivalents in the year		(9,715)	2,891
Cash and cash equivalents at beginning of the year	21	25,494	22,603
Cash and cash equivalents at end of the year	21	15,779	25,494

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2023

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 14 December 2023. 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 2022/23 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 2023/24 university budget continue to be achievement of student activity targets and the related impact on grant income and the continued likelihood of flat or reduced SFC funding. 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.

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.

At 31 July 2023, the company has a surplus in its unrestricted fund of £4.4m, compared to a surplus of £0.6m in 2021/22. The university reported a surplus before other gains and losses of £0.7m, compared to a deficit of £10.0m in 2021/22 and overall, the company is reporting net assets of £6.3 million, compared to a net assets of £2.5 million in 2021/22. The increase in the net asset position is mainly due to the pension liability being reduced to £4.2 million at the end of 22/23. There has also been an increase in net current liabilities, from £0.3 million in 2021/22 to a net current liability of £5.4 million in 2022/23. The increase in net current liabilities has been addressed in the updated cashflow forecasts. Given the current financial climate, the cashflow forecasts are regularly updated and reviewed on a monthly basis, with revised reports being presented to FGPC at every meeting. These updated forecasts include all known current commitments and have been included as commitments within the cashflow forecast and held as restricted cash within the cashflow forecast.

The original UHI EO budget for 2023/24 shows an improving situation, with a significantly reduced cash deficit forecast for 2024/25 at £0.2 million and a return to a cash surplus in 2025/26. In terms of available cash, the forecast is for this to remain at around £7 million over the forecast period, with forecast cash balances being £24 million over the next 3 years. An annualised savings target of £4m was set for the Organisational Redesign - £3m of staff costs and £1m non-staff costs. £1.8m of staff cost and £0.7m of non-staff cost savings were targeted for 2023/24, with £2.5m of reserves being ring-fenced to fund severance and pension strain costs. The cashflow forecast for 2023/24 assumes £2.5m of inflow from the sale proceeds of Ness Walk. The 3-year budget also includes investment in admissions and student recruitment, as well as commercial development resource and years 2 and 3 include assumptions of some income growth as a result of this investment. Available cash reserves stabilise at c.£7m each year – just below 70 days liquidity days.

An updated financial forecast for 2023/24 has been produced, which contains an update from the latest restructure proposals, and associated savings, HE student recruitment, grant capture, strategic investments, and other income generation. It shows that for 2023/24, the available cash at year-end remains the same as the original budget forecast, at £7.1 million. However, due to the savings target of £4 million currently being forecast to be short by £1.3 million, the available cash is currently forecast to be lower in 24/25 & 25/26, at £5.6 million and £4.4 million. This is currently being reviewed and everything will be done in the remainder of the year to ensure that the overall savings target of £4 million is met for 2023/24.

Given the current funding climate, which is presenting the University and College sectors with unprecedented threats and challenges to financial sustainability, and the financial position of the UHI partnership, there are some key financial challenges that will be a prioritised over the coming year and these are set out below:

- EO budget – generate a further £1.3m of recurring savings (or new income generation) from 2024/25 onwards to generate a break-even budget by the end of 2025/26.
- Unrestricted UHI EO cash reserves must be protected and strengthened in order to be able to provide both liquidity cover to the partnership and funds to invest for growth – the current cash reserves across the partnership are not sustainable and details are noted below on the progress being made in terms of the UHI 2024 initiative.
- HE UGT student number growth is a top priority – if UHI was to deliver our SFC funded target in 2023/24, this would bring £4.7m of additional income to the partnership – of which c.£1.5m would be allocated to EO. This would make a significant contribution towards the financial sustainability of all UHI partners in 2023/24.
- Academic Partner financial recovery plans should continue to be monitored and reported on a regular basis to both the RSB and F&GPC to ensure in-year cashflow requests are kept to a minimum and avoid additional pressures on EO cash reserves. The latest financial forecasts submitted to the SFC in June 2023, even with a margin of improvement for recovery plans, are clearly not sustainable.
- SFC Clawback funds for 2022/23 (£5.8m) – discussions are on-going with the SFC regarding 22/23 clawback – given the financial forecasts for 2023/24, a positive outcome from this discussion could be key in the short-term.
- Income diversification, and a reduction of the partnership's dependence on SFC funding, is key to our financial recovery, however this will take time to develop and deliver financial impact. Continual cost cutting will pose a significant threat to our ability to both deliver and grow our mission. Income growth must run in parallel with 'right-sizing' our partnership cost base and funding models.

As noted above, there are a number of partners who are forecasting cash deficits in the coming year and at this point we would like to clarify the role of the Regional Strategic Body (RSB) in supporting the academic partnership of UHI.

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2023

2. Going concern (continued)

The purpose of the RSB is to distribute funds from the SFC for HE/FE and Research and to ensure that there is appropriate use of those funds in line with appropriate financial management and the regional outcome agreement in each of the Academic Partners. This is in line with the conditions of the Financial Memorandum in place between the RSB and the Partners, which is noted below:

- UHI – AP FM – Page 8, section 15 - What the College can expect from the Regional Strategic Body - The Regional Strategic Body will allocate and pay grant to the College in accordance with its current policies and procedures. The College will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.

The RSB is purely the statutory and regulatory funding mechanism, put in place by SFC and Scottish Government, in relation to the assigned academic partners. The RSB does not hold any funds or reserves of its own and therefore has no assets over and above what funding is distributed to the RSB by the SFC. Furthermore, it has no responsibility to provide funds to academic partners, unless it chooses to, via loan mechanisms.

For clarity, the role of the RSB should not be confused with the University (UHI Limited), and which trades in its own right as a higher education academic partner. The University holds the degree and research awarding powers of the University together with also providing a number of 'central' services to Partners which is reflected in the UHI legislation/Articles of Association.

As such, with respect to the UHI Partnership, the SFC/Scottish Government have the responsibility for providing funding support to the colleges via the RSB funding mechanism, NOT the RSB itself, and it is the SFC which should be considered as the 'bank' not UHI Limited, acting as EO. This is highlighted below in the FM:

- SFC_UHI FM – Page 6 , section 1 - Responsibilities of the Scottish Funding Council - SFC is the national, strategic body with responsibility for funding further and higher education, research and other activities in Scotland's colleges, universities and other HEIs. Its funding decisions support the Scottish Government's national priorities.

UHI is also not responsible for partners financial sustainability, partners are responsible. This is set out in the FM and is noted below:

- UHI-AP FM – Page 9 , section 17 - The Regional Strategic Body's governance requirements of the College - The College plans and manages its activities to remain sustainable and financially viable. A College is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands.

As highlighted in last year's accounts, 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.

In broad terms the programme of work has progressed well with notable outputs being:

- Completed and actioned an HE curriculum review, the outcomes of which have now been approved by academic planning committee and will now be implemented.
- Developed and had approved a new partnership wide strategic plan that sets the context within which we will work until 2030.
- Made significant savings within executive office to ensure that its running costs are aligned to the current financial realities.
- Progressing multi partner procurement of core corporate systems to enhance functionality, procure more efficiently, standardise process and practice and provide for the foundations of single services.
- Gathered and analysed clear comparable baseline information on workforce and staffing costs that can be used to inform discussions around service configuration.

Where the programme has been less successful is developing the operational detail of what and how "acting as one" means in practice, the efficiency gains that is likely to bring and the changes that are required to deliver it. For example, work on how functions within executive office dovetail with the same functions delivered by academic partners, how single or shared services might be developed and delivered, and the operational shape that we desire to be. It is in these areas that the more substantial and partnership wide savings were to be made and are therefore not currently being realised.

It was subsequently agreed that the status quo was not sustainable and two actions were to be taken forward.

1. The iPVC was to hold discussions with the assigned college principals with aim of identifying a more effective and efficient structure and operating model for the partnership.
2. That the Programme Board consider where UHI 2024 workstreams could be refocussed or adapted to deliver greater levels of change.

In response to action one, the iPVC held individual meetings with Principals, followed by a meeting of the Chairs and Principals of the University and the assigned colleges. At that meeting it was agreed that the iPVC would lead a piece of work to develop a target operating model for discussion with the Scottish Funding Council. In response to action two, the UHI 2024 programme board agreed a proposal to fold significant elements of the UHI 2024 programme into the development of the target operating model as the work largely aligned with the actions that the individual workstreams were to take forward, consolidating and increasing the pace of the work.

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2023

2. Going concern (continued)

The iPVC executive group has been meeting regularly since the end of August 2023 to develop the target operating model. They have agreed a draft set of principles that frame the work and a set of outcomes that the partnership would seek to achieve through the implementation of the target operating model. To provide structure to the discussions they have broken the target operating model into seven domains as noted below;

- Vision and Strategy
- Governance and reporting (including performance and standards)
- Organisational design
- People
- Systems and processes
- Pedagogue
- Funding mechanism

In parallel we are mapping the current operating model against the same domains, so that we can undertake comparative analysis between the two and the relative costs, benefits, deficits and impact of the two models. Consideration will also be given to how we can move between the current and the target operating model so there is clarity on what can be achieved at our own hand, and what legislative or regulatory changes may be required. The intention will be to discuss the outline of the model with the SFC in November and then agree a final model with the SFC in January.

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

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2023. 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 2023

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 2023

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 2023

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 2023

	Notes	Year Ended 31 July 2023		Year Ended 31 July 2022	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts					
Scotland and EU fees		10,289	10,289	10,924	10,924
RUK (new fee rates)		1,158	1,158	1,155	1,155
Non-EU fees		1,167	1,167	945	945
Education contracts		-	-	1,034	1,034
		12,614	12,614	14,058	14,058
2 Funding body grants					
Recurrent grant					
General Fund - Teaching		36,490	36,490	36,245	36,245
General Fund - Research and Knowledge Exchange		4,630	4,630	3,736	3,736
Release of deferred capital grants		14	14	20	20
Specific grants					
Strategic funding		-	-	-	-
Capital maintenance grants		1,269	1,269	1,216	1,216
Grants for FE provision		63,222	63,222	57,125	57,125
Ring-fenced grants funded by Scottish Government		3,054	3,054	3,175	3,175
		108,680	108,680	101,517	101,517
3 Research grants and contracts					
Research councils		1,310	1,310	-	-
Research charities		343	343	761	761
Government (UK and overseas)		2,233	2,233	1,244	1,244
EU		194	194	154	154
Industry and commerce		57	57	182	182
Other		129	129	613	599
		4,266	4,266	2,954	2,940
4 Other income					
Other revenue grants		618	618	1,695	1,695
Enterprise Agency grants		-	-	-	-
Other grant income		84	84	426	426
Other capital grants		157	157	(33)	(33)
Apprenticeship Grants		2,306	2,306	3,718	3,718
Other income		4,551	4,718	4,503	4,629
Residences Income		2,304	2,304	1,715	1,715
Other income generating activities		1,701	1,701	1,086	1,086
		11,721	11,888	13,110	13,236
5 Investment income					
Other investment income		465	464	34	34
Net return on pension scheme	31	-	-	-	-
		465	464	34	34
6 Donations and endowments					
Donations with restrictions	19	476	476	110	110
		476	476	110	110

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2023

	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	14,246	14,246	12,680	12,680
Social security costs	1,396	1,396	1,350	1,350
Pension contributions paid	2,682	2,682	2,737	2,737
Pension net service cost	832	832	2,283	2,283
Movement on USS provision	(2,055)	(2,055)	3,388	3,388
Total	17,102	17,102	22,438	22,438
Administration and Central Services	9,285	9,285	8,692	8,692
Premises	210	210	78	78
Research Grants and Contracts	1,832	1,832	1,862	1,862
Academic/Teaching Departments	2,918	2,918	3,039	3,039
Academic/Teaching Support Services	2,597	2,597	3,036	3,036
Movement on pension provision	(1,223)	(1,223)	5,671	5,671
Restructuring costs	1,483	1,483	60	60
	17,102	17,102	22,438	22,438

	Year ended 31 July 2023	Year ended 31 July 2022
Emoluments of the Vice-Chancellor:	£'000	£'000
Salary	219	210
Pension contributions	34	46
	254	256

The remuneration of the Principal equates to 5.10 x the median annualised full time equivalent basic salary of all other employees and 5.21 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	1	-
£130,000 to £139,999	-	1
	3	1

Average staff numbers by major category :	No.	No.
Administration and Central Services	165	166
Premises	5	2
Research Grants and Contracts	29	32
Academic/Teaching Departments	45	49
Academic Services	51	60
	295	309

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 2023

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 2023 £'000	Year ended 31 July 2022 £'000
Key management personnel compensation	492	634

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.

	2022/23		2021/22	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	-	-	-	-
Dr Michael Foxley	-	-	-	-
Prof Fiona MacLean	-	-	-	-
Alastair MacColl	783.9	£29,992	780	£29,843
Angus Campbell	201.5	£7,709	169.5	£6,485

The total expenses paid to or on behalf of 20 court members was £17,416 (2022 - £4,354 to 29 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 2023

Notes	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs				
Net charge on pension scheme	33	396	480	480
Loan Interest		144	113	19
		<u>540</u>	<u>593</u>	<u>499</u>

9 Analysis of total expenditure by activity

	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	97,432	97,432	95,456	95,456
Administration and central services	9,015	8,998	10,608	10,575
Premises (including service concession cost)	1,222	1,222	3,019	3,319
Residences, catering and conferences	3,230	3,527	-	-
Research grants and contracts	6,720	6,720	5,570	5,584
Agency Staff	1	1	27	27
Other expenses	731	731	971	971
	<u>118,351</u>	<u>118,631</u>	<u>115,651</u>	<u>115,932</u>

Other operating expenses include:

External auditor remuneration in respect of audit services - current	75	40
External auditor remuneration in respect of audit services - previous	26	10
External auditor remuneration in respect of non-audit services	-	8
Internal auditor remuneration in respect of internal audit services	26	34

Operating lease rentals:

Land and buildings	12	72
Other	27	24

10 Deferred Taxation

Year Ended 31 July 2023

	Consolidated £'000
As at 1 August 2022	22
Additions on acquisitions of subsidiaries	-
Charged to income statement	(22)
As at 31 July 2023	<u>-</u>
Represented by:	
Unutilised losses carried forward	-
Fixed asset timing differences	-
Unrealised capital gains	<u>-</u>

11 Intangible Assets

Goodwill

Year Ended 31 July 2023

	Consolidated £'000
Cost	
As at 1 August 2022	3,734
Additions	-
As at 31 July 2023	<u>3,734</u>
Amortisation	
As at 1 August 2022	3,734
Additions	-
Impairment	-
As at 31 July 2023	<u>3,734</u>
Net Book Value	
As at 1 August 2022	-
Additions	-
Impairment	-
As at 31 July 2023	<u>-</u>

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2023

12 Fixed Assets

Fixed assets comprises:

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Property, plant and equipment - at cost	41,059	39,680	39,721	38,295
Investment properties - at fair value	4,480	4,480	5,000	5,000
	45,539	44,160	44,721	43,295

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
Fair value	£'000	£'000
At 1 August 2022	5,000	5,000
Additions	-	-
Gain/(Loss) on revaluation of investment property	(520)	(520)
Change of use adjustment	-	-
As at 31 July 2023	4,480	4,480

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 2022	15,012	3,447	24,981	313	82	10,472	54,307
Additions	-	2,055	-	-	-	764	2,819
Transfer	5,502	(5,502)	-	-	-	-	-
Change of use adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2023	20,514	-	24,981	313	82	11,236	57,126
Depreciation and impairment							
At 1 August 2022	3,721	-	952	273	-	9,642	14,587
Charge for the year	377	-	816	31	-	255	1,480
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2023	4,098	-	1,768	304	-	9,897	16,067
Net book value							
At 31 July 2023	16,416	-	23,212	9	82	1,339	41,059
At 1 August 2022	11,291	3,447	24,028	41	82	830	39,720

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 2022	13,555	3,447	24,981	313	82	10,472	52,850
Additions	-	2,055	-	-	-	764	2,819
Transfer	5,502	(5,502)	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2023	19,057	-	24,981	313	82	11,236	55,669
Depreciation and impairment							
At 1 August 2022	3,689	-	952	273	-	9,642	14,555
Charge for the year	331	-	816	31	-	255	1,434
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 July 2023	4,020	-	1,768	304	-	9,897	15,989
Net book value							
At 31 July 2023	15,037	-	23,212	9	82	1,339	39,680
At 1 August 2022	9,866	3,447	24,028	41	82	830	38,295

At 31 July 2023, 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 2023

13 Investment in subsidiary

The University acquired 100% of the share capital of MPI Elgin Ltd and MPI Dornoch Ltd on 11 June 2021.

Consideration	Year ended 31 July 2023		Year ended 31 July 2022	
	£'000		£'000	
Total investment in subsidiary	<u>869</u>		<u>869</u>	

14 Trade and other receivables

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	567	567	812	812
Other trade receivables	3,686	3,699	1,207	1,207
Prepayments and accrued income	7,407	7,587	10,184	10,299
Amounts due from subsidiary companies	-	2,472	-	2,456
	<u>11,660</u>	<u>14,326</u>	<u>12,203</u>	<u>14,774</u>

15 Investments

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
As at 31 July 2022	999	999	1,089	1,089
Additions - Market Securities	-	-	-	-
(Loss)/Gain on valuation	(21)	(21)	(90)	(90)
As at 31 July 2023	<u>978</u>	<u>978</u>	<u>999</u>	<u>999</u>

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

Current Investments

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'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.

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2023

16 Creditors : amounts falling due within one year

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finance lease creditor	588	588	573	573
Trade payables	2,151	2,151	3,070	3,070
Social security and other taxation payable	225	225	909	909
Accruals and deferred income	33,149	33,003	38,940	38,885
SFC Loan	491	491	491	491
Bank loan	2,282	-	58	-
	38,885	36,457	44,041	43,928

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 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Accruals	13,506	13,405	20,135	20,353
Research grants received on account	751	751	1,094	1,094
Grant income	9,120	9,076	10,412	10,139
Deferred tax liability	-	-	-	-
Deferred Government Capital Grants	22	9,131	6,796	6,796
Other income	640	640	503	503
	33,149	33,003	38,940	38,885

17 Creditors : amounts falling due after more than one year

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finance Lease Creditor	23,260	23,260	23,848	23,848
SFC Loan	7,250	7,250	7,864	7,864
Santander Loan	-	-	2,438	-
	30,510	30,510	34,150	31,712

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

	Group		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Current	2,774	549	491	491
1-2 Years	491	1,692	491	491
2-5 Years	1,475	2,712	1,475	1,475
5 Years +	5,284	5,899	5,284	5,899
Long Term				
	10,024	10,852	7,741	8,356

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

18 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 2022		6,073	8,781
Utilised in year			-
Additions in 2022/23	(1,854)	(2,708)	(4,562)
Unused amounts reversed in 2022/23			-
At 31 July 2023	4,219	-	4,219

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 2023

19 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University	
	2023 Total £'000	2022 Total £'000
Donations		
Balances at 1 August 2022	1,834	2,061
New donations	476	110
Expenditure	(746)	(337)
Reclasification	327	-
Total restricted comprehensive income for the year	57	(227)
At 31 July 2023	1,891	1,834
	2,023 Total £'000	2,022 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	64	19
Course development	175	-
Student support	237	91
	476	110

20 Deferred Capital Grants

Group and University	Funding Council £'000	Other £'000	Total £'000
At 1 August 2022	26	6,770	6,796
Cash received and assets donated:			
Land & buildings	-	2,055	2,055
Equipment	42	415	456
	<u>42</u>	<u>2,470</u>	<u>2,511</u>
Released to income and expenditure account:			
Land and buildings	-	(111)	(111)
Equipment	(9)	(56)	(65)
	<u>(9)</u>	<u>(167)</u>	<u>(176)</u>
At 31 July 2023			
Land and buildings	-	8,652	8,652
Equipment	58	421	479
	<u>58</u>	<u>9,073</u>	<u>9,131</u>

21 Cash and cash equivalents

	At 1st August 2022 £'000	Cash Flows £'000	At 31st July 2023 £'000
Consolidated			
Cash and cash equivalents	25,163	(9,579)	15,584
Student support funds	331	(136)	195
	<u>25,494</u>	<u>(9,715)</u>	<u>15,779</u>
University	£'000	£'000	£'000
Cash and cash equivalents	25,062	(9,542)	15,520
Student support funds	331	(136)	195
	<u>25,393</u>	<u>(9,678)</u>	<u>15,715</u>

21 Cash and cash equivalents (continued)

Consolidated reconciliation of net debt		31 July 2023	
		£'000	
Net debt 1 August 2022		9,779	
Movement in cash and cash equivalents		(9,715)	
New loans		-	
Other non-cash changes		18,028	
Net debt 31 July 2023		<u>18,092</u>	
Change in net debt		<u>8,313</u>	
Analysis of net debt:			
		31 July 2023	31 July 2022
		£'000	£'000
Cash and cash equivalents		15,779	25,494
Borrowings: amounts falling due within one year			
Secured loans		2,774	549
Finance leases		588	573
		<u>3,361</u>	<u>1,123</u>
Borrowings: amounts falling due after more than one year			
Secured loans		7,250	10,302
Finance leases due after one year		23,260	23,848
		<u>30,510</u>	<u>34,150</u>
Net debt		<u>18,092</u>	<u>9,779</u>

22 Capital and other commitments

The University has signed an undertaking with Moray Council as part of the Moray Growth Deal to build the new Moray Aerospace, Advanced Technology and Innovation Campus. Full business Case is likely to be submitted to Government for approval in early 2024, with work to commence Q4 23/24. This is a £24m capital project, fully funded by UK Government and HIE.

23 Lease obligations

Total rentals payable under operating leases:	Group and University			31 July 2022
	31 July 2023		Total	
	Land and Buildings	Plant and Machinery	Total	
	£'000	£'000	£'000	£'000
Payable during the year	12	27	39	24
Future minimum lease payments due:				
Not later than 1 year	0	88	88	27
Later than 1 year and not later than 5 years	0	193	193	68
Later than 5 years	0	0	0	0
Total lease payments due	<u>0</u>	<u>281</u>	<u>281</u>	<u>95</u>
Lessor				
Future minimum lease payments due:				
Not later than 1 year	412		693	
Later than 1 year and not later than 5 years	146		151	
Later than 5 years			-	
Total lease payments due	<u>558</u>		<u>844</u>	
Total rentals payable under finance leases:				
	31 July 2023		31 July 2022	
	Land and Buildings		Land and Buildings	
	£'000		£'000	
Payable during the year	573		559	
Future minimum lease payments due:				
Not later than 1 year	588		573	
Later than 1 year and not later than 5 years	2,500		2,439	
Later than 5 years	20,761		21,409	
Total lease payments due	<u>23,848</u>		<u>24,421</u>	

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

24 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 2023

25 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 £86,696 (21/22 net losses of £61,657). Net assets at 31 July 2023 are £521,900 (2022 - £608,506)

26 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 Partners £000	Payments to Partners £000	Amounts due	
			to Partners at 31 July 2023 £000	from Partners at 31 July 2023 £000
Argyll College	118	5,333	5	23
HTC	8	339	2	5
Inverness College	766	20,163	107	74
Outer Hebrides	112	5,270	5	7
Moray College	371	12,987	25	73
North Atlantic Fisheries College	-	-	-	(0)
North Highland College	551	14,857	12	13
Orkney Islands Council	322	3,668	21	77
Perth College	542	20,333	196	88
SAMS	87	2,341	15	129
Shetland Islands Council	4	-	-	13
Shetland UHI	138	983	10	32
SMO	19	914	15	(1)
West Highland College	140	6,167	9	44
	3,177	93,356	423	576

27 Hardship Funds and Childcare Funds

	NMDF £000	HE Covid Fund £000	HE Childcare £000	HE Discretionary £000	2022/23 Total £000	2021/22 Total £000
Balance brought forward	-	-	-	-	-	-
Allocation received in year	19	-	8	500	527	899
Expenditure	(19)	-	(6)	(467)	(492)	(736)
Virements	-	-	-	-	-	-
To be returned to SAAS	-	-	(2)	(33)	(35)	(163)
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.

28 Federal Student Aid

	US \$000	£000
Received and distributed		
Federal Direct Unsub Loan	46	38
Federal Direct Sub Loan	42	34
PLUS	63	51
	151	123

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.

29 Contingent Liabilities

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

30 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 2023

31 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 21.6% (2022 was 21.1% until September 2021 rising to 21.4% until March 2022 and 21.6% from April 2022).

The total charged to the profit and loss account is £1,278k (2022 £1,329k). Deficit recovery contributions due within one year for the institution are £362,194 (2022 £401,450).

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:

	2023	2022
Males currently aged 65 (years)	24.0	23.9
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	26.0	25.9
Females currently aged 45 (years)	27.4	27.3

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 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount rate	5.52%	3.31%
Pensionable salary growth	3.00%	3.00%

University of the Highlands and Islands

Notes to the Accounts

for the year ended 31 July 2023

31 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 2023 was £1,700k of which employers' contributions totalled £1,297k and employees' contributions totalled £403k.

The following information is based upon pension expense calculation as at 31 July 2023.

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 2022 model, with a 25% weighting of 2022 (and 0% of 2021 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	20.2 years	22.9 years
Future pensioners*	21.4 years	24.7 years

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

Historic Mortality

Period ended	Prospective Pensioners	Pensioners
31-Jul-23	CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (SK7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. for both males and females	

The mortality assumptions used to value the Obligations in the Employer's Closing Position are different 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-23		31-Jul-22		31-Jul-21		
	% p.a.	Real	% p.a.	Real	% p.a.	Real	
RPI Increases	3.15%	-0.35%	3.50%	0.20%	3.30%		0.20%
CPI Increases	3.00%	0.25%	2.75%	-0.10%	2.85%		0.65%
Salary Increases	3.80%	0.25%	3.55%	-0.10%	3.65%		0.55%
Pension Increases	3.00%	0.25%	2.75%	-0.10%	2.85%		0.65%
Discount Rate	5.05%	1.55%	3.50%	1.90%	1.60%		0.20%

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 2022 for the year to 31 July 2023). 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-23 £'000	Year to 31-Jul-22 £'000
Fair value of assets at the start of the year	45,581	45,624
Expected return on assets	1,597	726
Actuarial gain on assets	(1,195)	(1,702)
Actual contributions paid by University	2,104	1,332
Actual member contributions	404	396
Actual benefit payments	(974)	(795)
Fair value of scheme assets at the end of the year	<u>47,517</u>	<u>45,581</u>
Present value of liabilities at the start of the year	48,289	73,067
Current service cost	1,928	3,571
Past service costs	964	-
Interest cost on defined benefit obligation	1,792	1,183
Actual member contributions	404	396
Actual benefit payments	(974)	(795)
Changes in financial assumptions	(13,774)	(29,015)
Changes in demographic assumptions	(576)	(243)
Other experience adjustments	2,465	125
Present value of funded liabilities	<u>40,518</u>	<u>48,289</u>
Fair value of scheme assets at the end of the year	47,517	45,581
Present value of funded liabilities	<u>(40,518)</u>	<u>(48,289)</u>
Net liability in Balance Sheet	<u>6,999</u>	<u>(2,708)</u>

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2023

31 Pension Schemes (continued)

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

	Year to 31-Jul-23	Year to 31-Jul-22
	£'000	£'000
Current service cost *	1,928	3,571
Past service costs	964	-
Interest on obligation	1,792	1,183
Expected return on scheme assets	(1,195)	(1,702)
Actuarial loss in respect of pension schemes	10,690	27,431
Total	14,179	30,483

*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%	901
1 year increase in member life expectancy	4%	1,593
0.1% increase in Salary Increase Rate	1%	136
0.1% increase in Pension Increase Rate	1%	780

Reconciliation of opening and closing deficit

	Year to 31-Jul-23	Year to 31-Jul-22
	£'000	£'000
Deficit at beginning of year	(2,708)	(27,443)
Current service cost	(1,928)	(3,571)
Past service cost	(964)	-
Employer contributions	2,104	1,332
Other finance income	(195)	(457)
Actuarial (loss)/gain	10,690	27,431
Deficit at end of the year	6,999	(2,708)

Projected pension expense for the year to 31 July 2023

UHI share of the LGPS

Projections for Year to 31 July 2024

	Year to 31-Jul-24
	£'000
Service cost *	1,230
Interest cost	1,998
Return on assets	(2,351)
Total	877

Employer contributions

1,341

* 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.

32 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.

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

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for the year ended 31 July 2023

32 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 2023. 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.

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

Notes to the Accounts for the year ended 31 July 2023

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University of the Highlands and Islands

US Department of Education Financial Responsibility Supplemental Schedule

for the year ended 31 July 2023

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-23 £'000
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	Unrestricted reserves	4,451
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	Restricted reserves	1,891
Note 26	Statement of Financial Position - Unsecured related party receivable	Amounts due from partners	(2,911)
Note 12	Statement of Financial Position - Property, Plant and Equipment - pre-implementation	Net book value excluding Finance Lease Asset L&B	(17,847)
Note 12	Statement of Financial Position - Lease right of use asset - pre-implementation	Net book value of Finance Lease Asset L&B	(23,212)
Statement of Financial Position	Statement of Financial Position - Post-employment and pension liabilities	Pension provisions	4,219
Note 17	Statement of Financial Position - Long term debt for long term purposes	Loans repayable	10,024
	Modify for post implementation debt not related to purchase of assets		(857)
Notes 17/18	Statement of Financial Position - Lease of right of use asset liability	Finance Lease Creditor <1 year + Finance Lease Creditor >1 year	23,848
		Expendable Net Assets	(394)
Statement of Comprehensive income	Statement of Comprehensive Income - Total operating expenses	Total expenditure less fair value movement	137,516
Statement of Comprehensive income	Statement of Comprehensive Income - Other gains (losses)	Exceptional items less fair value movement less taxation	-
		Total expenses and losses	137,516
	Equity ratio		
Statement of Financial Position	Statement of Financial Position - Net Assets without donor restrictions	Unrestricted reserves	4,452
Statement of Financial Position	Statement of Financial Position - Net Assets with donor restrictions	Restricted reserves	1,891
Note 27	Statement of Financial Position - Unsecured related party receivable	Amounts due from partners	(2,911)
		Modified Net Assets	3,432
Statement of Financial Position	Statement of Financial Position - Total assets	Tangible fixed assets + investments + current assets	79,956
Note 27	Statement of Financial Position - Unsecured related party receivable	Amounts due from partners	(2,911)
		Modified Assets	77,045
	Net income ratio		
Statement of Financial Position	Statement of Financial Position - Change in net assets without donor restrictions	Change in unrestricted reserves	3,818
Statement of Comprehensive income	Statement of Comprehensive income - Total operating revenue - unrestricted	Total income less donations	138,221
Statement of Comprehensive income	Statement of Comprehensive Income - Investment return appropriated for spending	Investment income	(465)
		Total Revenue and Gains	137,756