UHI INVERSNESS

Meeting	Joint Meeting of the Audit and Finance and General Purposes Committees
Date and time	Tuesday 10th September 2024 at 3p.m.
Location	Via Microsoft Teams

Governance Officer
26 August 2024

AGENDA

Welcome and Apologies

Declarations of Interest

ITEMS FOR DECISION

1. **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023 (CONFIDENTIAL)**
   Report by Report by Director of Finance and Estates

2. **DRAFT EXTERNAL AUDITORS REPORT – 31 JULY 2023**
   Report by Deloitte

3. **LETTER OF REPRESENTATIONS**
   Provided by Deloitte

4. **SFC ANNUAL ACCOUNTS RETURN FOR THE YEAR ENDED 31 JULY 2023**
   Report by Report by Director of Finance and Estates

ITEMS FOR DISCUSSION

5. **AOCB**

6. **DATE OF NEXT MEETING – Monday 09 December 2024**

If any member wishes to add an item of business to the Agenda, please inform the Chair and the Governance Officer as soon as possible. Additional items of business will be considered for inclusion in the agenda in advance of and at the start of the meeting.

ITEM 02.

UHI | INVERSNESS

Joint Audit and Finance and General Purposes Committee

Subject/Title:	External Auditor's Annual Report for 2022/23
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	10 September 2024
Date Paper prepared:	3 September 2024
Brief Summary of the paper:	The College's External Auditors prepare an annual report on their audit of the financial statements for the year-ended 31 July 2023. A copy of their report is attached.
Action requested: [Approval, recommendation, discussion, noting]	Approval

ITEM 02.

Link to Strategy: Please highlight how the paper links to, or assists with:: ☐ compliance ☐ partnership services ☐ risk management ☐ strategic plan ☐ new opportunity/change	N/A
Resource implications:	N/A **If yes, please specify**:
Risk implications:	**If yes, please specify:** Financial – Yes Operational – Yes Organisational - Yes
Equality and Diversity implications:	N/A
Student Experience Impact:	None
Consultation: [staff, students, UHI & Partners, External] and provide detail	None
Status – [Confidential/Non confidential]	Non-Confidential
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes

*If a paper should **not** be included within “open” business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

ITEM 02.

Recommendation

That the audit and finance & general purposes committee approve the external auditor's annual report on the financial statements for the year-ended 31 July 2023.

Purpose of report

To provide the joint committee with the external auditors report on the annual audit of the college for the year ended 31 July 2023.

External Audit Annual Report

The college external auditors, Deloitte, produce a report on the audit of the College's financial statements and other areas that are reviewed under their audit, for the year ended 31 July 2023.

The key sections of their report and what they contain are noted below:

- Annual Report and Accounts – highlights the quality indicators which Deloitte consider in assessing the reliability of our financial reporting and provide context for other messages in this report, a summary of the audit work carried out, highlights the significant risks, reviews the control environment and the findings, highlights the overall audit report and the college annual report and accounts.
- Wider scope audit – provides details of the work carried out in a number of areas.
- Sector developments – highlights any current issues in the sector.
- Included in the appendices are details of the control findings, the audit adjustments, Deloittes other responsibilities and the statement on independence and audit fees.

Deloitte.

ITEM 02.a

UHI | INVERNESS

DRAFT

Inverness College

Report to the Audit Committee, the College and the Auditor General for Scotland on the 2022/23 audit

Issued on 3 September for the meeting on the 10 September 2024

Contents

Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our report to the Audit Committee ("the Committee") of Inverness College ("the College") for the 2022/23 audit. The report summarises our findings and conclusions made to date in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in May 2023.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, and the satisfactory resolution of the outstanding matters noted on slide 4 of this report, we expect to issue an unmodified audit report.

We have provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed that all necessary changes have been made.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 8.

We have identified two material adjustments which have been corrected by management, alongside one unadjusted misstatement in excess of our reporting threshold of £31k. Details of all misstatements are included in the appendix to this report.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Completion of additional pension fund assurance work;
- Receipt of signed management representation letter; and
- Our review of events since 31 July 2023.

Conclusions from wider scope audit work

See pages 19 to 26 of this report for detailed conclusions of our wider scope work.

Control Findings

Control findings and recommendations are included on page 31 of this report.

Added value

Our aim is to add value to the College by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the College promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our "sector developments" on page 29 where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the College sector.

Pat Kenny
Lead audit partner

ITEM 02.a

Annual Report and Accounts Audit

ITEM 02.a

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	Mature	Prompt delivery of working papers regarding management judgements.	N/A
Adherence to deliverables timetable	Mature	No issues to raise regarding adherence to deliverables timetable.	N/A
Access to finance team and other key personnel	Mature	Active involvement of the finance team throughout the course of the audit process.	N/A
Quality and accuracy of management accounting papers	Mature	Management accounting papers prepared to the expected quality and accuracy.	N/A
Quality of draft Annual Report and Accounts	! Developing	A number of presentational and disclosure points raised on the draft version of the Annual Report and Accounts.	Slide 18.
Response to control deficiencies identified	Mature	Two control deficiencies identified; further details can be found on slide 15.	Slide 15.
Volume and magnitude of identified errors	! Developing	Two material misstatements identified during the audit.	Slide 32.

! Lagging ! Developing Mature

ITEM 02.a

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to slide 31, which details controls findings reported during our audit.

Determine materiality

When planning our audit, we set our materiality at £541,000 based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to a materiality of £631,000 and a performance materiality of £378,000. We report to you in this report all misstatements above £31,000.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular the Audit Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

Based on the current status of our audit work, and satisfactory completion of the outstanding matters detailed on slide 4, we envisage issuing an unmodified audit report.

ITEM 02.a

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Satisfactory	Consistent
Property valuations	✗	DI	Satisfactory	Consistent
Operating within the funding provided	✓	DI	Satisfactory	Consistent
Completeness of Income	✓	DI	Satisfactory	Consistent
Capital Financing Arrangements	✗	DI	Satisfactory	Consistent

Consistency of judgements with Deloitte's expectations

- Inconsistent
- Improvement required
- Consistent

Controls approach adopted

DI Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the design and implementation of controls in relation to journals and accounting estimates.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We have not identified any material unusual transactions outside the normal course of business of the College.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing to date.

Significant risks (continued)

Property valuations

Risk identified and key judgements

The College held £51.876m of property assets (land and buildings) at 31 July 2021 which increased to £56.971m as at 31 July 2022, due to upwards revaluations as a result of the College undertaking an interim independent valuation exercise as at 31 July 2022. In 2022/23 the College will not perform any valuation of the property assets as the last desktop valuation was conducted in prior year.

The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

The College's land and buildings are revalued every 5 years for the purposes of the financial statements with an interim valuation after 3 years. Land and buildings were valued as at 31 July 2022 (interim valuation) on the basis of depreciated replacement cost by the Colleges appointed external valuer.

We are also aware that the College is faced with significant backlog maintenance which is likely to have an impact on the valuation and useful economic life of the buildings. There is therefore a risk that the carrying value of assets not revalued in the year is materially misstated.

Deloitte response and challenge

We have tested the design and implementation of key controls in place around the property valuation.

We used our valuation specialists, Deloitte Real Asset Advisory, to provide insight on the movement in BCIS rates and obsolescence factors during the year which may have an impact on the overall valuation of Inverness College property assets. This includes the potential impact of backlog maintenance on the valuation and useful economic life of the buildings within the College Estate.

We have challenged management's assessment for material changes in value for those property assets not subject to a full valuation during the year.

We have reviewed and tested the valuation disclosures made in the Annual Report and Accounts.

Deloitte view

We have no matters to report to the Committee based on our work performed.

Significant risks (continued)

Operating within the funding provided

Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should consider the risk of fraud and error on expenditure.

We therefore considered the fraud risk to be focused on how management operate within the funding limits set by the Scottish Funding Council. There is a risk that Inverness College could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at year end;
- Obtaining independent confirmation of the resource limits allocated to Inverness College by the Scottish Funding Council and UHI;
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Funding Council.

Significant risks (continued)

Completeness of Income

Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

We therefore considered the income streams of Inverness College and concluded that the risk of material misstatement due to fraud is pinpointed to non-recurrent funding. Specifically, the recognition of grant income with conditions attached and the recognition of income with performance conditions attached.

Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of deferred and accrued income around year-end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the completeness of income. Our work in this area included the following:

- Evaluating the design and implementation of controls around recognition of non-recurrent income;
- Performing focused testing of grant income where there are conditions of entitlement including clawback clauses; and
- Performing focused testing of income with performance conditions attached.

Deloitte view

We have no matters to report to the Committee based on our work performed.

Significant risks (continued)

Capital Financing Arrangements

Risk identified and key judgements

Capital financing arrangements and the associated accounting is assessed as a significant risk, due to the material value of the liability and the complexity of the associated accounting.

In 2015 the College took possession of its new campus buildings, using the Scottish Futures Trust's Non-Profit Distributing (NPD) model. Under the NPD arrangement, the College makes monthly service charge "unitary charge" payments which include the capital element of the loan funding together with interest, facilities management and building lifecycle costs. As at 31 July 2022 the present value of future lease payments was reported as £34.7 million.

Given the material value of the NPD liability as well as the complexity of the associated accounting treatment we consider this as a significant risk area that should be tested.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the capital financing arrangements. Our work in this area included the following:

- Evaluating the design and implementation of controls in place around capital financing arrangements made;
- Reviewed the College's NPD accounting and disclosures against the requirements of the SORP and FRS102 and against the underlying contracts; and
- Audited the NPD agreements and accounting model to consider the reasonableness of the NPD disclosure within the financial statements.

Deloitte view

We have no matters to report to the Committee based on our work performed.

Other Areas of Audit Focus

Defined benefits pension scheme

Background

Retirement benefits to employees of the College are provided by the Highland Council Pension Fund (HCPF), which administers the Local Government Pension Scheme (LGPS) and is managed by Highland Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA).

The net pension liability decreased from £16.2m in 2020/21 to £2m in 2021/22. As at 31 July 2023, this increased to a net asset position of £4.9m. The increase is a combination of an increase in the fair value of the net assets and a slight decrease in the liabilities as a result of demographic changes and financial assumptions.

Hymans Robertson LLP are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits have occurred during the year. As a result, we have not identified this as a significant risk.

Deloitte response

Our work on this area is ongoing.

- We have assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- We have reviewed and challenged the assumptions made by Hymans Robertson LLP;
- We are obtaining assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We have noted the potential impact of the Virgin Media pensions case on the accounts, and have instructed management to include disclosure within the subsequent events note;
- We have assessed the reasonableness of the College's share of the total assets of the scheme with the Pension Fund Annual Accounts;
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and
- We have reviewed the disclosures within the accounts against the FE SORP.

Deloitte view

Based on our work to date, we have raised one unadjusted misstatement in relation to the Goodwin ruling assumptions adopted of £32k. Further details of this adjustment can be found on page 33.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
Historic Errors in Creditors It was noted during our substantive procedures performed on the creditors balance that there are historical errors on the ledger which have been corrected but not removed.	We recommend that management review the creditors register and remove any historical errors that have been corrected.	TBC
Incorrect NI rate used to calculate Holiday Pay Accrual It was noted during our substantive procedures performed on the holiday pay accrual that the incorrect NI rate was used at 15.05% instead of 13.08%.	We recommend that management review the latest NI rates in use when calculating their holiday pay accrual.	Noted that the rate used in the current year was done in error. To address going forward.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Inverness College's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006(as amended). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from the College on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the Annual Report and Accounts

Based on the current status of our audit work, and satisfactory completion of the outstanding matters detailed on slide 4, we envisage issuing an unmodified audit report.

Going concern

At the time of writing this report, we have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment of the continued existence of a particular body.

Emphasis of matter and other matter paragraphs

At the time of writing this report , there are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

At the time of writing this report, we have no matters to bring to the attention of the Committee in relation to expenditure and income in the Annual Report and Account not being incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed that all necessary changes have been made.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed that all necessary changes have been made. We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction.

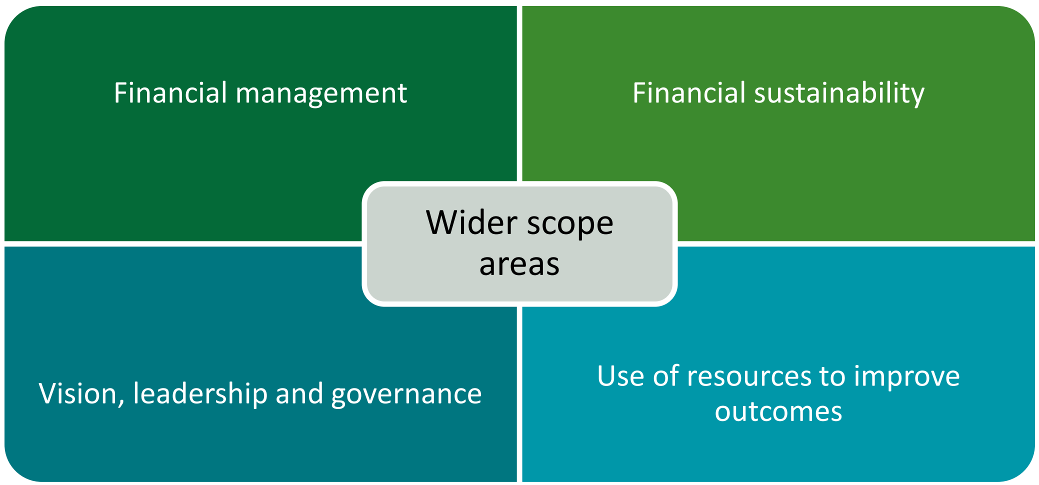
ITEM 02.a

Wider scope audit

Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In its planning guidance, Audit Scotland has also highlighted climate change as a national and sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits.

Our audit work has considered how Inverness College is addressing these risks, and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

ITEM 02.a

Financial management

Was financial balance achieved?

Is there sound budgetary processes in place?

Is the control environment and internal controls operating effectively?

Financial Management

Significant risks identified in Audit Plan

During 2022/23, there has been turnover in key finance team staff including the Director of Finance. There is therefore a risk that financial controls are not fully implemented.

Current year financial performance

We note that Inverness College is facing significant financial challenges during 2022/23, which are projected to increase across future years. However, from a financial management perspective, we note that the final outturn position was in line with the 2022/23 budget set at the beginning of the year.

The forecast outturn position for Inverness College in 2022/23 was a deficit position of £284k. This was made up of total income of £29,431k and total expenditure of £29,715k.

The final outturn position achieved was a deficit of £1,796k. This was made up of total income of £30,829k and total expenditure of £32,625k. We note that the total expenditure recorded was significantly higher than budget. This is due to a one-off impairment in relation to the Longman site which was included as an asset held for sale as at 31 July 2023.

Finance team structure

The finance team structure has remained consistent throughout the year. The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board. Included within our work on leadership and governance is our assessment of changes to the leadership team at Inverness College.

Budget processes

The Inverness College budget is approved by the College Board annually. The CMT and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Governance and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report. From our work performed in this area, we have not noted any issues with the financial management and budgetary processes at the college. The Board has effective financial planning and management arrangements in place

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College. The Board has effective financial planning and management arrangements in place.

Wider scope requirements (continued)

Financial sustainability

Have any short-term financial challenges been identified and addressed through a financial recovery plan?

How appropriate are the arrangements put in place to address any identified funding gaps?

Are there plans in place to support how efficiency targets are to be met?

Financial Sustainability

Key risk identified

The financial environment in which Inverness College operates is challenging, with the impact of declining student numbers, inflationary pressures and national pay negotiations increasing this challenge. Financial sustainability was reported as one of the most significant risks faced by the College in its 2021/22 Annual Report and Accounts. There is therefore a significant risk that the robust medium to long term planning arrangements are not in place to ensure that the College can manage its finances sustainably and deliver services effectively.

Current year assessment

Inverness College is facing financial sustainability challenges. In 2022/23 the college recorded a deficit of £1,796k. Although this was primarily impacted by a one-off impairment posted in the year. In 2023/24 the forecast deficit is £421k, which remains at a consistent level for 2024/25 and 2025/26.

Medium to Long Term Planning

Recruitment for Higher Education (HE) saw a downward trend in the year with the college identifying that more HE part time offerings are required. The college is working with UHI partners as part of the UHI 2024 strategy to review the curriculum offered. Further Education (FE) activity over exceeded its target after failing to achieve this for three years in a row.

The key issue in the college sector is the five-year projected public sector financial outlook which sees flat funding for the college sector and reduced capital funding. One of the key concerns relating to limited funding increases is cost inflation, specifically regarding staff costs. Staff costs are projected to be £0.5m over budget in 2023/24.

Currently, there is no recovery plan in place with the focus of the college being on improving both HE and FE activity as well as continuing to receive the necessary funding.

Deloitte view – financial sustainability

We note that Inverness College is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs. We note that student recruitment levels at Inverness College have improved in recent years and the College exceeded their FE target for 2022/23. We note that the College is currently financially sustainable, with actions being taken to address financial challenges seen across the College sector.

Wider scope requirements (continued)

Vision, leadership and governance

Does the body have a clear vision and strategy?

Is there evidence that leaders are adaptable to a changing environment?

Do members and senior managers have a culture of cooperation and working constructively in partnership?

Vision, leadership and governance

Risk Identified

The previous auditor concluded in 2021/22 that the key features of good governance were in place at the College and operating effectively. However, it was noted that limited progress had been made in actioning internal audit recommendations. The latest Strategic Plan finished in 2020 meaning that currently there is no Strategic vision for staff and stakeholders to embrace. The current updated strategic plan is still in its draft stages.

Strategic Plan

We note that Inverness College has a Strategic Plan for 2022-2026 published on their website. From our review of the Strategic Plan in place at Inverness, we note that the college has a clear vision and strategy which included a clear set of priorities. In addition to this, a key focus is being placed on sustainability which is embedded within the governance arrangements at the College.

The strategic plan includes 5 key strategic pillars which are included with specific aims attached to each one. Each of these pillars includes a strategic aim, and four to six key strategic objectives. These objectives are in place to ensure the priorities are aligned with the needs of the communities and individuals. The strategic plan and policies are all published on the Inverness College website, evidencing the information is accessible to relevant communities.

Adapting to a changing environment

We note from our review of committee meeting minutes and our attendance at audit committee meetings that the leaders of the College are adapting to a changing environment. This includes regular reviews of financial performance, and discussions on curriculum reviews as noted on the following slide.

Deloitte view – Vision, leadership and governance

We note from our wider scope work performed that during the 2022/23 financial year there were good governance arrangement in place at the College showing a leadership team working collaboratively to adapt to a changing environment.

Wider scope requirements (continued)

Use of resources to improve outcomes

Can the body demonstrate that there is a clear link between money spent and outputs and the outcomes delivered?

Have alternate models of delivery been considered?

Are user needs and views included in the evaluation of service delivery and quality?

Use of resources to improve outcomes

Risks identified in Audit Plan

As discussed under financial sustainability, there is a significant risk that the College does not have plans in place to manage its finances sustainably. There is also a risk that performance management systems are not sufficient to demonstrate how resources are being directed to improve outcomes.

Use of resources to improve outcomes

Inverness College has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. This was evidenced by the most recent external review of Inverness College in March 2022 and the published report by Education Scotland, which highlighted circa 42 aspects of good practice. This was further evidenced in their Annual Engagement visit by Education Scotland during February 2023, where they found major strengths in the college's work in relation to Recruitment, Retention, Attainment and Progression.

Student recruitment

One of the key KPI's in place at the College is in relation to student recruitment. This is monitored and reported on the monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2022/23, the College delivered 30,500 FE credits against a target of 29,620 credits, equivalent to 103% of the target. Inverness College delivered a total full-time equivalent (FTE) HE students of 1,290 FTE against a target of 1,441 FTE, equivalent to 90% of the target.

There is an acknowledgement of the lower than budget HE activity in the year and the college have plans in place to improve upon this going forward. A curriculum review is due to take place in order to improve on these targets.

Deloitte view – Use of resources to improve outcomes

We note that the College is going through a period of financial challenge. We note from our work performed on financial sustainability that the College has governance arrangements in place to demonstrate the best use of available resources to improve outcomes.

Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	Inverness College position
1. What targets has the body set for reducing emissions in its own organisation or in Its local area?	Inverness College has an Environmental Sustainability Strategy in place. This includes targets that the College has set to achieve net carbon zero emissions by 2040. However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated into the Strategy and are reported to the College Board on a timely basis.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	Inverness College has a Carbon Management Plan in place. This management plan sets out the College’s strategy and how it intends to achieve its targets.
3. How does the body monitor and report progress towards meeting its emission targets internally and publicly?	We note that Inverness College have a Carbon Management Team which meets on a regular basis to monitor how the College can reduce its carbon footprint through all its operations. This includes reviewing the progress of current projects and monitoring key emissions statistics over time. We note that the College has not set interim targets to measure progress against is Sustainability Strategy. See recommendation above in relation to monitoring progress against emissions targets.

Wider scope requirements (continued)

Climate change (continued)

Question	Inverness College position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the size of the organisation, the expected impact on the financial statements is minimal.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	Included with the Inverness College financial statements is a section on "Sustainability Strategy". Included within this section are details of the College's Carbon Management Plan, Sustainability Strategy Implementation Group, and the Sustainability Strategy itself.

Deloitte view – Climate change

We note that Inverness College have a sustainability target to achieve net carbon zero emissions by 2040. This does not include interim targets to measure progress. We recommend that these are incorporated into the Sustainability Strategy and are reported to the College Board on a timely basis.

Inverness College has a Carbon Management Plan in place. This management plan sets out the College's strategy and how it intends to achieve its targets.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the College discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the College, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the college.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Glasgow | 10 September 2024

ITEM 02.a

Sector developments

Scotland’s Colleges 2023

Audit Scotland Briefing Paper

Background and overview

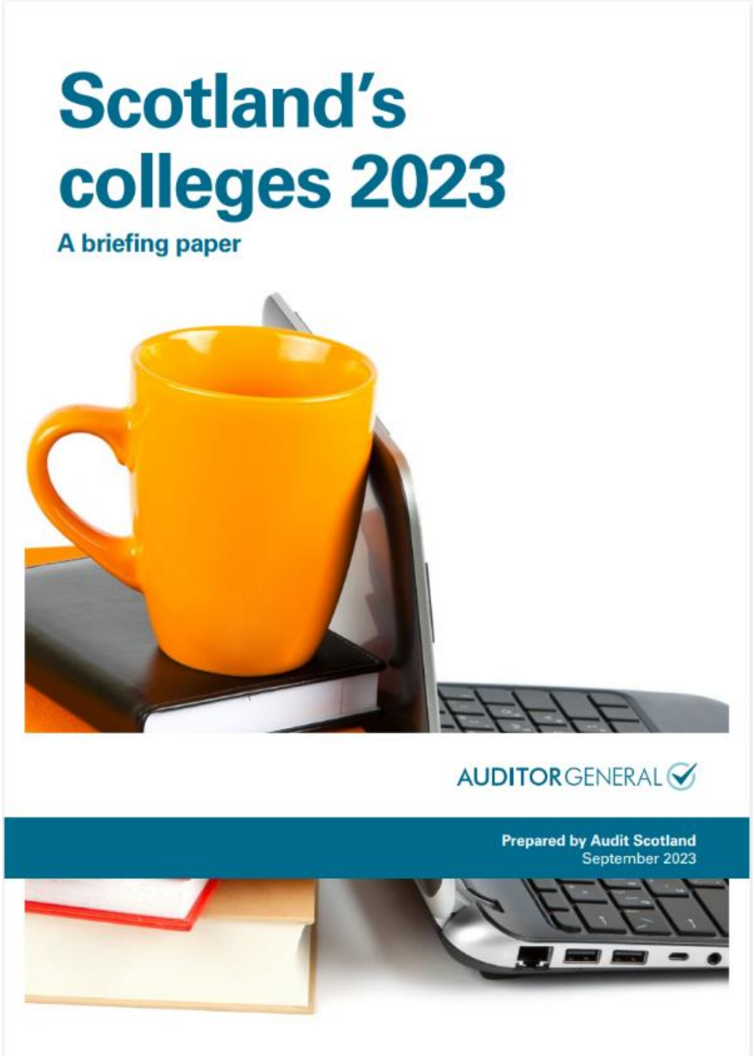
Scotland’s Colleges offer academic and vocational courses to develop people’s skills and knowledge for work, continued study or general interest. The Scottish Government has a central role in setting policy and funding the college sector.

Key Findings:

1. Scotland’s colleges are vital to learners and local communities. Risks to the college sector’s financial sustainability have increased since we reported in 2022. Rising staffing costs are colleges’ biggest financial pressure.

2. The Scottish Government’s funding for the sector has reduced by 8.5% in real terms between 2021/22 and 2023/24, while the sector’s costs have increased. Effective, affordable workforce planning is now a greater than ever priority and challenge for colleges.

3. Significant changes to how the college sector operates have been recommended by recent reviews. However, the Scottish Government and the Scottish Funding Council urgently need to build on their ongoing work to help colleges plan for change now, and make best use of available funding so that they are sustainable for the future.



ITEM 02.a

Appendices

Control findings

The following recommendations have arisen from our 2022/23 audit work performed to date:

Recommendation	Management Response	Priority	Responsible Person	Target Date
Historic Errors in Creditors It was noted during our substantive procedures performed on the creditors balance that there are historical errors on the ledger which have been corrected but not removed.	TBC	Low	Management	TBC
Incorrect NI rate used to calculate Holiday Pay Accrual It was noted during our substantive procedures performed on the holiday pay accrual that the incorrect NI rate was used at 15.05% instead of 13.08%.	Noted that the rate used in the current year was done in error. To address going forward.	Low	Management	FY24

Audit adjustments

Adjusted misstatements

The following corrected misstatements have been identified up to the date of this report which have been corrected by management as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Impairment of asset held for sale	[1]		(1,060)		1,060	
Non-current creditor	[2]		786		(786)	
Total			**(274)**		**274**	

[1] Asset held for sale in relation to the Longman site was overstated as at 31 July 2023. Asset per the draft financial statements was held on balance sheet at £2.3m. This amount was based on a valuation that had taken place in June 2022. This asset was sold post year end for £1.24m. An impairment of £1.1m was therefore required as an adjusting post balance sheet event.

[2] We note that a non-current creditor for the amount due on the Longman Road site was held at £2m at year end. Based on the impairment of the asset held for sale to £1.24m, an adjustment was required to reduce the deferred capital grant in relation to the Longman site to the same level.

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
No allowance has been made in relation to the Goodwin case.	[1]		(32)		32	
Total			**(32)**		**32**	

[1] No allowance has been made in relation to the Goodwin case in the FY23 liability value. In our view an allowance should be made, as a past service cost. Based on available information, we believe the cost of this would be £32k. We note that this is a judgemental misstatement based on assumptions used by actuarial specialists.

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the College to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the College to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in operating within the funding provided, completeness of income and management override of controls as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and our objectivity is not compromised.
Fees	The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	46,210
Audit of College – additional fees*	TBC
Audit Scotland fixed charges:	
• Pooled costs	(6,780)
• Audit support costs	1,190
• Sectoral cap adjustment	(10,650)
Total expected fee	**29,970**

There are no non-audit fees.

*During the audit in 2022/23, we have been required to perform additional procedures in relation to the material misstatements identified. These procedures resulted in additional senior time being required on the audit. Following the completion of the audit, we will commence conversations with the Finance team regarding additional fees for this work. After agreement of any additional fees with the Finance team we will report back the final position to the Audit Committee.

Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the College's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

ITEM 02.a

ITEM 03.

UHI | INVERNESS

Joint Audit and Finance and General Purposes Committee

Subject/Title:	Letter of Representations
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	10 September 2024
Date Paper prepared:	3 September 2024
Brief Summary of the paper:	To present the letter of representations to the joint committee for approval.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: ☐ compliance ☐ partnership services ☐ risk management ☐ strategic plan ☐ new opportunity/change	N/A
Resource implications:	N/A **If yes, please specify**:
Risk implications:	Yes **If yes, please specify:** Yes – refers to areas of risk and how the College addresses them
Equality and Diversity implications:	N/A
Student Experience Impact:	None
Consultation: [staff, students, UHI & Partners, External] and provide detail	None
Status – [Confidential/Non confidential]	Non-Confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

*If a paper should **not** be included within "open" business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

That members of the Audit and Finance & General Purposes Committees approve the representations made to the external auditors in the letter attached and approve that the Chair of the Board of Management can sign on its behalf.

Purpose of report

To present to the Audit and Finance & General Purposes Committee the representations the College is making on the questions the external auditors are asking and confirmations they are seeking.

Letters of Representation

The external auditors request the College to make representations regarding various financial and risk issues on an annual basis, as part of the audit process.

A copy of the letter is appended to the report, with two main areas covered being the 2022/23 financial statements and the information provided to the external auditors to enable them to carry out their audit.

UHI | INVERNESS

1 Inverness Campus
Inverness
IV2 5NA

+44 (0) 1463 273000
info.ic@uhi.ac.uk
inverness.uhi.ac.uk

Our Ref: PK/IC/2023

Date: *to be confirmed*

Dear Pat Kenny

This representation letter is provided in connection with your audit of the financial statements of Inverness College ('the College') for the year ended 31 July 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the College as of 31 July 2023 and of the results of its operations, other comprehensive net income and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the Accounts Direction for Scotland's Colleges 2022-23 issued by the Scottish Funding Council (SFC).

In addition to the above, this representation letter is provided in connection with your audit of the other information in the Annual Report and Accounts, for the purposes set out in the Code of Audit Practice 2021.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the College, I confirm to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the accounts direction issued by the Scottish Funding Council and in accordance with, Section 21 of the Public Finance and Accountability (Scotland) Act 2000, which give a true and fair view, as set out in the terms of the audit engagement letter.

2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS102 Section 33 "Related party disclosures".

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. We confirm that the list included in your ISA 260 report to those charged with governance is a complete list of the uncorrected misstatements and disclosure deficiencies identified.

UHI INVERNESS

1 Inverness Campus
Inverness
IV2 5NA

+44 (0) 1463 273000
info.ic@uhi.ac.uk
inverness.uhi.ac.uk

6. We conclude that management's assertion and disclosure that the entity continues to be a going concern and there are no material uncertainties is appropriate.

7. We confirm the going concern assessment is in line with the Government Financial Reporting Manual, as we confirm the continued provision of the services.

8. We have reconsidered the remaining useful lives of the property, plant and equipment and confirm that the present rates of depreciation are appropriate to depreciate the cost less residual value over the remaining useful lives.

9. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.

10. With respect to accounting estimates, we confirm:

    - the measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently;
    - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the College's where relevant to the accounting estimates and disclosures;
    - the disclosures related to accounting estimates under the College's applicable financial reporting framework are complete and appropriate; and
    - there have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

11. We confirm that we consider the depreciated historic cost is an appropriate proxy for the fair value of non-property assets and are not aware of any circumstances that would indicate that these assets require revaluation.

12. We confirm that the provisions included within the financial statements are our best estimate of the liability due by the College.

13. We confirm that all of the disclosures relating to sections of the Annual Report and Accounts which are considered 'other information' as set out in the Code of Audit Practice 2021 have been prepared in accordance with relevant legislation and guidance.

14. We confirm that:

    - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
    - all settlements and curtailments have been identified and properly accounted for;

UHI | INVERNESS

1 Inverness Campus
Inverness
IV2 5NA

+44 (0) 1463 273000
info.ic@uhi.ac.uk
inverness.uhi.ac.uk

- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;

- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the board's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

- the amounts included in the financial statements derived from the work of the actuary are appropriate.

15. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

16. We confirm that there is no unprovided claw back of Scottish Funding Council (SFC) or Universities of Highlands and Islands (UHI) grants for the year ended 31 July 2023 or in respect of any previous year.

17. We confirm that income has been applied in accordance with the College's statutes and, where appropriate, the Accounts Direction and any other terms and conditions attached to them.

18. We confirm that all income received from SFC or UHI, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they relate.

19. We have considered the HMRC guidance issued to Higher Education Institutions following the Finance Act 2006 and based on our analysis of income and costs between primary and not primary purpose activities we are satisfied that no tax provision is needed in the financial statements.

20. We have reviewed the fixed assets for impairment. Our review comprised of a comparison of the carrying amount and recoverable amount of the fixed assets and, hence, involved consideration of the value in use.

Information provided

21. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.

22. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

UHI INVERNESS

1 Inverness Campus
Inverness
IV2 5NA

+44 (0) 1463 273000
info.ic@uhi.ac.uk
inverness.uhi.ac.uk

23. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.

24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

25. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the College or group and involves:

    (i) management;

    (ii) employees who have significant roles in internal control; or

    (iii) others where the fraud could have a material effect on the financial statements.

26. We are not aware of any fraud or suspected fraud that affect the College and involve:

    (i) Management;

    (ii) Employees who have significant roles in internal control; or

    (iii) Others where the fraud could have a material effect on the financial statements.

27. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

28. We have disclosed to you the identity of the College's and group's related parties and all the related party relationships and transactions of which we are aware.

    No claims in connection with litigation have been or are expected to be received.

29. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

30. We confirm that:

    (i) we consider that the College has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

    (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

1 Inverness Campus
Inverness
IV2 5NA

+44 (0) 1463 273000
info.ic@uhi.ac.uk
inverness.uhi.ac.uk

31. All minutes of Board and Committee meetings during and since the financial year have been made available to you.

32. We have drawn to your attention all correspondence and notes of meetings with regulators.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Chair of the Board, for and on behalf of Inverness College

Principal and Chief Executive: Prof. Christopher O'Neil
Inverness College UHI (known as UHI Inverness)
Scottish Charity No. SC021197

ITEM 04.

UHI INVERNESS

Joint Audit and Finance and General Purposes Committee

Subject/Title:	SFC Annual Accounts Return 2022/23
Author:	Niall McArthur – Director of Finance and Estates
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	10 September 2024
Date Paper prepared:	3 September 2024
Brief Summary of the paper:	To present to the committee the final SFC annual accounts return for 2022/23, which is based on the financial statements for the year-ended 31 July 2023.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Link to Strategy: Please highlight how the paper links to, or assists with:: ☐ compliance ☐ partnership services ☐ risk management ☐ strategic plan ☐ new opportunity/change	N/A
Resource implications:	N/A **If yes, please specify**:
Risk implications:	**If yes, please specify:** Financial - Yes
Equality and Diversity implications:	N/A
Student Experience Impact:	None
Consultation: [staff, students, UHI & Partners, External] and provide detail	None
Status – [Confidential/Non confidential]	Non-Confidential
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes

*If a paper should **not** be included within “open” business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (s33)		Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

Further guidance on application of the exclusions from Freedom of Information legislation is available via

http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation

That the audit and finance & general purposes committees agree that the Principal can sign the SFC Annual Accounts Return for 2022/23 for submission to the Scottish Funding Council.

Purpose of report

To present the final SFC annual accounts return for 2022/23 to the committees for approval, which if approved will then be sent to the Scottish Funding Council.

SFC Annual Accounts Return – 2022/23

The SFC Annual Accounts return for 2022/23 is appended to this report and shows the final actual figures for 2022/23 compared to the actual figures for 2021/22, as well as the forecast figures based on the financial forecast return (FFR).

The annual return figures for 2022/23 are taken directly from the 2022/23 financial statements and show the following key results:

- Operational deficit of £1.796 million.
- Adjusted Operating Position of a deficit of £0.389 million.
- Total net assets of £21.499 million.
- Cash balance at year-end of £6.774 million
- Net current assets of £2.443 million

2022-23 Financial Statements

College:	**Inverness College**
Contact:	Niall McArthur
Telephone:	07767 442235
Email:	niall.mcarthur.ic@uhi.ac.uk

DECLARATION:

I confirm that the figures in the financial statements return accurately reflect, and have been reconciled to, the audited financial statements of the college for the year ended 31 July 2023 and that adequate explanations have been provided where requested.

Signed:

Principal / Chief Executive Officer

Date:

ITEM 04.a

*Please enter explanations for any significant variances in columns I and M

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE	Actual 2022-23	Actual 2021-22	I-------------Variance------------I		Explanation	Forecast 2022-23	I-------------Variance-----------I		Explanation
	£000	£000	£000	%		£000	£000	%	
INCOME									
Tuition fees and education contracts	4,848	5,196	(348)	-7%		4,839	9	0%	
SFC / RSB grants	22,373	21,560	813	4%		21,223	1,150	5%	
Research grants and contracts	634	480	154	32%		472	162	34%	
Other income	2,942	1,721	1,221	71%		2,896	46	2%	
Investment income	32	2	30	1500%		1	31	3100%	
Donations and endowments	0	0	0			0	0		
Total Income	**30,829**	**28,959**	1,870	6%		**29,431**	1,398	5%	
EXPENDITURE									
Staff costs	20,212	18,648	1,564	8%		18,446	1,766	10%	
Staff costs - exceptional restructuring costs	0	0	0			0	0		
Exceptional costs - non-staff	0	0	0			0	0		
Other operating expenses	7,155	7,157	(2)	0%		7,155	0	0%	
Donations to Arms Length Foundation	0	0	0			0	0		
Depreciation / amortisation	2,249	1,472	777	53%		1,300	949	73%	
Interest and other finance costs	3,009	3,156	(147)	-5%		2,814	195	7%	
Total Expenditure	**32,625**	**30,433**	2,192	7%		**29,715**	2,910	10%	
Surplus / (Deficit) before other gains and losses	**(1,796)**	**(1,474)**	(322)	22%		**(284)**	(1,512)	532%	
Gain / (Loss) on disposal of assets	0	0	0			0	0		
Gain / (Loss) on investments	0	0	0			0	0		
Share of operating surplus / (deficit) in joint venture(s)	0	0	0			0	0		
Share of operating surplus / (deficit) in associate(s)	0	0	0			0	0		
Surplus / (Deficit) before tax	**(1,796)**	**(1,474)**	(322)	22%		**(284)**	(1,512)	532%	
Taxation	0	0	0			0	0		
Surplus / (Deficit) for the year	**(1,796)**	**(1,474)**	(322)	22%		**(284)**	(1,512)	532%	
Unrealised surplus on revaluation of assets	0	6,258	(6,258)	-100%		0	0		
Actuarial gain / (loss) in respect of pensions schemes	7,754	16,696	(8,942)	-54%		0	7,754		
Other comprehensive income	0	0	0			0	0		
Total Comprehensive Income for the year	**5,958**	**21,480**	(15,522)	-72%		**(284)**	6,242	(2198%)	

ITEM 04.a

Inverness College

***Please enter explanations for any significant var**

INCOME			**Actual 2022-23**	**Actual 2021-22**	**I------------Variance-----------I**		
			£000	**£000**	**£000**	**%**	**Explanation**
1 Tuition fees and education contracts							
	a)	FE - UK	85	142	(57)	(40%)	
	b)	FE - EU	0	13	(13)	(100%)	
	c)	HE	2,445	2,792	(347)	(12%)	
	d)	Non-EU	137	138	(1)	(1%)	
	e)	SDS contracts	2,181	2,111	70	3%	
	f)	Education contracts	0	0	0		
	g)	Other	0	0	0		
Total tuition fees and education contracts			**4,848**	**5,196**	(348)	(7%)	
2 SFC / RSB Grants							
	a)	SFC / RSB FE recurrent grant (including fee waiver)	10,171	9,547	624	7%	
	b)	UHI recurrent grant - HE provision	4,795	5,038	(243)	(5%)	
	c)	FE Childcare funds	122	120	2	2%	
	d)	Release of SFC / RSB deferred capital grants	1,130	882	248	28%	
	e)	SFC capital grant	107	89	18	20%	
	f)	SFC grant for NPD	4,968	4,910	58	1%	
	g)	Other SFC / RSB grants - FE provision	528	483	45	9%	
	h)	Other UHI grants - HE provision	552	491	61		
Total SFC / RSB Grants			**22,373**	**21,560**	813	4%	
3 Research grants and contracts							
	a)	European Commission	634	0	634		
	b)	Other grants and contracts	0	480	(480)	(100%)	
Total research grants and contracts			**634**	**480**	154	32%	
4 Other Income							
	a)	Catering and residences	581	346	235	68%	
	b)	Other European Income	0	0	0		
	c)	Other income generating activities	338	434	(96)	(22%)	
	d)	Grants from ALF	0	0	0		
		i) Revenue	0	0			
		II) Capital	0	0			
	e)	Non-government capital grant	0	0	0		
	f)	Other grant income	0	0	0		
	g)	Release of non-SFC government deferred capital grant	0	0	0		
	h)	Income from Coronavirus Job Retention Scheme	0	6			
	i)	Other income	2,023	935	1,088	116%	
Total other income			**2,942**	**1,721**	1,221	71%	
5 Investment income							
	a)	Investment income on endowments	0	0	0		
	b)	Investment income on restricted reserves	0	0	0		
	c)	Other investment income	0	0	0		
	d)	Other interest receivable	32	2	30	1500%	
	e)	Net return on pension scheme	0	0	0		
Total investment income			32	2	30		
6 Donations and endowment income							
	a)	New endowments	0	0	0		
	b)	Donations with restrictions	0	0	0		
	c)	Unrestricted donations	0	0	0		
Total donation and endowment income			0	0	0		

Inverness College
EXPENDITURE

*Please enter explanations for any significant variances in columns I and M

		Actual 2022-23	Actual 2021-22	I--------------Variance-------------I			Forecast 2022-23	I--------------Variance-------------I		
STAFF COSTS		£000	£000	£000	%	Explanation	£000	£000	%	Explanation
1	Teaching departments	10,947	9,539	1,408	15%		10,789	158	1%	
2	Teaching support services	1,593	1,333	260	20%		1,514	79	5%	
3	Other support services	887	659	228	35%		820	67	8%	
4	Administration and central services	5,332	4,312	1,020	24%		3,877	1,455	38%	
5	Premises	308	277	31	11%		301	7	2%	
6	Catering and residences	403	355	48	14%		390	13	3%	
7	Other income generating activities	0	0	0			465	(465)	(100%)	
8	Other staff costs	0	0	0			290	(290)	(100%)	
9	Impact of FRS 102 pensions reported costs (less contributions paid included above)	742	2,173	(1,431)	(66%)		0	742		
	Normal staff costs	**20,212**	**18,648**	1,564	8%		**18,446**	1,766	10%	
10	Exceptional restructuring costs	0	0	0			0	0		
	Total staff costs	**20,212**	**18,648**	1,564	8%		**18,446**	1,766	10%	
Additional breakdown of staff costs										
	Salaries	15,141	13,019	2,122	16%		14,306	835	6%	
	Social security costs	1,328	1,259	69	5%		1,410	(82)	(6%)	
	Pension contributions	2,722	2,515	207	8%		2,730	(8)	(0%)	
	Non-cash pension adjustments - net service cost	742	2,173	(1,431)	(66%)		0	742		
	Non-cash pension adjustments - early retirement provision	279	(318)	597	8%		0	279		
	Severance payments	0	0	0			0	0		
	Total staff costs	**20,212**	**18,648**	1,564			**18,446**	1,766	10%	
NON-STAFF COSTS										
1	**Exceptional costs - non-staff**	0	0	0			0	0		
2 **Other operating expenses**	a) Teaching departments	2,192	2,061	131	6%		1,946	246	13%	
	b) Teaching support services	0	0	0			0	0		
	c) Other support services	81	122	(41)	(34%)		67	14	21%	
	d) Administration and central services	1,040	1,507	(467)	(31%)		1,717	(677)	(39%)	
	e) General education	0	0	0			0	0		
	f) Premises	2,539	2,470	69	3%		2,484	55	2%	
	(i) Maintenance	720	806	(86)	(11%)		995	(275)	(28%)	
	(ii) Utilities	571	555	16	3%		664	(93)	(14%)	
	(iii) Other	1,248	1,109	139	13%		825	423	51%	
	g) Catering and residences	408	208	200	96%		345	63	18%	
	h) Other income generating activities	773	669	104	16%		532	241	45%	
	i) Overspend on student support funds *	0	0	0			0	0		
	j) Planned maintenance	0	0	0			0	0		
	k) Movement on early retirement pension provision	0	0	0			0	0		
	l) NPD	0	0	0			0	0		
	m) Other	122	120	2	2%		64	58	91%	
Total other operating expenses		7,155	7,157	(2)	(0%)		7,155	0	0%	
3 **Depreciation**	a) Government funded assets	1,060	430	630	147%		650	410	63%	
	b) Non-government funded assets	0	0	0			0	0		
	c) NPD funded assets	1,189	1,042	147	14%		650	539	83%	
Total depreciation		2,249	1,472	777	53%		1,300	949	73%	
4 **Interest**	a) On bank loans, overdrafts and other loans	0	0	0			0	0		
	b) Finance lease interest	0	0	0			0	0		
	c) Other	0	0	0			0	0		
	d) Net charge on pension scheme	84	277	(193)	(70%)		0	84		
	e) NPD interest	2,925	2,879	46	2%		2,814	111	4%	
Total interest		3,009	3,156	(147)	(5%)		2,814	195	7%	

* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.

ITEM 04.a

ADJUSTED OPERATING POSITION

	Actual 2022-23 £000	Actual 2021-22 £000	Forecast 2022-23 £000
Surplus / (deficit) before other gains and losses and share of operating surplus / deficit of joint ventures and associates	-1796	(1,474)	-284
Add:			
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release (incoporated colleges only)	1,119	590	650
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0
Non-cash pension adjustment - Net service cost (FRS 102 Staff cost adjustment)	742	2,173	0
Non-cash pension adjustment - net interest cost	84	277	0
Non-cash pension adjustment - Early retirement provision year-end revaluation charged to SOCI	279	(318)	0
Donation to Arms Length Foundation (incorporated colleges only)	0	0	0
Deduct:			
Non-Government capital grants credited to SOCI (e.g. ALF capital grant)	0	0	0
Exceptional income (if disclosed as exceptional in accounts) - PLEASE DO NOT INCLUDE CJRS INCOME HERE	0	0	0
Cash Budget for Priorities (CBP) allocated to non-SOCI payments e.g loan repayments and other balance sheet items (incorporated colleges only)	817	821	496
NPD income applied to reduce NPD balance sheet debt	0	0	0
Adjusted operating position	(389)	427	(130)

Inverness College

*Please enter explanations for any significant variances in columns I and M

BALANCE SHEET			Actual 2022-23	Actual 2021-22	I------------Variance-----------I			Forecast 2022-23	I----------Variance----------I		
			£000	£000	£000	%	Explanation	£000	£000	%	Explanation
1 Non-current assets	a)	Intangible assets	0	0	0			0	0		
	b)	Fixed assets	56,231	56,971	(740)	(1%)		55,648	583	1%	
	c)	Investments	0	0	0			0	0		
Total Non-Current Assets			56,231	56,971	(740)	(1%)		55,648	583	1%	
2 Current assets	a)	Stocks	47	53	(6)	(11%)		53	(6)	(11%)	
	b)	Debtors	2,802	2,496	306	12%		2,496	306	12%	
	c)	Investments	0	0	0			0	0		
	d)	Cash and cash equivalents	6,775	7,496	(721)	(10%)		6,955	(180)	(3%)	
	e)	Other (e.g. assets for resale)	1,240	2,300	(1,060)	(46%)		2,300	(1,060)	(46%)	
Total Current Assets			10,864	12,345	(1,481)	(12%)		11,804	(940)	(8%)	
3 Less Creditors: Amounts falling due within one year											
	a)	Bank loans and external borrowing	0	0	0			0	0		
	b)	Bank overdrafts	0	0	0			0	0		
	c)	Lennartz creditor	0	0	0			0	0		
	d)	Obligations under finance leases and service concessions	0	0	0			0	0		
	e)	Payments received in advance	541	601	(60)	(10%)		601	(60)	(10%)	
	f)	Amounts owed to SFC	0	0	0			0	0		
	g)	Obligations under PFI / NPD	941	898	43	5%		980	(39)	(4%)	
	h)	Deferred capital grant	1,621	296	1,325	448%		257	1,364	531%	
	i)	Other creditors and accruals	5,318	4,932	386	8%		4,798	520	11%	
Total Creditors: Amounts falling due within one year			8,421	6,727	1,694	25%		6,636	1,785	27%	
Net current assets / (liabilities)			2,443	5,618	(3,175)	(57%)		5,168	(2,725)	(53%)	
Total assets less current liabilities			58,674	62,589	(3,915)	(6%)		60,816	(2,142)	(4%)	
4 Creditors: amounts falling due after more than one											
	a)	Local authority loans	0	0	0			0	0		
	b)	Bank loans and external borrowing	0	0	0			0	0		
	c)	Lennartz creditor	0	0	0			0	0		
	d)	Obligations under finance leases and service concessions	0	0	0			0	0		
	e)	Obligations under PFI / NPD	33,830	34,691	(861)	(2%)		33,711	119	0%	
	f)	Deferred capital grant	6,465	8,691	(2,226)	(26%)		8,182	(1,717)	(21%)	
	g)	Amounts repayable to SFC	0	0	0			0	0		
	h)	Other creditors	0	0	0			0	0		
Total Creditors: Amounts falling due after more than one year			40,295	43,382	(3,087)	(7%)		41,893	(1,598)	(4%)	
5 Provisions											
	a)	Pension provision	(3,120)	3,665	(6,785)	(185%)		3,665	(6,785)	(185%)	
	b)	Other provision	0	0	0			0	0		
TOTAL NET ASSETS / (LIABILITIES)			21,499	15,542	5,957	38%		15,258	6,241	41%	
6 Restricted reserves											
	a)	Endowment reserve	0	0	0			0	0		
	b)	Restricted reserve	0	0	0			0	0		
Total Restricted Reserves			0	0	0			0	0		
7 Unrestricted reserves											
	a)	Income and expenditure reserve	8,992	3,035	5,957	196%		2,751	6,241	227%	
	b)	Revaluation reserve	12,507	12,507	0	0%		12,507	0	0%	
Total Unrestricted Reserves			21,499	15,542	5,957	38%		15,258	6,241	41%	
8 Non-controlling Interest			0	0	0			0	0		
TOTAL RESERVES			21,499	15,542	5,957	38%		15,258	6,241	41%	

ITEM 04.a

Inverness College

Cashflow		Actual 2022-23 £000	Actual 2021-22 £000	Variance £000	Variance %	Explanation
1	**Cash flow from operating activities**					
a)	Surplus / (deficit) for the year	-1796	-1474	(322)	22%	
2	**Adjustment for non-cash items**					
a)	Depreciation	2,249	1,472	777	53%	
b)	Amortisation of intangibles	826	2,450	(1,624)	(66%)	
c)	Benefit on acquisition	0	0	0		
d)	Amortisation of goodwill	0	0	0		
e)	Loss / (gain) on investments	0	0	0		
f)	Decrease / (increase) in stock	5	(18)	23	(128%)	
g)	Decrease / (increase) in debtors	(307)	(411)	104	(25%)	
h)	Increase / (decrease) in creditors	(576)	724	(1,300)	(180%)	
i)	Increase / (decrease) in pension provision	143	(449)	592	(132%)	
j)	Increase / (decrease in other provisions	0	0	0		
k)	Receipt of donated equipment	0	0	0		
l)	Share of operating surplus / (deficit) in joint venture	0	0	0		
m)	Share of operating surplus / (deficit) in associate	0	0	0		
n)	Other	0	0	0		
	Total adjustment for non-cash items	2,340	3,768	(1,428)	(38%)	
3	**Adjustment for investing or financing activities**					
a)	Investment income	(32)	(2)	(30)	1500%	
b)	Interest payable	3,009	3,156	(147)	(5%)	
c)	Endowment income	0	0	0		
d)	Loss / (gain) on the sale of assets	0	0	0		
e)	Capital grant income	0	0	0		
	Total adjustment for investing or financing activities	2,977	3,154	(177)	(6%)	
4	**Net cash inflow from operating activities**	**3,521**	**5,448**	(1,927)	(35%)	
5	**Cash flow from investing activities**					
a)	Proceeds from sales of fixed assets	0	0	0		
b)	Proceeds from sales of intangible assets	0	0	0		
c)	Capital grants receipts	0	0	0		
d)	Disposal of non-current asset investments	0	0	0		
e)	Withdrawal of deposits	0	0	0		
f)	Investment income	32	0	32		
g)	Payments made to acquire fixed assets	(448)	(180)	(268)	149%	
h)	Payments made to acquire intangible assets	0	0	0		
i)	New non-current asset investments	0	0	0		
j)	New deposits	0	0	0		
	Total cash flows from investing activities	(416)	(180)	(236)	131%	
6	**Cash flows from financing activities**					
a)	Interest paid	(84)	(277)	193	(70%)	
b)	Interest element of finance lease and service concession	(2,925)	(2,878)	(47)	2%	
c)	Endowment cash received	0	0	0		
d)	New secured loans	0	0	0		
e)	New unsecured loans	0	0	0		
f)	Repayments of amounts borrowed	(817)	(821)	4	(0%)	
g)	Capital element of finance lease and service concession payments	0	0	0		
	Total cash flows from financing activities	(3,826)	(3,976)	150	(4%)	
7	**(Decrease) / increase in cash and cash equivalents in the year**	(721)	1,292	(2,013)	(156%)	
8	Cash and cash equivalents at beginning of the year	7,496	6,204	1,292	21%	
9	Cash and cash equivalents at the end of the year	6,775	7,496	(721)	(10%)	

Inverness College

BALANCE SHEET MOVEMENTS

	Actual 2022-23 £000	Actual 2021-22 £000
1 Breakdown of current asset investments		
Figure per balance sheet	**0**	**0**
Representing:		
Funds from disposal of fixed assets	0	0
Funds held for third parties	0	0
Student support funds	0	0
Other restricted funds	0	0
Unrestricted cash	0	0
	0	**0**

	Actual 2022-23 £000	Actual 2021-22 £000
2 Breakdown of cash and cash equivalents		
Figure per balance sheet	**6,775**	**7,496**
Representing:		
Funds from disposal of fixed assets	0	0
Funds held for third parties	0	0
Student support funds	0	0
Funds due to be returned to SFC	0	0
Other restricted funds	0	0
Underlying cash	6,775	7,496
	6,775	**7,496**

	Actual 2022-23 £000	Actual 2021-22 £000
3 Capital Expenditure Additions and Methods of Financing		
Expenditure:		
Land & Buildings	138	180
Equipment & Others	310	0
	448	**180**
Financed by:		
Cash reserves	257	0
ALF grants	0	0
Leasing	0	0
SFC / RSB grant	191	180
Re-investment of proceeds from disposal of assets*	0	0
Non-SFC / RSB grants	0	0
PFI / NPD	0	0
Other - please specify if material	0	0
	448	**180**

* to be included only where this has been agreed by SFC

	Actual 2022-23 £000	Actual 2021-22 £000
Capital disposals		
Disposal proceeds:		
Net figure relating to DLC land swap and derecognition of Media Space lease	0	0
Asset description	0	0
Asset description	0	0
Asset description	0	0
	0	**0**
Gain/(loss) on disposal:		
Asset description	0	0
Asset description	0	0
Asset description	0	0
Asset description	0	0
	0	**0**

Inverness College

Summary	Actual 2022-23	Actual 2021-22
Income ratios		
Total Income	30,829	28,959
Total SFC / RSB Grant as % of Total Income	72.6%	74.5%
Non-SFC / RSB Income as % of Total Income	27%	26%
Total Education Contracts and Tuition Fees as % of Total Income	16%	18%
Total Research Grants and Contracts as % of Total Income	2%	2%
Total Other Income as % of Total Income	10%	6%
Total Endowment & Investment Income as % of Total Income	0%	0%
European Income as % of Total Income	2%	0%
Expenditure ratios		
Total Expenditure	32,625	30,433
Staff Costs as % of Total Expenditure	62%	61%
Premises Costs as % of Total Expenditure	9%	9%
Operating position		
Operating Surplus / (deficit) before other gains and losses	(1,796)	(1,474)
Operating Surplus / (deficit) as % of Total Income	-5.8%	-5.1%
Adjusted operating surplus / (deficit) before gains and losses	(-389)	427
Adjusted operating surplus / (deficit) as % of total income	-1.3%	1.5%
Balance Sheet strength		
Liquidity Ratio	1.64	1.82
Total borrowing (overdrafts, loans, finance leases, Lennartz, PFI / PPP and NPD)	34,771	35,589
Total borrowing as % of total income	113%	123%
Gearing	1.6	2.3
Interest Cover	0.4	0.5
Cash Position		
Cash and Current Asset Investments less Overdraft	6,775	7,496
Days Ratio of Cash to Total Expenditure	81	94
Days of Unrestricted Cash to Total Expenditure	81	94
Net cash inflow from operating activities	3,521	5,448
Net cash inflow from operating activities as a % of total income	11%	19%