

University of the Highlands and Islands

Report and Financial Statements For the year ended 31 July 2020

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Report of the University Court for the year ended 31 July 2020

Nature, Objectives and Strategy of the University

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

Through the partnership we are able to deliver to our students all the benefits of an integrated tertiary institution, and we provide for Scotland an example of how institutional partnerships can work as one system. We provide educational pathways and lifelong learning opportunities to every student. These range from well-qualified school-leavers to students who were once excluded from further and higher education by geography and social circumstances. We are developing research and knowledge transfer in every partner. This is helping to provide a 'knowledge economy', not just for the Inverness area but also for fragile island communities and other sparsely populated communities across the region.

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

In setting out its plans for regionalisation of further education and ensuring greater links between schools, colleges and universities, the Scottish Government recognised that UHI is in a unique position to integrate further and higher education as a tertiary institution. In accordance with the Act further education funding for the Highlands and Islands is distributed by UHI to nine assigned colleges (who are existing academic partners of UHI). The academic partners who were designated as assigned colleges from 1 August 2014 are Moray, Perth, Inverness, Lews Castle, North Highland, Shetland, Orkney and West Highland and from 1st January 2019, Argyll College (also an existing partner). The University Court is the accountable body for both higher and further education performance in line with a single regional outcome agreement with the Scottish Funding Council (SFC).

The partnership is transforming the economic, social and cultural life of the Highlands and Islands by delivering a university for the region with national and international ambitions. The University continues to develop general programmes for providing skills, training and education to the people of the Highlands and Islands. We also continue to develop a range of degrees that reflect the distinctive environment, history, linguistic identity and culture of the area. The knowledge economy needs a university that is active in carrying out research, and that has a programme for bringing intellectual products to the marketplace and for knowledge exchange. We continue to increase our research portfolio and work with other institutions both in the United Kingdom and overseas.

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Report of the University Court for the year ended 31 July 2020 Nature, Objectives and Strategy of the University (continued)

During the year we continued to implement our Strategic Plan for 2015-2020 which was approved in spring 2015 and reported satisfactory progress against key performance indicators to the University Court. These are set out in detail on pages 11-13 of this report. Plans to create the next 5 year strategic plan commenced but were progressed more slowly than expected due to Covid-19. A draft plan for 2021-2026 is being developed and will be finalised shortly.

The 2015-20 plan sets out the strategic vision of the University as “The University of the Highlands and Islands is the United Kingdom’s leading integrated university, encompassing further and higher education. We will be recognised for the quality of our students’ experience and for their achievement. Our worldwide reputation will be built upon our innovative approach to learning and our distinctive research and curriculum, enriched by the people, natural environment, economy, culture and heritage of our region and its communities.” The mission of the University is “to have a transformational impact on the prospects of our region, its economy, its people and its communities”.

The values of the organisation are collaboration, openness, respect and excellence. A copy of the Strategic Plan setting out our aims and objectives from 2015 to 2020 for the UHI partnership is available on our website www.uhi.ac.uk

Strategic Report - Current and Future Development and Performance

There were many positive developments across the University of the Highlands and Islands partnership during the 2019 to 2020 academic year.

In July, we highlighted the issue of marine micro-plastics by coordinating an open letter to the United Nations, European Union, Scottish Government and the UK Government from 30 island universities. Researchers at North Highland College UHI’s Environmental Research Institute launched a website to gather information about interactions between birds and debris, and we welcomed colleagues from the Tokyo University of Agriculture. Colleagues at Lews Castle College UHI, meanwhile, embarked on a collaboration with DF Barnes/BiFab and Highlands and Islands Enterprise to provide engineering training opportunities at Arnish Yard.

Having purchased the Centre for Health Science in Inverness at the end of 2018/19, we have been engaged in how we can make the building work better for the university and its other occupants. In August we launched a bursary to help care experienced students participate in graduation ceremonies. We also named Anne Lundon, a Scottish media broadcaster who studied at Lews Castle College UHI, as our alumnus of the year. North Highland College UHI signed a partnership agreement with Developing the Young Workforce North Highland to support the Caithness and Sutherland economy by developing more apprenticeship opportunities.

The university reached a milestone in September when Winnie Courtene-Jones, a microplastics researcher from Wales, became the first person to graduate with a doctorate from the university.

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

Winnie was presented with her qualification at the Scottish Association for Marine Science UHI graduation ceremony. We also saw the first cohort of students graduate from our professional golf BA (Hons) degree at North Highland College UHI and announced that we are joining forces with IBM to launch a BSc (Hons) degree in applied software development.

The university partnership announced our student of the year winners in October. Angela Louch, who completed a hairdressing Level 5 National Certificate at Lews Castle College UHI, was named as our further education student of the year, while Thorfinn Rosie, who graduated with a BA (Hons) in business management from Orkney College UHI, was chosen as our higher education student of the year. October also saw Perth College UHI open a sports therapy clinic at its Academy of Sport and Wellbeing and the university's music business and popular music degrees receive a pioneering accreditation from the Scottish Music Industry Association.

The university's student development fund, which has helped over 400 students undertake personal development opportunities, celebrated its tenth anniversary in November. Moray College UHI launched a professional development programme in responsible leadership during this month and the university announced it would be offering Scotland's first new optometry degree in almost 50 years. We were also delighted that BA childhood practice student, Lucy Hannah, was named as the 2019 Young Gaelic Ambassador at the Daily Record Gaelic Awards. Lucy manages Fàs Mòr, a childcare centre at Sabhal Mòr Ostaig UHI.

In December, Claire Mcfarlane from Perth College UHI, won a national car bonnet spraying competition in Glasgow. Claire, who was studying for a level 5/6 diploma in accident repair body principles, was the only female in the final of the Scottish Motor Trade Association competition. Colleagues from our Archaeology Institute, meanwhile, unearthed nine possible Bronze Age figurines in Orkney. The university partnership launched its first online annual review and West Highland College UHI announced it would be developing a new NQ Level 5 in countryside skills with ranger training with the Nevis Landscape Partnership.

2020 started with a flurry of nominations and industry partnership awards for further and higher education students. This included food studies and hospitality students at Perth College UHI who took part in a competition run by Sodexo, Sandy Davidson, a BSc (Hons) forestry management student, who won the Savills Forestry and Sustainability award and NAFC Marine Centre UHI student Emma Rochester, a modern apprentice in aquaculture, who was a finalist in the British Education Awards. Scientists at the Scottish Association for Marine Science UHI contributed to the Marine Climate Change Impacts Partnership Report on how the UK's seas are responding to climate change. Two digital heritage research projects, based at Lews Castle College UHI and West Highland College UHI, were amongst nine in the Highlands and Islands to share a £5 million European Regional Development Fund grant. The university partnership supported an open letter, signed by Universities Scotland, UCU Scotland and NUS Scotland, assuring staff and students that universities will remain open and welcoming people and ideas from all around the world as the UK prepares to leave the European Union.

In February, Dr Roxane Andersen from the Environmental Research Institute at North Highland College UHI was awarded £986,000 to undertake a new research programme to expand her

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

peatland research, exploring how climate change could affect blanket bogs. The university was also awarded over £264,000 from the British Council and the South African Department of Higher Education and Training to help mentor a group of South African doctoral candidates on topics related to the sustainable development of mountainous regions. Maree Todd, Minister for Children and Young People, visited Perth College UHI and at Sabhal Mòr Ostaig UHI students were gifted a length of Harris tweed by the Carloway Mill in Lewis for use in Gaelic waulking songs.

In March, the university received the funds from the bequest by Nancy Hewison from Orkney of nearly £1 million in memory of her late husband Bill. It created a legacy fund which will be used to support students in their studies and to encourage higher education participation by the people of Orkney. We also celebrated Scottish Apprenticeship Week with a range of events and features across the university partnership.

Principals of the university, colleges and research institutions announced the decision to suspend the delivery of face-to-face teaching from Friday 20 March to help reduce the risk of spread of coronavirus within our community. The university partnership, Highlands and Islands Students' Association and Comann nan Oileanach responded rapidly to the crisis situation, working together address the impact of the coronavirus.

Lockdown continued through April and students and staff from across the university partnership gave their skills and time to support the NHS and their local communities. This included nursing and midwifery students starting their final placements early to bolster the NHS workforce, equipment and food donations and offering university and college premises for testing facilities. The development office also set up a new emergency fund to help students unable to continue their studies online.

In May marine scientist Bhavani Narayanaswamy, historian David Worthington and Michael Rayner, Dean of Research, were awarded Professorships. North Highland College UHI also celebrated the 20th anniversary of the opening of the Environmental Research Institute.

In June, the Scottish Government announced two new projects to boost innovation in construction and manufacturing across the Highlands and Islands, featuring Inverness College UHI and West Highland College UHI in plans to develop and innovate, as well as upskill and reskill workforces. The public were invited to come forward with their views on the future for education in Shetland and we stood in solidarity with our Black, Asian and minority ethnic colleagues, as well as those who have safely and responsibly found ways to protest and influence change in our duty to address racism.

The university partnership was recognised for our work to support student carers in July, with the Carers Trust Scotland's Going Higher Award. Researchers at the Language Sciences Institute and Soillse launched a new book which highlighted the need for a radical new approach in Gaelic policy to safeguard the future wellbeing of the language in the Islands. The results of the Highlands and Islands Students' Association Awards were announced following a record number of nominations. Dr Antonia Pritchard, a senior lecturer in genetics and immunology won the award for best

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

research supervisor, with Cathey Steed and David Kirk, staff at the Highland Theological College UHI, receiving highly commended awards for best support staff and most engaging video-conference tutor. The Wind and Wave Club at Scottish Association for Marine Science UHI was named as sports club of the year and Caroline Hepburn, NAFC Marine Centre UHI, received the hidden hero award.

Sadly, because of global restrictions imposed by the pandemic, overseas activities such as participation in Tartan Week in New York to showcase the capabilities of our students and alumni and the launch of our “Made in Scotland” brand in Washington DC had to be postponed. Similarly, it was not possible to hold graduation ceremonies for our 2020 graduands. However, our partnership created an innovative virtual graduation to which our Chancellor contributed an address and our many graduates and award winners were celebrated in supplements in the Herald and Press and Journal newspapers.

Whilst it was planned to start the autumn semester on schedule, significant adjustments have had to be made to the mode of delivery for many students due to continued Covid-19 restrictions and these continue into semester two. The university is well placed to accommodate these adjustments due to its longstanding capability in blended learning.

The strategic change priorities agreed and started in 2018/19 continued to be implemented but the focus of this work was altered to ensure our response to the pandemic lockdown was rapid and appropriate and any negative impact on our students, staff and institution was minimised.

Our student association (Highlands and Islands Student Association - HISA) which represents both further and higher education students continues to develop, offering our students an increasing range of services and representation both regionally and nationally.

The university’s priorities include:

- Increasing and diversifying our student population, continuing our focus on widening access to those otherwise excluded from further and higher education through geography, social background or financial means. In addition, we will increase recruitment of young entrants.
- Utilising our distinctive blended and work based learning model to provide flexible opportunities relevant to students’ needs and ambitions and to meet the needs of the economy and society.
- Providing a range of core curriculum to all of the communities of our region alongside a range of courses distinctive to our research strengths and the region’s environment, cultural heritage, professions and industries and which will attract students from within our region and beyond.
- Sustaining and developing high impact research and knowledge exchange activities.
- Being able to invest in strategic initiatives and take advantage of new opportunities.

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

- A key priority for further education is the development of a regional strategy for further education and underpinning regional approach to curriculum portfolio review to further enhance the alignment of curriculum to skills demand. This is a continuation of the work to create a regional policy infrastructure for further education. To date this work has been well received by partners, reducing the risk of unplanned staff absence or departure and creating communities of practice that support collaboration and reduce duplication of effort.

The University successfully delivered against its joint higher and further education outcome agreement in 2019/20 as required by the Scottish Funding Council. The agreement for the Highlands and Islands incrementally shares outcomes between the two funding streams and underpins the tertiary nature of the institution.

Relevant regional outcome agreement national measures are entrants by different groups and research students are set out below:

Proportion of Scottish-domiciled undergraduate entrants from relevant groups:

	2019-20	Original ROA target (set April 2019)	2018-19	%point change (year-on-year)
SIMD20	8.9%	8.8%	8.2%	0.7%
SIMD20 FT first degree	10.3%	9.0%	10.0%	0.3%
SIMD40	26.2%	25.7%	24.6%	1.6%
From SHEP schools	4.4%	4.9%	3.9%	0.5%
Protected characteristics:				
Male	39.1%	40.0%	37.5%	1.6%
Female	60.7%	60.0%	62.2%	-1.5%
Under 21	48.2%	45.0%	44.1%	4.1%
Over 21	51.8%	55.0%	55.9%	-4.1%
BME	2.9%	2.9%	2.6%	0.3%
Has a disability	29.4%	23.0%	23.2%	6.2%
Care leaver	1.4%	1.8%	1.5%	-0.1%
On STEM courses	27.20%	30.0%	27.8%	-0.6%

Targets were revised in the 2019-20 ROA reflecting changes in 2017-18. In particular the impact of the new nursing undergraduates.

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

The number of research postgraduate students FTE:

2019-20	2018-19	2017-18
132	122	108

The University's fundraising activities continued to be successful in the year with donations totalling £231,174 towards a range of projects were secured compared with £2,486,577 in the previous year. It should be noted that the 2018/19 figure included the receipt of two legacies valued at £2,329,078.

The University increased its total higher education student numbers with 7,180 (2018/19 - 7,129) full-time equivalents (FTE) during the year, primarily from within the region, made up of 6,647 undergraduates (including 365 Nursing BSc FTE), 415 taught postgraduate, 114 PGDE and 134 postgraduate research FTE. UHI continues to service the lifelong learning needs of the region with 18% (2018/19 - 18%) of undergraduate higher education FTE part-time and 57% (2018/19 - 55%) of our undergraduate students over 21 years of age at the start of their course.

Further Education

In 2019-20, the region was once again on target to continue the trend set over the last 5 years of exceeding activity targets for further education. However, as has been the case across Scotland's education system, the COVID-19 pandemic had a significant impact on the delivery of FE programmes and we did not meet the activity target.

For 2019-20 both the core and ESIF student activity targets remained at the same level as the previous year. As the table below shows, due to the disruption caused by COVID-19 to education provision, student enrolments were negatively impacted and we delivered 3,017 fewer credits than the combined target. This will have no impact on the funding received for the core activity as SFC has recognised the exceptional circumstances and will not claw back funding. It will mean not being funded for the ESIF credits as they were dependent on meeting the core target. The loss of income amounts to approximately £600,000.

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

Despite the pandemic, the university and college partnership's strengths and track record in the delivery of blended and virtual learning models, and the hard work and dedication of staff across

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

the partnership, enabled a speedy response to the developing disruption caused by COVID-19 to ensure that the vast majority of FE programmes quickly transitioned to enable students to continue through online means throughout lockdown. Whilst buildings closed, colleges remained open and continued to support students throughout the lockdown.

Where learner progress, assessments and exams were halted, the partnership worked hard with government, key agencies, awarding bodies and education institutions to ensure that students were able to progress onto positive destinations with the minimal possible disruption. Those programmes that were most negatively impacted by the COVID-19 restrictions were in areas that required more practical elements of delivery (for example in college workshops, training salons and kitchens) or time spent in an employer setting, such as apprenticeship and vocational programmes.

Throughout this period the UHI Work-based Learning Hub has supported the partnership to navigate through the disruption to work-based and apprenticeship programmes, where the impact of lockdown on our employer partners has been significant and in many instances required progress to be largely halted. This has included SVQ programmes and particularly Foundation Apprenticeship students finishing school in summer 2020 who were unable to complete their work placements and SVQ evidence portfolios to complete their awards. In these instances colleagues across the partnership worked extremely hard to support schools, students and their families as the government and awarding body measures and guidance developed, to ensure clear communication and positive progressions were achieved.

Prior to and throughout the COVID-19 pandemic, work has continued to progress in this year in key areas of development, including through the partnership Senior Management Curriculum Team and Quality Forums, in areas relating to curriculum review and planning, digital poverty, schools, work experience, attainment quality improvement and STEM, and has aligned with the evolving Assembly workstreams throughout this time. This has included an increasing focus on developing a tertiary approach across the partnership.

Research, Knowledge Exchange and Impact

2019/20 saw a number of significant achievements across research, knowledge exchange and impact.

Within the University's Graduate School, the number of students undertaking MRes degrees grew, and the portfolio of programmes was extended. By the end of 2019/20, there were 16 MRes degrees offered by the University. A highly successful conference for all research students was held at North Highland College in November 2019. The University was also successful in securing studentships through some of Scotland's Graduate Schools, especially within the field of marine science where 5 further studentships were awarded in 2019/20.

A further successful inter-disciplinary conference was held in December 2019 at Inverness College UHI by the Humanities and Arts Research Cluster entitled 'Ruination and Decay'

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

The latter 1/3 of the year was dominated by adjusting to the impacts of the COVID pandemic, and many research staff and research students had to make significant changes during this period. As the university is largely funded from the public sector no staff were eligible for furlough. The University was notified that it would receive £918K of research uplift funding from the Scottish Funding Council in June 2020, and this funding is being used to support funded extension for research students impacted by COVID and due to complete studies in 2020/21, to extend contracts for research staff whose work has been disrupted by COVID and to support a number of strategic research projects. The spring and summer saw the University becoming actively involved in COVID related research projects, especially involving the Institute of Health Research and Innovation. Discussions were held internally and externally to reaffirm the focus of the University's research and knowledge exchange activities as aspiring to have impact on the economy and society in the Highlands and Islands whilst at the same time having national and international connectedness.

Preparations for REF2021 continued at pace, and notwithstanding the delayed submission date as a result of the COVID pandemic, the University maintained its schedule of preparations with scrutiny events for the case studies, and the environment statements, both at Unit and Institutional level. The census date for the REF was 31st July 2020, and at this date, some 118.24 full time equivalent staff were confirmed as being eligible for inclusion in REF2021. This is an increase of 49.54fte compared with the University's submission to REF2014, an increase which reflects significant growth in research activity across the University, growth which has been particularly notable in the Institute of Health Research Innovation.

There were significant research outputs within all of the University's main research areas; environmental science, health and humanities. An especially noteworthy output was the publication of an iconic study into the state of Gaelic in the Western Isles (Ó Giollagáin (2020 et al), *The Gaelic Crisis in the Vernacular Community*, Aberdeen, University of Aberdeen Press). This publication has attracted significant political interest and sparked major public debate in Scotland.

Ongoing work was completed to enhance business processes within the University's research and knowledge exchange activities, notably the development of an fully comprehensive online research ethics system in partnership with HAPLO.

Staff Development

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

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

Key Performance Indicators

Student numbers

The University continued to increase its student population.

<u>Total</u>	2019/20	Target	2018/19	Target	2017/18	Target
Heads	10,213	N/A	10,192	N/A	9,719	N/A
Full-time equivalents	7,180	6,433	7,129	6,307	7,054	6,300

Scottish Funding Council fundable

<u>Total</u>	2019/20	Target	2018/19	Target	2017/18	Target
Full-time equivalents	5,870	5,783	6,545	5,783	6,627	5,883

Student success/retention

The Higher Education Statistics Agency publishes annual performance indicators for all United Kingdom universities. One of these is a measure of full-time student non-continuation from year of entry. The most recent data published in March 2020 is for 2017-18 entrants and shows non-continuation rates into 2018-19. Data for 2018-19 entrants will not be published until March 2021:

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Degree students	12.4%	11.9%	14.5%
Benchmark	10.5%	9.6%	10.0%
Other undergraduate students	18.5%	19.1%	19.9%
Benchmark	16.5%	16%	16.8%

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

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

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

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

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

Student satisfaction

The university participated in the National Student Survey, conducted by Ipsos MORI on behalf of the United Kingdom funding councils. The key indicator in the survey is overall student satisfaction for which a benchmark is set for each institution, based on its student profile. The result for the University of the Highlands and Islands was as follows:

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Overall student satisfaction	82%	84.5%	85%
Benchmark	82%	83.6%	83%

The university also participates in the annual Scottish Funding Council Student Satisfaction and Engagement Survey for FE students. The 2019-20 survey was cancelled as the fieldworks coincided with the Covid-19 lockdown. The latest data is:

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

The Higher Education Academy co-ordinates the UK-wide Postgraduate Taught Experience Survey (PTES) and Postgraduate Research Experience survey (PRES). The research survey is biennial and the next is due in 2020-21. The latest available information is:

PTES	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Overall student satisfaction	85%	89%	79%
Scottish figure	78%	80%	78%

PRES	<u>2018-19</u>	<u>2017-18</u>
Overall student satisfaction	85% (4% points higher than participating Scottish Institutions)	87% (5% points higher than participating Scottish Institutions)

Graduate destinations

The Higher Education Statistics Agency also publishes annual performance indicators on graduate destinations. The performance indicators are derived from a survey of graduates. A new survey was introduced in 2019-20, the Graduate Outcome survey, which has a different methodology and questionnaire from the previous version, also graduates are now surveyed 15 months after graduation rather than the previous six months. The first cohort results were published from July

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2020 and refer to 2017-18 graduates, however, to date no equivalent performance indicators have been developed for the sector. Comparative data from the Graduate Outcome survey itself shows:

Graduate destinations	University	Scotland	UK
In work or further study	88%	90%	89%
Other including travel, caring for someone, or retired	8%	5%	6%
Unemployed and due to start work/study	1%	1%	1%
Unemployed	3%	4%	4%

The Scottish Funding Council also publishes results from the college leavers' destinations. The 2019-20 results were published in November. The latest results for our FE leavers are:

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

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

Strategic Report - Resources and Principal Risks

The University's most significant source of income continues to be Scottish Funding Council (SFC) grants for higher education teaching and research and further education, which increased from £101m in 2018/19 to £107m in 2019/20 (£45m for higher education and £58m for further education). The increase in further education grants was again provided to fund the additional cost of nationally bargained staff terms and conditions rather than any increase in teaching activity.

As with all publicly funded organisations, the University expects that funds will be more difficult to secure and future income based on student numbers is potentially less secure as a result of the Covid-19 pandemic therefore continues to plan prudently on that basis. As a relatively new university we continue to be heavily dependent on public funding with 79% of our income being derived from SFC and grants from the European Union (EU) and Highlands and Islands Enterprise (HIE). The University is in a unique position in helping to regenerate the economy of the Highlands and Islands and its resultant geographic wider access provision creates a high cost of delivery across a sparse and socio-economically vulnerable population.

The key risk which the university continues to focus on is financial sustainability. The uncertainty of future funding flows have been exacerbated by the Covid-19 pandemic.

As income is largely driven by student numbers and research activity it is subject to great external uncertainty over which the university has little or no control. Consequently, the main mitigating actions being taken are to manage controllable costs as tightly as possible. This included a

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Strategic Report - Resources and Principal Risks (continued)

voluntary severance/reduced hours scheme being offered by the university with a closing date of 31st July 2020 which resulted in 13 staff leaving the institution or reducing their hours from 31st December 2020.

Whilst continuing to make a strong case to the Scottish Government for increased resources to help us build a university which has both academic and financial strength we continue, in parallel, to pursue plans to diversify our income base to help secure long term financial sustainability.

Implementation of partnership wide plans agreed in 2019/20 progressed during the year and include workstreams on financial sustainability and income generation.

Whilst an ambitious programme of work has been set out and agreed by the partnership the key risk to the delivery of this programme continues to be a lack of staff capacity and resource to backfill key staff members to allow them to focus on the change programme. This risk is exacerbated by restrictions imposed by the pandemic and the urgent need over the past 6 months to focus on responding quickly and appropriately to the needs of our students and staff.

Being “technology rich”, the university was well placed to close campuses quickly when required to do so in March and move a great deal of teaching to virtual environments. The needs of students was of paramount importance and the partnership have worked tirelessly and collaboratively since March to ensure that students can complete or continue their studies with minimum interruption and to make the student experience as good as it can be in the circumstances.

The University continues to rely heavily on grant funding from HIE and the EU for investment projects as it has insufficient core funding for major developments.

The University acknowledges that leaving the European Union will have profound implications on future research funding and funds for new strategic initiatives and continues to engage proactively with the Scottish Government and research bodies to support and influence initiatives for replacement funds. Continued uncertainty over the focus and distribution of “shared prosperity funding” continues to be a significant risk.

Many aspects of University provision will be affected by these changed circumstances, including the impact on national and regional economic performance, curriculum changes in light of possible skills shortages, new regulations for students and staff travelling to and from EU destinations, and recruitment and retention of EU nationals (students and staff). Further details on some of these areas will follow in coming weeks and months – and some of the impacts will not be apparent until the medium to long term.

There had been concern about data adequacy and how the flow of data between the UK and EU member states would be affected after the end of the transition period, but a 6-month bridging extension has been agreed. This could affect projects where UHI is either the lead or just a partner, so development in this area should be monitored over coming months, including reference in any new contracts approved at this time.

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Report of the University Court for the year ended 31 July 2020

Strategic Report - Resources and Principal Risks (continued)

One of the greatest concerns is the impact on funding levered in from EU programmes, which has financed a wide range of activities across the University at the equivalent of c €15m every year over the past 20 years. The Agreement confirms that existing EU projects approved from the current 2014-20 programmes will continue for the agreed duration – in some cases, up to 2023 and beyond. UK organisations may still participate in some remaining calls under 2014-20 programmes. There is a mixture of good news and bad on future access to 2021-27 EU programmes for UK organisations in the Agreement. At EU level, programmes still require final ratification and confirmation of budgets, so future UK participation can only be negotiated in detail after that. Key points to note at this stage:

a. Research and Horizon Europe

The agreement confirms that the UK will associate to the new R&I programme which will succeed the current Horizon 2020, with a budget of €9.5 billion, with equivalent terms as other Member States and Associated Countries.

b. Erasmus+

The Agreement does not include future participation in the new Erasmus+ 2021-27 programme for UK partners, but current activities approved under 2014-20 Contracts will continue as agreed and universities may still participate in Jean Monnet calls and Erasmus Mundus Joint Master Degree consortia as a non-Associated Partner Country.

However, the UK Government intends to replace this with a new domestic mobility programme - the Turing scheme - which will provide £100 million for 35,000 students for international placements from September 2021. Although this scheme will not initially include funding for inward student mobility, we have been able to feed in concerns from a UHI perspective to its development to date and would expect that the commitment to targeting students from disadvantaged backgrounds will include recognition of geographic disparities and the extra costs of travelling from the Highlands and Islands.

c. European Territorial Cooperation (INTERREG)

There is confirmation that the UK will participate in the new 2021-27 PEACE PLUS Programme which is a welcome possibility for the continuation of UHI collaborations established with Irish and Northern Irish partners. This is a new initiative, combining the previous PEACE and INTERREG Cross Border Programmes, will allow Scottish organisations to receive funding from the €1 billion budget.

However, references to other INTERREG programmes, such as Northern Periphery & Arctic, North Sea and Atlantic Area, are not yet as clear cut. Although there is still the possibility, in principle, for UK participation as a third country, the UK Government position remains against engagement beyond PEACE PLUS.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

Strategic Report - Resources and Principal Risks (continued)

This area is of particular interest to the University, having been the second highest Scottish recipient of INTERREG funding in the current programmes.

d. EU Structural Funds (ESIF)

By far the greatest source of EU funding for the University at about 2/3 of total grant investment, EU Structural Funds will be replaced by a domestic scheme – the UK Shared Prosperity Fund (SPF). We await further information on this fund later in spring.

Research is an essential part of the University's portfolio but viability is challenging in an environment when research excellence is increasingly rewarded over "new" areas, research council grants have reduced and charitable grants are much more difficult to secure. At the same time, the university needs to maintain its capability and capacity.

The University recognises that research activity carries significant risk to the organisation and seeks to mitigate these risks by working with our academic partners to work collaboratively with other institutions and develop new sources of funding.

The University's use of significant EU and other external funds also carries a high compliance cost and risk, particularly where the deadlines for spend are short, grant conditions and eligibility vary from funder to funder and projects are capital-intensive and complex.

The responsibilities of the Post 16 Education (Scotland) Act 2013 created new areas of risk to the University. These continue to be mitigated by strengthened governance and management arrangements. As part of an ongoing review, the Further Education Regional Board was replaced during the year by a Regional Strategy Committee. This was done following feedback on our self evaluation of our governance processes. The new committee is more inclusive in its membership and has oversight of both higher and further education activities rather than the much narrower focus of its predecessor.

We received a response from the Scottish Funding Council on its evaluation of the university as a regional strategic body carried out in 2018/19. They are supportive of the changes already in progress to simplify and improve the efficiency of the partnership. This work is ongoing and SFC will be regularly appraised on progress.

Scottish Funding Council is currently undertaking a two-stage review of further and higher education across Scotland. A report on the first stage of the review has been received with the second stage expected in the first half of 2021. This may have wide reaching recommendations given current imperatives to reduce public funding as a result of the pandemic. This therefore creates significant further risk for the university. Representations on both parts of the review have been submitted to SFC and we await further discussions with them. One area which has been mooted by SFC is a joint options appraisal for delivery of tertiary education on rural Scotland with SRUC. This work is being commissioned with a report scheduled for April 2021.

The financial implications of increased costs and lack of flexibility introduced by national bargaining continue to cause concern in the medium to long term.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

Strategic Report - Resources and Principal Risks (continued)

There are several areas of non-compliance on reporting matters including late returns across the partnership which creates risk and reputational damage to the partnership as a whole.

We continue to monitor compliance matters on a consistent and regular basis and report on progress to the newly formed Regional Strategy Committee. The appointment of one data protection officer for the whole partnership has made a major contribution to improvements in compliance and consistency of approach in data protection.

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 2020.

Decision Making

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

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

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

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

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

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

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

Communication with staff

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

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

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

We have also recently started a regular monthly briefing from partnership council to all staff which features key strategic initiatives and announcements. This is cascaded and delivered by each of the 14 principals to their own staff. This includes the university principal.

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

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

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

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

Communication with students

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

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

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

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

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 supporting key frontline services in the public sector.

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

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

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

- 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.
- 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.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

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

The profile of the University's research work in environmental science, health and humanities draws attention to the organisation and establishes its credibility at a national and international level. As this reputation has grown it has drawn in further research projects, staff and students. Our unique insight into rural healthcare, social care and health education is a valuable resource from within the region for developing sustainable solutions to delivering health and care services across the area.

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 £1.6m in the year, mainly due to an increase in SFC grants of £4.2m offset by a decrease in donations and endowments of £2.2m compared to the previous year.

Staff costs decreased by £5.3 m to £15.0m compared to £20.3m the previous year, mainly due to the pension credit in year of £2.2m compared to the pension charge of £3.6m in the previous year. Excluding pension valuation adjustments, staff costs increased by £0.6m. Other operating expenses increased by £2.6m in the year, mainly due to the increase in payments to academic partners in relation to grant income.

The outturn for the year ended 31 July 2020 was a deficit of £0.1m. This compares with a deficit of £1.7m in the previous year. Total comprehensive income for the year was a deficit of £7.6m compared to a deficit of £8.9m in 2018/19. The reason for the significant deficit is due to the significant actuarial loss on the pension scheme of £7.7m.

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 52. As a result the University is required to disclose a liability relating to current commitments of £29.6m (2018/19 - £22.3m) on its balance sheet. Overall this has resulted in net liabilities of £11.8m (2018/19 – net liabilities £4.2m). This is due to the increase in the pension liability, from £22.3m to £29.5m, an increase of £7.3m. The actuarial loss on the pension scheme in the year of £7.7m (2018/19 - loss of £6.7m) is shown within the consolidated statement of comprehensive income & expenditure.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

Strategic Report - Review of Financial Activities (continued)

Other movements in the balance sheet include:

An increase in cash and term deposit investments, from £26.0m to £28.5m, an increase of £2.5m.

The overall balance sheet position has deteriorated from 2018/19 due principally to the revised pension liability. However UHI still has a healthy cash and term deposit investments balance and has held its net current assets level at £9.3m, a decrease of £0.2m. This means it can continue to fund the core activity of the UHI partnership, providing learning and teaching in further and higher education across the Highlands & Islands.

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

Payments to Suppliers

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

The effect of the University's policy is that its trade creditors at the year-end (excluding academic partner balances and transactions) represent 17 days purchases (2019 – 7 days) which is 4.55% of purchases (2019 – 1.82%). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Public Sector Climate Change Duty

The university developed and rolled out its first Partnership Carbon Management and Sustainability Plan, covering 2020-23. The four workstreams will be overseen and managed by the Carbon Management and Sustainability Project Board, and by the end of 2020 will be able to provide a figure for the university partnership's carbon emissions and set targets for reduction. We will continue to engage with and use the resources of Environmental Association for Universities and Colleges and the Sustainable Scotland Network to support the workstreams.

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

Statement on Employment of Disabled Persons

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

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

Statement on Employment of Disabled Persons (continued)

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

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

The University also employs an Equality Outcomes Advisor who works to promote the equality of opportunities for staff and students with protected characteristics as defined by the Equality Act 2010.

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 2020

Constitution

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

Leadership

Professor Crichton Lang led the University as Principal and Vice Chancellor throughout the year as interim vice chancellor. His successor has been appointed and will join the university on 1st February 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.

During the financial year Her Royal Highness undertook one engagement on behalf of the University. The Chancellor presided over Perth College UHI's graduation ceremony in October.

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. We continue to work on the mainstreaming of equality and diversity within the University and our planned equality outcomes for 2017-2021 as required by the public sector equality duty under the Equality Act 2010. Our second report on progress was produced in April 2019 with the final report due in April 2021. The Race, Disability and Gender Equality Duties are strong drivers to ensure that these values are mainstreamed into the policies and processes of the organisation, and the implementation of the action plans flowing from the equality duties is overseen by the Finance and General Purposes Committee. There is an established working group who undertake impact assessment of University policies, procedures and practices. The University has a programme of staff training, to cover all the strands of discrimination, which is compulsory for all staff, and subject to regular review and monitoring.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

Equal Opportunities and Widening Participation (continued)

We formed a senior equality and diversity committee in October 2019. This includes broad representation from across our partnership.

Our initiative “STEM Femmes” helped establish an infrastructure for our STEM Champions Programme, winning the EQUATE Scotland Student/Institution Partnership of the Year Award 2020. Work to date includes engaging staff and industry champions and forming a programme of planned activity for 20-21. STEM Femmes will have the chance to receive mentoring, professional accreditation, work experience, training and more. In return they advise the university, undertake targeted work and act as role models/mediators between the student body and our executive function. We are extrapolating this model to men in atypical subject areas in 2020-21.

We founded a “lunch and learn” series, holding a successful event (*Cross Cultural Communications*, Nov 2019), and have built rapport with a number of high profile speakers to discuss equality and diversity from different and often niche perspectives. This allows us to deliver staff and student development, engage the community and other public bodies who may struggle for resource to facilitate dedicated training.

After early successes moving towards a partnership focused methodology including our single equality and policy in 2019, we have designed a single gender action plan, ensuring consistency, cohesion and equitable support.

Further partnership work is underway on an innovative partnership Athena SWAN application involving the university and six of our academic partners. Early outputs include conversations with senior academic partner staff about incorporating a formal programme of race equality work;, expanding our self-assessment team; increasing engagement across our partnership and continuing to raise our aspirations/profile.

The University Court is committed to ensuring diversity in its membership and is pleased to report that the gender balance and diversity of Court members and currently has an equal balance of male and female members.

University of the Highlands and Islands

Report of the University Court for the year ended 31 July 2020

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 Chief Operating Officer and Secretary to the University of the Highlands and Islands, Fiona M Larg MBE, is also the Company Secretary.

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.



Garry Coutts

Chairman

Ness Walk

INVERNESS

IV3 5SQ

25 February 2021

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2020

Introduction

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

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

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

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

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

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

Governance Structure

The Court is responsible for the strategic direction of the University, for the University's system of internal controls, approval of major developments and capital projects, health and safety, and human resources matters, and receives reports from senior managers on the operation of the day-to-day business of the University. The Court is required to meet at least four times per year under the 2017 Code and met 4 times in the period from 1 August 2019 – 31 July 2020 to discuss and transact normal business. There is a clear division of responsibility between the roles of the Chairman and the Principal and Vice-Chancellor of the University. Under the Articles of Association the University Court delegates academic business to the Academic Council.

All Court members have access to the Chief Operating Officer and Secretary to the University, who is the Clerk to the Court and Secretary to the Company. The Chief Operating Officer and Secretary is responsible to the Court for ensuring that the Court complies with the requirements of the

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

Scottish Funding Council, relevant legislation and sectoral norms for governance processes and procedures.

Due to the Covid-19 pandemic all meetings of the Court and its committees have been held by video conference since lockdown in March 2020.

Authorisation of temporary measures to address potential coronavirus issues such as incapacitation of senior executives and the Chair, authorisation limits and document execution were included in these measures. The temporary measures have been reviewed at every subsequent virtual Board meeting and extended in time as required to ensure that they can meet continuing covid-19 restrictions.

All Board and Board Committee meetings since March have been carried out successfully online. The impact of remote working on governance has therefore been limited with Board and Executive business having been moved quickly to online facilities, with particular emphasis on video enabled platforms. The successful move of governance related activity to an online basis mirrored the general success of a rapid institutional move to online working.

Health, safety and welfare of staff and students was, naturally, a major priority for the institution and therefore procedures and processes were kept under constant review or changed as required. A Covid-19 planning group covering all area of UHI was set up in advance of lockdown. Through this group communication of restrictions, procedures and all relevant information or guidance to staff and students was maintained. As time progressed much of the H&S effort moved from immediate contingency work to planning for a safe potential return to work by staff and for the safe return of students to studies. This effort has been guided throughout with reference to government requirements and participation in sector-related practice. The recognised trade unions and student association have been consulted throughout in all aspects of Health, Safety & Welfare.

A Covid-19 specific risk register was established early in the crisis with an operational risk mitigation log used to track implementation of mitigation measures. This register has been monitored by the Audit Committee, in conjunction with the general risk register.

Intensive efforts have been made throughout the crisis to ensure maximum, effective communications to staff, students and the Board. Daily updates from the Principal and the Executive Group were given for a number of months, then these became weekly. Monthly online question and answer sessions with ELT have been held with staff together with other online events. Communications whether by email or video with staff and students have been extensively shared with the Board. A monthly meeting involving the Chair, the Principal and the Chairs of the Finance Committee, the Audit Committee and the Remuneration and Appointments Committee has been established to provide further continuity of communication.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

Training and Development of Court Members

All Court members and members of the Further Education Regional Board 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. Briefing sessions are held prior to formal meetings of the Further Education Regional Board (and now Regional Strategy Committee) on a variety of topics.

Under the Further Education Code of Governance all Court members and members of the Further Education Regional Board/Regional Strategy Committee are required to attend two one-day training sessions provided by the Colleges Development Network.

Due to the high numbers of members across the Highlands and Islands required to attend this training (35 from the university and a further c150 from assigned colleges), the majority but not all members have been able to attend. There have been a number of new appointments during the year so further training sessions are set up on an ongoing basis.

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

Effectiveness Review

The Court reviews its effectiveness on an annual basis and commissioned an externally facilitated review of the Court and all of its committees in February 2017.

University Court – Membership

The following table provides a summary of Court membership for the period 01 August 2019 to 31 July 2020. The composition of the University Court is prescribed within Article 12.1 of the University's Articles of Association. Members are appointed for a term of 3 years, which can be renewed for a further term of 3 years. In exceptional circumstances, a third term of 3 years may be permitted, giving a maximum of 9 years' membership.

University of the Highlands and Islands

Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

<i>Category of membership</i>	<i>Period of office</i>	<i>Date appointed</i>	<i>NAME</i>
<i>Independent – appointed by Court</i>	<i>3 years</i> <i>Initial appointment of 18 months.</i> <i>Appointment extended by Court until 31/07/2021</i> <i>A new chair will be elected in 2021</i>	<i>01/08/2014</i>	<i>Mr Garry Coutts (Chair) (formerly UHI Rector)</i>
<i>Interim Principal & Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/08/2019</i>	<i>Professor Crichton Lang (appointed 1 August 2019, retired 31/12/2020)</i>
<i>Principal & Vice-Chancellor</i>	<i>Ex officio</i>	<i>01/02/2021</i>	<i>Professor Todd L Walker</i>
<i>President of the Highlands & Islands Students' Association</i>	<i>Ex officio</i>	<i>16/07/2018</i>	<i>Alan Simpson (resigned: 29/07/2020. Mr Simpson was appointed ex-officio and resigned when he ceased being President of HISA)</i>
<i>President of the Highlands & Islands Students' Association</i>	<i>Ex officio</i>	<i>01/08/2020</i>	<i>Florence Jansen (Ms Jansen was elected as new HISA president and replaced Mr Simpson above)</i>
<i>Rector</i>	<i>Ex officio</i> <i>A new rector will be elected in June 2021</i>	<i>01/08/2014</i>	<i>Mr Anton Edwards (re-elected by Foundation 7th June 2017)</i>
<i>Staff member – elected by and from the staff</i>	<i>3 years</i> <i>New staff elections currently being progressed</i>	<i>15/09/2017</i>	<i>Dr Gareth Davies</i>

<i>Staff member - elected by and from the staff</i>	<i>3 years New staff elections currently being progressed</i>	<i>15/09/2017</i>	<i>Rosemary McCormack</i>
<i>Student Governor – elected by the students</i>		<i>01/07/2019</i>	<i>Natasha Morgan (resigned: 09/09/2020)</i>
<i>Student Governor – elected by the students</i>		<i>09/09/2020</i>	<i>Jack Shehata (selected by HISA to replace Ms Morgan above)</i>
<i>Appointed Governor - FE Academic Partner Chair, appointed by the FE Academic Partners</i>	<i>3 years</i>	<i>01/08/2017</i>	<i>Mr Neil Stewart – Inverness College UHI (resigned 29/07/2020)</i>
<i>Appointed Governor - Academic Partner Chair, appointed by the Research & Specialist Partners</i>	<i>3 years</i>	<i>10/04/2018</i>	<i>Mr David Sandison – NAFC</i>
<i>Independent - Chair of UHI FE Regional Board</i>	<i>Ex officio Appointment extended by Court until 31/07/2021</i>	<i>01/08/2014</i>	<i>Dr Michael Foxley</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>01/08/2014</i>	<i>Mr Andrew Rogers (resigned 31/07/2020 following completion of maximum permitted in terms of office as per Articles of Association)</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>18/09/2017</i>	<i>Mrs Andrea Robertson</i>
<i>Independent – appointed by the Chief Executives of each of the Local Authorities</i>	<i>3 years (renewable)</i>	<i>01/09/2017</i>	<i>Mr Roddy Burns (resigned: 01/04/2020)</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 (selected as replacement for Mr Burns above)</i>
<i>Independent – appointed by the Highlands and Islands Enterprise</i>	<i>3 years (renewable)</i>	<i>09/10/2017</i>	<i>Mr Alistair Dodds (resigned 09/09/2020)</i>
<i>Independent – appointed by the Highlands and Islands Enterprise</i>	<i>3 years (renewable)</i>	<i>09/09/2020</i>	<i>Mr Angus Campbell (replaced Mr Dodds as HIE Appointed member)</i>

<i>Independent – appointed by Court</i>	<i>3 years (renewable) Appointment extended by Court until 31/01/2021</i>	<i>01/08/2014</i>	<i>Mr William Printie (resigned 01/02/2021 following completion of two terms of office and an extension)</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable) Appointment extended by Court until 31/01/2021</i>	<i>01/08/2014</i>	<i>Professor Fiona McLean (Vice Chair) (resigned 01/02/2021 following completion of two terms of office and an extension)</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>09/02/2018</i>	<i>Ms Linda Kirkland</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>09/02/2018</i>	<i>Dr Poonam Malik</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>20/04/2018</i>	<i>Heidi May</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>27/06/2019</i>	<i>Dr Sarah Helps</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>29/07/2019</i>	<i>Ms Kirsty Macpherson</i>
<i>Independent – appointed by Court</i>	<i>3 years (renewable)</i>	<i>31/01/2020</i>	<i>Brian Crichton</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>01/10/2019</i>	<i>Lesley Cole</i>
<i>Trade Union Member</i>	<i>3 years (renewable)</i>	<i>16/12/2019</i>	<i>Sarah O’Hagan</i>
Co-Opted Independent Committee members			
<i>FGPC</i>	<i>3 years (renewable)</i>	<i>From 03/2018</i>	<i>Duncan Macaulay</i>
<i>FERB & RSC</i>	<i>3 years (renewable)</i>	<i>From 02/2018</i>	<i>Bruce Robertson (RSC from 18/03/20)</i>
<i>Audit</i>	<i>3 years (renewable)</i>	<i>From 03/2017</i>	<i>Frank Gribben (Chair since 09/09/2020)</i>
	<i>Initial appointment was for 12 months but extended to 3 years (renewable)</i>	<i>From 03/2017</i>	<i>Sinead Urquhart</i>

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Corporate Governance and Internal Control for the year ended 31 July 2020 (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 chair of the UHI FE Regional Board and the vice chair of Court for services rendered by them to the University.

During the financial year 2019/20 the University offered the chair of Court, the chair of the Further Education Regional Board/Further Education Regional Lead and the vice chair of Court a fixed remuneration rate of £38.26 per hour or a daily rate of £287 based on a 7.5 hour day.

	2019/20		2018/19	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	751	£28,708	696	£26,060
Dr Michael Foxley	600	£22,928	672	£25,180
Ms Fiona McLean	82	£3,135	185	£6,969

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, Title Management Group and Further Education Regional Board. The remit of each of the Court committees is set out below.

Revised membership of each of the committees of Court was approved by Court on 18 June 2014. The table below shows attendances relative to the number of meetings which the member was eligible to attend.

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

Attendance Summary (1 August 2019 – 31 July 2020)

University Court and Senior Committees

	Court	Audit	Finance & General Purposes	Further Education Regional Board	Remuneration	RSC
Garry Coutts*	4/4				1/1	1/1
Crichton Lang**	4/4	5/6	5/6			1/1
Alan Simpson	3/4			2/3		1/1
Natasha Morgan	3/4			0/3		
Anton Edwards	4/4				0/1	
Gareth Davies	4/4					
Rosemary McCormack	4/4					
Neil Stewart	2/2			0/1		
David Sandison	4/4			2/3		1/1
Michael Foxley	4/4			3/3		1/1
Andrew Rogers	4/4		7/7			
Andrea Robertson	4/4		6/7			
Roddy Burns	1/3	0/2				
Alistair Dodds	4/4	6/6				
William Printie	4/4	6/6				1/1
Fiona McLean	4/4	6/6		0/3	1/1	1/1
Linda Kirkland	3/4		7/7	3/3	1/1	
Poonam Malik	4/4		4/7			
Heidi May	1/4					
Sarah Helps	3/4	2/6				
Kirsty Macpherson	3/4	0/2			1/1	

Brian Crichton	2/2					1/1
Malcolm Burr	2/2					
Duncan Macaulay			7/7			
Bruce Robertson				2/3		1/1

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

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

Audit Committee

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

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 considers annual inflationary trends, national and local market forces and benchmarks including salary movements implemented by the University's academic partners.

Further Education Regional Board

The Further Education Regional Board is a committee of the University Court charged with the oversight of the further education responsibilities of UHI as a regional strategic body. It was established in 2013, ahead of the implementation of the Post 16 Education (Scotland) Act 2013 to ensure that planning could be undertaken, data collected and processes established prior to UHI taking on full responsibility from 1 August 2014. The board meets on a quarterly basis and reports to each meeting of the University Court. The direct costs of operating as a Regional Strategic Body include the salary costs of the Vice-Principal (FE), the chair of the FE Regional Board, direct administration support, Student Information System administration, and incidental costs. These

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

amount to £247,085. There is additional cost to the organisation of support and management time but these are not directly allocated to the RSB costs.

This committee was replaced in March 2020 by a Regional Strategy Committee.

Regional Strategy Committee

In March 2020 the University Court agreed to formally implement a number of changes to the composition and terms of reference of a number of committees of Court in order to better reflect the tertiary nature of the University's business and to provide increased representation for academic partners on committees of Court. Consistent with this decision the Court resolved to replace the Further Education Regional Board with the Regional Strategy Committee (RSC) effective from May 2020. The primary role of the Regional Strategy Committee is to bring together university court members, the chairs of the academic partners and other key partners to ensure the university partnership delivers high quality tertiary education strategically across the university partnership.

The functions of the committee include:

1. Working with the university court, to advise on and monitor the implementation of the university strategy for further and higher education, research and knowledge exchange provision across the region the university serves.
2. To advise the university court on all matters relating to the implementation of the university strategy for further and higher education, research and knowledge exchange, including the regional capital and infrastructure priorities and the ways that the university and individual academic partners are implementing the strategy.
3. To advise the university court, through the finance and general purposes committee, on the allocation of funding to the academic partners and the priorities for capital expenditure.
4. To oversee the mapping, planning and allocation of further and higher education funding and curriculum provision across the region ensuring equality of access and delivery
5. To ensure that the university's strategy and resource allocation are based on evidence of future need, including the skills needs, economy and the social and cultural needs for our region, its localities and Scotland and that the UK and international context of these plans are understood
6. To ensure that the educational needs (including support needs) of potential students are understood
7. To oversee the development of and advise the court on the appropriateness of the outcome agreement with the Scottish Funding Council
8. Hold the senior executive of the partnership, through the university principal and vice-chancellor, to account for the delivery of the university strategy and outcome agreement with Scottish Funding Council
9. To oversee the content of a local outcome agreement with each of the academic partners and hold each to account for its delivery

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

10. To monitor performance of individual academic partners to ensure that the outcome agreement is delivered collectively, that quality is high and that the impact of education on the well-being of the students, former students, partner localities and Scotland is understood, ensuring that corrective action is taken if required
11. To promote the use by the partners of appropriate credit and qualification frameworks
12. To liaise with the university court's finance and general purposes and audit committees to ensure adequate administrative and support resources are in place to enable accurate and timeous reporting, accounting and audit assurance of education provision
13. To ensure that risks associated with the planning and delivery of further and higher education, research and knowledge exchange are identified and managed in line with the university risk management policy
14. To ensure that all reporting requirements to internal and external stakeholders relating to the university's provision are met accurately and timeously
15. To provide a focal point for engagement with national and regional partners and ensure oversight of local college links with community planning partnerships
16. To encourage and support innovation within and between the university and academic partners
17. To encourage sustainable development
18. To advise the chair of the university court and the principal and vice chancellor on the use of their right to attend and address any meetings of an academic partner as may be deemed appropriate
19. To ensure effective regional communication, where appropriate consulting and collaborating, or ensuring consultation or collaboration, with its colleges, representatives of trade unions, student associations, local authorities, employers, training providers, Skills Development Scotland, Scottish Qualifications Authority, Highlands and Islands Enterprise and Scottish Enterprise

Nominations Committee

The Nominations Committee is chaired by the Chair of the Court. The Committee meets on an "as required" basis 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.

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

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

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.

Foundation met on two occasions throughout the year to receive a report from the Principal and Vice-Chancellor on the work of the University, to receive annually the audited accounts of UHI and to appoint members as required to the University Court.

Foundation members elected Anton Edwards as Rector on 29 May 2014 and re-elected him for a further term of 3 years on 9th June 2017. This was extended by one year with agreement of the university Court due to it not being feasible to run hustings/elections during the pandemic.

Foundation may of its own accord discuss and declare an opinion on any other matter relating to the University and its resolution or opinion on any matter aforesaid shall be conveyed by the Principal and Vice-Chancellor to the next meeting of the University Court.

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.

The membership of Academic Council was amended to substantially reduce the number of members from 54 by the revised Articles of Association approved on 8 July 2014.

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 2019/20 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the Covid-19 pandemic, has been considered as part of the Group's adoption of the going concern basis in these financial statements and in developing a sustainable financial plan. While Covid-19 implications have consequences across the Group's range of activities, the most significant impacts are those arising from teaching and the ability and willingness of students to travel to campuses for the purposes of Further and Higher Education. The potential impact of volatility on student numbers was a significant factor in producing the Group's financial plan. These financial statements have been prepared on a going concern basis which the Board of Directors believe to be appropriate for the reasons outlined below.

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

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

A financial plan for 2020/21 through to 2022/23 is in place which takes into consideration the anticipated impact of Covid-19, recognising the significant impact it has had on the Group. In support of this plan, cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated group balance. On this basis, the Group is forecast to operate within its available committed facilities, with forecast headroom no lower than £13m throughout the going concern period. Management carefully monitors the impact of Covid-19 on its financial position regularly. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver on-line teaching mitigates risk in this respect against any further government enforced restrictions, with the expectation, backed by the latest Government indicators, that students would remain in residential accommodation throughout any period of additional restrictions. From the very outset of the outbreak we maintained effective communication with our staff, students and customers; their health and wellbeing was paramount. We carefully measure the likely impact for the future and engaged with our customers and suppliers to ensure continuation of necessary services and limited the negative impact to UHI and the wider community.

At 31 July 2020, the company had a deficit in its unrestricted fund of £14.0 million. Although the university reported a deficit before other gains and losses of £0.1 million, it is in a net liability position, with the net liability increasing from £4.2 million to £11.8 million. This is due to the pension liability for both LGPS and USS of £29.5 million.

The result of this has been a slight decrease in net current assets, from £9.4 million in 2018/19 to £9.3 million in 2019/20. The key focus is to ensure that on an ongoing basis, the university can pay its debts over the next twelve months.

For the medium term, although deficits are forecast for 2020/21 and 2021/22, the main reason for this is the current forecast for poor occupancy levels at the student residences, and also planned strategic investments. However, plans are in place to continue to reduce the operational deficit of the student residences to a more manageable level, and this continues into 2020/21 and beyond.

In testing the robustness of the Group's financial position, we have modelled a severe downside scenario to forecast a plausible worst-case scenario for the Group's finances. Should a severe downside scenario occur, a range of mitigating actions could be initiated by management primarily through managing discretionary spend that does not have an impact on its ability to maintain its high standards of teaching and research together with restricting non-essential and non-committed capital expenditure in the next 12-18 months.

Key risks

The Covid-19 pandemic significantly changed the world and the sector that UHI operates in. The risks arising from this change are varied. From the very outset of the outbreak we maintained effective communication with our staff, students and customers; their health and wellbeing was paramount. We carefully measure the likely impact for the future and engaged with our customers

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

and suppliers to ensure continuation of necessary services and limited the negative impact to UHI and the wider community.

The University acknowledges that leaving the European Union will have profound implications on future research funding and funds for new strategic initiatives and continues to engage proactively with the Scottish Government and research bodies to support and influence initiatives for replacement funds. Continued uncertainty over the focus and distribution of “shared prosperity funding” continues to be a significant risk.

Many aspects of University provision will be affected by these changed circumstances, including the impact on national and regional economic performance, curriculum changes in light of possible skills shortages, new regulations for students and staff travelling to and from EU destinations, and recruitment and retention of EU nationals (students and staff). Further details on some of these areas will follow in coming weeks and months – and some of the impacts will not be apparent until the medium to long term.

Future Developments

Alongside the pandemic there are several additional challenges that we need to confront. These include Brexit, the climate emergency and major changes in geo-politics that will resonate in a post Covid-19 world.

Post-pandemic, the HE sector will be a key part of Scotland’s recovery. However, currently the sustainability of the sector is being questioned with the continuing Covid-19 emergency revealing the unsustainability of a funding model that depends on international students’ fees to support core teaching, research and knowledge exchange.

To address these challenges, we will build strategically on interconnected themes:

- RSB and cost savings
- Our campuses
- Undertake a major digital transformation of UHI to transform the digital experience for staff, students, business partners and wider stakeholder groups with a view to increased efficiency and effectiveness of learning, research and business processes.

The SFC-led review of coherence and sustainability across the College and University sector is likely to emphasise the importance of an integrated and connected tertiary education and skills system for the future. UHI’s commitment to a tertiary model of education coupled with degree awarding powers will provide a powerful platform for Scotland’s future skills needs. This will include upskilling and reskilling to meet the changing demands of employers together with work-based learning.

Finally, the pandemic has changed attitudes to working together and sharpened the focus on collaboration rather than competition. This bodes well for the future and UHI remains committed to working with others to deliver solutions that are beyond the reach of single institutions.

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

Long term sustainability

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

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

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

- Setting a critical performance indicator on level of annual surplus achieved across the partnership, and key performance indicators on achievement of non-public sector income and philanthropic giving and monitoring against these. ²
- Setting a financial strategy to reduce dependency on public sector funding
- Review and challenge of 5 year financial forecasts, annual budgets and quarterly performance against budget.
- Annual assessment of the organisation as a going concern.

CPI - Consolidated partnership surplus – target is surplus of 1% of turnover – actual for 2018/19 was a consolidated deficit of 4.3% (2017/18 – consolidated deficit of 3.3%)

KPI – consolidated non SFC income – target is to increase 3% on 2016/17 baseline (£57.9 million) – actual for 2018/19 was £69.4 million, a 12.2% increase compared to 2017/18.

KPI – philanthropic funding – target of £250,000 – actual for 2019/20 was £681,000.

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

In terms of the first indicator, the reason for the deficits is the unfunded cost of living increases and increasing employer pension costs. To address these issues, as a partnership we will be working on a more financially sustainable model over the next year.

For the second indicator, the non-SFC income has increased by 12.2% in 2018/19, compared with 2017/18 and so the target has been achieved.

Finally, the philanthropic funding target was achieved in 2019/20.

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 30 to 32. 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 2020 (continued)

Statement on the System of Internal Control

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

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

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

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

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

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

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Corporate Governance and Internal Control for the year ended 31 July 2020 (continued)

Statement on the System of Internal Control (continued)

On the basis of the work carried out since 1 August 2019, the Head of Internal Audit concludes that where scope to improve controls was identified management actions have been agreed to address these. There is sufficient evidence of controls and procedures to provide reasonable assurance that the University has adequate and effective arrangements for risk management, control and governance.

On the basis of the work carried out since 1 August 2019, the Head of Internal Audit concludes that the University has in place a Value for Money Policy and Procedures which confirms the University's commitment to achieving value for money from all of its activities, regardless of the method of funding. It further defines the scope, responsibilities, concept of value for money and approaches to assessing value for money to help promote and secure value for money within the University.

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

Signed on behalf of the University



Garry Coutts
Chair of University Court

25 February 2021



Professor Todd L Walker
Principal and Vice-Chancellor

University of the Highlands and Islands

Statement of the Responsibilities of the University Court for the year ended 31 July 2020

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



Garry Coutts

Chairman



Professor Todd L Walker

Principal and Vice-Chancellor

25 February 2021

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 subsidiary (the 'group') for the year ended 31 July 2020 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 29, 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).

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 2020 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.

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 - 42, 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

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

- 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.

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 45, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

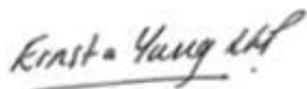
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial 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.

A handwritten signature in black ink, appearing to read "Ernst & Young Ltd", is written over a horizontal line.

Stephen Reid (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Edinburgh

25 February 2021

University of the Highlands and Islands

Consolidated and Institution Statement of Comprehensive Income
Year Ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Income					
Tuition fees and education contracts	1	11,623	11,622	11,841	11,841
Funding body grants	2	105,672	105,672	101,472	101,472
Research grants and contracts	3	5,823	5,823	5,971	5,953
Other income	4	13,377	13,360	13,373	13,370
Investment income	5	151	151	158	158
Total income before endowments and donations		136,646	136,629	132,815	132,794
Donations and endowments	6	231	231	2,486	2,486
Total income		136,877	136,860	135,301	135,280
Expenditure					
Staff costs	7	15,028	15,028	20,331	20,331
Other operating expenses	9	119,267	119,257	113,788	113,767
Depreciation	10	2,212	2,212	2,246	2,246
Impairment of fixed assets	10	-	-	300	300
Impairment of investment	13	73	73	-	-
Interest and other finance costs	8	484	484	302	302
Total expenditure		137,064	137,053	136,967	136,946
Deficit before other gains/losses and share of operating surplus/deficit of joint ventures and associates.		(187)	(193)	(1,666)	(1,666)
(Loss) on disposal of fixed assets		-	-	-	-
Gain/(Loss) on revaluation of investment property	10	326	326	(500)	(500)
Deficit before tax		139	133	(2,166)	(2,166)
Taxation		-	-	-	-
Deficit for the year		139	133	(2,166)	(2,166)
Actuarial (loss)/gain in respect of pension schemes	28	(7,717)	(7,717)	(6,741)	(6,741)
Total comprehensive (expense)/income for the year		(7,578)	(7,584)	(8,907)	(8,907)
Represented by:					
Restricted comprehensive income for the year		(156)	(156)	2,329	2,329
Unrestricted comprehensive income for the year		(7,422)	(7,428)	(11,236)	(11,236)
		(7,578)	(7,584)	(8,907)	(8,907)
(Deficit)/surplus for the year attributable to:					
Institution		139	133	(2,166)	(2,166)
Total Comprehensive (expense)/income for the year attributable to:		(7,578)	(7,584)	(8,907)	(8,907)

All items of income and expenditure relate to continuing activities

University of the Highlands and Islands
Consolidated and Institution Statement of Changes in Reserves
Year ended 31 July 2020

Consolidated and Institution	Income and expenditure account		Total £'000
	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2018	-	4,691	4,691
Deficit from the income and expenditure statement	2,329	(4,495)	(2,166)
Other comprehensive income	-	(6,741)	(6,741)
Release of restricted funds spent in year	-	-	0
Total comprehensive income for the year	2,329	(11,236)	(8,907)
Balance at 1 August 2019	2,329	(6,545)	(4,216)
Deficit from the income and expenditure statement	(156)	295	139
Other comprehensive income	-	(7,717)	(7,717)
Release of restricted funds spent in year	-	-	0
Total comprehensive income for the year	(156)	(7,422)	(7,578)
Balance at 31 July 2020	2,173	(13,967)	(11,794)

University of the Highlands and Islands

Consolidated and Institution Statement of Financial Position

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Non-current assets					
Fixed assets	10	<u>66,554</u>	<u>66,554</u>	<u>68,307</u>	<u>68,307</u>
		<u>66,554</u>	<u>66,554</u>	<u>68,307</u>	<u>68,307</u>
Investments	13	894	894	967	967
Current assets					
Trade and other receivables	12	6,987	6,914	6,243	6,234
Investments	13	6,000	6,000	6,000	6,000
Cash and cash equivalents	19	<u>22,537</u>	<u>22,519</u>	<u>20,021</u>	<u>19,960</u>
		35,524	35,433	32,264	32,194
Less: Creditors: amounts falling due within one year	14	<u>(26,244)</u>	<u>(26,160)</u>	<u>(22,809)</u>	<u>(22,739)</u>
Net current assets		9,279	9,273	9,455	9,455
Total assets less current liabilities		76,727	76,721	78,729	78,729
Creditors: amounts falling due after more than one year	15	<u>(58,949)</u>	<u>(58,949)</u>	<u>(60,623)</u>	<u>(60,623)</u>
Provisions					
Pension provisions	16	<u>(29,572)</u>	<u>(29,572)</u>	<u>(22,322)</u>	<u>(22,322)</u>
Total net (liabilities)/assets		<u>(11,793)</u>	<u>(11,799)</u>	<u>(4,216)</u>	<u>(4,216)</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	17	2,173	2,173	2,329	2,329
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		<u>(13,966)</u>	<u>(13,973)</u>	<u>(6,545)</u>	<u>(6,545)</u>
Total Reserves		<u>(11,793)</u>	<u>(11,799)</u>	<u>(4,216)</u>	<u>(4,216)</u>

The financial statements were approved by the Governing Body on 25 February 2021 and were signed on its behalf by:

Garry Coutts
Chairman

Professor Todd L Walker
Principal and Vice-Chancellor




University of the Highlands and Islands
Consolidated Statement of Cash Flow
Year ended 31 July 2020

	Notes	31 July 2020 £'000	31 July 2019 £'000
Cash flow from operating activities			
(Deficit) for the year		(7,578)	(8,907)
Adjustment for non-cash items			
Depreciation	10	2,212	2,246
Deferred capital grants on disposed assets		123	-
Impairment of investments		73	-
Impairment of fixed assets	10	-	300
(Gain)/Loss on revaluation of investment property	10	(326)	500
(Increase)/Decrease in debtors	12	(743)	703
Increase in creditors	14	1,761	2,934
Increase in pension provision	16	7,251	11,998
Adjustment for investing or financing activities			
Investment income	5	(151)	(158)
Interest payable	8	484	302
Net cash inflow from operating activities		3,106	9,918
Cash flows from investing activities			
Investment income	5	151	158
Payments made to acquire fixed assets	10	(256)	(4,245)
Payments made to acquire investment properties	10	-	(5,700)
Donated investments		-	(967)
Service Concession Financing	11	-	-
		(105)	(10,754)
Cash flows from financing activities			
Interest paid	8	(484)	(302)
New loans	15	-	9,830
		(484)	9,528
Increase/(decrease) in cash and cash equivalents in the year		2,517	8,692
Cash and cash equivalents at beginning of the year	19	20,021	11,329
Cash and cash equivalents at end of the year	19	22,538	20,021

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2020

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 2015 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 26. 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 25 February 2021. The functional currency of the University is pound sterling and the financial statements have been prepared to the rounded £000.

2. Going concern

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

The Group's financial statements for 2019/20 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows on the Group, as a result of the Covid-19 pandemic, has been considered as part of the Group's adoption of the going concern basis in these financial statements and in developing a sustainable financial plan. While Covid-19 implications have consequences across the Group's range of activities, the most significant impacts are those arising from teaching and the ability and willingness of students to travel to campuses for the purposes of Further and Higher Education. The potential impact of volatility on student numbers was a significant factor in producing the Group's financial plan. These financial statements have been prepared on a going concern basis which the Board of Directors believe to be appropriate for the reasons outlined below.

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

A financial plan for 2020/21 through to 2022/23 is in place which takes into consideration the anticipated impact of Covid-19, recognising the significant impact it has had on the Group. In support of this plan, cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated Group balance. On this basis, the Group is forecast to operate within its available committed facilities, with forecast headroom no lower than £13m throughout the going concern period. Management carefully monitors the impact of Covid-19 on its financial position regularly. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver on-line teaching mitigates the risk in this respect against any further government enforced restrictions, with the expectation, backed by the latest Government indicators, that students would remain in residential accommodation throughout any period of additional restrictions. From the very outset of the outbreak we maintained effective communication with our staff, students and customers; their health and wellbeing was paramount. We carefully measure the likely impact for the future and engaged with our customers and suppliers to ensure continuity of necessary services and limited the negative impact to UHI and the wider community.

At 31 July 2020, the company had a deficit in its unrestricted fund of £14.0 million. Although the university reported a deficit before other gains and losses of £0.1 million, it is in a net liability position, with the net liability increasing from £4.2 million to £11.8 million. This is due to the pension liability for both LGPS and USS of £29.5 million.

The result of this has been a slight decrease in net current asset, from £9.4 million in 2018/19 to £9.3 million in 2019/20. The key focus is to ensure that on an ongoing basis, the university can pay its debts over the next twelve months.

For the medium term, although deficits are forecast for 2020/21 and 2021/22, the main reason for this is the current poor occupancy levels at the student residences, and also planned strategic investments. However, plans are in place to continue to reduce the operational deficit of the student residences to a more manageable level, and this continues into 2020/21 and beyond.

In testing the robustness of the Group's financial position, we have modelled a severe downside scenario to forecast a plausible worst-case scenario for the Group's finances. Should a severe downside scenario occur, a range of mitigating actions could be initiated by management primarily through managing discretionary spend that does not have an impact on its ability to maintain its high standards of teaching and research together with restricting non-essential and non-committed capital expenditure in the next 12-18 months.

University of the Highlands and Islands

Statement of Accounting Policies

for the year ended 31 July 2020

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2020. 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 FRS 102. As a result the University has not consolidated the incorporated colleges' accounts into the group accounts in 2018/19. 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 2020

5. Accounting for retirement benefits

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

USS

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

LGPS

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

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

6. Employment benefits

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

7. Service Concession Arrangements

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

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

8. Operating leases

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

University of the Highlands and Islands

Statement of Accounting Policies (continued)

for the year ended 31 July 2020

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 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.

University of the Highlands and Islands

Statement of Accounting Policies (continued)

for the year ended 31 July 2020

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.

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2020

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts					
Scotland and EU fees		9,814	9,814	10,109	10,109
RUK (new fee rates)		856	856	778	778
Non-EU fees		932	932	928	928
Education contracts		22	22	26	26
		11,623	11,623	11,841	11,841
2 Funding body grants					
Recurrent grant					
General Fund - Teaching		39,468	39,468	36,371	36,371
General Fund - Research and Knowledge Exchange		3,536	3,536	3,391	3,391
Release of deferred capital grants		20	20	49	49
Specific grants					
Strategic funding		14	14	0	0
Capital maintenance grants		1,263	1,263	1,421	1,421
Grants for FE provision		57,884	57,884	56,256	56,256
Ring-fenced grants funded by Scottish Government		3,487	3,487	3,972	3,972
		105,672	105,672	101,472	101,472
3 Research grants and contracts					
Research councils		166	166	31	31
Research charities		257	257	96	96
Government (UK and overseas)		2,098	2,098	2,044	2,044
EU		2,353	2,353	2,424	2,424
Industry and commerce		30	30	58	58
Other		919	919	1,318	1,300
		5,823	5,823	5,971	5,953
4 Other income					
Other revenue grants		2,883	2,883	3,218	3,218
Enterprise Agency grants		27	27	36	36
Other grant income		872	821	2,084	2,084
Exchange gain		0	0	50	50
Other capital grants		355	355	414	414
Apprenticeship Grants		3,300	3,300	2,545	2,545
Other income		3,454	3,489	3,210	3,207
Other income generating activities		2,487	2,487	1,816	1,816
		13,377	13,360	13,373	13,370
5 Investment income					
Other investment income		151	151	158	158
Net return on pension scheme	28	-	-	-	-
		151	151	158	158
6 Donations and endowments					
Donations with restrictions	17	231	231	2,486	2,486
		231	231	2,486	2,486

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2020

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	12,139	12,139	11,821	11,821
Social security costs	1,265	1,265	1,227	1,227
Pension contributions paid	2,454	2,454	2,227	2,227
Pension net service cost	1,373	1,373	1,485	1,485
Movement on USS provision	(2,203)	(2,203)	3,571	3,571
Total	15,028	15,028	20,331	20,331
Administration and Central Services	7,689	7,689	7,799	7,799
Premises	50	50	51	51
Research Grants and Contracts	2,516	2,516	2,325	2,325
Academic/Teaching Departments	2,951	2,951	2,949	2,949
Academic/Teaching Support Services	2,652	2,652	2,151	2,151
Movement on pension provision	(830)	(830)	5,056	5,056
	15,028	15,028	20,331	20,331

	Year ended 31 July 2020	Year ended 31 July 2019
Emoluments of the Vice-Chancellor:	£	£
Salary	178	219
Benefits	-	-
Pension contributions	27	22
	205	241

Professor Crichton Lang was appointed Interim Principal and Vice-Chancellor on 1st August 2019 following the retirement of Professor Clive Mulholland.

The remuneration of the Principal equates to 4.92 x the median annualised full time equivalent basic salary of all other employees and 4.74 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	2
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	1	2
	3	4

	No.	No.
Average staff numbers by major category :		
Administration and Central Services	159	167
Premises	1	1
Research Grants and Contracts	46	45
Academic/Teaching Departments	47	47
Academic Services	53	49
	306	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 2020

7 Staff costs (continued)

Key management personnel

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

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

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Key management personnel compensation	617	769

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 2019/20 the University offered the Chair and Vice-Chair of Court and Chair of the FE Regional board a fixed remuneration rate of £38.26 per hour or a daily rate of £287 based on a 7.5 hour day.

	2019/20		2018/19	
	Hours claimed	Remuneration	Hours claimed	Remuneration
Mr Garry Coutts	751	£28,708	696	£26,060
Dr Michael Foxley	600	£22,928	672	£25,180
Prof Fiona MacLean	82	£3,135	185	£6,969

The total expenses paid to or on behalf of 25 court members was £8,045 (2019 - £17,886 to 26 court members). This represents travel and subsistence expenses incurred in attending Court, Committee meetings and other events in their official capacity.

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2020

Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs				
Net charge on pension scheme	28	460	294	294
Loan Interest		24	8	8
		484	302	302

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Analysis of total expenditure by activity				
Academic and related expenditure	100,269	100,269	96,315	96,315
Administration and central services	9,729	9,718	9,626	9,601
Premises (including service concession cost)	2,861	2,861	1,698	1,698
Residences, catering and conferences	-	-	-	-
Research grants and contracts	5,369	5,369	5,533	5,533
Agency Staff	54	54	3	3
Other expenses	986	986	613	617
	119,267	119,257	113,788	113,767

Other operating expenses include:

External auditor remuneration in respect of audit services	89	48
External auditor remuneration in respect of non-audit services	6	2
Internal auditor remuneration in respect of internal audit services	23	32

Operating lease rentals:

Land and buildings	58	848
Other	28	28

The deficit before tax is stated after charging:

Impairment loss on fixed assets (see note 10)	0	300
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University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2020

10 Fixed Assets

Fixed assets comprises:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Property, plant and equipment - at cost	61,028	61,028	63,107	63,107
Investment properties - at fair value	5,526	5,526	5,200	5,200
	66,554	66,554	68,307	68,307

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:

Fair value	£'000
At 1 August 2019	5,200
Additions	0
Gain on valuation	326
As at 31 July 2020	<u>5,526</u>

The historic cost of investment property is £5.7m

	Freehold Land and Buildings	Service concession arrangement Land and Buildings (Note 11)	Leasehold Improvement	Celtica and Theological collections	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2019	12,721	55,218	313	82	9,695	78,029
Additions	-	-	-	-	256	256
Disposals	-	-	-	-	(288)	(288)
At 31 July 2020	12,721	55,218	313	82	9,663	77,997
Depreciation and impairment						
At 1 August 2019	1,959	3,877	210	-	8,876	14,922
Charge for the year	223	1,577	21	-	391	2,212
Impairment loss	-	-	-	-	-	0
Disposals	-	-	-	-	(165)	(165)
At 31 July 2020	2,182	5,454	231	-	9,102	16,969
Net book value						
At 31 July 2020	10,539	49,764	82	82	561	61,028
At 1 August 2019	10,762	51,341	103	82	819	63,107

At 31 July 2020, freehold land and buildings included £0.239m (2019 - £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 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 2020

11 Service Concession Arrangements

The University has two on Balance Sheet arrangements where service delivery has commenced.

Movement in Service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31/07/2020 is £49,747,000 (31/07/2019 £51,323,000).

Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31/07/2020 were £51,284,486 (31/07/2019 £52,443,747).

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Opening balance	52,444	54,727
Additions	-	0
Payments	(1,160)	(2,283)
	<u>51,284</u>	<u>52,444</u>

Future commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

	Payable in 1 year	Payable in 2-5 years	Payable in 6-10 years	Payable in more than 10 years	Total
Service charge £'000	<u>1,182</u>	<u>4,971</u>	<u>6,794</u>	<u>38,337</u>	<u>51,284</u>

The notes below give more information on the University's current service concession arrangements:

a) On Balance Sheet concession arrangements

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

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

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

The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

The University has committed annual payments of £2,209,000 recorded within other operating expenses.

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2020

12 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	1,211	1,211	1,341	1,341
Other trade receivables	1,712	1,640	891	882
Other receivables	-	-	-	-
Prepayments and accrued income	4,063	4,064	4,011	3,991
Amounts due from subsidiary companies	0	0	-	20
	<u>6,987</u>	<u>6,914</u>	<u>6,243</u>	<u>6,234</u>

13 Investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
As at 31 July 2019	967	967	-	-
Additions - Market Securities	-	-	967	967
Impairment	(73)	(73)	-	-
As at 31 July 2020	<u>894</u>	<u>894</u>	<u>967</u>	<u>967</u>

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

Current Investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	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.

At 31 July 2020 the weighted average interest rate of these fixed rate deposits was 0.98% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 96 days. The fair value of these deposits was not materially different from the book value.

14 Creditors : amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Service concession arrangements (note 11)	1,182	1,182	1,159	1,159
Trade payables	1,347	1,347	680	680
Social security and other taxation payable	125	124	59	54
Accruals and deferred income	23,099	23,015	20,420	20,355
SFC Loan	15 491	491	491	491
	<u>26,244</u>	<u>26,160</u>	<u>22,809</u>	<u>22,739</u>

The BACS facility and credit card limits are secured by the Clydesdale Bank which holds a ranking agreement for £1.2million plus 12 months interest and charges.

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 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Accruals	14,472	14,414	8,993	8,954
Donations	-	-	-	-
Research grants received on account	366	345	889	852
Grant income	4,537	4,532	4,977	4,987
Deferred Government Capital Grants	18 3,260	3,260	3,708	3,708
Other income	464	464	1,853	1,854
	<u>23,099</u>	<u>23,015</u>	<u>20,420</u>	<u>20,355</u>

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2020

15 Creditors : amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Service concession liabilities due after one year	50,102	50,102	51,284	51,284
SFC Loan	<u>8,847</u>	<u>8,827</u>	<u>9,339</u>	<u>9,339</u>
	<u>58,949</u>	<u>58,929</u>	<u>60,623</u>	<u>60,623</u>

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

	Group and University	
	2020	2019
Current	491	491
Long Term	<u>8,847</u>	<u>9,339</u>
	<u>9,338</u>	<u>9,830</u>

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%.

16 Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension £'000	Defined Benefit Obligations (Note 28) £'000	Total Pensions Provisions £'000
At 1 August 2019	5,066	17,256	22,322
Charge through income statement		1,657	1,657
Actuarial loss	<u>(2,123)</u>	<u>7,717</u>	<u>5,594</u>
At 31 July 2020	<u>2,943</u>	<u>26,629</u>	<u>29,572</u>

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 are set out below and further information is provided in note 25(a).

University of the Highlands and Islands

Notes to the Accounts

for the year ended 31 July 2020

17 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University	
	2020 Total £'000	2019 Total £'000
Donations		
Balances at 1 August 2019	2,329	-
New donations	231	2,486
Expenditure	(387)	(157)
Total restricted comprehensive income for the year	(156)	2,329
At 31 July 2020	2,173	2,329
	2020 Total £'000	2019 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	50	1,362
Student support	181	1,124
	231	2,486

18 Deferred Capital Grants

Group and University	Funding Council	Other	Total
	£'000	£'000	£'000
At 1 August 2019	54	3,654	3,708
Disposals			
Land & buildings	-	-	-
Equipment	-	123	123
	<u>-</u>	<u>123</u>	<u>123</u>
Cash received and assets donated:			
Land & buildings	-	-	-
Equipment	-	49	49
	<u>-</u>	<u>49</u>	<u>49</u>
Released to income and expenditure account:			
Land and buildings	2	107	109
Equipment	18	248	266
	<u>20</u>	<u>355</u>	<u>375</u>
At 31 July 2020			
Land and buildings	11	2,778	2,789
Equipment	23	448	471
	<u>34</u>	<u>3,226</u>	<u>3,260</u>

19 Cash and cash equivalents

	At 1st August	Cash	At 31st July
	2019 £'000	Flows £'000	2020 £'000
Consolidated			
Cash and cash equivalents	19,909	2,517	22,425
Student support funds	112	0	112
	<u>20,021</u>	<u>2,517</u>	<u>22,537</u>
University	£'000	£'000	£'000
Cash and cash equivalents	19,848	2,559	22,407
Student support funds	112	0	112
	<u>19,960</u>	<u>2,559</u>	<u>22,519</u>

University of the Highlands and Islands
Notes to the Accounts
for the year ended 31 July 2020

19 Cash and cash equivalents (continued)

Consolidated reconciliation of net debt	31 July 2020	
	£'000	
Net debt 1 August 2019	42,536	
Movement in cash and cash equivalents	2,517	
New loans	-	
Other non-cash changes	<u>(6,819)</u>	
Net debt 31 July 2020	<u>38,234</u>	
Change in net debt	<u><u>(4,302)</u></u>	
Analysis of net debt:	31 July 2020	31 July 2019
	£'000	£'000
Cash and cash equivalents	22,537	20,021
Borrowings: amounts falling due within one year		
Secured loans	491	491
Finance leases	78	103
Service concession arrangements (note 14)	<u>1,182</u>	<u>1,159</u>
	<u>1,751</u>	<u>1,753</u>
Borrowings: amounts falling due after more than one year		
Secured loans	8,847	9,339
Service concession liabilities due after one year	50,102	51,284
Finance leases due after one year	<u>71</u>	<u>181</u>
	<u>59,020</u>	<u>60,804</u>
Net debt	<u><u>38,234</u></u>	<u><u>42,536</u></u>

20 Capital and other commitments

There were no capital commitments at the balance sheet date.

21 Lease obligations

Total rentals payable under operating leases:

	Group and University			31 July 2019
	31 July 2020			
	Land and Buildings	Plant and Machinery	Total	
	£'000	£'000	£'000	£'000
Payable during the year	58	28	848	28
Future minimum lease payments due:				
Not later than 1 year	78	16	78	25
Later than 1 year and not later than 5 years	71	13	149	33
Later than 5 years	-	-	-	0
Total lease payments due	<u>149</u>	<u>29</u>	<u>227</u>	<u>58</u>

22 Events after the reporting period

There were no events after the reporting period requiring disclosure.

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2020

23 Subsidiary undertakings

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

Company	Principal Activity	Status
UHI Research and Enterprise Ltd	Delivery of commercial research, knowledge exchange, consultancy and work based learning	100% owned

During the year the subsidiary company had income of £62,919 (2019 - £97,194). The net profit of £7,028 (2019 - £23,371) was paid under gift aid to UHI. Net assets at 31 July 2020 are £1.

24 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	Payments to Partners	Amounts due	
			to Partners at 31 July 2020	from Partners at 31 July 2020
			£000	£000
Argyll College	130	5,667	2	1
HTC	6	358	-	-
Inverness College	725	22,545	18	32
Lewis Castle College	129	5,491	(3)	2
Moray College	423	13,533	31	8
North Atlantic Fisheries College	16	349	22	2
North Highland College	446	10,859	22	2
Orkney Islands Council	99	3,812	9	3
Perth College	583	21,710	47	29
SAMS	134	2,741	-	107
Shetland Islands Council	90	3,247	-	1
SMO	14	877	2	2
West Highland College	126	5,876	3	-
	2,921	97,065	153	189

25 Hardship Funds and Childcare Funds

	NMDF £000	HE Covid Fund £000	HE Childcare £000	HE Discretionary £000	2019/20 Total £000	2018/19 Total £000
Balance brought forward	-	-	-	-	-	-
Allocation received in year	11	57	6	420	494	420
Expenditure	(11)	(57)	(3)	(381)	(452)	310
Retained for 2020/21	-	-	(3)	(39)	(42)	(85)
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.

26 Contingent Liabilities

The University of the Highlands and Islands receives funding from SFC for distribution to academic partners for the furtherance of Higher Education activities, and also for Further Education activities following its appointment as Further Education Regional Strategic Body. The University relies on confirmation from its academic partners, its knowledge of the number of HE and FE students in each college and and expected benchmark cost of providing HE and FE to confirm that the funding issued to academic partners is 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.

27 Securities

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

University of the Highlands and Islands

Notes to the Accounts for the year ended 31 July 2020

28 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

Pension (S2P) the assets of which are held in separate trustee administered funds. No staff are currently enrolled in the NEST scheme.

(i) The Universities Superannuation Scheme

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

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

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. The percentage for the year was 21.1% (2019 18%).

The total charged to the profit and loss account is £1,365k (2019 £1,045k). Deficit recovery contributions due within one year for the institution are £134,236 (2019 £100,916).

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

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

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

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

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

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

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

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28 Pension Schemes (continued)

The current life expectancies on retirement at age 65 are:

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

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

	2020	2019
Discount rate	0.73%	1.58%
Pensionable salary growth	2.81%	4.00%

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28 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 2020 was £1,578k of which employers' contributions totalled £1,185k and employees' contributions totalled £394k.

The following information is based upon pension expense calculation as at 31 July 2020.

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 VitaCurves with improvements in line with the CMI 2016 model assuming the current rate of improvement has reached a peak and will converge to a long term rate of 1.25% p.a. The average future life expectancies at age 65 are summarised below:

Mortality

	Males	Females
Current pensioners	21.9 years	24.3 years
Future pensioners*	23.3 years	26.1 years

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

Historic Mortality

Period ended	Prospective Pensioners	Pensioners
31-Jul-20	CMI 2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25%pa	CMI 2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25%pa

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

Commutation

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

Financial Assumptions for the Scheme

Assumptions as at	31-Jul-20		31-Jul-19		31-Jul-18	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.10%	-0.40%	3.50%	0.10%	3.40%	0.00%
CPI Increases	2.20%	-0.30%	2.50%	0.10%	2.40%	0.00%
Salary Increases	3.10%	-0.30%	3.40%	0.00%	3.40%	1.00%
Pension Increases	2.20%	-0.30%	2.40%	0.00%	2.40%	-1.00%
Discount Rate	1.40%	-0.70%	2.10%	-0.70%	2.80%	-0.50%

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 2019 for the year to 31 July 2020). 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-20 £'000	Year to 31-Jul-19 £'000
Fair value of assets at the start of the year	36,294	33,132
Expected return on assets	772	940
Actuarial gain on assets	(997)	1,270
Actual contributions paid by University	1,185	1,153
Actual member contributions	399	390
Actual benefit payments	(627)	(591)
Fair value of scheme assets at the end of the year	<u>37,026</u>	<u>36,294</u>
Present value of liabilities at the start of the year	53,549	41,992
Current service cost	2,760	2,127
Past service costs	(298)	418
Interest cost on defined benefit obligation	1,152	1,202
Actual member contributions	399	390
Actual benefit payments	(627)	(591)
Changes in financial assumptions	6,954	8,011
Changes in demographic assumptions	-	-
Other experience adjustments	(234)	-
Present value of funded liabilities	<u>63,655</u>	<u>53,549</u>
Fair value of scheme assets at the end of the year	37,026	36,294
Present value of funded liabilities	<u>(63,655)</u>	<u>(53,549)</u>
Net liability in Balance Sheet	<u>(26,629)</u>	<u>(17,255)</u>

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28 Pension Schemes (continued)

Analysis of the amount charged to

UHI Statement of Comprehensive Income and Expenditure

	Year to 31-Jul-20	Year to 31-Jul-19
	£'000	£'000
Current service cost *	2,760	2,127
Past service costs	(298)	418
Interest on obligation	1,152	1,202
Expected return on scheme assets	(997)	(940)
Actuarial loss in respect of pension schemes	7,717	6,741
Total	10,334	9,548

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

Sensitivity analysis to UHI obligations and service costs

	Approx % increase to Employer Liability	Approx monetary amount £000
0.5% decrease in Real Discount Rate	13%	8,176
0.5% increase in Salary Increase Rate	3%	1,724
0.5% increase in Pension Increase Rate	10%	6,213

Reconciliation of opening and closing deficit

	Year to 31-Jul-20	Year to 31-Jul-19
	£'000	£'000
Deficit at beginning of year	(17,255)	(8,860)
Current service cost	(2,760)	(2,127)
Past service cost	298	(418)
Employer contributions	1,185	1,153
Other finance income	(380)	(262)
Actuarial (loss)/gain	(7,717)	(6,741)
Deficit at end of the year	(26,629)	(17,255)

Projected pension expense for the year to 31 July 2021

UHI share of the LGPS

Projections for Year to 31 July 2021

	Year to 31-Jul-21
	£'000
Service cost *	3,253
Interest cost	912
Return on assets	(525)
Total	3,640
Employer contributions	1,188

* The current service costs includes an allowance for administration expenses of 0.6% 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 2021 may be adjusted to take account of actual pensionable payroll for the period.

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29 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.

The value of UHI's share of assets in the Highland Council's Pension Fund is also subject to estimation uncertainty, which has increased in 2019/20 as a result of the outbreak of Covid-19. As a result, Highland Council Pension Fund has disclosed a material uncertainty around the valuation of its property assets held at March 2020 (approximately 11% of the total fund assets as detailed in Note 28). This uncertainty means that less certainty, and a higher degree of caution, is attached to the valuation of the Fund's investment property than would normally be the case and that the valuation of these assets is kept under more frequent review. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied on, but rather to be clear and transparent with all parties that less certainty is attached to the stated valuations.

Service Concession arrangements

UHI has entered into an agreement with Cityheart for the operation and management of student residences at West Highland College (UHI) at Fort William and Inverness College (UHI) and with MPI for residences at Dornoch and Elgin. The nature of this agreement requires that it is treated as a Service Concession arrangement in line with FRS102 (S34.12), and is recognised as an infrastructure asset and a related liability.

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.

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29 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

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

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