
UHI North, West and Hebrides

Charity Registration No. SC021215

**Report and Financial Statements
for the Year Ended 31 July 2025**

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PERFORMANCE REPORT

Performance Overview

This Performance Overview provides a summary of UHI North, West and Hebrides' performance for the year ended 31 July 2025. It outlines the College's operating context, strategic objectives, principal risks and financial position, alongside key performance outcomes across further and higher education, research and knowledge exchange.

Academic year 2024–25 marked the second year of operation of UHI North, West and Hebrides following merger in August 2023. The College has moved from merger delivery into a phase of consolidation and improvement, embedding integrated ways of working and strengthening its ability to respond to both regional opportunity and financial challenge. Alongside delivery of core further and higher education activity, the College has focused on embedding integrated governance, leadership and operational arrangements, while responding to continued external pressures including demographic change, a highly competitive labour market, cost inflation and a constrained sectoral funding environment.

Principal and Chief Executive's Statement on Performance

Academic year 2024–25 marked the second year of operation of UHI North, West and Hebrides following merger. The year has focused on consolidation, embedding integrated ways of working and strengthening the College's ability to respond to both regional opportunity and financial challenge.

Throughout the year, staff demonstrated strong commitment and adaptability in supporting students in a challenging economic environment. The ongoing cost-of-living crisis and strong regional labour market continue to influence learner behaviour, with increased demand for flexible, part-time and blended learning pathways.

Building on the successful delivery of the merger, the College has continued to embed integrated governance, leadership and operational arrangements, strengthening collaboration across curriculum, student support and professional services.

During the year, the College completed and secured Board approval for a comprehensive suite of enabling strategies, including People and Culture, Estates and Infrastructure, Tertiary Curriculum, Research and Knowledge Exchange, Marketing and Communications, Income Growth, Student Experience, Gaelic and Sustainability. Together with the college's first Gaelic Language Plan, these enabling strategies provide a coherent framework to support delivery of the College's strategic objectives and financial recovery.

Implementation of aspects of the College's organisational structure was impacted by a local industrial relations matter. This was resolved constructively with trade unions, concluding in December 2024 with UNISON and April 2025 with EIS-FELA, providing a stable platform for continued organisational development.

The scale and pace of change associated with merger and transformation, alongside ongoing delivery commitments, has placed considerable demands on staff. During the year, the College undertook a Health and Safety Executive (HSE) work-related stress survey, trained managers in the use of HSE stress management toolkits and established a staff-led Rapid Response Group to investigate root causes and develop an action plan. This provides a clear foundation for strengthening staff wellbeing and engagement.

The College delivered strongly in Further Education, achieving 22,302 credits against a target of 22,284. Higher Education undergraduate activity was 643 FTEs against a target of 694 FTEs, remaining below target due to demographic pressures, strong employment opportunities and wider sector trends.

Quality assurance and enhancement remained central to the College's mission. The College continues to operate within Scotland's Tertiary Quality Enhancement Framework and maintains strong performance in external and internal quality measures.

The College continues to play a central role in supporting regional economic development across the Highlands and Islands. This includes delivery of the £2.4m Stornoway Technology and Innovation Centre, the first of the capital projects within the Islands Growth Deal, delivered on time and within budget opened in May 2025, and development of the Hydrogen Skills and Innovation Centre in partnership with Western Isles Council and Plus Zero in Stornoway, alongside a portfolio of strategic projects for delivery of key growth sector skills as well as net zero research within the Islands Growth Deal.

The College is actively engaged in major regional initiatives, including membership of Workforce North to support the workforce and skill requirements for the Inverness and Cromarty Firth Green Freeport, aligned to significant anticipated investment of circa £100billion in green energy and infrastructure across the region over the next 10 years. The College is a major provider of Gaelic language and Gaelic medium provision within UHI alongside Sabhal Mor Ostaig. The college is a key strategic partner for Gaelic education and cultural development through its joint venture with Ceolas at Cnoc Soilleir Ltd and contributes to regional partnership activity through its membership of Western Isles major developers forum, Western Isles Community Planning Partnership, Focus North, the North Highland and the West Highland Chambers of Commerce.

Research and knowledge exchange activity continues to be a key strength of the College. Activity is focused on themes aligned to regional priorities, including energy, environment, peatlands, pollution and society, alongside sustainable tourism, sustainable development, community resilience and digital archaeology. This work is delivered through established research centres and strong partnerships with industry, communities and the public sector. The College continues to demonstrate a strong and growing commitment to research and knowledge exchange, supported by specialist expertise and an active portfolio of externally funded projects.

Despite these strengths, the College continues to operate within a challenging financial environment. The adjusted operating deficit for 2024–25 was £2.189m (2023–24: £2.531m deficit), reflecting significant cost pressures including unfunded pay awards, pension and national insurance increases, and constrained public funding. This reflects the scale of external cost pressures relative to the savings achieved through post-merger restructuring.

The College has developed a three-year financial recovery plan to 2027–28, focused on achieving financial sustainability through further efficiency savings, targeted income growth and participation in the UHI Transformation Programme.

I would like to thank our staff, students, Board of Management, local advisory committees and partners for their continued commitment and support. The College remains focused on financial sustainability, delivering an excellent student experience and ensuring that our communities benefit from accessible, high-quality tertiary education and impactful research and knowledge exchange.

Purpose, Operating Environment and Business Model

UHI North, West and Hebrides is an anchor institution serving the North and West Highlands, Skye and the Outer Hebrides, delivering further and higher education, research and knowledge exchange across a distributed network of campuses and learning centres in 19 locations, spanning a geographic area larger than the size of Wales.

The College operates within a complex environment shaped by demographic decline, rural depopulation, skills shortages and a highly competitive labour market. These factors influence both recruitment and patterns of participation, particularly in full-time study. At the same time, the College faces sustained financial pressure from flat-cash public funding amounting to 20% real term reduction since 2021-22 (source: Audit Scotland Colleges 2025) and rising costs. These challenges are further compounded by the additional cost of delivering education across a dispersed rural and island network, where maintaining local access is essential to supporting communities but is not fully reflected in current funding models.

As an assigned college within UHI, the University of the Highlands and Islands, the College contributes to the Scottish Funding Council's Outcome and Impact Framework with UHI as the regional strategic body, aligning national priorities with regional delivery and recognising the College's role in supporting economic development, skills and inclusive growth.

Delivery is underpinned by a multi-modal model combining campus-based learning with blended and digitally enabled provision, supported locally across rural and island communities. In academic year 2024-25 the College enrolled 5,870 (2023-24: 7,104) students, with approximate 25% (2023-24: 22%) studying full-time and the remaining 75% (2023-24: 78%) studying on a part-time basis

The College responds to the Scottish Government's national policy drivers while also collaborating with regional partners and local businesses in improving opportunities for the people of the North and West Highlands, Skye and the Outer Hebrides, in helping the region's young people progress from school to work-based learning, or further and higher education, and in supporting businesses through professional up or re-skilling and workforce development.

Strategic Objectives

The College's Strategic Statement 2023–2026 sets out the priorities for the first three years of the merged institution and is informed by the approved merger business case. The strategic objectives focus on:

- achieving long-term financial sustainability;
- growing and diversifying curriculum aligned to regional and national priorities;
- strengthening research and knowledge exchange;
- enhancing the student experience across all modes and locations of delivery;
- developing cohesive and responsive enterprise and engagement functions; and
- building resilient organisational structures and workforce capacity.

Progress against these objectives is monitored through performance indicators, governance reporting and external assurance.

Delivery during 2024–25 has been supported by the completion of a suite of enabling strategies, strengthening the College's capacity to deliver its strategic priorities in a coordinated and sustainable way.

Key Risks and Uncertainties

The principal risks facing the College during 2024–25 included:

- challenges in meeting student recruitment and activity targets due to demographic trends and labour market conditions;
- financial sustainability pressures arising from flat-cash funding, pay inflation and rising operating costs;
- workforce cost pressures associated with job evaluation and pay reform;
- cyber security and information governance risks; and
- wider economic and geopolitical uncertainty contributing to inflationary pressures.

These risks are actively managed through the College's risk management framework and are subject to ongoing monitoring and oversight by the Board of Management through the Audit and Risk Management Committee.

Financial Performance and Sustainability

The College reported an adjusted operating deficit of £2.189m for 2024–25 (2023–24: £2.531m deficit), reflecting a combination of structural and sectoral system-wide pressures. This reflects the scale of external cost pressures relative to the savings achieved through post-merger restructuring and organisational integration.

These cost pressures include unfunded increases in employer National Insurance contributions, rising pension and nationally negotiated staff salary costs, changes in funding methodology and continued challenges in Higher Education recruitment. These pressures persist despite significant savings delivered following merger, including integration of the curriculum offer, organisational restructuring and significant staff cost reduction through voluntary severance.

In June 2025, the Board approved a revised three-year financial recovery plan to 2027–28, with the objective of returning the College to a break-even position. This plan is based on further efficiency savings across staff and non-staff expenditure, targeted income growth through rebalancing the curriculum portfolio towards regional growth sectors, and development of significant non-core funded income streams.

The plan also assumes a reduction in regional overhead payments to the University of the Highlands and Islands as well as further staff related savings as a result of university-wide shared curriculum and service delivery as an anticipated outcome of the UHI Transformation Programme by 2027-28.

The College has managed the financial impact of merger and transformation without receipt of a dedicated post-merger integration grant, with transitional costs supported through a loan arrangement with UHI in 2023–24 and an advance of grant funding from the Scottish Funding Council in 2024–25.

Financial forecasts indicate that delivery of the recovery plan is required to achieve a sustainable position.

Legal Status

The College was established in 1993 and incorporated under the Further and Higher Education (Scotland) Act 1992 on 1 April 1993. It is a registered charity (Scottish Charity Number SC021215) and is recognised by HMRC as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on charitable activities. The College receives no similar exemption in respect of Value Added Tax.

On 31 March 2014, the Office for National Statistics reclassified the Scottish College sector as a department of central government. Under the Assigned Colleges (University of the Highlands and Islands) Order 2014, the College was assigned to the University of the Highlands and Islands as part of the Highlands and Islands Regional Strategic Body (RSB).

On 1 August 2023, the College merged with Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College were transferred to UHI North Highland College on 1 August 2023 and UHI North Highland College subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides.

Vision and Values

Our Vision

To be an anchor institution for the region – a connected, flexible and sustainable learning organisation, opening doors to a world of opportunities

Our Mission

To connect rural and island Scotland, pioneering distinctive education and research opportunities to enable our students and communities to shape their future in a changing world.

Our Values

- + **Trust:** We take pride in what we do. We are highly trusted by our students, staff and partners. We are recognised for our leadership and dedication to deliver more for all whom we serve.
- + **Integrity:** We take responsibility for all that we do, assuring transparency and accountability. We ensure people are at the heart of everything we do and that our organisation operates in collaboration and openness, with an ethos of dignity and respect for everyone.
- + **Excellence:** We are ambitious for our learners, our staff, our college and our communities. We drive innovation, aim to be sector leaders, and benchmark our performance on national and international standards.

Our behaviours

- + **Be bold.** We are confident in our ability to transform tertiary education for our region, connecting individuals and communities to learning and education.
- + **Be agile.** We encourage new ways of thinking, supporting our people to explore new ways of thinking and doing things, responding and adapting quickly through research and innovation.
- + **Be collaborative.** People working together are at the heart of everything we do. We value our ability to collaborate through a diverse workforce, where every voice matters.

Our key themes

- + **Anchor institution:** Support economic regeneration; enhance research, commercialisation, and internationalism; attract, retain and nurture talent; and become a sector leader for tertiary education.
- + **Resilience and sustainability:** Remain financially sustainable, ensure a resilient service and networks; develop the workforce and empower staff.
- + **Fair work practices:** Committed to fair work practices in support of the Scottish Government's 'Fair Work First' policy.
- + **Innovative tertiary education:** Curriculum growth in renewables, engineering, aquaculture, Gaelic language, and digital education. To become a national leader for lifelong learning. Availability of multi-location flexible programmes.
- + **Excellent student experience:** Increase student satisfaction, access to wider social opportunities, enhanced and flexible learning offer, active student voice.
- + **Thriving communities and place:** Multi-purpose flexible estate; ingrained in communities; community learning; supporting population growth; working towards net-zero communities; local provision for local requirements.
- + **Enhanced research: Regional projects;** growth in specialisms; research led teaching/curriculum development; impact case studies invested in place; internationalisation of research.
- + **Impactful economic investment:** Increased and focused business development; coordinated projects of scale; enterprising communities.
- + **Enabling culture:** Online access to language degrees, training of secondary school teachers, Nordic culture development, investment in community.

Strategic Priorities

The College's 'Strategic Statement 2023-2026' covers the first three years of the merged college's operation and is informed by the strategic aims and objectives set out in the merger business case, which was widely consulted on with internal and external stakeholders and approved by the Scottish Government.

The College's progress and achievement against each of the following key strategic aims and objectives has been assessed through an independent Merger Evaluation Report that was commissioned by the College in September 2025 and was completed by SWG Consulting in March 2026. This report is due for publication in May 2026.

1 To become a financially sustainable, joined up organisation

Benefits

- + Longevity of college
- + Continued access to tertiary education across region
- + Equality of opportunity and experience across region

Measurements

- + Financial key performance indicators
- + Ability to invest
- + Ability to fund multi-year capital investment programmes

2 To grow curriculum, particularly in key areas that link with our research and commercial opportunities (blue and green economies/Gaelic language)

Benefits

- + Increased learning offer
- + Widened access through multi-modal delivery model
- + Up to date, relevant curriculum for communities
- + Being a credible choice for local, regional and international students Increased alignment to Scottish Government priorities and regional needs.

Measurements

- + Increased student numbers at all levels, including apprentices.
- + More upskilling, short courses and continues professional development opportunities
- + Increased international students.
- + Increased unregulated income and funding focussed on skills development/alignment.

3 To grow research and knowledge exchange through connecting our current specialisms and developing them alongside our region's potential

Benefits

- + Increased research income
- + Enhanced research profile
- + Upskilling of staff and local communities
- + Growth of knowledge exchange

Measurements

- + Increased number of full-time equivalents submitted to REF2027
- + Increased postgraduate research students.
- + Increased staff engaged in postgraduate research supervision.
- + Increased number of publications in peer review journals
- + Increased funded knowledge transfer projects/innovation vouchers.
- + Increased number of applied research funding applications that are net-zero.
- + Heightened impact of research outputs
- + Increased number of applied research funding projects
- + Increased professional recognition for staff e.g. Fellows, Senior Fellows, Principal Fellows

4 To enhance the student experience through connecting our sites, resources, communities and multi-location programmes

Benefits

- + Increased student retention
- + High student satisfaction
- + Inward migration
- + More viable programmes
- + Enhanced student culture

Measurements

- + Improved student survey results
- + Increased completion and progression rates
- + Increased student numbers.
- + Improved leaver destination data
- + External quality reports/endorsements
- + Increase numbers of underrepresented learners

5 To have cohesive and responsive business development teams who can respond effectively and purposefully to opportunities of scale

Benefits

- + Coordinated, responsive networks across the region
- + Multi-region teams who cross collaborate to provide training solutions and knowledge exchange in multiple locations
- + Single point of contact for key industry stakeholders
- + Resource to identify opportunities and respond proactively

Measurements

- + Increased non-regulated income
- + Enhanced reputation
- + Enhanced stakeholder relations/satisfaction
- + Increased offering in industry specific skills
- + Improved engagement with employers/employees for curriculum development

6 To have resilient team structures and depth of resource to address changing priorities, opportunities and economic difficulties.

Benefits

- + Efficiency in services through specialist teams
- + Efficient and consistent processes for students
- + Efficiency and resilience through combined resource, reduced dependences
- + Joint delivery of curriculum by diverse teaching staff
- + Capacity within curriculum to focus on new and innovative ways of delivering learning
- + Service improvements

Measurements

- + Increased curriculum offer
- + Improved staff wellbeing
- + Increased staff progression
- + Increased student satisfaction
- + Increased staff CPD

Key Issues and Risks

The main risks to the College are:

- Student targets being met for both Further Education (FE) and Higher Education (HE) given the changing demographics in schools, and the availability of jobs and career opportunities for school leavers.

Risk Mitigation - Student numbers are consistently above the allocated targets for FE and demand exceeds allocated FE credits and grant. The college works closely with UHI on HE student recruitment, and shortfalls against target in 2024/25 have been substantially offset by the Scottish Funding Council waiving clawback of grants relating to under-delivery of HE in previous years.

- Financial sustainability due to continued flatline Scottish Funding Council FE grants, sustained increases in costs, particularly staff costs, including National Pay Bargaining pay awards, and merger benefits not being fully realised yet.

Risk Mitigation – Seeking to influence government college funding policy through engagement with Colleges Scotland and the Scottish Funding Council, increase non-core funded curriculum delivery through an operational plan underpinning the Income Growth Strategy, continue to seek efficiencies and cost savings, complete the new organisational structure implementation, and maximise strategic opportunities through public and private partnerships.

- IT security breaches, whether internal or external.

Risk Mitigation – ensuring adherence to policies and procedures, including cyber security processes, compliance aligned with UHI, mandatory information security training.

- Wider International situation of Ukraine and the more recent escalation in the Middle East/Iran leading to higher fuel prices and contributing to higher inflation; also, the possibility of increased cyber threats.

Risk Mitigation – Procurement of utilities and other impacted college supplies is managed closely through regulated processes using approved supplier frameworks and contracts. The impact of cost increases in fuel, utility and other affected supplies has been reviewed by College management and will be factored into budgets for 2026/27. The overall impact is not considered to be significant relative to the overall financial budget. UHI and College IT teams have been carrying out continuous cyber security work and testing. Some wider international risks are very difficult to mitigate.

- Changes in school demographics may mean a more challenging target for curriculum enrolments.

Risk Mitigation – Since the merger, there is greater and more coordinated engagement with local schools, particularly senior phase curriculum delivery with clear pathways into FE and HE courses and careers in sectors where there is skills demand.

Performance Summary and Overview

The College delivered Further Education credits totalling 22,302 in the year (2024: 22,874), against a target of 22,284 credits. In academic year 2024/25 activity was delivered under collaborative further education arrangements with Argyll College.

Credit delivery against target for 2024/25 and 2023/24 was as follows:

	Achieved		Target	
	2024/25	2023/24	2024/25	2023/24
	Number	Number	Number	Number
North, West and Hebrides	22,302	22,874	22,284	22,284
Argyll College	6,401	7,020	6,300	6,300
	<u>28,703</u>	<u>29,894</u>	<u>28,584</u>	<u>28,584</u>

Argyll College became an assigned college during 2017/18, and SFC teaching grant funding goes directly to it from UHI, though its FE activity is reported through UHI North, West and Hebrides.

Higher Education activity in academic year 2024/25, as measured by full time equivalents (FTEs), amounted to 643 FTEs (home fee status/UGT) compared with 658 FTEs in 2023/24. The Higher Education activity target was 694 FTE. Figures exclude international and Rest of UK students, postgraduate taught programmes and controlled numbers, e.g. in primary education, which are reported separately.

The College has developed a range of performance measures that are used to report progress to the Board and the Senior Management Team on a regular basis throughout each year.

The trend of enrolments and student activity is as set out below. Higher education activity is reported separately and funded through UHI. The table below shows Credits and Higher Education FTEs for UHI North, West and Hebrides. The College under-delivered on the 24/25 HE FTE target but exceeded its FE credit target.

	2024/25	2024/25	2023/24	2023/24
	Actual	Target	Actual	Target
Mode of attendance	Count	Count	Count	Count
Further Education Enrolments				
Full-time	791	22,284	821	22,284
Part-time	3,708		4,685	
Total Enrolments	4,499		5,506	
Credits Delivered	22,302		22,874	
Higher Education Enrolments				
Full-time	662	694	662	782
Part-time	709		929	
Total enrolments	1,371		1591	
Total FTEs	643		658	

Performance measures (KPIs)

KPI	Purpose	Actual 2025	Trend	Actual 2024
FE Activity in Credits	Number of Credits per year	22,302	Slight decrease	22,874
Student numbers	Students enrolled on FE courses after census date	4,364	Decreasing	5,429
Overall early retention	Measures student retention before cut-off date	95.4%	Slight decrease	96.8%
Overall retention	Measures student retention	85.6%	Slight decrease	86.2%
Student outcome FE	Measures FE student success	76.3%	Slight increase	74.5%

Student Recruitment and Achievement

In academic year 2024/25, the College's FE credit target was exceeded by 0.08%, achieving 22,302 credits against the target of 22,284. There has been a successful drive towards increasing efficiency of credit delivery, hence the 20% reduction in student numbers and an increase in credits delivered per student from 4.2 credits in 2023/24 to 5.1 credits in 2024/25. The College continues to have excess demand over available credits for FE delivery but is restricted in terms of growth in FE teaching grant income by the Scottish Funding Council credit allocation.

HE undergraduate taught funded enrolments were below target at 643 FTE against a target of 694 FTE and 15 FTE (2.3%) down on 2023/24. There has been a College-wide review of HE curriculum delivery, with more focus on full-time courses and key strategic subject areas. The downward trend in HE student recruitment has been reversed in 2025/26.

The College continued to recruit well against its Postgraduate student target.

FE student achievement across all modes of study was 76.3%. This represented a slight increase of 1.8% on the previous year's figure of 74.5%. Achievement on full-time programmes in 2024/25 was 70.6% and represented an increase of 5.3% against the previous year's figure of 65.3%. High job vacancies in the area continued to influence student withdrawal and recruitment. Consequently, we continue to modify the curriculum offer and available modes of delivery to support workplace learning and enable students wishing to take up employment mid-programme to continue to study and complete their qualifications whilst in work.

Scotland's Tertiary Quality Enhancement Framework (TQEF)

TQEF is the Scottish Funding Council (SFC) tertiary education sector's new approach to quality assurance and enhancement for colleges and universities. It is built on the legacy of the last 20 years of Scotland's leading approach to quality assurance and enhancement. The TQEF comprises a shared set of principles, delivery mechanisms and outputs that can be applied to the different contexts of Scottish colleges and universities to give assurance on academic standards, the quality of the student experience and ensure accountability for public investment in learning and teaching. TQEF replaces the annual engagement visit cycle that was undertaken by Education Scotland and is the new quality assurance and enhancement review method for further and higher education provision in colleges and universities across Scotland. The date for the College's TQEF review is 2029/30. An annual Self Evaluation Action Plan (SEAP) is required by SFC by the 30th of November each year, and this incorporates action planning that the college will undertake. The college SEAP is submitted to the SFC via our UHI Regional Body.

Student Satisfaction

Student Satisfaction for 2024/25 remained high with 95% of students in both the Early Experience Survey and Student Satisfaction and Engagement Surveys reporting excellent overall satisfaction (2023/24: 92%). Higher Education Surveys, National Student Survey saw 77% of students showing overall satisfaction was high, with PTES achieving an 89% overall satisfaction response rate, with UHI at 91%, which was 7% above the Scottish Sector Average.

Performance Analysis

UHI North, West and Hebrides in conjunction with other UHI academic partners and key regional stakeholders contributes to UHI's (the regional strategic body for the Highlands and Islands region) annual Regional Outcome and Impact Framework agreement, which is signed off by the Scottish Funding Council. This makes up the basis of the College's core funded activity in terms of the volume and subject area of further and higher education and research/knowledge exchange activity agreed with the SFC, along with outlining the College's role within the key priority areas which are set by Scottish Government.

The College also develops annually a financial plan including commercial delivery as well as SFC funded activity. Each department produces an operational plan outlining their key objectives, in conjunction with the Annual Plan and overarching College Corporate Strategy, Regional Outcome Agreement and key college strategies and plans, linking in with external stakeholders.

Overall activity is managed by the Senior Management Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of planned activities for the year. Financial performance is also monitored quarterly by the Board of Management. The Board of Management is informed of the progress made towards key targets and performance, through individual business reports and the Chief Executive's Report.

Following the merger of three colleges, UHI North, West & Hebrides has built on the strengths of each institution to enhance its ability to support students, businesses, and communities. By integrating key departments such as Business Development, Marketing, Reception and Customer Services, the College has formed a unified Enterprise, Engagement, and Marketing team under the leadership of the Director of Enterprise and Engagement. This restructuring has enabled the College to address the diverse needs of its stakeholders more effectively, ensuring a seamless and responsive approach to addressing the needs of the communities we serve.

A key outcome of the merger has been the College's extended ability to satisfy employer-training needs. Building on the strong industry connections of the merged colleges, UHI North, West & Hebrides has actively supported regional and national employers in training, upskilling, and reskilling their workforce. This focus has led to the development of new partnerships and the strengthening of existing relationships, reinforcing the College's position as a trusted partner for businesses. We are ideally placed to support the once in a generation opportunities that are presenting themselves with green energy and the Inverness and Cromarty Firth Green Freeport.

To further strengthen ties with local businesses and communities, the College has established a network of Local Engagement Leads. These roles are designed to engage directly with local stakeholders, offering tailored solutions to meet specific training and development needs. By acting as key points of contact, the Local Engagement Leads ensure that UHI North, West and Hebrides remains deeply connected to the needs of the communities we serve. School liaison is also a critical component of this strategy, enabling the College to identify educational pathways for young learners and align its programs with both employer expectations and student aspirations.

The adoption of a business partner approach further supports the alignment of marketing, enterprise and curriculum areas. This strategy tailors marketing efforts to the unique needs of specific target audiences, ensuring that promotional activities are both informed and effective.

A key strategic aim of the merger was to enhance cross-college collaboration through Enterprise, Engagement and Marketing with the objective of maximising the vast array of opportunities in the Highlands and Islands.

The College's progress and achievement against each of the key merger strategic aims and objectives has been assessed through an independent Merger Evaluation Report that was commissioned by the College in September 2025 and was completed by SWG Consulting in March 2026. This report is due for publication in May 2026.

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2023/24 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2024/25 Accounts Direction for Scotland's Colleges and other guidance issued by the SFC.

The Statement of Comprehensive Expenditure shows a deficit before other gains and losses of £3,882k for the year (2024: deficit of £4,337k).

In line with Audit Scotland guidance, the College key financial metric is the adjusted operating position. For 2024/25 the adjusted operating position was a £2,189k deficit, compared to a prior year deficit of £2,531k. The reduction in deficit has been achieved through an extensive cost reduction programme, including a Voluntary Severance Scheme and efficiencies achieved through consolidation post-merger. Cost savings have been substantially offset by flatline FE core teaching grant and unfunded inflationary increases in staff and other operating costs. There has also been a reduction in available grants and other income available to the College.

The College has benefited from grant and debt funding primarily from UHI and the SFC which has allowed it to undertake a comprehensive organisational restructuring that included a significant voluntary severance programme throughout 2024.

In addition, the College has worked hard to generate additional income streams whilst containing controllable staff and non-staff costs. Most of the cost savings relate to the efficiencies delivered from the merger and impact of the voluntary severance scheme in 2024. Further savings due to both factors are included within the 2025/26 budget.

Income

Total income was £25.0m for the year (2024: £25.5m), a reduction of £0.5m (1.9%) on last year.

Income from SFC recurrent grant funding saw a reduction of £0.05m (0.3%) in the year. There was again no increase in the core FE grant. An inflationary increase of 4% would have provided an increase of £0.51m in 2024/25. Although the SFC granted the College some flexibility on the use of the FE capital grant for 2024/25, only 62% (£0.48m) of the total grant was able to be used as revenue to cover estate repairs and maintenance. The full grant of £0.81m was treated as revenue in 2023/24. The SFC provided grant funding of £0.26m in 2024/25 towards additional staff costs relating to increases in lecturer pension contributions and employer national insurance.

The College has provided in full for estimated grant clawbacks against the recurring grant income received.

Income from tuition fees and education contracts reduced by £0.18m (5.1%). This was primarily due to an increasingly competitive research funding market, with reduced amounts of funding contracts available for research bodies.

Other grant income increased by £0.12m (6.2%). This includes the release of a £0.14m provision that was brought forward from legacy West Highland College in relation to the potential clawback of EMC grant funding, with the provision no longer required. No European grant funding was received in the year for research projects (2023/24 - £0.21m). An increase of £0.14m in release of deferred capital grants relates mainly to the Stornoway campus development that was completed during the year.

Other operating income reduced by £0.47m (26.4%) from last year, reflecting reduced public and private sector funding opportunities for the College. The Scottish Government ceased providing funding through the Flexible Workforce Development Fund (FWDF) from 2023/24 and there was no related income in 2024/25 (2023/24 - £0.20m).

Expenditure

Total expenditure at £28.84m, was lower by £0.95m (3.2%) in comparison to 2023/24. This was the result of reductions in staff costs and other operating expenditure of £0.7m and £0.3m respectively.

Staff costs, excluding pension net service cost and voluntary severance costs, decreased by £0.2m (0.9%) compared to the prior year. This reflects the savings made in 2024 through a voluntary severance scheme, which were substantially offset by National Pay Bargaining pay awards, increases in pension and employer national insurance costs and the annual provision for National Job Evaluation.

All College staff who are employed under National Pay Bargaining terms were awarded an annual salary increase of £1,500 for 2024/25. Based on 306 FTE permanent staff and including pension and employer national insurance add-on costs, this equated to an increase of £0.6m in annual staff costs.

The annual provision made for National Job Evaluation was £0.3m.

The voluntary severance scheme that ran through 2024 resulted in a total reduction of 42.2 FTE staff and a related annual cost saving of £2.36m. Most of the voluntary severance and termination costs were incurred in 2023/24 (£0.99m) however a further £0.45m of costs in 2024/25 took the total cost of the scheme to £1.44m. These costs were covered by debt funding provided by the Regional Strategic Body.

The reduction of £0.3m (5.0%) in Other Operating Expenses reflects the mitigation of inflationary cost increases by further cost savings achieved as a consequence of the merger, supported by the application of appropriate budgetary control.

Balance Sheet

Tangible fixed assets at the year-end totalled £53.08m, a net increase of £2.81m compared to the prior year. Capital expenditure in the year was £0.71m (2023/24 - £2.44m) and depreciation charged was £2.86m (2023/24 - £2.76m). There was a revaluation of certain properties that resulted in a surplus on revaluation of £7.38m (2023/24: £1.51m).

The pension asset was reduced to £0 (2024: £6.93m) based on FRS102 asset ceiling considerations.

Net current liabilities are £8.67m, an increase of £1.64m from last year. Further debt funding totalling £2.16m was received from the Regional Strategic Body and the Scottish Funding Council, taking the total debt included in Accruals to £5.86m (2024 - £3.70m).

On 31 July 2025, the College had an accumulated deficit of £9.58m (2024: £0.40m) on its Income and Expenditure Reserve.

Cash Flow

The year-end cash balance was significantly lower than the previous year (2025: £0.60m versus 2024: £1.94m). The cash balance in 2024 was inflated due to the drawdown of operational funding from UHI for costs that were not incurred until the first quarter of 2024/25. The cash balance in 2025 reflects the level of working capital headroom that the College is operating with through the operating funding arrangements with the Regional Strategic Body and the Scottish Funding Council. This is further analysed in the Treasury Management section.

Cash Budget for Priorities

Following their reclassification as central government bodies from 1 April 2014, colleges are now also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and the SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities.

Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below:

Revenue Priorities	2025	2024
	£'000	£'000
Estates costs	17	17
Bank loan repayments	85	80
Total	102	97

Adjusted Operating Position [AOP]

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College.

The AOP is therefore designed to smooth any volatility in reported results arising from FRS102 and to recognise that some of the reported costs do not have an immediate cash impact on the College. The College's Underlying Operating Position can be illustrated as:

Adjusted Operating Position	2025	2024
	£'000	£'000
Deficit for the year before other gains and losses	(3,882)	(4,337)
Add back:		
Net Depreciation - note 1	1,466	1,542
Pension - Net service cost - note 2	154	175
Pension - Net return on pension assets / (liabilities) – note 3	(342)	(260)
Other provision - Early retirement provision	181	83
Other provision - Job evaluation	319	346
Bank loan repayments	(85)	(80)
Underlying Operating Deficit	(2,189)	(2,531)

Commentary on adjusting items:

- Note 1: Net depreciation is the depreciation charge for the year less deferred capital grants released in the year.
- Note 2: The net service cost is the present value of projected benefits resulting from employee service in the current year less cash contributions paid.
- Note 3: The net return on pension assets / liabilities is interest accumulated on the pension assets / liabilities, offset against the current year's interest earned on those pension assets / liabilities.

Taxation Status

The College has been entered into the Scottish Charity Register, and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Treasury Management

Treasury management is the administration of the College's cash flows and banking; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's Financial Regulations, which are compliant with the SFC Financial Memorandum, as are the College's borrowing arrangements. Following reclassification on 1 April 2014 the College is unable to enter into new loan arrangements without prior approval from the Scottish Funding Council.

On 31 July 2025, there was a £602k cash balance. The cash balance on 31 July 2025 includes carried forward balances over from 2024/25 to be paid during 2025/26:

- Student support underspend £166k

This means that the underlying year end cash balance was £436k, which the College contends is sufficient for immediate working capital requirements.

Supplier Payment Policy

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of the invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The College's average payment period during the year was 24 days (2024: 17 days). The College was not required to pay any interest during the year under the late payment of Commercial Debts (Interest) Act 1998.

Research and Knowledge Exchange

UHI NWH Research and Knowledge Exchange focuses on delivering practical impact for communities across the Highlands and Islands. The work addresses environmental, economic and societal challenges while strengthening the wider UHI research portfolio and supporting regional development. Activity aligns to four priorities: Peatlands, Pollution, Energy and Society. While grounded in local needs, this work connects directly to the UN Sustainable Development Goals and wider global agendas.

Two recognised centres lead this work. The Environmental Research Institute (ERI) in Thurso and the Centre for Recreation and Tourism Research (CRTR) in Fort William. Together they cover environmental science, energy, peatland restoration, tourism and community resilience.

During 2024–25, staff contributed to three UHI Research Clusters:

- Humanities and Arts Research Cluster (HARC)
- Society, Identity, Landscape and Knowledge (SILK)
- Marine, Environmental Science and Engineering (MESE)

Knowledge Exchange remains a core focus. Teams work closely with business, communities and the public sector. The College continues to lead across key sector groups and contributes to Net Zero, One Health, aquaculture, energy and wellbeing.

In energy, work continued through the ECOWind and ECOFlow programmes, supported by The Crown Estate. A new Knowledge Transfer Partnership (KTP) with the European Marine Energy Centre focuses on environmental monitoring for wave and tidal energy.

In peatlands, the College played a central role in the launch and promotion of the Flow Country UNESCO World Heritage Site. Peatland ACTION funding supports a new programme of contractor training. A KTP focuses on reuse of excavated peat and monitoring restoration outcomes on wind farm sites.

Within the ERI Pollution theme, work continues on solutions for emerging contaminants. This includes biochar-based treatment for wastewater and biosolids. New projects on pharmaceutical pollution link monitoring, behaviour change and treatment approaches through a One Health framework.

International work continues to grow. This includes collaboration with Oxfam on a World Bank-funded project in Cambodia, British Council support for heritage interpretation work linked to the Sri Lankan tea industry, partnership with colleagues in Sweden on eco-directed prescribing to reduce pharmaceutical impacts, and collaboration with INGINE Wave Energy Systems through an Innovate UK project exploring wave energy solutions for off-grid communities in Indonesia.

Funding remains extremely competitive. Even so, the College continues to secure external investment, build strong partnerships and deliver research and KE that supports regional priorities and maintains an international presence.

Sustainability Report

UHI North, West, and Hebrides (UHI NWH), as an academic partner of UHI, formally adopted the UHI Sustainability Strategy during the academic year 2023/24 ([UHI Sustainability Strategy \(NWH\).pdf](#))

This marked a significant step toward achieving our Net Zero ambitions and embedding sustainable practices across our newly merged college.

To build on this, a Sustainability group was established in 2023/24 and now meets regularly to discuss how best to collaborate across campuses and integrate key actions from the UHI strategy. The group aims to consolidate best practices in sustainability from each of the legacy colleges and be a vehicle for identifying sustainability improvements to be reflected in Policy and Procedures of the new College.

Key areas for review and improvement include:

- **Energy Efficiency:** Transitioning to energy-efficient lighting and heating systems across campuses where funding allows.
- **Waste Reduction:** Enhancing recycling programs and introducing composting initiatives where relevant.
- **Low-Carbon Transport:** Promoting active and low-carbon transport options, such as cycling schemes
- **Engagement and Awareness:** Educating staff and students through sustainability campaigns and initiatives.

Additionally, we have agreed to adopt the EAUC guidance and roadmap for colleges, which will assist in our planning and operational improvements for the coming year. Senior staff from UHI NWH also actively engage with the UHI Sustainability Group, which facilitates the sharing of good practices across UHI academic partners.

Legislative Context and Reporting

The Climate Change (Scotland) Act 2009 introduced ambitious targets to reduce Scotland's emissions by at least 80% by 2050, placing specific duties on public bodies to support this effort. In 2015, an Order was introduced requiring all 150 Public Bodies on the Major Player list—including all Scottish colleges and universities—to submit an annual compliance report through the Public Bodies Climate Change Duties (PBCCD) Reporting framework.

From 2024/25, PBCCD reporting has been consolidated for UHI NWH as a single entity, with the first unified report available from November 2024 and a subsequent report submitted in November 2025.

Infrastructure Strategy

The revised College Infrastructure reflects UHI NWH's ambitions and values and is aligned to support the implementation of the college's stated mission. The Infrastructure Strategy was approved by Board in June 2025 and is awaiting formal publication. It also reflects the Scottish Funding Council's (SFC) College Infrastructure Strategy and has been developed in consultation with the SFC. As such, the Infrastructure Strategy recognises the seven key principles that are aligned with the UHI NWH Meger Proposal and Business Case and the SFC's principles for infrastructure management. Our college infrastructure should:

- **Be Fit for Purpose** – be safe and suitably equipped to enable our curriculum delivery plans, support our research agenda, and create a positive student experience.
- **Increase accessibility** – provide greater opportunities across our region for students seeking to access further and higher education through campus presence in our communities and integration of distance learning technologies.
- **Enable growth** – implement strategic investment where possible to support the evolving needs of the college and community.
- **Enable partnership working** – provide opportunity for collaborations, such as with other college, schools, universities, local authorities, health care providers and local businesses.
- **Improve environmental sustainability** – align investment to support college sustainability plans and our drive to net-zero.
- **Be Financially Sustainable** – investment in our estate must be prioritised, strategic and contribute to the financial resiliency of the college.
- **Be Governed responsibly** – be governed through clear, transparent, evidence-based decision-making processes and policies.

These governing principles recognise that UHI NWH has a unique role within our local communities; being an institution that provides opportunities for students to gain access to high-quality further and higher education whilst living and working in the North, West and Hebridean communities of Scotland.

UHI NWH generates and supports a much-needed skilled workforce for the expanding rural businesses alongside providing direct employment, local innovation, and research centres in our area. All of which continues to contribute to the vibrancy of our local communities attracting further inward migration and opportunities for young people.

At the same time, our college estate needs to be of an appropriate size, condition and fit-out to enable us to deliver our educational function whilst operating in a financially sustainable manner for the long-term.

Our investment plans must be forward thinking, reflecting the future needs of our student body or partnership arrangements. In addition, our estate must enable us to deliver a multi-modal delivery model where learning ranges from online-asynchronous to on-campus, face-to-face delivery, and many variations in between. This will require on-going investment and maintenance of the digital infrastructure that enables distance learning.

Our buildings need to allow the college to meet its wider role and responsibility as a sustainable, safe and responsible organisation, particularly in our drive to meet our net-zero commitments. As such, much of our estate requires to be refurbished, renewed, or repurposed.

The strategy outlines the context from which strategic principles have been developed, presents those principles in more detail, and discusses how those principles affect how infrastructure planning and management shall be conducted. The strategy also outlines a framework, which shall be used as we plan for the future of our estate.

Digital Strategy

The College continues to participate and contribute towards UHI's successful certification of the national Cyber Essentials and Cyber Essentials Plus cyber-security programme annually. Achieving and maintaining compliance of this certification requires substantial commitment of resources - both staff and hardware. 2023-2025 the hardware challenge centred around approximately 50% of the desktop device fleet not being Windows 11 capable, and only able to use Windows 10. With Microsoft ending support for Windows 10 in 2025, the college had to undertake a substantial programme of device utilisation assessment, reduction, and replacement. This was completed in October 2025 via a reduction of overall number of devices, in conjunction with a phased replacement strategy through a four-year leasing programme to reduce short-term costs, with a view to implementing an ongoing life-cycle replacement.

Equality, Diversity and Inclusivity

UHI North, West and Hebrides has a strong commitment to equality, diversity and inclusivity as set out in the Equality, Diversity and Inclusivity policy. This policy applies to all current and prospective students and employees. UHI North, West and Hebrides is committed to meeting the legislative obligations set under the Equality Act 2010, creating a positive culture which fosters good relations and advances equality of opportunity for all. UHI North, West and Hebrides will not tolerate unlawful discrimination, harassment, victimisation or any other prohibited conduct in all aspects of work, research and study.

Non-financial Matters

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of the information.

.....
Lydia Rohmer
Principal and Chief Executive Officer
UHI North, West and Hebrides

ACCOUNTABILITY REPORT

Corporate Governance Report

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Corporate Governance Statement
- a Statement on Internal Control

Directors' Report

The membership of the Board of Management during the year and as at 31 July 2025 is set out on page 26.

The Board meets the principles of good governance, set out in the 2024 Code of Good Governance for Scotland's Colleges. The College has worked over recent years towards implementing all the changes recommended by the Cabinet Secretary's Good Governance Task Force to ensure compliance in all areas of the Code.

The respective Register of Interests for these members is available from the Board Secretary to any member of the public who wishes to examine it. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board and Committee meetings.

The Board's authority, reserved matters and the delegation of authority are set out in the Scheme of Delegation. Delegation of authority in relation to financial decision-making is further detailed in the College's Financial Regulations and available from the Board Secretary.

The Executive Leadership Team

The Principal's Executive Leadership Team is responsible for the operational management of the College and considers issues of performance, internal control & risk, and advises the principal on strategy and any issues relevant to the running of the College. Membership during the reporting period was as follows: -

Role	Name	Appointed	Resigned
Principal and Chief Executive	Lydia Rohmer	01-Aug-23	
Vice Principal – Resources & Enterprise (CFO)	Derek Bond	01-Aug-23	
Vice Principal Strategic Development	Debbie Miller	01-Aug-23	
Vice Principal Academic	Hannah Ritchie-Muir	01-Aug-23	

The College Management Team comprises departmental managers and advises on day-day management concerns, including setting and monitoring of operational plans and risk and resolution of cross-college operational matters.

Statement of the Board of Management's responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Regional Strategic Body, the University of the Highlands and Islands, and the College's Board of Management, the Board, through the Principal and Chief Executive, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Management 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 presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the near future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Secure the economical, efficient, and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Finance & General Purposes Committee
- Professional internal audit team whose annual programme is approved by the Audit and Risk Committee, endorsed by the Board of Management, whose Head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Corporate Governance statement

Introduction

The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of North, West and Hebrides, and the 2024 Code of Good Governance for Scotland's Colleges. It is a condition of the Financial Memorandum that the College meets the principles of good governance set out in the Code of Good Governance for Scotland's Colleges.

Governance Framework

The Board and its committees play a vital role in the oversight of college business and hold management accountable for performance against targets and performance indicators, specifically Regional Outcome Agreement targets, the recommendations of self-evaluation activity against the 'How Good is Our College' framework and the delivery of key College strategies and plans.

All committees operate under the authority of, and with terms of reference approved by, the Board and minutes are available from the Board Secretary at the registered office, Ormlie Road, Thurso, KW14 7EE.

Audit and Risk Management Committee

The Audit and Risk Management Committee's responsibilities included the compilation of an annual audit report for consideration by the Board, recommending the approval of the Annual Accounts to the Board as well as advising and reviewing and monitoring governance arrangements.

The Committee also received and considered reports from the Scottish Funding Council as they affected the College's business and monitored adherence to the regulatory requirements and had responsibility for reviewing the Board's risk management framework, its strategic risks and consideration of management's review of operational risks.

The Committee reviewed as part of the quarterly review of the strategic risk register, the risks and governance implications arising from the exceptional inflationary pressures within the college sector, which included an increased focus on the financial sustainability plan.

The Committee advised the Board on the appointment and remuneration of internal auditors who had direct access to the Chair of the Board of Management and to the Audit and Risk Management Committee. The Chair of the committee met with the Internal and External Auditors prior to each Committee meeting. Management was responsible for the implementation of agreed audit recommendations, and the Internal Auditors undertook periodic follow-up reviews to ensure that such recommendations had been implemented. The Audit and Risk management Committee considered detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

The Committee, which per its terms of reference shall be not less than three members, had four non-executive members in 2024/25, and met four times during the year.

Finance and General Purposes Committee

The Finance and General Purposes Committee's responsibilities included approving all key decisions to be taken in relation to finance, monitoring actual performance against budget and key performance indicators, making recommendations to the Board on capital expenditure, investments and borrowing, setting tuition fee levels and making recommendations with regard to these, overseeing systems of financial control and delegated authority, liaison with External Auditors to ensure that the Annual Accounts showed a true and fair view and exhibited regularity of spend, ensuring consideration was given to value for money and compliance with the SFC and UHI's Financial Memorandums as well as the College's existing buildings and estates.

By taking a more holistic perspective in the scrutiny of high-level aspects of the finance and estates functions and their inter dependencies, and despite challenging financial circumstances, the Committee helped the Board fulfil its statutory responsibilities in these areas to best effect so as to progress the achievement of its strategic aims.

The Committee, which per its terms of reference shall be not less than three members, had three non-executive members and one staff member (the Principal and Chief Executive) in 2024/25, and met five times during the year.

Human Resources Committee

The Human Resources Committee had responsibility for setting the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of the College's staff which included overseeing the development and auditing of all human resource strategies and work streams.

Staff were of critical importance in the delivery of learning and teaching services, and this cost represented a significant resource.

Members were responsible to the Board of Management. Members were required to consider the wider interests of staff whilst exercising their responsibilities in the interests of the College as a whole.

The Committee shall normally meet at least four times a year. A member of the Executive Leadership Team will normally attend Human Resources Committee meetings together with the Human Resources Manager.

The Human Resources Committee, which as per its terms of reference shall consist of at least three Members appointed by the Board of Management included the Principal. The Board Chair was also a member. In 2024/25, the Committee met four times during the year.

Remuneration Committee

The Remuneration Committee's responsibilities include considering, approving, and reporting to the Board on decisions regarding the remuneration package, terms, and conditions (including the annual reviews of such) and, where appropriate, severance payments of the College Principal & Chief Executive and College's Executive Leadership Team and in so doing ensuring the efficient and effective use of public funds.

In addition, the Committee retained an overview of wider HR and workforce issues within the College and was required to bring any relevant matters to the attention of the Finance & General Purposes Committee and the Board. It also undertook scrutiny of proposed severance schemes and settlement agreements before recommending approval to the Board and onwards to the RSB/SFC (in line with the SFC Guidance on Severance).

The Committee, which per its terms of reference shall be not less than three members, had four non-executive members in 2024/25, and met twice during the year.

In compliance with the Code the Chair of the Board of Management does not chair the Committee.

Board of Management

The authority for appointments to the Board of Management, from 1 August 2014, resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Members are appointed to the Board for an initial period of four years, which can be extended for a further four years. Only in exceptional circumstances, and where compelling reasons exist, may a further extension of up to two years be approved.

The Board, which per its terms of reference shall be between nine and sixteen members, had a Chair appointed by the Regional Strategic Body, the Principal and Chief Executive, ten non-executive members, two staff members, one trade union member and one student member, nominated by the Student Association of the College in 2024/25.

The Board has in place a board secretary whose duties are consistent with those set out in the Code of Good Governance for Scotland's Colleges.

The Board members who served the College during the year were as follows:

Board Member	Standing Committee Appointments	Position Held	Appointed	End Date
Derek Lewis Non-executive (external)	Finance & General Purposes Remuneration Nominations Learning, Teaching & Research Human Resources	Chair of the Board of Management	01-Aug-23	
Alex MacDonald Non-executive	Finance & General Purposes		01-Aug-23	
Chris Alliston Non-executive	Finance & General Purposes Remuneration Nominations	Chair of Remuneration Chair of Human Resources	01-Aug-23	
Shona MacDougall Senior Independent Member	Finance & General Purposes Remuneration	Chair of Finance & General Purposes	01-Aug-23	
Ian MacEachern Non-executive	Audit & Risk Management Remuneration Nominations Human Resources		01-Aug-23	
Struan Mackie Non-executive	Audit & Risk Management		01-Nov-23	
Michael Foxley Non-executive	Learning, Teaching & Research		01-Aug-23	
Willie Macdonald Non-executive	Learning, Teaching & Research	Vice Chair of the Board of Management	01-Mar-24	
Neil Hope Non-executive	Audit & Risk Management Human Resources	Vice Chair of the Board of Management Chair of Audit & Risk	01-Aug-23	
Rupert Marshall Non-executive	Learning, Teaching & Research		01-Nov-23	
Sarah Fraser Non-executive	Learning, Teaching & Research	Chair of Learning, Teaching & Research	01-Aug-23	02-Jun-25
Lydia Rohmer Chief Executive & Principal	Finance & General Purposes Learning, Teaching & Research Human Resources		01-Aug-23	
Anne Frater EIS Member			01-Aug-24	30-Sep-24
Cassandra Greenford UNISON Member			01-Apr-24	31-Mar-25
Carl Haberl Teaching Staff Member			01-Aug-23	31-Mar-25
Shaun Escott Teaching Staff Member			01-Jun-25	
Diana Macleod Support Staff Member	Learning, Teaching & Research		01-Aug-23	
Nicolas Kowalczyk Student Member	Learning, Teaching & Research		01-Aug-24	31-Mar-25

On 31 July 2015 the split of Board members was 10 men and 3 women. The Board is committed to achieving a 50/50 gender balance in accordance with the statutory objective. The Board's Nomination Committee actively seeks ways to improve the gender balance on the Board, such as promotion of the recent Board recruitment by 'Changing the Chemistry' and proactive identification of potential candidates whose appointment would increase diversity. It is planned to supplement this with targeted search in the upcoming round of recruitment.

Professional Advisors

Internal Auditor: Wbg, Glasgow

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Anderson and Strathern, Glasgow

External Audit: Deloitte UK, London (The Auditor General for Scotland has appointed Deloitte UK to undertake the audit for the year ended to 31 July 2025.)

Committees

The following table shows the committees that each current member of the Board of Management served on during the year:

Name	Board of Management	Audit & Risk Management	Finance & General Purposes	Remuneration	Human Resources	Learning, Teaching & Research
Alex Macdonald	2/4		1/5			
Anne Frater	1/1					
Carl Haberl	3/3					
Cassandra Greenford	1/3					
Chris Alliston	4/4		5/5	2/2	4/4	
Derek Lewis	4/4		5/5	1/2	4/4	3/4
Diana Macleod	3/4					3/4
Ian MacEachern	4/4	4/4		2/2	4/4	
Lydia Rohmer	4/4	3/4	5/5		4/4	4/4
Michael Foxley	4/4					3/4
Neil Hope	4/4	4/4			4/4	
Nicolas Kowalczyk	2/3					
Rupert Marshall	4/4					4/4
Sarah Fraser	3/3	4/4				3/3
Shaun Escott	1/1					
Shona MacDougall	4/4		5/5	1/2		
Struan MacKie	4/4	3/4				
Willie Macdonald	4/4					1/1

All committees achieved a quorate of members at each meeting.

Committee members not attending a meeting are provided with a full boardbook containing all documents presented at the meeting and minutes of the meeting, and they can raise any matters or express views through the Chair before or after each meeting.

Meetings of the Board

The full Board holds a minimum of four meetings a year. In 2024/25, four ordinary meetings took place.

Due to the size of the geographical area covered by UHI North, West and Hebrides, it is not practical for members to attend in-person all meetings to which they are invited. All meetings took place in accordance with the approved schedule of meeting dates, using a combination of hybrid meetings and Teams meetings.

In addition, the Board of Management holds development planning days and training events during the course of the year for the purposes of training, self-evaluation and development.

Chairs meet quarterly before Board and Committee meetings to undertake business/pre-agenda planning. The Chairs, Principal and Board Secretary meet regularly to ensure effective working relationships between members and constructive dialogue with officers.

Evaluation

An External Effectiveness Review of the UHI North, West & Hebrides Board has been carried out in March 2026. The Board will review the outcome of the review in June 2026 and will communicate the outcomes and actions required and taken in the next annual report.

Risk Management

The risk register and mitigating actions are discussed at all Audit and Board meetings. The College currently uses the standard UHI Risk Register format in compiling and presenting the register.

An annual review of the register took place in March 2026 which included considering whether risks were appropriately ranked based on likelihood and impact and considering whether mitigating controls highlighted as being in place were adequate.

Statement of Internal Control

The Board is the College's governing body. It is responsible for bringing independent judgement to bear on issues pertaining to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and establishing high standards of academic conduct and probity.

The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. It is supported by committees with specific areas of remit which are set out in its constitution and Scheme of Delegation.

The Board of Management is provided with regular information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least four times a year.

Review of Effectiveness

The College has responsibility for reviewing the effectiveness of the systems of internal control. The review of the effectiveness of the systems of internal control is informed by:

- the work of the internal auditor. The conclusion in their annual report was that UHI North West & Hebrides has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.
- the work of the Executive Leadership Team and senior managers within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements.
- comments and recommendations made by the College's external auditor.
- the risk register.

The College has an internal audit service, who report to the Board, the work of which concentrates on areas of key activities determined in accordance with the annual internal audit plan approved by the Board.

The Principal and Chief Executive continued to monitor and review financial control arrangements and reports to the Board of Management. The system of financial control included:

- a budget setting process, with the annual budget being approved by the Board of Management
- preparation of regular management accounts
- regular monitoring of budgets by the Board and senior management
- ongoing review of the reporting requirements of the Board
- regular review of the Risk Register by the Board and Audit Committee

Internal Control Statement

In their annual report for the year-ended 31 July 2025 the internal auditors' opinion, as expressed by Wbg's Head of Internal Audit is:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion, UHI North, West and Hebrides did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.

However, we would highlight that we provided a weak level of assurance surrounding the Procurement and Health & Safety arrangements which should be followed up during the 2025/26 Internal Audit Plan.

Our fieldwork was carried out between September 2024 and May 2025, and we have not undertaken any further internal audit assignments at the time of this report (report dated May 2025).

The 'weak' assurance for Procurement arose from a high-grade recommendation in relation to procurement of suppliers/contractors. The college continues to work to deliver a procurement strategy, processes and procedures that are both effective and compliant.

The 'weak' assurance for Health and Safety arose from two high grade recommendations in relation to risk assessment reviews and statutory safety inspections along with four medium grade recommendations, and one low grade recommendation. The college is continuing to work on improvements to Health & Safety processes and procedures.

Going Concern

On 1 August 2023, the College merged with UHI Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College transferred to UHI North Highland College on 1 August 2023. UHI North Highland College subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides.

The accounts have been prepared on a going concern basis. No adjustments were required to write down any assets or reclassify any liabilities to current. The deferred grants transferred over to UHI North, West and Hebrides and therefore have been presented as both current and non-current within the financial statements.

Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and that each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Conclusion

The Board of Management is content that the arrangements in place relating to corporate governance are effective.

The College Board determine that given the guidance there is no need to prepare a Parliamentary Accountability Report. There are no significant losses or special payments that need to be reported in accordance with Managing Public Money. The College's Contingent Liabilities are detailed in note 19.

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management that there was an ongoing process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2025 and up to the date of approval of the annual report and accounts

The Corporate Governance Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on 30 April 2026 and signed on its behalf by Derek Lewis, Chair of Board.

.....
Derek Lewis
Chair of Board
UHI North, West and Hebrides

Remuneration and Staff Report

The Remuneration Committee, which comprises four non-executive members, met twice during the year. The role of the remuneration committee is to determine the salary scales for key staff, and the remuneration within these scales of the most senior post-holders, including the Principal and Chief Executive.

The Remuneration of the Principal and Chief Executive and senior post holders is based upon the following:

- Formal salary review process.
- The gathering of evidence in consideration of SFC guidance.
- Current Scottish Public Pay Sector Policy'
- Benchmarking from other colleges; and
- Any relevant submissions from staff and students.

In addition to the above the Remuneration Committee also considers any additional responsibility payments (or other non-consolidated payment) recommended by the Principal and Chief Executive for Director level posts.

The remuneration policy of the College is such that any salary increase is applied equally to all Academic staff, Support staff and Senior Managers. Following agreement for all other staff grades, it is normal practice that a proposal is then put to the Remuneration Committee to recommend that the Principal & Chief Executive and Directors receive the same settlement. It is then for the Committee to decide whether or not the Principal and Chief Executive should receive a pay award.

The following table provides detail of the remuneration and pension interests of senior management of the College. The information disclosed within the tables on pages 31, 32, 33 and 35 have been subject to audit by the College's external auditor, whereas the other sections have been reviewed by College's external auditor to ensure that they are consistent with the financial statements.

Name	12 Months ending 31 July 2025			12 Months ending 31 July 2024		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Lydia Rohmer Principal and Chief Executive (from 1-Aug-23)	125-130	85-90	210-215	110-115	35-40	145-155
Derek Bond Vice Principal Resources and Enterprise (from 1-Aug-23)	95-100	35-40	130-135	85-90	30-35	120-125
Vicky Ferguson Director of People and Culture (from 1-Aug-24) ceased to be an ELT member 31/7/24				65-70	25-30	95-100
Fiona Grant Director of Curriculum and Student Experience (from 1-Aug-23) ceased to be an ELT member 31/7/24				70-75	25-30	100-105
Debbie Miller Vice Principal Strategic Development (from 1-Aug-23)	95-100	65-70	160-165	85-90	75-80	165-170
Hannah Ritchie-Muir Vice Principal Academic (from 1-Aug-23)	90-95	70-75	160-165	80-85	0	80-85

The non-executive members of the Board of Management listed in the Accountability Report are not included in this remuneration report and did not receive any salary or benefits.

As per the UK Government Financial Reporting Manual, the value of the pension benefit is calculated as the real increase in pension over the year multiplied by twenty plus the real increase in any lump sum less the contributions made by the individual. Per the manual, disclosed salary covers both pensionable and non-pensionable amounts and should include gross salaries; overtime; recruitment and retention allowances; payment in lieu of notice; severance or ex-gratia payments.

The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period which is the estimated life span following retirement. This does not represent any actual payment made during the financial year by either the employee or the College. The Principal and Chief Executive is an ordinary member of the Scottish Teachers Superannuation Scheme and, as such, pays contributions and receives benefits at the same rate as all other members.

	At 31 July 2025		1 August 2024 to 31 July 2025		At 31 July 2024	At 31 July 2025	
Name	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension	Real increase in lump sum	CETV	CETV	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Lydia Rohmer	45-50	115-120	2.5-5	7.5-10	986*	1,103	117*
Derek Bond	0-5	-	0-2.5	-	39	73	34
Debbie Miller	40-45	40-45	2.5-5	0-2.5	701	782	81
Hannah Ritchie-Muir	25-30	70-75	2.5-5	5-7.5	535*	620	85*

* The CETV's for Lydia Rohmer and Hannah Ritchie-Muir have been re-stated at 31 July 2024 due to the revaluation for the period to 31 July 24 not being available at the time that the accounts were completed.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Trade Union Activity

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2025.

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number
6	0.9
Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	-
1% - 50%	6
51% - 99%	-
100%	-
Percentage of pay bill spent on facility time	
Total cost of facility time	£54,454
Total Pay Bill	£21,254,471
Percentage of the total pay bill spent on facility time	0.26%
Paid Trade Union Activities	
Time spent on trade union activities as a % of total paid facility time hours	0%

Fair Pay – Pay Multiples

Colleges are required to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce, summarised as follows:

	2025	2024	Change
	£'000	£'000	%
Range of workforce remuneration	18-120	18-113	
Highest paid official remuneration	120	112.5	6.67%
Median (total pay & benefits)	36.8	35.3	4.25%
Median (salary only)	36.8	35.3	4.25%
Ratio	3.3:1	3.2:1	
25 th Percentile (total pay & benefits)	28.9	27.1	6.64%
25 th Percentile (salary only)	28.9	27.1	6.64%
Ratio	4.2:1	4.2:1	
75 th Percentile (total pay & benefits)	48	43.3	10.85%
75 th Percentile (salary only)	48	43.3	10.85%
Ratio	2.5:1	2.6:1	

The pay multiples for 2025 reflect the cost-of-living increases for the three-year pay deal agreed with Colleges Scotland, for 2023-24 a £1,500 uplift for all pay points and for 2024-25 a £1,500 uplift on all pay points.

The Board consider that the median pay ratio is consistent with the College's overall pay, reward and progression policies for employees taken as a whole. The College operates a remuneration framework that is designed to promote fairness, transparency and alignment with performance across all levels of the organisation. This framework includes structured salary bands and annual review processes that are applied consistently to employees, taking into account role, experience, responsibility and market benchmarks.

UHI North, West and Hebrides

The median pay ratio reflects the differing responsibilities and scope of roles within the College, including the significant strategic and operational responsibilities of the Chief Executive Officer. The Board believe that the ratio appropriately reflects these differences while remaining aligned with the College's commitment to equitable pay practices and opportunities for career progression.

Staff comparison

The College employed 377 females and 217 males as at 31 July 2025 (31 July 2024: 340 females and 211 males).

Sickness absence data

The average sickness absence rate over the period 1 August 2024 to 31 July 2025 was 2.72% (2023/24: 2.57%).

Staff turnover

Staff turnover during the period 1 August 2024 to 31 July 2025 was 14.6% (2023/24: 12.5%).

Staff Policies

The College's Recruitment Policy and procedures provide for the full and fair consideration for employment by the College of applicants who declare a disability. This is undertaken through the application of a guaranteed interview scheme, whereby disabled candidates who (on application) meet the minimum criteria for the job are guaranteed an interview. Disabled employees are protected from discrimination by law, and we will implement reasonable adjustments, on a case-by-case basis, to ensure disabled employees are not disadvantaged.

Fair Work First

The College is accredited as a Living Wage Employer, demonstrating our commitment to the real living wage pay rates in support of our lower paid staff and also our requirements of those we contract with.

Fair Work First practices have been implemented in the College through consultation with staff and trade union representatives. We ensure access to an effective voice for staff through a number of channels, including:

- We recognise trade unions for the purposes of collective bargaining both locally and nationally, providing facility time to support Trade Union activities, and have a position on the Board of Management for a Trade Union representative. We engage in constructive dialogue with Trade Union representatives to address workplace issues or disputes.
- We have appointed staff representatives through the Staff Voice Council.
- We provide a management and meeting structure to enable college wide, multidirectional communication, including a regular Staff Forum to which all staff are invited.
- We operate regular Board and Executive Leadership Team drop-in meetings both in-person and online.
- We provide regular all staff updates in newsletter form and also in face to face sessions.

Expenditure on Consultancy

There is nothing to report under the above for UHI North, West and Hebrides.

Off – Payroll Engagements

There is nothing to report under the above for UHI North, West and Hebrides.

Compensation for loss of office

The table below summarises the exit packages by cost band.

	Voluntary severance	2025	2024
	Number	Number	Number
<£20,000	4	4	18
£20,001 - £40,000	4	4	16
£40,001 - £60,000	4	4	5
£60,001 - £80,000	0	0	1
£80,001 - £100,000	1	1	0
£150,001 - £200,000	0	0	1
Total	13	13	41
Total severance cost		£453,954	£992,836

In addition to the severance costs staff received additional payment for accrued annual leave, which would take the total of payments made to £459k.

Other Employee Matters

A national Job Evaluation exercise for support staff roles relevant to the National RPA is underway and is likely to be continued into the next reporting period and beyond.

Please see further staff cost disclosures, in line with the SFC Accounts Direction, within the financial statements at Notes 7 to 9. Specifically, staff costs distinguished between those on permanent and temporary contracts are disclosed in in note 7 and the number of senior staff in each pay band is disclosed in note 8.

This Remuneration and Staff Report is approved by order of the members of the Board of Management of UHI North, West and Hebrides on 30 April 2026 and signed on its behalf by: Derek Lewis Chair of the Board, and Lydia Rohmer, Principal & Chief Executive Officer.

.....
Derek Lewis
Chair of Board
UHI North, West and Hebrides

.....
Lydia Rohmer
Principal and Chief Executive Officer
UHI North, West and Hebrides

Independent auditor's report to the Board of Management of UHI North West and Hebrides, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of UHI North, West and Hebrides ("the college") and its group for the year ended 31 July 2025 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Comprehensive Income/(Expenditure), Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college and its group as at 31 July 2025 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the college and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college and its group. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines 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 Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the college and its group.

Auditor's responsibilities for the audit of the financial statements

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the risk that the year-end expenditure transactions may be subject to potential manipulation in an attempt to operate within the funding allocated by the Scottish Funding Council. In response to this risk, we tested a sample of post-year end disbursements, and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Leo Thurtle (for and on behalf of Deloitte LLP)

1 New Street Square
London
EC4A 3HQ
United Kingdom

30 April 2026

Leo Thurtle (for and on behalf of Deloitte LLP) is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Consolidated and College Statement of Comprehensive Expenditure
for the year ended 31 July 2025**

		Consolidated	
		2025	2024
	Note	£'000	£'000
Income			
Funding body grants	2	17,901	17,946
Tuition fees and education contracts	3	3,393	3,574
Other grant income	4	2,012	1,894
Other income	5	1,308	1,778
Interest income	6	342	260
Total Income		24,956	25,452
Expenditure			
Staff costs	7	19,898	20,627
Other operating expenses	10	6,026	6,341
Depreciation	12	2,859	2,761
Interest expense	11	55	60
Total Expenditure		28,838	29,789
Deficit before other gains and losses		(3,882)	(4,337)
Impairment		-	(650)
Deficit for the year		(3,882)	(4,987)
Actuarial (loss)/gain in respect of pension schemes	19	(7,116)	1,619
Unrealised surplus on revaluation of tangible assets		7,381	1,509
Total comprehensive expenditure for the year		(3,617)	(1,859)
Represented by:			
Unrestricted comprehensive income for the year		(9,577)	(2,335)
Revaluation reserve		5,960	476
		(3,617)	(1,859)

The Statement of Comprehensive Expenditure is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Expenditure. Note 25 provides details of the adjusted operating position on a Central Government accounting basis.

The accounting policies on pages 45-50 and the notes on pages 51-66 form an integral part of these financial statements.

**Consolidated and College Statement of Changes in Reserves
for the year ended 31 July 2025**

	Income & Expenditure Account Unrestricted	Revaluation Reserve	Total
<u>Consolidated</u>	£'000	£'000	£'000
Balance at 1 August 2023	1,939	25,372	27,311
Deficit for the year	(4,987)	-	(4,987)
Other comprehensive income	1,619	-	1,619
Gain on revaluation	153	1,356	1,509
Transfers between revaluation and income and expenditure	880	(880)	-
Total comprehensive (expenditure)/income for the year	(2,335)	476	(1,859)
Balance at 31 July 2024	(396)	25,848	25,452
Deficit for the year	(3,882)	-	(3,882)
Other comprehensive expense	(7,116)	-	(7,116)
Gain on revaluation	97	7,284	7,381
Transfers between revaluation and income and expenditure	1,324	(1,324)	-
Total comprehensive (expenditure)/income for the year	(9,577)	5,960	(3,617)
Balance at 31 July 2025	(9,973)	31,808	21,835
<u>College</u>	£'000	£'000	£'000
Balance at 1 August 2023	1,934	25,372	27,306
Deficit for the year	(4,987)	-	(4,987)
Other comprehensive income	1,619	-	1,619
Gain on revaluation	153	1,356	1,509
Transfers between revaluation and income and expenditure	880	(880)	-
Total comprehensive (expenditure)/income for the year	(2,335)	476	(1,859)
Balance at 31 July 2024	(401)	25,848	25,447
Deficit for the year	(3,882)	-	(3,882)
Other comprehensive expense	(7,116)	-	(7,116)
Gain on revaluation	97	7,284	7,381
Transfers between revaluation and income and expenditure	1,324	(1,324)	-
Total comprehensive (expenditure)/income for the year	(9,577)	5,960	(3,617)
Balance at 31 July 2025	(9,978)	31,808	21,830

Consolidated and College Statement of Financial Position as at 31 July 2025

		Consolidated		College	
		2025	2024	2025	2024
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Tangible fixed assets	12	55,499	50,270	55,499	50,270
Investments	13	1	1	1	1
Pension asset	19	-	6,928	-	6,928
		55,500	57,199	55,500	57,199
Current assets					
Stock		-	-	-	-
Debtors	14	881	1,057	881	1,057
Cash and cash equivalents	15	602	1,940	602	1,940
		1,483	2,997	1,483	2,997
Current liabilities					
Creditors: amounts falling due within one year	16	(10,156)	(10,026)	(10,161)	(10,031)
Net current liabilities		(8,673)	(7,029)	(8,678)	(7,034)
Total assets less net current liabilities		46,827	50,170	46,822	50,165
Creditors: amounts falling due after more than one year	17	(21,813)	(21,921)	(21,813)	(21,921)
Provisions					
Provisions for liabilities and charges	18	(3,179)	(2,797)	(3,179)	(2,797)
Total net assets		21,835	25,452	21,830	25,447
Unrestricted Reserves					
Income and expenditure reserve		(9,973)	(396)	(9,978)	(401)
Revaluation reserve		31,808	25,848	31,808	25,848
Total reserves		21,835	25,452	21,830	25,447

For both the consolidated group and the College, the total deficit for the year is £3,617k (2024: deficit of £1,859k). All of the above relate to the continuing activities of the College.

The accounting policies on pages 45-50 and the notes on pages 51-66 form an integral part of these financial statements, which were approved by the Board of Management of UHI North, West and Hebrides on 30 April 2026 and signed on its behalf by:

.....
Derek Lewis
Chair of the Board of Management
UHI North, West and Hebrides

.....
Lydia Rohmer
Principal and Chief Executive
UHI North, west and Hebrides

**Consolidated Statement of Cash Flows
for the year ended 31 July 2025**

	<i>Note</i>	Consolidated 2025 £'000	2024 £'000
Cashflow from operating activities			
Deficit for the year		(3,882)	(4,987)
Adjustment for non-cash items			
Depreciation		2,859	2,761
Decrease in stock		-	2
Decrease in debtors	14	177	338
Increase in creditors	16/17	19	3,922
Increase in other provisions	18	381	324
Pension adjustment less employer contributions	19	154	175
Adjustments for investing or financing activities			
Capital grant income		(1,393)	(1,219)
Interest payable		55	60
Interest receivable		(342)	(260)
Impairment of tangible fixed assets		-	650
Net cash (outflow)/inflow from operating activities		(1,972)	1,766
Cash flows from investing activities			
Capital grants received		1,480	1,550
Payments made to acquire tangible fixed assets		(706)	(2,438)
Net cash inflow/(outflow) from investing activities		774	(888)
Cash flows from financing activities			
Interest paid		(55)	(60)
Repayment of amounts borrowed		(85)	(80)
Net cash outflow from financing activities		(140)	(140)
(Decrease) / increase in cash and cash equivalents in the year		(1,338)	738
Cash and cash equivalents at beginning of the year		1,940	1,202
Cash and cash equivalents at end of the year		602	1,940
(Decrease) / increase in cash and cash equivalents in the year	15	(1,338)	738

The accounting policies on pages 45-50 and the notes on pages 51-66 form an integral part of these financial statements.

Statement of Accounting Policies for the year ended 31 July 2025

1 **Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, and in accordance with applicable Accounting Standards including Financial Reporting Standard 102 (FRS 102). They have been prepared in a form prescribed by the Scottish Ministers and in accordance with paragraph 28 of schedule 2 of the Further and Higher Education (Scotland) Act 1992 and in accordance with the Accounts Direction published by SFC. The accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed assets. The College is a public benefit entity under the requirements of FRS102.

The College has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College's Statement of Financial Position discloses cash at both the current and preceding reporting dates.

Going Concern

The College reported a deficit for the year ended 31 July 2025 of £3,882 (2024: £4,987k) and an underlying deficit of £2,189k (2024: £2,531k – deficit) after adjusting for non-cash accounting adjustments. At 31 July 2025 it held net assets of £21,835k (2024: £25,452k), net current liabilities of £8,673k (2024: £7,029k) and cash balances of £602k (2024: £1,940k).

On 1 August 2023, the College merged with Lews Castle College (trading as UHI Outer Hebrides) and UHI West Highland College. As a result of this merger, all the assets and liabilities of UHI Outer Hebrides and UHI West Highland College transferred to UHI North Highland College on 1 August 2023. UHI North Highland College has subsequently formally changed its name to The Board of Management of UHI North, West and Hebrides.

This merger has significantly strengthened the Balance Sheet of the College as a consolidated entity, with UHI Outer Hebrides transferring net assets of £11,653k and UHI West Highland College transferring net assets of £2,640k.

The key element of the merger business case was the benefits and efficiencies that would be possible through combining the three colleges into one entity. These benefits include consolidation and enhancement of the academic curriculum, a more focussed approach to commercial and research activities, and the opportunity to make significant cost savings through a more efficient consolidated operating structure. The voluntary severance scheme that ran through 2024 resulted in a total reduction of 42.2 FTE staff and a related annual cost saving of £2.36m.

The economic position has deteriorated since the original merger business plan was completed, and this made the case for merger even stronger. Continued independent operation would have created a highly uncertain future with a higher funding requirement, and the merged college is in a significantly better position to address the financial challenges currently facing the college sector.

The merger was enabled by the provision of a substantial financial support package by UHI, and the business plan is based on creating a financially sustainable college that will continue to provide an essential service in the communities previously served by the three legacy colleges.

The opening cash position on 1 August 2025 is £602k (1 August 2024: £1,940k), and this along with the financial support packages from UHI and the SFC will provide sufficient cash to cover projected operating activities for 2025/26, and for the period of 12 months from the date of approval of these accounts.

The accounts have therefore been prepared on a going concern basis.

Accounting Policies

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value has been used.

It is the College's policy, in accordance with the direction given by the Scottish Funding Council, to ensure that a full revaluation takes place at least every five years, with an interim valuation in year three of each five-year cycle.

Land is not subject to depreciation.

Buildings are subject to depreciation. The increase in valuation and write back of depreciation charged since the last valuation have been transferred to the revaluation reserve, with depreciation being subsequently charged on the revalued amount on a straight-line basis over the remaining life of the assets.

Buildings in Thurso, Dornoch and Alness are split into component parts and are subject to depreciation.

Freehold buildings:	24-95 years
Building - roof:	4-55 years
Building - windows:	4-25 years
Building – heating systems:	3-20 years
Building – plant & machinery:	3-20 years
Building – kitchens:	2-21 years

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

Assets held for sale

Assets on the market for sale are accounted for at the lower of Market Value or Depreciated Replacement Cost.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £2,500 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

Plant and equipment:	2-10 years
Motor vehicles:	4 years
IT equipment:	3-years

Investments

The investments are carried stated at historical cost less any provision for a permanent diminution in their value

Stocks

Stocks held for resale are stated at the lower of cost and net realisable value

Debtors

Short term debtors are measured at transaction price, less any impairment.

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. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

Creditors

Short term creditors are measured at the transaction price.

Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Scottish Teachers Superannuation Scheme (STSS) and the Highland Pension Fund (HPF).

In the event of staff taking early retirement, the full liability of the College is calculated and charged to the Consolidated Income and Expenditure Account on the year of retirement, with a corresponding provision established in the Statement of Financial Position. Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

Highland Pension Fund (HPF):

The HPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. The pension scheme's assets are measured using market values and are disclosed, as required by FRS 102. Pension scheme liabilities are measured using projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

Contributions to the Scheme are calculated to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary based on triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

Where the valuation results in a net asset, recognition of the asset is limited to the extent to which the College can recover its share of the surplus, either through reduced contributions in the future or through refunds from the plan.

Scottish Teachers Superannuation Scheme (STSS):

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College.

The College 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 FRS 102, 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 year.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Government grants

Capital grants are released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Revenue grants are recognised in income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Job Evaluation

The National Job Evaluation Scheme is an exercise that was initiated in 2018 whereby job roles and salary costs are being reviewed and aligned for support staff and middle management across the College sector in Scotland.

From 2018/19 financial year an accrual was made on an annual basis for the estimated cost of the job evaluation exercise on staff costs in the college. An equivalent amount was accrued each year as a debtor for the grant funding that was receivable from the Scottish Funding Council (SFC) to cover the costs. There was therefore no net impact on the reported operating result of the college each year.

On 13 November 2024, the SFC issued amended Accounts Direction to the college sector. These amended directions set out new requirements for how colleges should account for the national job evaluation exercise. The direction required colleges to recognise the costs of the job evaluation exercise as a liability and provide for the total costs of the exercise to date. However, where previously colleges had also recognised the funding for these costs in their financial statements, the accounts direction now requires colleges to no longer recognise this asset.

The amended SFC accounts direction stated the following:

“It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with [the Government] until the process is complete.”

The full harmonisation costs of National Pay Bargaining support staff and middle management will not be confirmed until the national job evaluation exercise is concluded, the outcome of which would be implemented as from 1 September 2018.

In previous years, the SFC have held in reserve grant funding provided by the Scottish Government that relates to the National Job Evaluation Scheme, but these funds were returned to the Scottish Government in 2023, with the Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete.

Non-Government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Tuition fees and education contracts

Tuition fee income is stated net of any discounts and is recognised over the period for which the students are studying.

Bursaries and Other Student Support Funds

In accordance with Scottish Funding Council (SFC) guidelines, funds received from SFC and the Student Awards Agency Scotland (SAAS) for the payments of Bursaries and other Student Support awards are not included in the College's Income and Expenditure Account, as the College acts only as paying agent.

Other income

Income from the sale of goods or rendering of services is recognised when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Employee 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. Any unused benefits are accrued and measured as the additional amount the College expects to pay because of the unused entitlement

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Non-exchange transactions

Non-exchange transactions, such as donations of cash, goods, assets or services, are recognised using the performance model. Non-exchange transactions that impose specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met. Non-exchange transactions with restrictions attached are recorded within the income on entitlement. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

Taxation

The College has been granted charitable status by HM Revenue and Customs, as determined by the Finance Act 2010. Accordingly, it is potentially exempt from Corporation Tax on the services it provides, to the extent that such income and expenditure is applied for charitable purposes.

The College is partially exempt in respect of VAT. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate.

Financial instruments

Financial instruments are recognised in the Statement of Financial Position when the College becomes party to the contractual provisions of the instrument. All the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the College's financial instruments are initially measured at transaction price. At the end of each reporting period, basic financial instruments are measured at amortised cost.

Financial assets are de-recognised when the contractual rights to the cash flows from asset to expiration, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. There are no critical accounting judgements identified in the formation of the financial statements. Key sources of estimation have been applied as follows:

Valuation of buildings:

College buildings are of a specialist nature and are valued on a periodic basis by an independent, qualified valuers.

The College has a plan in place to align the property valuation cycle for all properties by 31 July 2027 and as at 31 July 2025 the status is as follows:

- Properties previously held by Lews Castle College underwent a full revaluation at 31 July 2024. This was undertaken by an independent valuer, FG Burnett.
- Properties previously held by Lews Castle College have been revalued using the Depreciated Replacement Cost. In determining this cost a number of estimates are made using internal and external information. Based on the value of the property, minor movements in these estimates can lead to a variation in the overall value of the properties. Further detail is provided in note 12.
- Properties held by North, West and Hebrides (previously UHI North Highland College) underwent a full revaluation at 31 July 2022 and an interim valuation at 31 July 25. This was undertaken by an independent valuer, Graham and Sibbald.
- Properties previously held by UHI West Highland College underwent a full revaluation at 31 July 2023 and an interim valuation at 31 July 25. This was undertaken by an independent valuer, Graham and Sibbald.
- Properties held by North, West and Hebrides and previously by UHI West Highland College have been subject to an interim valuation. In determining this valuation, a number of estimates are made utilising internal and external information. Based on the value of the property, minor movements in these estimates can lead to a variation in the overall value of the properties. Further detail is provided in note 12.

Useful economic lives of land and buildings:

Buildings are depreciated over their expected remaining useful economic life, with the remaining useful economic life of each building being re-assessed on a periodic basis by an independent, qualified valuers.

As a result of the merger on 1 August 2023 the College's property portfolio increased to include the portfolios previously held by Lews Castle College and UHI West Highland College, neither of which applied componentisation to their tangible fixed assets.

The College has a plan in place to complete the componentisation of all properties by 31 July 2027, with the componentisation of previous West Highland College properties and previous Lews Castle College properties in 2026/27.

Obligations under defined benefit pension schemes:

The FRS 102 valuation is prepared using the default accounting assumptions for a 'typical LGPS employer', as proposed by the Scheme's actuaries for LGPS employers.

The FRS 102 assumptions are calculated by the College's actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. These assumptions are documented in note 19. Changes in actuarial assumptions would have a significant impact on the size of the pension liability.

**Notes to the financial statements
for the year ended 31 July 2025**

2 Funding body grants

	Consolidated	
	2025	2024
	£'000	£'000
SFC recurrent grant (including fee waiver)	12,750	12,749
UHI Millennium Institute recurrent grant	3,515	3,373
Release of deferred capital grants - buildings	366	389
- equipment	269	212
Other SFC grants	1,001	1,223
	17,901	17,946

3 Tuition fees and education contracts

	Consolidated	
	2025	2024
	£'000	£'000
FE fees – UK	214	107
HE fees	1,826	1,771
SDS contracts	377	476
Education contracts	976	1,220
	3,393	3,574

4 Other grant income

	Consolidated	
	2025	2024
	£'000	£'000
Release of deferred capital grants – buildings	468	382
- equipment	289	236
Other grants	1,255	1,276
	2,012	1,894

5 Other income

	Consolidated	
	2025	2024
	£'000	£'000
Catering & residences	220	278
Consultancy	181	142
Rents receivable	381	331
Other income generating activities	132	279
Other income	394	748
	1,308	1,778

**Notes to the financial statements
for the year ended 31 July 2025**

6 Interest income

	Consolidated	
	2025	2024
	£'000	£'000
Interest receivable	-	-
Net return on pension assets	342	260
	342	260

7 Staff costs

	Consolidated	
	2025	2024
	£'000	£'000
Wages and salaries	15,267	15,912
Social security costs	1,567	1,445
Other pension costs	2,898	3,095
	19,732	20,452
Pension - net service cost	154	175
	19,886	20,627

By staff category:

Academic/teaching departments	10,570	10,415
Academic/teaching services	1,288	2,060
Research grants and contracts	1,248	1,520
Administration and central services	4,639	4,165
Premises	1,386	1,156
Catering and residences	159	143
	19,290	19,459
Pension - net service cost	154	175
Voluntary severance and termination costs	454	993
	19,898	20,627

Analysed as:

Staff on permanent contracts	306	328
Staff on temporary contracts	22	27
	328	355

**Notes to the financial statements
for the year ended 31 July 2025**

The average number of full-time equivalent employees, including higher paid employees, during the year was:

	2025	2024
	Number	Number
Academic/teaching departments	141	146
Academic teaching services	5	30
Research grants and contracts	28	30
Administration and central services	121	115
Premises	26	27
Catering and residences	7	7
	328	355

8 Emoluments of members of the Board and higher paid staff

No member of the Board of Management received a fee for services in the year (2024: £nil).

	2025	2024
	£'000	£'000
Travel & expenses paid to Board members	20	13

The number of senior post holders, including the Principal and Chief Executive, who received emoluments (including benefits-in-kind but excluding pension contributions and termination payments) in the following ranges was:

	2025	2024
	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	-	1
£80,001 to £90,000	-	3
£90,001 to £100,000	3	-
£100,001 to £110,000	-	1
£120,001 to £130,000	1	-

There are further remuneration disclosures in the remuneration and staff report on pages 31 to 35.

9 Remuneration of the Principal and Chief Executive

	2025	2024
	£'000	£'000
Salary	125	115
Employers' pension contribution	33	28
	158	143

In 2024/25 the Principal and Chief Executive was an ordinary member of the Scottish Teachers Superannuation Scheme and the College's contributions to the scheme, in relation to the Principal and Chief Executive, are paid at the same rate as for other members of Academic Staff.

Notes to the financial statements
for the year ended 31 July 2025

10 Operating expenses

	Staff costs	Operating expenses	Dep'n	Interest payable	Consolidated	
	£'000	£'000	£'000	£'000	2025 Total £'000	2024 Total £'000
Academic/teaching departments	10,902	1,469	-	-	12,371	12,912
Academic/teaching services	1,329	-	-	-	1,329	2,184
Research grants and contracts	1,288	-	-	-	1,288	1,611
Admin and central services	4,786	1,709	-	55	6,550	6,286
Premises	1,430	2,673	2,859	-	6,962	6,412
Catering & residences	163	175	-	-	338	384
	19,898	6,026	2,859	55	28,838	29,789

	Consolidated	
	2025 £'000	2024 £'000
Operating expenses include:		
External auditor's remuneration:		
- audit and assurance related services	38	28
There were no other non-audit fees paid to the external auditors (2024: £nil)		
Internal auditor's remuneration:		
- audit and assurance related services	21	23
Operating lease rentals		
- land and buildings	202	131
- plant and machinery	121	66

11 Interest expense

	Consolidated	
	2025 £'000	2024 £'000
Loan interest	55	60
Net return on pension liabilities	-	-
	55	60

**Notes to the financial statements
for the year ended 31 July 2025**
12 Tangible fixed assets

	Consolidated and College					
	Land and buildings £'000	Plant & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Work in progress £'000	Total £'000
Cost:						
At 1 August 2024	49,758	8,626	2,028	69	2,851	63,332
Additions	198	138	15	-	355	706
Indexation	97	-	-	-	-	97
Revaluations	2,827	-	-	-	-	2,827
Transfers	2,293	-	-	-	(2,293)	-
At 31 July 2025	55,173	8,764	2,043	69	913	66,962
Depreciation:						
At 1 August 2024	2,600	7,780	1,953	66	663	13,062
Charge for the year	2,273	522	60	3	-	2,858
Revaluations	(4,457)	-	-	-	-	(4,457)
Transfers	-	-	-	-	-	-
At 31 July 2025	416	8,302	2,013	69	663	11,463
Net Book Value:						
At 31 July 2025	54,757	462	30	0	250	55,499
At 31 July 2024	47,158	846	75	3	2,188	50,270

As a result of the merger on 1 August 2023 the College's property portfolio increased to include the portfolios previously held by Lews Castle College and UHI West Highland College.

The College has a plan in place to align the property valuation cycle for all properties by 31 July 2027.

As at 31 July 2025 the status is as follows:

- Properties previously held by Lews Castle College underwent a full revaluation at 31 July 2024. This valuation was undertaken by an independent valuer, FG Burnett.
- Properties held by North, West and Hebrides (previously UHI North Highland College) underwent a full revaluation at 31 July 2022 and an interim desktop valuation at 31 July 2025. This valuation was undertaken by an independent valuer, Graham and Sibbald.
- Properties previously held by UHI West Highland College underwent a full revaluation at 31 July 2023 and an interim desktop valuation at 31 July 2025. This valuation was undertaken by an independent valuer, Graham and Sibbald.

All valuations have been undertaken on the basis of fair value (market value or depreciated replacement costs where appropriate), with the values being computed in accordance with the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance notes.

Wick College is included at the lower of Market Value or Depreciated Replacement Cost as an asset for sale within current assets at £nil (2024: £nil).

For land and buildings stated at revalued amounts the carrying amount that would have been recognised had the assets been carried at historic cost at is £7,601k (2023: 7,601k). Included within land and buildings are tenant improvements with a net book value of £1k (2023: £1k).

**Notes to the financial statements
for the year ended 31 July 2025**

Impairment of tangible fixed assets

The College has reviewed its estate at 31 July 2025 for indicators of impairment in accordance with FRS 102. As a result, impairment adjustments totalling £650,000 that were recognised on three sites in 2023/24 have continued to be made to the following properties:

Thurso Campus - £250,000 impairment on older tower block and wing buildings, reflecting increased maintenance costs associated with roof leaks and replacement of façade windows.

ERI Building - £100,000 impairment due to the age and condition of the facility, with substantial internal works and roof upgrades planned.

Fort William Campus - £300,000 impairment arising from deterioration of curtain wall windows, causing significant water ingress and internal dampness. The curtain wall windows have now been replaced, but the work was not completed until after 31 July 2025.

These impairments reflect the estimated reduction in the recoverable amount of the affected assets, determined by reference to their service potential for ongoing education delivery.

13 Investments

	Consolidated		College	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Investment - subsidiary undertaking	-	-	-	-
Investment - unlisted	1	1	1	1
	1	1	1	1

Lews Castle College (Trading) Ltd is a wholly owned subsidiary undertakings of the College, a company registered in Scotland with issued share capital of two ordinary shares of £1 each. The company does not trade and is currently held for name protection purposes. The registered office is UHI North, West and Hebrides, Ormlie Road, Thurso, KW14 7EE.

The College holds an unlisted investment of 27% of in the ordinary shares of Greenspace Live Limited, but it does not participate in the operational or financial policies of the company and its financial results are not included within the College's consolidated financial statements. The investment is stated at cost less impairment.

The College and Ceolas Uibhist Limited entered into a 50:50 joint venture arrangement on 17 June 2019 to establish Cnoc Soilleir Ltd, a company limited by guarantee, to take forward the development and operation of the Cnoc Soilleir building and facility in Daliburgh, South Uist. The Phase One building was completed in the summer of 2022, being officially opened on the 1st September 2022, and 2022/23 was the first year of the operation of the new facility.

Cnoc Soilleir Ltd	Total	Total
	2025	2024
	£'000	£'000
Net income/(expenditure)	1,274	(21)

Donations and legacies are £1,423k (2024: £138k), of which £1,417k (2024: £109k) is subject to restriction as it relates to funds raised from stakeholders for the purpose of delivering the Phase II building.

**Notes to the financial statements
for the year ended 31 July 2025**

	Total 2025 £'000	Total 2024 £'000
Net assets	10,674	9,400

Tangible fixed assets comprise long leasehold £8,368k (2024: £6,316k) and fixtures and fittings £67k (2024: £86k). Depreciation is provided on a historic cost basis.

Cash at bank is £2,235k (2024: £2,998k), of this £2,170k (2024: £2,929k) is subject to restriction as it comprises funds raised from stakeholders for the purpose of delivering the Phase II building.

	Total 2025 £'000	Total 2024 £'000
College share of net income	637	-
Impairment	(637)	-
Carrying value of investment	-	-

	Total 2025 £'000	Total 2024 £'000
College share of net assets	5,337	4,700
Impairment	(5,337)	(4,700)
Carrying value of investment	-	-

The College has impaired the carrying value of its investment in Cnoc Soilleir Limited as:

No distributions have been received since incorporation and, in accordance with future financial projections, none is expected to be received in future years

The funds received and the assets held by the joint venture are restricted in nature, being granted by external funders for a specific purpose, with there being no expectation of financial benefit to the college in neither the current nor future years.

The College's investment is deemed to have a carrying value of £1 (2024: £1).

14 Debtors

	Consolidated		College	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Trade debtors	360	344	360	344
Other debtors	6	4	6	4
Prepayments and accrued income	515	709	515	709
	881	1,057	881	1,057

Financial instrument assets comprise; trade debtors, other debtors, accrued income and cash and cash equivalents of £1,293k (2024: £2,865k).

**Notes to the financial statements
for the year ended 31 July 2025**

15 Cash and cash equivalents

	Consolidated		College	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
At 1 August	1,940	1,202	1,940	1,202
Cash (outflow)/inflow for the year	(1,338)	738	(1,338)	738
At 31 July	602	1,940	602	1,940

16 Creditors: Amounts falling due within one year

	Consolidated		College	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Bank loan	91	85	91	85
Trade creditors	714	283	714	283
Other taxation and social security	429	680	429	680
Other creditors	695	1,370	695	1,370
Owed to subsidiary undertakings	1	1	6	6
Deferred income – capital grants	1,185	1,080	1,185	1,080
Accruals	6,596	6,230	6,596	6,230
Deferred income	445	297	445	297
	10,156	10,026	10,161	10,031

Within accruals and deferred income is a cash advance of £5,860k (2024: £3,705k) in relation to funds made available to the College by the Regional Strategic Body and Scottish Funding Council

Financial instrument liabilities comprise of trade creditors, other taxation and social security and other creditors of £1,838k (2024: £2,333k).

17 Creditors: Amounts falling due after more than one year

	Consolidated		College	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Bank loan	744	835	744	835
Deferred income - capital grants	21,069	21,086	21,069	21,086
	21,813	21,921	21,813	21,921

The bank loan repayable as follows:

- In one year or less	91	85
- Between one and two years	97	91
- Between two and five years	329	309
- On five years or more	318	435
	835	920

The college holds a 25-year unsecured fixed rate term loan with the Bank of Scotland. This is repayable by monthly instalments in full by 2032.

Notes to the financial statements
for the year ended 31 July 2025

18 Provisions for liabilities and charges

	Consolidated and College		
	Enhanced Pensions	Job evaluation	Total
	£'000	£'000	£'000
At 1 August 2024	1,067	1,730	2,797
(Decrease)/Increase in provision	(118)	319	201
Charged in the year	180	-	180
At 31 July 2025	1,129	2,049	3,178

The early retirement provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the College. The cost is charged against the provision established to meet the cost when it arose.

The provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.75%. The above liability is in respect of future pension liabilities arising from early retirements.

The National Job Evaluation Scheme is an exercise that was initiated in 2018 whereby job roles and salary costs are being reviewed and aligned for support staff and middle management across the College sector in Scotland. From 2018/19 financial year an accrual has been made on an annual basis for the estimated cost of the job evaluation exercise on staff costs in the college.

19 Pension schemes

The College participates in the following pension schemes:

- The Highland Pension Fund (HPF)
- The Scottish Teachers' Superannuation Scheme (STSS)

Total pension costs for the year were:

	2025	2024
	£'000	£'000
HPF – charge to income statement	1,628	1,543
STSS – contributions paid	1,424	1,546
Total pension costs at 31 July	3,052	3,089

Highland Pension Fund

At 31 July 2025 HPF had a net surplus of £13,099k (2024: £6,928k). This surplus has been restricted under the asset ceiling calculation to £0k which is the amount recognised as a pension asset in the financial statements as it meets the recognition criteria set out in FRS 102.

The HPF is an externally funded multi-employer defined-benefit scheme that covers both past and present employees, that was contracted out of the State Second Pension (S2P) until 31 March 2016. The HPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other related benefits are paid out in accordance with the provisions of the Local Government Pension Scheme.

A valuation of the College's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2023 valuation results, rolled forward onto the following assumptions used as at 31 July 2025:

Notes to the financial statements for the year ended 31 July 2025

The latest actuarial assessment was carried out as at 31 March 2023. As at the valuation date the Scheme had an asset value of £2,406 million and a value of liabilities (including McCloud liability) of £1,773 million, giving surplus of £633 million.

Until 31 March 2024 the College paid employer contributions of 19.1% of pensionable salaries and staff paid employee contributions in the range of 5.5% to 11.2%.

Subsequently, the valuation set an employer contribution rate of 17.9% of pensionable salary, There was no change to employee contributions rates.

Total contributions made for the year are £1,606,518, of which there are employers' contributions of £1,196,267 and employees' contributions of £410,251.

	2025	2024
Discount rate	5.80%	5.00%
Rate of increase in salaries	3.55%	3.55%
Rate of increase in pensions in payment/inflation	2.75%	2.75%
The weighted average life expectancies used to determine benefit obligations are as follows:		
	Years	Years
Current pensioners:		
Male	20.8	20.6
Female	23.7	23.6
Future pensioners		
Male	21.5	21.3
Female	24.9	24.9
The assets in the scheme were:		
	%	%
Equities	54%	68%
Bonds	25%	10%
Property	14%	15%
Cash	7%	7%

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

	2025 £'000	2024 £'000
Total market value of assets	44,568	40,695
Present value of liabilities	(31,469)	(33,767)
Net pension asset under FRS 102	13,099	6,928

Amount charged to operating deficit:

Staff costs:

	£'000	£'000
Current service cost	(1,327)	(1,455)
Past service cost	(222)	(90)
Total operating charge	(1,549)	(1,545)

**Notes to the financial statements
for the year ended 31 July 2025**

	2025	2024
	£'000	£'000
Interest and other financial costs:		
Expected return on scheme assets	2,053	1,878
Interest on scheme liabilities	(1,711)	(1,618)
Total net return	342	260
Total HPF pension cost recognised in the statement of total comprehensive	(1,207)	(1,285)

Other comprehensive income (OCI):

	2025	2024
	£'000	£'000
Actual return on assets (excluding amounts included in net interest)	1,008	1,305
Actuarial gain on scheme	4,975	310
Impact of asset ceiling adjustment	(13,099)	-
Actuarial (loss) gain recognised in the OCI	(7,116)	1,615

Movements in present value of scheme assets during the year:

	£'000	£'000
Assets at the beginning of the year	40,695	36,869
Movement in the year		
Interest income	2,053	1,878
Actual return on assets (excluding amounts included in net interest)	1,008	1,305
Contributions by the employer	1,395	1,370
Contributions by scheme participants	410	418
Benefits paid	(993)	(1,145)
Assets at the end of the year	44,568	40,695

Movements in present value of scheme liabilities during the year:

	£'000	£'000
Liabilities at the start of the year	33,767	31,647
Movement in the year		
Current service cost	1,327	1,455
Past service cost	222	90
Interest cost	1,711	1,618
Actuarial gain	(4,975)	(316)
Contributions by scheme	410	418
Benefits paid	(993)	(1,145)
Liabilities at the end of the year	31,469	33,767

**Notes to the financial statements
for the year ended 31 July 2025**

Details of the experience gains and losses for the years:

	2025	2024
	£'000	£'000
Fair value of scheme assets	44,568	40,695
Present value of scheme	(31,469)	(33,767)
Surplus in the scheme	13,099	6,928
	2025	2024
	£'000	£'000
Surplus in the scheme	13,099	6,928
Restriction of Actuarial Gain	(5,983)	-
Additional asset ceiling adjustment	(7,116)	-
Total pension asset as at 31 July 2025	-	6,928
Asset Ceiling Calculation	-	
Present value of future service cost	48,070	-
Present value of future service	(54,786)	-
Restriction of Surplus	(13,099)	-

Scottish Teachers Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit only pension scheme that was contracted out of the State Second Pension (S2P) until 31 March 2016.

The scheme closed to new members from 1 April 2015 with existing members transitioning to the Scottish Teachers Pension Scheme 2015, but with transitional protection on a tapered basis for members based on the number of years until their normal retirement age. Members who were within 10 years of their normal retirement age as at 1 April 2012 retain continued membership of their existing scheme.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer defined benefit scheme and as the College is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme.

Scottish Teachers Pension Scheme 2015

The Scottish Teachers' Pension Scheme 2015 (STPS) is an unfunded multi-employer career average defined benefit only pension scheme.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer career average defined benefit scheme and as the College is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme

The latest actuarial assessment was carried out as at 31 March 2020. The Scheme had total liabilities, for service to 31 March 2016 of £26.9 billion and notional assets of £24.1 billion giving a notional past service deficit of £2.8 billion.

Up until 31 March 2024 the College paid employer contributions of 23% of pensionable salaries and staff paid employee contributions in the range of 7.2% to 11.9% .

Subsequently, the valuation set an employer contribution rate of 26% of pensionable salary for the period 1 April 2024 to 31 March 2027 and tiered employee contribution rates in the range of 7.35% to 12.14%.

Total contributions made for the year are £2,589,438, of which there are employers' contributions of £1,895,598 and employees' contributions of £693,840.

**Notes to the financial statements
for the year ended 31 July 2025**

20 Contingent asset

A full job evaluation exercise with the purpose of harmonising support and middle management staff costs across the College sector in Scotland was started in 2018. The responsibility for funding the exercise now sits with Scottish Government. The full extent of the costs to be worked through with National Pay Bargaining will not be confirmed until the job evaluation exercise is concluded, the outcome of which will be implemented as from 1 September 2018. Since 2018-19 colleges have accrued support staff and middle management costs and associated grant funding based on Colleges Scotland's February 2019 staff costings. For the College this resulted in accumulated cost accrual and debtor balances of £1,731k to 31 July 2024.

The 2023-24 Accounts Direction from the Scottish Funding Council (SFC) signalled a change in the accounting for the funding and costs of the job evaluation exercise, with a central focus on the Scottish Government being clear that responsibility for job evaluation funding commitments now rests with it until the process is complete.

The job evaluation exercise is a past event where an obligation exists, its impact can be reliably measured, and it is likely to result in an outflow of benefits in future periods. On this basis, the costs of the exercise have been recognised as a provision for the total estimated cost of the exercise to date.

The valuation of the provision is based on the figure originally provided in February 2019 with annual inflationary adjustments to align with uplifted payments to staff over the period. As the timing of the outflow of benefits remains uncertain, the previously accrued costs have been reclassified as a provision. This treatment is considered compliant with the SORP and the relevant underlying accounting standards.

The recognition of the revenue is not as clear due to the change in the funding arrangements. The SFC no longer hold the reserved cash funding, and although responsibility for job evaluation funding now sits with the Scottish Government, insufficient evidence has been provided for this income to be recognised in the financial statements.

On this basis, the revenue element was de-recognised in the accounts. There was however sufficient basis upon which to recognise a contingent asset of the value equal to that of the provision (£1,731k), to be recognised on the balance sheet at such time realisation of cash-flows become virtually certain and quantifiable.

At 31 July 2025, after applying an annual inflationary adjustment, the provision was £2,049k (2024: £1,730k) and there was sufficient basis to recognise a contingent asset of the value equal to that of the provision.

21 Commitments

The College has annual commitments under non-cancellable operating leases as follows:

	2025	2024
	£'000	£'000
Land and buildings:		
Payable during the year	202	200
Future minimum lease payments due:		
Not later than 1 year	85	41
Later than 1 year and not later than 5 years	35	17
Total lease payments due	120	58

**Notes to the financial statements
for the year ended 31 July 2025**

	2025	2024
	£'000	£'000
Other:		
Payable during the year	121	85
Future minimum lease payments due:		
Not later than 1 year	139	135
Later than 1 year and not later than 5 years	196	325
Total lease payments due	335	460

22 Contingent liabilities (Consolidated and College)

There are no contingent liabilities.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK. The impact of the case is continuing to be assessed and any potential impact on the College accounts will be considered in future years.

23 Losses and special payments

There were no amounts written off during the period in respect of losses and special payments either under a general delegated authority from Scottish Funding Council or on specific authority.

24 Related party transactions

	Member(s)	Position	Sales £'000	Purchases £'000
HISA	Alasdair Macleod	Employee	0	52
Caithness Chamber of Commerce	Alex Macdonald	Board Member	0	0
British Computer Society	Ian MacEachern	Member	0	0
Broadford & Strath Community Council	Neil Hope	Director & Chair	0	0
NHS Highland	Shona MacDougall	Voluntary Patient	0	0
Highland Council	Struan Mackie	Councillor	32	69

At 31 July 2025 the College's creditor balance with these related parties was £948.

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Management may have an interest.

All transactions involving organisations in which a member of the board of governors or the Senior Management Team may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Notes to the financial statements for the year ended 31 July 2025

The College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC). The SFC is regarded as a related party. During the year the College had various material transactions with the SFC and with other entities for which the SFC is regarded as the sponsor Department e.g., Student Awards Agency for Scotland. On the basis of guidance from the SFC these transactions do not require to be disclosed.

During the period, the College had various material transactions with the University of the Highlands & Islands (UHI), which received university title on 2 February 2011. The College receives funding for higher education activity through UHI Executive Office. Funding in respect of further education activity is distributed by UHI Executive Office acting as the Regional Strategic Body to which the College has been assigned.

25 Bursaries and other student support funds

	Bursary £'000	HE Hardship £'000	FE Hardship £'000	EMA £'000	2025 Total £'000	2024 Total £'000
At 1 August 2024	390	15	-	(1)	404	572
Allocation received in year	1,308	0	223	45	1,576	2,160
Expenditure	(1,190)	0	(170)	(45)	(1,405)	(1,710)
Repaid to SFC/UHI	(334)	-	-	-	(334)	(498)
Intra-region redistribution	0	-	-	-	(0)	(120)
Other	-	-	-	-	-	0
At 31 July 2025	174	15	53	(1)	241	404

The College acts as an agent in the receipt and disbursement of Bursary and other student support funds. These funds are excluded from the Statement of Comprehensive Income.

Represented by:

Repayable to SFC/UHI	118	-	53	-	171	334
Other amounts	56	15	-	(1)	70	70
	174	15	53	(1)	241	404

26 Childcare funds

	2025 £'000	2024 £'000
At 1 August 2024	1	1
Allocation received in year	25	17
Expenditure	(25)	(17)
Other	-	0
At 31 July 2025	1	1

Childcare funds are available solely for students, the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

Represented by:

Repayable to SFC/UHI	-	-
Other amounts	1	1
At 31 July 2025	1	1

**Notes to the financial statements
for the year ended 31 July 2025****27 Events after the reporting period**

There were no events after the reporting period.

28 Government non-cash allocation for depreciation

	2025	2024
	£'000	£'000
Deficit for the year before other gains and losses (FE-HE SORP basis)	(3,882)	(4,337)
Add back: Non-cash allocation for depreciation	2,859	2,761
Add back: Deferred capital grants	(1,393)	(1,219)
Operating deficit on Central Government accounting basis	(2,416)	(2,795)

Incorporated colleges receive a non-cash budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules.

Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.