UHI MORAY

Annual Report and Financial Statements for the year ended 31 July 2023

UHI | MORAY MOIREIBH

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Performance Report

OVERVIEW

Principal's foreword

This Performance Report for the year ended 31 July 2023 provides an overview of the College, its purpose and priorities, its performance over the year, and the risks it continues to face and address.

2022/23 was a year in which most college services and curriculum returned to a more usual working environment, although a 'New Ways of Working' pilot was extended beyond Semester 1 as an endeavour to learn from, and maintain, some of the more flexible ways of working utilised during the immediate pandemic period.

The college maintained its return to previous volumes of delivery for its FE curriculum, delivering 19,168 credits (19,033 in the previous year) against a Regional Strategic Body target of 19,000.

The College's Higher Education ("HE") enrolment for the year however was significantly lower than previous levels, at 662.8 full-time equivalent students (FTEs), well below the previous year's total (755).

Having delivered FE full-time student attainment above the Scotland average in the previous five years, the college now delivered a sixth year of high attainment (66.8%), again well above previous national averages.

The College's overall student satisfaction rate reported in the year-end SFC national Student Satisfaction and Engagement Survey remained extremely high at 94.6% (up 1% on the previous year).

Throughout the year, the college continued to support the development of key projects within the proposed Moray Growth Deal. It continued to lead two projects (representing 40% of the funding on offer from the UK and Scottish governments) and played an active role on the Project Boards of another four projects (representing a further 50% of the government funding). The Full Business Cases of both the Business Enterprise Hub and the Moray Aerospace and Advanced Technology and Innovation Campus ('MAATIC' - a project underwritten by UHI Executive Office) were approved by UHI Moray for consideration by the Growth Deal Programme Board.

The College also continued to be the host organisation and employer for the staff of DYW (Developing the Young Workforce) Moray and a key partner of DYW Moray in the design and delivery of Skills Pathways (for ages 3-18). It worked closely with Moray Council and Moray's schools through the co-design of Senior Phase provision for secondary pupils in Moray, including a significantly increased Foundation Apprenticeship cohort. It also provided a range of Broad General Education introductions to curriculum, within the limit of 1.5% of credits set by the Scottish Funding Council (SFC).

The College continued to work with employers in Moray through the Flexible Workforce Development Fund. It delivered and supported Modern Apprenticeships throughout the year, although its own funding allocation through the UHI Workplace Learning Hub was only able to fund a restricted uptake of less than half the number of MAs sought by local employers. The college also continued to deliver employability programmes to support those seeking to re-enter the job market.

The college has also continued its work to develop and deliver research projects with local organisations through the SFC's Innovation Voucher scheme and as 'proof-of-concept' for the Business Enterprise Hub project.

In terms of governance and management, the College maintained full compliance with the Code of Good Governance, except for sections C3 and C22 (which relate to a failure to deliver a balanced

Performance Report (continued)

budget at year-end), C25 (which relates to a dispute raised by both recognised Trades Unions in January 2024 in relation to consultations on the Financial Recovery Plan and Voluntary Severance Scheme), and D25 (which relates to delays in holding one-to-one development meetings for Board members with the Chair and Vice Chair).

It has maintained a gender balance across its Board of Management. The Board began and ended the year with one female member more than males. The Board Chair concluded his term of office and stepped down at the end of March 2023. An interim chair is currently in place and a recruitment exercise is being undertaken in Session 2023/24 to find a permanent chair, and to refresh those members who have stepped down, or who are due to come to the end of their term in office.

The college's new strategic plan was agreed at the September 2022 Board meeting and is framed around five strategic pillars:

+ **Tertiary Education** (our curriculum and the many ways we build teaching and support around it)

+ **Research Impact** (growing our research and the impact it has on our community)

+ **Engagement** (with our students, staff and all our external stakeholders)

+ **Enterprise** (being enterprising ourselves, and supporting enterprise in others), and

+ **Sustainability** (of our college, our community, and the planet we live on)

The college continued to operate in an environment of opportunity, having progressed its Moray Growth Deal projects to full business case drafts, and having been utilising *Just Transition* funding from the Scottish government since March 2023 to research and identify solutions to future 'green' skills bottlenecks in this region.

The college is reporting an Underlying Operating Deficit of £408k for 2022/23. Alongside colleges across Scotland, the college is also facing significant financial challenges going forward. These originate, and are potentially resolved, in three dimensions;

- Nationally, Audit Scotland has identified an 8.5% real terms cut in college funding over the past two years. While nationally agreed pay deals remain unconnected to the quantum of funding allocated by the Scottish Government to colleges, this remains a significant challenge across the sector.

- Regionally, work to agree a reduction in funding contributions to the running of UHI Executive Office, that are withheld centrally from colleges' SFC HE Teaching Grant, has not yet reached a conclusion. (Moray's contribution in 2022/23 was c.£2.6m, a significant cost which the college can neither afford, work to minimise, nor identify commensurate benefits from).

- Locally, while FE enrolment is buoyant and exceeding the college's credit target and demand for Apprenticeship places continues to exceed funding available, HE enrolment at the college has collapsed by c.270 FTEs (29%) over the past four years, primarily since the first full pandemic year. Work is currently underway on a curriculum-informed Financial Recovery Plan which would again reduce FE credits delivered down to the quantum funded by the SFC and would streamline the HE curriculum offer to focus on programmes most in demand in Moray and therefore most efficient to deliver.

Performance Report (continued)

The College's estate continues to require significant investment and the Speyside wing of the Moray Street campus had to be closed in in August 2023 due to the presence of reinforced autoclaved aerated concrete (RAAC) in that building. This was recognised by the SFC in 2016 who identified that the estate required partial demolition, rebuild, and refurbishment, and for which the Funding Council then provided outline plans and a £34m budget, which was subsequently withdrawn after the Brexit vote.

The college continues to make an important contribution, both to its local community, and to wider regional developments, and at its recent graduation events in October 2023 shared with its community both the outstanding achievements of its staff and students, but also the challenges that threaten its future success.

I commend this annual report to you now and thank everyone associated with the College in this time for their commitment, flexibility, and resilience to ensure the successful delivery of these outcomes in 2022/23.

Mr David Patterson
Principal and Chief Executive

Performance Report (continued)

STRATEGIC PLANNING: PURPOSE AND ACTIVITIES

The new UHI Moray Strategic Plan was agreed by its Board in September 2022. Its mission, vision and values statements are as follows:

Mission Statement

The purpose of the College remains:

"To transform lives and to be at the heart of transformation in Moray and in the wider region"

Vision Statement

Our revised vision is that we will be:

- a destination of choice for students and staff
- a partner of choice for stakeholders, and
- widely recognised for our role in transforming lives, communities, and practice.

Values Statement

As part of the UHI partnership, the College continues to adopt the 'core' values of UHI's Strategic Plan. These are:

- **C**ollaboration
- **O**penness
- **R**espect
- **E**xcellence

These statements are further articulated in five Strategic Aims, with accompanying Strategic Objectives, which will drive the activities of the College over the period of its Strategic Plan to July 2027. The Strategic Aims focus on the development of:

- Tertiary Education
- Research Impact
- Engagement
- Enterprise
- Sustainability

The College's aims and objectives also take into account both national and regional priorities, as well as local priorities as articulated in the Local Outcome Improvement Plan for Moray and the Moray Skills Investment Plan.

Implementation of the Strategic Plan

The key tasks of the college Operational Plan for 2022/23 were as follows:

- **Tertiary Education:** Immediate actions to improve in-year Student Retention; Plan to improve Student Recruitment for 2023/24; Creation of a pipeline of New Provision up to 2025/26; and Support for HISA to ensure that the Student Voice is heard by managers and the Board

- **Research Impact:** Develop a new Research Action Plan for 2022/23 with structure & support mechanisms

Performance Report (continued)

- **Engagement:** Benchmark staffing policies, procedures and practices against the themes of the Fair Work Agenda; Shape future working practices through execution and review of the New Ways of Working Pilot

- **Enterprise:** Progress both MGD projects to Full Business Case submission

- **Sustainability:** Develop a Cross-college plan (including HISA) for next wins in carbon reduction; Explore regional and national support for an OBC for a campus development project; Fully engage in regional discussions ('UHI 2024') to improve the efficiency and effectiveness of UHI operations; and Improve local cyber resilience controls

KEY ISSUES AND RISKS

At the end of the 2022/23 academic year, the residual risks rated highest after mitigations were:

- Inability to achieve a balanced budget
- College estate not fit for purpose
- College does not achieve allocation HE student number target
- Impact of the National Job Evaluation Scheme

PERFORMANCE ANALYSIS

In accordance with SFC requirements, the College is required to monitor and report progress against targets for national priorities. The College also contributes to the Regional Outcome Agreement for the Highlands and Islands region, and to a range of internal measures and performance reporting for the University.

The College actively participates in regional structures to deliver shared outcomes including the work-based learning hub; curriculum planning and working groups; the development and support of student representation (including HISA); the regional Schools group; the cross-regional quality forum; the Regional Attainment Strategy Group and the Student Data Reporting Group.

A KPI Dashboard is used to assess performance on key indicators linked to the College's five Strategic Aims and is updated on a monthly basis and presented to the College Board of Management at each meeting. Performance indicators monitored and reported throughout the year include student recruitment, retention, attainment, and satisfaction.

Student recruitment

In 2022/23, the College delivered 19,168 FE credits (2021/22 19,033) against a target of 19,000 SFC grant-funded credits (2021/22 19,800), equivalent to 100.9% of the target (2021/22 96.1%).

UHI Moray delivered a total full-time equivalent (FTE) HE students of 662.8 FTE (2021/22 755 funded FTEs) against a target of 830 FTE. This generated grant-in-aid income (net of UHI EO 'top-slice') of £2,590k (2021/22 £2,836k).

Performance Report (continued)

Student retention

The College's overall Full-Time FE (FTFE) student retention figure in 2022/23 was 79.5%* (2021/22 73.5%) above the latest sector average for Scotland (70.7%).

**Note that this figure includes those students impacted by Action short of strike action (ASOS) but who were noted as attending until the end of the academic year.*

Student attainment

The College has continued to deliver full-time student achievement throughout the pandemic period above the national attainment figure for Scotland.

A summary of the College's FE attainment rates in recent years is illustrated below

Session	FE FT attainment % (sector)	FE FT attainment % (Moray)
2017/18	66.1%	69.0%
2018/19	65.2%	67.9%
2019/20	65.7%	74.3%
2020/21	61.3%	68.9%
2021/22	59%	66.7%
2022/23	63.6%	66.8%

Other performance measures

There have been a number of notable student awards and achievements occurring throughout the year, some of which are outlined below:

Former apprentice Connor Cruden won a medallion of excellence in last year's World Skills Heating and Plumbing competition in Germany. Sean Esslemont, after winning the Gold medal in the Scottish 'Skillplumb' competition the previous year went on to win the 2022/23 Silver medal in the UK final last November. In this year's Scottish final in June, another plumbing apprentice, Finlay McAulay won the Gold medal and he now goes on to compete in the UK final in Manchester in November 2023.

Apprentice Brodie Linklater won the LANTRA Horticulture Learner of the Year award and Gallia Cochrane, an HNC Horticulture student, won 2nd place winner at the Scottish final of the UK 2023 Young Horticulturist of the Year competition.

Craig Fairweather, 4th year apprentice won the Gold medal at the UK Finals of this year's electrical installation competition. Danny McBean was awarded 1st place in the 2022/23 UK Skill Electric, Scottish Final and will now be competing as Scottish champion in the UK final in Manchester in November 2023.

Marion Stewart and Shaun Wilcox picked up the Silver and Gold medals for best sheet leadwork in their Scottish national competition.

Fine Art graduates Moira Downie and Kirsty Duguid were chosen to exhibit at the 2024 RSA New Contemporaries Exhibition in Edinburgh.

Performance Report (continued)

Student satisfaction

The College's annual Learner Survey for 2022/23, incorporating the SFC national Student Satisfaction and Engagement Survey, opened in March 2023 with another increased response rate almost returned to pre-pandemic levels. The overall satisfaction for FE students was 94.6%, an increase of 1% on the previous year.

Full-time students reported very positively (over 90%) in a range of areas including: Staff encourage students to take responsibility for their learning (97.9%), My time at college has helped me develop knowledge and skills for the workplace (96.4%), I receive useful feedback which informs my future learning (94.9%), The way I'm taught helps me learn (93.1%), and I am able to influence learning on my course (91.0%).

Curriculum developments

As part of the UHI 2024 Curriculum Review workstream of HE provision across the region, an external consultancy firm ('SMRS') was engaged in January 2023 to carry out a review of all UHI undergraduate curriculum (excluding HNs). SMRS presented an initial competitor and market analysis, and undertook consultation with employers and students before delivering a full market and competitor analysis. A final report and presentation was submitted in May 2023. The UHI Deans of Faculty then met with all partner Principals to progress curriculum discussions and, from the RAG-rated list of programmes, developed a set of proposals for current programme retirals across the next two sessions, and a set of proposals for new programmes to be introduced across the same period.

A significant change to FE full-time curriculum was effected at the end of the 2022/23 academic year as the SFC guidance required the reduction of credits delivered on full-time programmes to no more than an average 17 credits per full-time student.

Research Impact and Knowledge Exchange (RIKE)

Research activity developed further in 2022/23 with ongoing project development activity through the SFC Innovation Voucher scheme, and as part of the significant 'proof-of-concept' work undertaken to support the final business case of the MGD Business Enterprise Hub project.

Environmental Sustainability

The College has developed a local Carbon Management plan which sets out key target dates for greenhouse gas emissions reductions in line with the revised strategy. The College has formally adopted the EAUC Framework for Colleges which enables the College to track actions related to emissions reductions and accurately report progress to the Board of Management via the Audit Committee. This work is at an early stage and the College continues to work towards achieving "Emerging Maturity" within the EAUC framework.

The College contributed to the development of the UHI Sustainability Strategy and Policy framework throughout the year and is also represented on the new UHI Partnership Sustainability Strategy Implementation Group whose aim is to 'to co-ordinate, enable and provide direction for activities to support the achievement of sustainability targets set out in the approved UHI Sustainability Strategy'.

Performance Report (continued)

FINANCIAL POSITION

Financial results

The College's strategic financial aims have been to:

- Maintain its levels of Further Education (FE) provision, and to grow FE activity where funding opportunities exist.
- Develop and grow Employability Funding and Modern Apprenticeships.
- Generate annual growth in its levels of Higher Education (HE) in line with the strategic aims of the University of the Highlands and Islands (UHI).
- Grow non-funded activity.
- Engage proactively in regional work to reduce costs and share services. While there has been some progress with regards to College specific initiatives, further benefits remain dependent on the development of a shared service mechanism across the UHI partnership.

The College is reporting a deficit of £971k for the 2022/23 financial year (FY 2021/22 £783k deficit). This is an Underlying Operating Deficit (as per the SFC's definition) before pension adjustments of £408k. The College closed the year with a positive cash balance of £1,162k (FY 2021/22 £1,540k).

Total income increased in 2022/23 from £14.40m to £15.13m (an increase of £721k (+5%)) in spite of the significant decrease in HE enrolments. Significant drivers of this are the receipt of ESF funding, held back at RSB level previously due to the risk of claw-back, and which has now been deemed as appropriate to recognise (+£596k), the successful completion of deferred students who had been unable to finish their studies during the previous academic year (+£260k), the release of provisions held for potential FE clawback (+£155k) and the recognition of additional milestones for our Foundation Apprenticeship students (+£169k). This has been offset by the financial impact of the fall in HE enrolments (-£388k).

Total expenditure increased from £15.19m to £16.10m (an increase of £909k (+5.6%)). The increase is driven by nationally agreed pay rises for all staff and inflationary rises in costs – particularly, in line with the whole sector, the college's utility costs, and the cost of materials required to service curriculum areas such as construction and hospitality. The college continues to exercise strict control over the recruitment of additional staff/extra staff costs and operational delivery costs.

Although pay rises were agreed in June 2024 for support staff, there is still no resolution for academic staff and national negotiations are ongoing. The college has included an accrual in FY 22/23 based on the final offer made by College Employer's Scotland (£658k). The college's cash balance is higher at the end of FY 22/23 as a result of the ongoing process.

Impact of FRS102 on Local Government Pension Scheme

Under the terms of FRS102 the Local Government Pension Scheme can no longer be treated as a defined contribution scheme. In accordance with FRS102, the College is required to bring the estimated pension liability based on actuarial valuation onto the Statement of Financial Position.

Performance Report (continued)

In 2022/23 the College had a deficit before pension remeasurements of £971k (2021/22 deficit £783k). Excluding non-cash items of net depreciation and non-cash pension costs, this has resulted in a deficit of £408k for the year (2021/22 break even £NIL).

The underlying operating position of the College is illustrated below:

Underlying Operating Position		
	2022/23	**2021/22**
	£'000	**£'000**
Deficit before other gains and losses	**(971)**	**(783)**
Add back:		
- Depreciation (net of deferred capital grant release)	640	468
- Pension adjustment - Net service cost (FRS102 Staff cost adjustment)	71	657
- Pension adjustment - Net interest costs	(1)	80
- Pension adjustment - Early retirement provision	(100)	(375)
Deduct:		
- Revenue Funding allocated to loan repayments and other capital items*	47	47
Underlying Operating Deficit	**(408)**	**-**

* This line eliminates the extent to which the Cash Budget for Priorities (net depreciation) is used for capital items otherwise the operating position is overstated.

One consequence of reclassifying Colleges as central government bodies is that, from 1 April 2014, while Colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated and how the Colleges spend the cash funds previously earmarked for depreciation.

The below illustrates the impact of that shown on the previous page:

Table of Cash Budgets for Priorities Spend		
Revenue	**2022/23**	**2021/22**
	£'000	**£'000**
Student Support	209	209
Pay Award	168	118
Total Impact on Operating Position	**377**	**327**
Capital		
Loan Repayments	47	97
Total Capital	**47**	**97**
Total Cash Budget for Priorities Spend	**424**	**424**

However, it should be noted that the Scottish Funding Council has confirmed that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability.

Performance Report (continued)

Liquidity

The operating cash outflow for 2022/23 was £322k (2021/22 operating cash outflow £157k).

The average closing monthly cash balance in 2022/23 was £914k (including student support funds) (2021/22 £1,641k) and the year-end balance was £1,162k – which is inclusive of student support funds of £258k (2021/22 £1,540k including student support funds of £217k).

The average cash position for 2022/23 continued to be significantly influenced by the level of Backlog Maintenance funding. Whilst projects were identified and parties engaged for the funding available, the College faced difficulty in securing timely completion of work. In addition, the college has included an accrual for staff pay-rises in FY 22/23 based on the final offer made by College Employer's Scotland (£658k). The college's average monthly cash position and closing cash balance is higher as a result of the ongoing process.

Loan interest payable for the year was £9k (2021/22 loan interest payable £11k).

Creditor payment policy

The College's policy is to make payments within 30 days. The College pays suppliers twice monthly and on occasion express supplier payments are made when operationally necessary. The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges to make payments to suppliers within 30 days. No interest was paid during the year under the above legislation.

Going Concern

Note 1 to these financial statements outlines the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a 'going concern' and these financial statements have been prepared on that basis.

Authorised for issue and approved by order of the members of the Board on 23 August 2024 and signed on its behalf by:

Mr David Patterson
Principal and Chief Executive

Performance Report (continued)

PROFESSIONAL ADVISORS

External Auditor	-	Deloitte LLP
Internal Auditor	-	Wylie & Bisset LLP
Bankers	-	Royal Bank of Scotland
Solicitors	-	Grigor & Young Stronachs
Insurers	-	Education Protect Scotland Ltd (underwriters: Aviva)

Accountability Report

CORPORATE GOVERNANCE REPORT

Directors' Report

UHI Moray became a fully incorporated College under the Further and Higher Education (Scotland) Act 1992. It is a registered Scottish charity (No. SC021205) and is recognised by HM Revenue and Customs as a charity for the purposes of section 505 of the Income and Corporation Taxes Act 1988 and as such is exempt from corporation tax on its charitable activities. At 31 March 2014 the Office for National Statistics reclassified the Scottish College sector as a department of central government. On 1 August 2014 the College was assigned to the University of the Highlands and Islands as part of the Highlands and Islands Regional Strategic Body.

As of the date of signing, the Board comprised one executive director, 8 non-executives, 1 student member and 2 staff members; the overall gender balance on the Board was 6 male and 6 female members which meets the government recommendations with regards to gender split. In 2022/23 the only co-opted member was Mr Grenville Johnston, who sat on the Audit Committee prior to joining the board in February 2024.

The members who served on the Board of Management during 2022/23 and up to the date of approval of the annual report and financial statements are shown below, together with relevant Register of Interests:

Members Name	Date Appointed	End of Tenure	Date Resigned	Status of Appointment	Committee Membership
David Patterson	29/02/16	Duration of contract of employment		Principal	Finance and General Purposes Chairs Staff Governance
Jamie Wilson[1]	23/06/22	26/06/26	20/06/24	Non-Executive	Finance and General Purposes
Stuart Cruickshank	01/08/21	31/07/25		Support Staff	Staff Governance Remuneration
Rebecca Dewis	23/06/22	22/06/26		Teaching Staff	Learning, Teaching and Quality Staff Governance Remuneration
Peter Graham (Chair)	07/07/16	15/03/26	31/03/23	Non-Executive	Finance and General Purposes Chairs Remuneration Nominations
Paul Mitchell	01/01/20	31/12/23	31/10/23	Non-Executive	Staff Governance (Convener) Chairs Remuneration Nomination

[1] Interim Chair from 17 April 2023

Dr Jessie McLeman [1]	01/07/16	31/07/24	31/07/24	Non-Executive	Audit (Convener) Chairs Remuneration Nomination
Dawn McKinstrey	01/01/20	31/12/23	31/12/23	Non-Executive	Audit
Caroline Webster	01/08/17	31/07/25		Non-Executive	Finance and General Purposes Staff Governance
Hugh Hamilton	01/11/20	31/10/24	14/08/23	Non-Executive	Learning, Teaching and Quality (Convener) Staff Governance
Amy Wiggins	23/06/22	26/06/26	08/04/24	Non-Executive	Staff Governance
Ben Cookman	23/06/22	26/06/26	08/12/23	Non-Executive	Finance and General Purposes (Convener)
David McCallum	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality
Elizabeth Hudson	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality
Jacqueline Stevenson	23/06/22	26/06/26	14/06/23	Non-Executive	Learning, Teaching and Quality
Leigh Mair	23/06/22	26/06/26	08/12/23	Non-Executive	Audit
Melissa Carr	20/06/22	30/06/23	22/12/23	Student	Staff Governance Learning, Teaching and Quality Remuneration
Grenville Johnston (Vice-Chair) [2]	12/02/24	11/02/28		Non-Executive	Audit
Charlotte Usher	04/03/24	31/07/24		Student	Finance and General Purposes Learning, Teaching and Quality Remuneration
Clare Matysova	20/05/24	19/05/28		Non-Executive	TBC
James Walls	20/05/24	19/05/28		Non-Executive	TBC
Ralph Luck	03/06/24	02/06/28		Non-Executive	TBC
Alex Paterson (Interim Chair)[3]	15/07/24	30/10/24		Non-Executive	TBC

1 Resigned as an Independent Member 31 July 2024 – Has returned as a co-opted member of Audit Committee

2 Previous co-opted member – Vice-Chair from 20 June 2024

3 Interim Chair from 15 July 2024

Accountability Report (continued)

The Board of Management meets formally five times a year. During 2022/23, there was also a Board Development Day and an extraordinary meeting on 26 July 2023. The Board also has a number of committees which are formally constituted with terms of reference.

A summary of the Board members, and meetings attended during 2022/23 is shown below:

Member	Board	Audit Committee	Finance & General Purposes Committee	Learning, Teaching & Quality Committee	Staff Governance Committee	Remuneration Committee	Joint Audit/Finance and General Purposes Committee
Mr D Patterson	5/6	n/a	4/4	3/3	3/3	n/a	1/1
Mr P Graham	4/4	n/a	3/3	n/a	n/a	1/1	0/1
Mr B Cookman	5/6	n/a	4/4	n/a	n/a	n/a	1/1
Mr H Hamilton	5/6	n/a	n/a	3/3	3/3	1/1	n/a
Dr J McLeman	6/6	4/4	n/a	n/a	n/a	0/1	1/1
Mrs D McKinstrey	5/6	4/4	n/a	n/a	n/a	n/a	1/1
Mrs L Hudson	6/6	n/a	n/a	3/3	n/a	n/a	n/a
Mr P Mitchell	2/6	n/a	n/a	n/a	3/3	1/1	n/a
Mrs R Dewis	2/6	n/a	1/1	2/3	2/3	0/1	n/a
Mrs C Webster	5/6	n/a	3/4	n/a	n/a	n/a	1/1
Mr J Wilson	6/6	n/a	1/4	n/a	n/a	n/a	0/1
Ms L Mair	5/6	4/4	n/a	n/a	n/a	n/a	1/1
Mr S Cruickshank	4/6	n/a	n/a	n/a	3/3	1/1	n/a
Mr D McCallum	4/6	n/a	n/a	n/a	2/3	n/a	n/a
Mrs J Stevenson	3/4	n/a	n/a	1/2	n/a	n/a	n/a
Mrs A Wiggins	2/6	n/a	n/a	n/a	2/3	n/a	n/a
Mr A Wappler	2/5	n/a	2/4	n/a	n/a	n/a	0/1
Miss M Carr	3/5	n/a	n/a	0/3	2/3	1/1	n/a
Mr G Johnston (Co-opted member)	n/a	3/4	n/a	n/a	n/a	n/a	1/1

In the above table, attendance is noted against meetings members could have attended based on their membership at the time.

Statement of Board of Management's Responsibilities

The Board of Management are responsible for preparing financial statements in the form and on the basis set out in the Accounts Direction issued by the Scottish Funding Council. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UHI Moray and of its income and expenditure, changes in reserves, financial position, and cash flows for the financial year.

Accountability Report (continued)

In preparing the financial statements, the Board is required to comply with the requirements of United Kingdom Generally Accepted Accounting Practice as adapted for the higher and further education

sector by the 2019 Statement of Recommended Practice (the SORP) and the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Scottish Funding Council, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in FReM have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Board's responsibilities include responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the assets of UHI Moray. 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 auditors are unaware; and each Board member has taken all 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.

Governance statement

Introduction

Colleges are required to include in their annual report and accounts a statement covering the responsibilities of the Board in relation to corporate governance. This statement is required to indicate how the College has complied with good practice in this area.

It is a condition of the Financial Memorandum with the Regional Strategic Body that the Board meets the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges and subsequently the revised 2022 Code of Good Governance for Scotland's Colleges. The College is committed to achieving best practice in all aspects of corporate governance. It 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 following items describe the manner in which the College has applied the principles set out in the Code of Good Governance.

The Board held its annual development event in September 2022, which was attended in person by Board members and members of the Strategic Leadership Team (SLT). One of the main focuses of this event was to continue the process of developing the Strategic Plan in line with the UHI Strategic Plan and the impact of the UHI curriculum review respectively. Members also reviewed and discussed the Risk Register and Risk Appetite, including next steps.

The College has an independent Clerk to the Board to support the work of the Board of Management. The former Clerk to the Board retired in December 2022 and a new Clerk was appointed with effect from 23 January 2023. Throughout the session 2022/23 the Clerk to the Board continued to support the SLT and the Board with continuous communication on both sides. This continues to work well with actions arising from Board and Committee meetings being acted upon in a timely manner.

Accountability Report (continued)

All Board and committee meetings are arranged to be held in person and have been since September 2022. However, to ensure inclusivity, members have the option to attend remotely.

As part of the Annual Board and Committee review, individual one-to-one development meetings are required to take place between every Board member and the Chair and Vice Chair. At the time of writing, the one-to-one development meetings have not yet taken place. This due to several contributing factors, including the Chairs position currently being covered on an interim basis.

Governing Body

The Board conducts its business through a number of Committees, each of which has terms of reference approved by the Board. The main committee though which the ordinary business of the Board is conducted is the Finance & General Purposes (“F&GP”) Committee. There is also an Audit Committee (described in the Risk Management and Internal Control section below), a Staff Governance Committee, a Learning, Teaching and Quality Committee, and committees for Remuneration, Nominations and Chairs. All of the Board’s committees are chaired by a non-executive member of the Board.

The Staff Governance Committee’s terms of reference incorporates the Staff Governance Standards as determined by Colleges Scotland and the STUC. Its main remit is to ensure an effective system of corporate governance oversight for the management, safety and welfare of the workforce, including a workforce planning and development strategy. During 2022/23 membership of the committee comprised four non-exec Board members, as well as the Principal, both staff members and one student member.

The purpose of the F&GP Committee is to ensure a sound system of internal financial management and control, monitoring performance of that system on a regular basis throughout the accounting period. It recommends to the Board the College’s annual revenue and capital budgets, and monitors performance in relation to the approved budgets. It also approves and recommends the Annual Report and Financial Statements to the Board. Membership comprises at least three non-exec members of the Board, the Principal, a staff member and a student member.

In addition to four Board members (two executive and two non-executive), the Learning, Teaching and Quality Committee (LTQC) comprises two curriculum representatives from each curriculum area, one promoted and one non-promoted, as well as relevant senior managers. Its purpose is to ensure the delivery of relevant and high-quality learning for students. It works in partnership with external bodies to enhance the student experience, including employability and the relevance of learning to industry needs.

The Chair’s Committee is called as necessary to deal with urgent business that cannot wait for a scheduled Board meeting. Membership includes the Board Chair, Vice-Chair, the four Committee Convenors and the Principal. There was no requirement to convene any meetings during 2022/23.

The Nominations Committee comprises members of the Chair’s Committee, excluding the Principal. It considers applications for membership to the Board of Management and makes recommendations for appointment to the full Board. It also reviews members’ continuing professional development and training requirements. There was no Nominations committee meeting held in 2022/23 due to there being no recommendations for appointment within the period.

The Remuneration Committee should meet at least once a year. Membership comprises the Chair’s Committee, excluding the Principal, plus the two staff Board members and the two HISA members. The timing and content of their meetings advises the Board in making key decisions on the salaries of senior staff. A meeting of the committee was held on 26 August 2022 to discuss the salaries of senior staff following the agreement of the 2021/22 pay award.

Accountability Report (continued)

There was a meeting held on 8 February 2024 although this was not to discuss the salaries of senior staff.

Full Minutes of all meetings, except those deemed confidential and reserved are available on the college website. Supporting papers are available from the Clerk to the Board.

Statement of Compliance

The College is required to comply with the principles of the 2016 Code of Good Governance for Scottish Colleges ("the Code") and continues to identify and work on areas where improvements can be made in meeting the obligations set down in the Code. This is addressed in the Principals foreword.

The Principal's Strategic Leadership Team considers issues of performance, internal control and risk and advises the Principal on strategy, operational planning and control, and any issues relevant to the running of the College.

Risk management and internal control

The Audit Committee membership during the 2022/23 session comprised 3 non-executive Board members and 1 co-opted member, with external and internal auditors in attendance as appropriate. The committee provides assurance to the Board on governance, internal control and risk management, as well as financial reporting issues. It considers detailed reports on internal controls, including recommendations for improvement along with management responses and implementation plans. It may also consider reports from the Scottish Funding Council and Audit Scotland, and it monitors adherence to regulatory requirements. The committee also spent time reviewing Cyber Security and Information Security matters, and the status of matters relating to obligations to achieve carbon neutrality.

The Annual Internal Audit Report for 2022/23 submitted by the College's internal auditor concluded that the College has adequate and effective arrangements for risk management, control and governance.

An audit register is used by senior management to periodically review and progress all outstanding recommendations and that is also reviewed by the committee. During the current session (2022/23) the executive worked hard to maintain the progress made in previous sessions to ensure all recommended audit actions were completed in a timely fashion.

Internal audit activity undertaken in 2022/23:

Review	**Conclusion**	**Recommendations**
Student Retention	Substantial	1 medium grade and 1 low grade recommendation
Purchasing and Payments	Strong	None
Equality, Diversity and Inclusion	Strong	None
Student Experience	Strong	1 low grade recommendation
Policy Review and Awareness	Substantial	1 medium grade recommendation
EMA	N/A	1 low grade recommendation

In addition to the above reviews, the annual audits of Student Activity Data (Credits) 2022-23, the Student Support Funds Audit 2022-23 and the Education Maintenance Allowance (EMA) Audit 2022-23 were undertaken.

Accountability Report (continued)

The Audit Committee also considers various assurance reports from management on a regular basis as well as the reports from the Internal Auditors.

During the current session, the Committee has continued to progress on reviewing risk management arrangements, including risk policy, the Board's appetite to risk and a risk management process. The risk register forms part of the risk management process and records internal and external risks and, mitigating actions, following a template used across the UHI partnership. The risk register is on the agenda of each meeting of the Audit Committee.

The most significant financial risks for the College after mitigation are:

- the failure to achieve a balanced budget/financial sustainability;
- financial sustainability; and
- the College estate and infrastructure not being fit for purpose due to lack of capital investment.

Effective treasury and cash management was maintained throughout the year. The key feature of College treasury management policy continues to be low risk, prudent banking with recognised UK high street banks and the avoidance of any form of currency or other speculation.

With the approval of the Board of Management transfers of cash reserves are effected with the Scottish Colleges Foundation, an arm's length trust which maintains ring-fenced funds for individual Colleges to facilitate future strategic development.

Details of any significant lapses of data security

There is nothing to report under the above for the College.

Conclusion

The Board of Management has no matters to report in respect of failures in the expected standards of good governance, risk management and control for the period ending 31 July 2023, other than the continuing work to secure a balanced budget position within its current budget and FFR, and noting the disputes raised by the Trades Unions in 2024, and the delay in planned one-to-one development meetings between Board members and the Chair.

Authorised for issue and approved by order of the members of the Board on 23 August 2024 and signed on its behalf by:

Mr GS Johnston Vice Chair	Mr David Patterson Principal and Chief Executive

Accountability Report (continued)

Remuneration and staff report

All information disclosed in the tables in this report will be audited by the College's external auditor and all other sections of the Remuneration Report will be reviewed to ensure they are consistent with the financial statements.

The Remuneration Committee consists of the following members:

- Chair of the Board of Management;
- Vice Chair of the Board of Management;
- Convener of Finance and General Purposes Committee;
- Convener of Audit Committee;
- Senior Independent member;
- Staff members; and
- Student members.

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.

The Remuneration of the Principal 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 for Director level posts.

A meeting of the committee was held on 26 August 2022 to discuss the salaries of senior staff following the agreement of the 2021/22 pay award.

Remuneration including salary and pension entitlements

The following table provides detail of the remuneration and pension interests of senior management of UHI Moray. The 12 months ended 31 July 2023 includes payment in full of the back-dated 21/22 financial year pay-rise of £1,000 per FTE. In line with all staff at UHI Moray, senior management have neither been awarded, nor received, a pay-rise for financial year 22/23. The information in this section of the Remuneration Report is subject to audit.

Accountability Report (continued)

		12 months ended 31 July 2023				
Name	**Post**	**Salary £'000**	**Other £000's**	**Pension Benefit £'000**[1]	**Total £'000**	**Full Time Annual Equivalent £'000**
David Patterson	Principal and Chief Executive	105-110	-	60-65	165-175	165-170
Kenny McAlpine***	Deputy Principal	80-85	5-10	75-80	155-165	155-160
Derek Duncan	Director of Information, Planning and Student Support	65-70	-	-5-10	60-70	50-55
Carolyn Thomson	Director of HR and Organisational Development	65-70	-	40-45	105-115	105-110
Shelly McInnes	Director of Finance	65-70	-	30-35	95-105	95-100

		12 months ended 31 July 2022				
Name	**Post**	**Salary £'000**	**Other £000's**	**Pension Benefit £'000**[2]	**Total £'000**	**Full Time Annual Equivalent £'000**
David Patterson	Principal and Chief Executive	100-105	-	35-40	135-145	140-145
Kenny McAlpine*	Deputy Principal	10-15	-	0-5	10-20	80-85
Derek Duncan	Director of Information, Planning and Student Support	60-65	-	0-5	60-70	60-65
Chris Newlands**	Director of Curriculum and Academic Operations	25-30	-	0-5	25-35	50-55
Carolyn Thomson	Director of HR and Organisational Development	60-65	-	30-35	90-100	95-100
Shelly McInnes	Director of Finance	60-65	-	20-25	80-90	85-90

*Kenny McAlpine started at UHI Moray 1st June 2022.
**Chris Newlands left UHI Moray 31st August 2021 and returned 6th September 2021 as a supply bank member of staff.
*** Other relates to the Deputy Principal receiving £8,000 relocation allowance.

[1] Responsibility Allowances have been excluded from pension benefit calculations

[2] Responsibility Allowances have been excluded from pension benefit calculations

Accountability Report (continued)

The salaries in the above table represent the amount earned in the financial period and include gross salary and allowances to the extent that they are subject to UK taxation.

The value of the pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. 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.

Notes:

Note 1 - The non-executive members of the Board of Management listed in the statement of Corporate Governance and Internal Control are not included in this remuneration report and did not receive any salary or benefits.

Fair pay disclosure

The fair pay disclosure table below illustrates the 25th and 75th percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanation of any changes.

	2022/23 £'000	**2021/22 £'000**	**Change %**
Range of workforce remuneration	**19-106**	**17-106**	
Highest paid official remuneration	**106**	**106**	**-**
Median (total pay and benefits)	**35**	**31**	**13**
Median (salary only)	**35**	**31**	**13**
Ratio	**3.07:1**	**3.40:1**	
25th percentile (total pay and benefits)	**25**	**25**	**-**
25th percentile (salary only)	**25**	**25**	**-**
Ratio	**4.21:1**	**4.21:1**	
75th percentile (total pay and benefits)	**44**	**44**	**-**
75th percentile (salary only)	**44**	**44**	**-**
Ratio	**2.43:1**	**2.43:1**	

Based on the 12-month figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2022/23 was in the range £105k-£110k (2021/22 £105k-£110k). This was 3.07 times (2021/22 3.40 times) the median remuneration of the workforce which was in the range £30k-£35k (2021/22 - £30k-£35k).

The change in percentage of the ratios year on year is minimal and will be due to changes to those on salaries affected by the living wage increase.

Senior Officials Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the College. Special responsibility allowances have been excluded from pension benefit calculations.

Accountability Report (continued)

Name	Accrued pension at pension age at 31 July 2023	Accrued pension at pension age at 31 July 2022	Real increase in pension 1 August 2022 – 31 July 2023	Real increase in lump sum 1 August 2022 – 31 July 2023	CETV at 31 July 2023	CETV at 31 July 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
David Patterson	15-20	10-15	0-5	0-5	295	208	87
Kenny McAlpine	20-25	15-20	0-5	5-10	394	316	78
Derek Duncan	15-20	10-15	-0-5	40-45	326	334	-8
Carolyn Thomson	25-30	25-30	0-5	0-5	485	378	107
Shelly McInnes	5-10	0-5	0-5	0-5	63	33	30

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. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

(i) 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.

(ii) 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 value factors for the start and end of the period.

Accountability Report (continued)

STAFF REPORT

Number of senior staff by band

	Year ended 31 July 2023 Senior post-holders	Year ended 31 July 2023 Other staff	Year ended 31 July 2022 Senior post-holders	Year ended 31 July 2022 Other Staff
£ 60,001 to £ 70,000	3	-	3	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	1	-	-	-
£ 90,001 to £100,000	-	-	-	-
£ 100,001 to £110,000	1	-	1	-
	5	**-**	**4**	**-**

Staff numbers and costs

	2023 Directly employed staff £'000	2023 Seconded and agency staff £'000	2023 Total £'000	2022 Total £'000
Wages and salaries	9,219	-	9,219	8,612
Social security costs	883	-	883	811
Other pension costs	2,118	-	2,118	2,510
Total	12,220	-	12,220	11,933
Staff Numbers (FTE)	239	-	239	239

Staff comparison

On 31 July 2023 there were 318 contracted staff, 207 females and 111 males (2021/22 318 contracted staff - 210 females, 108 males).

Sickness absence data

The average sickness absence data rate over the period 1 August 2022 to 31 July 2023 was 4.01% (2021/22 4.36%).

Staff turnover

The average staff turnover percentage in 2022/23 was 8.23% (2021/22 13.66%)

Facility time

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 2023.

Accountability Report (continued)

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
5	5

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	5
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£23,929
Total pay bill	£11,473,435
Percentage of the total pay bill spent on facility time	0.21%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	-%

Staff Policies

UHI Moray have retained membership of the Disability Confident Scheme which creates a movement of change, encouraging employers to think differently about disability and take action to improve how they recruit, retain and develop disabled people.

As a level 2 Disability Confident employer we are committed to and continue to:

- Actively looking to attract and recruit disabled people to fill our opportunities.
- Providing a fully inclusive and accessible recruitment process.
- Offering an interview to disabled people who meet the minimum criteria for the job.
- Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.
- Proactively offering and making reasonable adjustments as required.
- Encouraging our suppliers and partner firms to be Disability Confident.
- Ensuring employees have appropriate disability equality awareness.

Expenditure on Consultancy

During the financial year, there was no spend on consultancy in relation to recruitment of staff.

Off-payroll engagements

There is nothing to report under the above for UHI Moray.

Accountability Report (continued)

Compensation for loss of office

There is nothing to report under the above for UHI Moray.

Parliamentary Accountability Report

There is nothing to report under the above for UHI Moray.

Other Employee Matters

A New Ways of Working Pilot was rolled out during the academic session with consultation and extensive feedback. This will inform an approach to working arrangements for staff which maintain the reported benefits of more flexible ways of working whilst ensuring high quality learning and teaching and support services for students.

A national Job Evaluation exercise for support staff roles relevant to the National Recognition and Procedures Agreement (NRPA) continues and is likely to be continue into the next reporting period and beyond.

Mr GS Johnston	Mr David Patterson
Vice Chair	Principal and Chief Executive

Independent auditor's report to the Board of Management of Moray College UHI, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Moray College for the year ended 31 July 2023 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 Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and 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 as at 31 July 2023 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 of 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 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 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.

Independent auditor's report to the Board of Management of Moray College UHI, the Auditor General for Scotland and the Scottish Parliament

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college. 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 college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

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.

Independent auditor's report to the Board of Management of Moray College UHI, the Auditor General for Scotland and the Scottish Parliament

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 is that the year-end expenditure transactions may be subject to potential manipulation in an attempt to operate within the resource limit allocated by the Scottish Funding Council. In response to this risk, we obtained confirmation of the resource limit allocated by the Scottish Funding Council and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In addition, we identified a potential fraud risk that management may be incentivised to allocate revenue to future years given future year financial pressures. In response to this risk we have performed testing of a sample of income recognised around the year end to assess whether it has 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.

Independent auditor's report to the Board of Management of Moray College UHI, the Auditor General for Scotland and the Scottish Parliament

Report 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.

Report on other requirements

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

We have audited the parts of the Remuneration and Staff Report described as audited list the audited parts if not clearly identified in the accounts. 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.

Other information

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 Performance Report and Governance Statement.

Independent auditor's report to the Board of Management of Moray College UHI, the Auditor General for Scotland and the Scottish Parliament

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.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
23 August 2024
Pat Kenny, CPFA (for and on behalf of Deloitte LLP) is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2023

	Note	31 July 2023 £'000	31 July 2022 £'000
Income			
Funding body grants	1	11,026	10,329
Tuition fees and education contracts	2	2,014	2,349
Research grants and contracts	3	1,547	1,270
Other income	4	540	458
Total Income		**15,127**	**14,406**
Expenditure			
Staff costs	5	12,220	11,933
Other operating expenses	7	2,720	2,324
Depreciation	11	1,149	921
Interest payable	8	9	11
Total Expenditure		**16,098**	**15,189**
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(971)	(783)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(971)	(783)
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(971)	(783)
Remeasurement of pension scheme assets and liabilities	25	358	5,972
Total comprehensive income and expenditure for the year		**(613)**	**5,189**

The Statement of Comprehensive Income ("SOCI") is prepared under the FE/HE SORP. Colleges are also subject to Central Government account rules but the FE/HE SORP does not permit Colleges to include Government non-cash allocations for depreciation in the SOCI.

Note 26 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves
for the year ended 31 July 2023

	General Reserve £'000 (Note 19)	Revaluation Reserve £'000 (Note 18)	Total £'000
Balance at 1 August 2021	**(4,186)**	**12,935**	**8,749**
Deficit from the income and expenditure account	(783)	-	(783)
Other comprehensive income	5,972	7,482	13,454
Transfers between revaluation and income and expenditure reserve	449	(449)	-
Balance at 1 August 2022	**1,452**	**19,968**	**21,420**
Deficit from the income and expenditure account	(971)	-	(971)
Other comprehensive income	358	-	358
Transfers between revaluation and income and expenditure reserve	689	(689)	-
Balance at 31 July 2023	**1,528**	**19,279**	**20,807**

Statement of Financial Position
as at 31 July 2023

	Notes	as at 31 July 2023 £'000	as at 31 July 2022 £'000
Non-current assets			
Fixed assets	11	31,169	32,092
		31,169	**32,092**
Current Assets			
Stock		127	107
Trade and other receivables	12	1,641	1,445
Cash and cash equivalents		1,162	1,540
		2,930	3,092
Creditors: amounts falling due within one year	13	(4,232)	(3,990)
Net current liabilities		**(1,302)**	**(898)**
Total assets less current liabilities		29,867	31,194
Creditors: amounts falling due after more than one year	14	(7,223)	(7,564)
Provisions	16	(1,837)	(2,210)
TOTAL NET ASSETS		**20,807**	**21,420**
UNRESTRICTED RESERVES			
Revaluation reserve	18	19,279	19,968
General reserve	19	1,528	1,452
TOTAL RESERVES		**20,807**	**21,420**

The financial statements on pages 32 to 67 were authorised for issue and approved by the Board of Management on 23 August 2024 and were signed on its behalf on that date by:

Mr GS Johnston
Vice Chair

D Patterson
Principal and Chief Executive

Cash Flow Statement
for the year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Cash (outflow) from operating activities	20	(322)	(157)
Returns on investments and servicing of finance	21	(9)	(11)
Capital expenditure and financial investment	22	-	(36)
Financing	23	(47)	(47)
(Decrease) in cash in the year		**(378)**	**(251)**

Note to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
(Decrease) in cash in the year		(378)	(251)
Change in net debt resulting from cash flows	24	47	47
Movement in net funds in year		(331)	(204)
Net funds at 1 August 2022		1,266	1,470
Net funds at 31 July 2023	24	**935**	**1,266**

Statement of Principal Accounting Policies

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, the 2022-23 Government Financial Reporting Manual (FREM) and Financial Reporting Standards (FRS 102). They conform to guidance published by the Scottish Funding Council.

Basis of accounting

The financial statements are on a historical cost basis, as modified by the revaluation of fixed assets and financial assets and liabilities at fair value.

Basis of consolidation

Under the terms the Post-16 Education (Scotland) Act 2013), the College was no longer able to hold cash reserves. Any such funds required to be transferred to an independent Arms-Length Foundation ("ALF"), to be administered by independent trustees, with these funds being utilised by independent claims submitted and awarded in-line with the College's strategic plans.

The College's ALF is The UHI Moray Fund, which is part of the Scottish Colleges Foundation. This has not been consolidated on the grounds that its transactions are not material.

Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

Rolling 12-month cashflow projections have been prepared which cover the going concern period to July 2025. These assume pay rises in line with the full and final offers made to all staff and take account of the recent real cuts in funding announced in the December 2023 draft budget statement. These projections have emphasised the need for a significant increase in non SFC funding to cover the College's operational expenses, or a significant reduction in the College's operational expenses in order for the College to remain financially viable.

In the absence of a significant increase in income, the College has prepared and is in the process of consulting on, a substantial restructuring plan that aims to bring the College back to a break-even position once the restructuring plan is complete. Securing funding for the restructuring plan is vital to allow the plan to be implemented as the College does not have access to funds to support this. This work is ongoing.

Completion of this restructuring will be the first stage of the plan to return the College to financial sustainability and, in the likely absence of an increase in funding from the SFC, phase two will require significant structural change at the University level and a formalised change to working practices. Again, this work is ongoing at a number of levels within the UHI Partnership.

The College continues to work with both it's RSB and the SFC to secure short term cash support to allow the College to pay it's operational expenses as they fall due. In the absence of a decision not to support the College, it has been assumed that the College remains a going concern until formally advised otherwise and the financial statements have been prepared on such a basis.

Statement of Principal Accounting Policies (continued)

Changes in Accounting Policies

There have been no changes to accounting policies in 2022/23. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Recognition of income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

Government revenue grants including regional and national funding are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Donations and endowments are examples of non-exchange transactions. Donations with no restrictions are recognised in income when the College is entitled to the funds

Donations and endowments with donor-imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained in a restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Statement of Principal Accounting Policies (continued)

Retirement benefits

Retirement benefits to employees of the College are provided by the North East Scotland Pension Fund (NESPF), which administers the Local Government Pension Scheme (LGPS), and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPS).

These are defined benefit schemes which are externally funded, which are as follows.

North East Scotland Pension Fund (NESPF)/ Defined Benefit Scheme

The contributions are determined by an actuary on the basis of periodic valuations using the projected unit method. The amount charged to the Statement of Comprehensive Income and Expenditure represents the service cost expected to arise from employee service in the current year.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College.

The College recognises a liability for its future obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the

asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Scottish Public Pensions Agency (SPPA)/ Defined Contribution Scheme

The assets of this scheme are held separately from those of the College in a separate trustee-administered fund. 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, the scheme

is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Statement of Comprehensive Income and Expenditure represent the contributions payable to the scheme in the year.

In the event of staff taking early retirement, the full liability to the College is calculated and charged to the Statement of Comprehensive Income and Expenditure in the year of retirement, with a corresponding provision being established in the Balance Sheet.

A defined contribution scheme is a post-employment benefit plan under which the College pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Unfunded pension provision

The future long-term obligation in respect of early retirees, which is not funded by the aforementioned pension schemes, is provided for on the balance sheet. This provision is valued annually in accordance with guidance issued by the Funding Council.

Statement of Principal Accounting Policies (continued)

Employment benefits

Remuneration of Board members and senior managers disclosed in the remuneration report includes the value of employers' pension scheme contributions.

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Fixed Assets

Recognition

A fixed asset is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, the College; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets are which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000 are capitalised.

Measurement

All fixed assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

- Specialised land, buildings, plant, equipment, fixtures and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

- Non-specialised land and buildings are stated at fair value.

- Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

- Non-specialised equipment, installations and fittings are valued at fair value. A depreciated historical cost basis is used as a proxy for fair value.

Statement of Principal Accounting Policies (continued)

- Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

To meet the underlying objectives established by the Scottish Government the following accepted variation of the RICS Appraisal and Valuation Manual have been required:

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

Subsequent expenditure

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the College and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria, the expenditure is charged to the Statement of Comprehensive Income and Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately
.

Revaluations and Impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Income and Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Expenditure. Any related balance on the revaluation reserve is transferred to the General Reserve.

Gains and losses on revaluation are reported in the Statement of Comprehensive Income and Expenditure.

Depreciation

Fixed assets are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Depreciation is charged on each main class of tangible asset as follows:

1) Freehold land is considered to have an infinite life and is not depreciated.

2) Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the College, respectively.

3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.

4) Buildings, fixtures and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.

   The above are depreciated on their component parts, which are primarily broken down per the following:

Statement of Principal Accounting Policies (continued)

- Main Campus;
- Alexander Graham Bell Centre;
- Linkwood Technology Centre; and
- Victoria Art.

5) Plant and machinery is depreciated over the estimated life of the asset.

6) Fixed assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

Asset Category/Component	**Useful Life**
Buildings	10-60 years
Plant, equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

Land and buildings are revalued every 5 years for the purposes of the financial statements and adjusted in intervening years to take account of movements in prices since the latest valuation. Land and buildings were valued as at 31 July 2022 (interim valuation) on the basis of depreciated replacement cost by J&E Shepherd in accordance with RICS Valuation.

Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Board and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in a Board's activities for more than one year and they have a cost of at least £5k.

Leased assets

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Statement of Principal Accounting Policies (continued)

Stocks

Stocks are stated at the lower of their cost and net realisable value. Provision is made for obsolete and defective stocks.

Taxation

The College is an exempt charity and is therefore not liable for Corporation Tax under section 506 (1) of the Income and Corporation Taxes Act 1988.

The College receives no similar exemption in respect of VAT. For this reason, the College is generally unable to recover input VAT on goods and services purchased. Non-payroll expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Provisions

Provisions are recognised in the financial statements when:

(a) the College has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Contingent assets and liabilities

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. `Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency arrangements

The College acts as an agent in the collection and payment of certain student support funds. These funds are excluded from the College income and expenditure account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College income and expenditure account.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Statement of Principal Accounting Policies (continued)

Financial assets

The College holds loans and receivables which are defined as assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the Balance Sheet.

Financial assets are recognised when the College becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the College has transferred substantially all risks and rewards of ownership.

A provision for impairment of loans and receivables is established when there is objective evidence that the College will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the loan and receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flow.

The College assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the College becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently carried at amortised cost.

For the borrowings that the College currently has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest reflected in Creditors) and interest charged to the Statement of Comprehensive Income and Expenditure is the amount payable for the year according to the loan agreement.

Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The College makes estimates and assumptions concerning the future. The College makes judgements in applying accounting policies.

The estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

- Estimates and assumptions regarding estimated impairment of the College estate and useful life of assets.
- Estimated actuarial assumptions in respect of post-employment benefits, in particular the liability from LGPS membership.

Statement of Principal Accounting Policies (continued)

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to income and expenditure account together with any surplus or deficit on disposal.

Notes to the Financial Statements

1. Funding body grants

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
SFC recurrent grant (including fee waiver)	6,649	5,234
UHI recurrent grant – HE provision	2,599	2,836
Capital funding	198	217
FE childcare funds	124	106
Release of deferred capital grants (SFC)	300	252
Other SFC grants – FE provision	-	1,390
Other UHI grants – HE provision	1,156	294
	11,026	**10,329**

2. Tuition fees and education contracts

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
FE fees – UK	774	664
HE fees	926	1,077
Skills Development Scotland (SDS) contracts	132	386
Other contracts	182	222
	2,014	**2,349**

3. Research grants and contracts

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Release of deferred capital grants (UHI)	209	201
Other grants	1,338	1,069
	1,547	**1,270**

Notes to the Financial Statements (continued)

4. Other income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Catering and residences	105	46
Nursery	133	123
Hairdressing and beauty	36	24
Early Learning Support (ELS) Income	62	32
Rent	64	66
Other income	140	167
	540	**458**

5. Staff numbers and costs

Staff numbers (full-time equivalent):	Year ended 31 July 2023	Year ended 31 July 2022
Academic/Teaching departments	104	104
Academic/Teaching services	33	33
Administration and central services	60	60
Premises	13	12
Other expenditure	29	29
Catering and residences	-	1
	239	**239**
Staff on permanent contracts	198	199
Staff on temporary contracts	41	40
	239	**239**

Notes to the Financial Statements (continued)

Staff costs:	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Academic/Teaching departments	6,278	5,914
Academic/Teaching services	1,157	1,157
Administration and central services	3,122	2,707
Premises	409	390
Other expenditure	1,169	827
Catering and residences	-	22
Pension movement	85	916
	12,220	**11,933**
Wages and salaries	9,219	8,612
Social security costs	883	811
Other pension costs	2,118	2,510
	12,220	**11,933**

Pension provision adjustment

In accordance with SFC guidance the pension provision in respect of unfunded enhanced early retirements has been revalued using the 2022/23 SFC guidance. An interest rate of 0.0% has been used (2021/22 interest rate 0.0%) which resulted in a decrease in provision of £101k (2021/22 decrease of £375k). This adjustment is included in the other expenditure section of staff costs (above) as well as the adjustment made in respect of FRS102.

Included in staff costs under 'other expenditure' are adjustments in respect of the FRS102 pensions adjustments amounting to £85k (2021/22 £916k).

6. Senior post-holders' emoluments

	Year ended 31 July 2023 Number	Year ended 31 July 2022 Number
Senior post-holders including the Principal:	**6**	**6**
Senior post-holders' emoluments including the Principal:	**£'000**	**£'000**
Salaries	403	336
Pension contributions	89	72
	492	**408**

Notes to the Financial Statements (continued)

Amounts paid to the Principal:	£'000	£'000
Salary	106	104
Pension contributions	25	24
	131	**128**

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.

Members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7. Other operating expenses

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Academic/Teaching departments and services	610	585
Administration and central services	858	669
Agency staff	111	137
Premises	927	782
Other expenditure	94	81
Catering and residences	120	70
	2,720	**2,324**

All expenditure included irrecoverable VAT.
No special payments were made in the year.

Other operating expenses include:	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Auditor's remuneration:		
external audit	23	20
internal audit	24	17
Disbursements of childcare funds to students	124	106
Legal services	5	7
Hire of plant and machinery – operating leases	37	38
Hire of other assets - operating leases	-	-

Notes to the Financial Statements (continued)

8. Interest payable

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	9	11
	9	**11**

9. Taxation

The Board does not consider that the College is liable for any corporation tax arising out of its activities during the year.

10. Total comprehensive income expenditure of the year

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Total comprehensive income expenditure for the year is made up of the following:		
Deficit for the year	(971)	(783)
Remeasurements of pension scheme assets and liabilities	6,539	5,972
	5,568	**5,189**

Notes to the Financial Statements (continued)

11. Tangible fixed assets

	Freehold Land and Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost / Valuation				
At 1 August 2022	31,076	3,212	2,578	36,866
Additions	10	49	166	225
At 31 July 2023	**31,086**	**3,261**	**2,744**	**37,091**
Depreciation				
At 1 August 2022	743	2,879	1,151	4,773
Charge for year	819	118	212	1,149
At 31 July 2023	**1,562**	**2,997**	**1,363**	**5,922**
Net book value				
At 31 July 2023	**29,524**	**264**	**1,381**	**31,169**
Net book value				
At 31 July 2022	**30,333**	**333**	**1,427**	**32,093**
Inherited	16,677	-	-	16,677
Financed by capital grant	12,488	264	1,284	14,036
Other	359	-	97	456
Net book value				
At 31 July 2023	**29,524**	**264**	**1,381**	**31,169**

Inherited assets and those financed by capital grant may only be sold with prior consent of the Scottish Funding Council (SFC). The College is obliged to use sales proceeds in accordance with the instructions of the SFC.

Land and buildings are revalued every 5 years for the purposes of the financial statements with an interim valuation after 3 years. Land and buildings were valued as at 31 July 2022 (interim valuation) on the basis of depreciated replacement cost by J&E Shepherd in accordance with RICS Valuation.

Had land and buildings not been revalued historically they would have been included at 31 July 2023 as:

	£'000
Cost	13,852
Aggregate depreciation based on cost	(3,325)
Net book value based on cost	10,527

Notes to the Financial Statements (continued)

12. Trade and other receivables

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
Trade receivables	22	102
Prepayments and accrued income	419	372
Other debtors	1,200	971
	1,641	**1,445**

13. Creditors: Amounts falling due within one year

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
Loans and overdrafts (secured)	47	47
Payments received in advance	576	1,085
Trade creditors	88	77
Other creditors	1,412	1,246
Other taxation and social security	209	310
Accruals and deferred income	1,099	513
Bursary and access funding	295	217
Capital grants	506	495
	4,232	**3,990**

14. Creditors: Amounts falling due after more than one year

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
Moray Council loan	156	204
Capital grants	7,067	7,360
	7,223	**7,564**

Notes to the Financial Statements (continued)

15. Borrowings

Bank loans and overdrafts

Moray Council loan

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
The Moray Council loan is repayable as follows:		
In one year or less	47	47
Between one and two years	47	47
Between two and five years	109	141
In five years or more	-	16
	203	**251**

The Moray Council loan is secured over College buildings.

16. Provisions for liabilities and charges

	Early retirement pension costs £'000	Pension costs £'000	2022/23 Total £'000	2021/22 Total £'000
At 1 August	1,802	408	2,210	7,647
Expenditure in the year	(128)	-	(128)	(148)
Additional provision required in year	128	-	128	142
Revaluation adjustment	(100)	85	(15)	541
Pension valuation changes	-	(358)	(358)	(5,972)
At 31 July	**1,702**	**135**	**1,837**	**2,210**

Notes to the Financial Statements (continued)

17. Financial Instruments

Under the SORP, the College is required to disclose information about the significance of the financial instruments held over the year and the nature and extent of risks arising from those instruments.

Financial instruments arise when a contract exists that creates a financial asset in one entity and a financial liability or equity instrument in another. In common with other bodies funded by central government, the College is restricted in its ability to borrow and therefore has a lesser degree of exposure to financial risk than entities with more freedom. The College does however have two historic loans, as listed in the tables below.

The College has limited powers to invest surplus funds. Financial assets and liabilities are the result of day-to-day operational activities, and there is no flexibility to use investments and borrowing to smooth out cyclical variations in funding or cash flow.

The following categories of financial instruments are shown in the balance sheet:

Financial assets and liabilities

	Long term		**Current**	
	31 July 2023 **£'000**	**31 July 2022** **£'000**	**31 July 2023** **£'000**	**31 July 2022** **£'000**
Financial assets – loans and receivables				
Trade and other receivables	-	-	22	102
Cash and cash equivalents	-	-	1,162	1,540
Total loans and receivables	**-**	**-**	**1,184**	**1,642**
Financial liabilities at amortised cost				
Trade and other payables	-	-	1,187	590
Long term borrowing	156	204	-	-
Total financial liabilities at amortised cost	**156**	**204**	**1,187**	**590**

Income, expense, gains and losses

The gains and losses recognised in the Statement of Comprehensive Income and Expenditure and Movements in Reserves in relation to financial instruments are shown in the table below:

31 July 2022		**31 July 2023**		
£'000		**£'000**	**£'000**	**£'000**
		Financial liabilities	**Financial assets**	
		Liabilities measured at amortised cost	Loans and receivables	**Total**
(11)	Interest expense	(9)	-	**(9)**
-	Gains on revaluation	-	-	**-**
-	Losses on revaluation	-	-	-
(11)	**Net (loss) for the year**	**(9)**	**-**	**(9)**

Notes to the Financial Statements (continued)

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rate at 31 July 2023 for loans from Moray Council 3.76%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the billed amount

The fair values are as follows:

	31 July 2023		**31 July 2022**	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Borrowing repayable				
Moray Council	203	207	251	262
Total	**203**	**207**	**251**	**262**

The fair value of borrowing repayable is greater than the carrying amount because the College's loans were taken out at a time when interest rates were generally higher than they are at present.

Risks associated with financial instruments

Liquidity risk

Liquidity risk is defined as the risk that the organisation is unable to settle or meet its obligations on time or at a reasonable price. UHI Moray manages its liquidity risk after taking into account business needs, capital, funding and regulatory requirements. Management monitors the College's net liquidity position through rolling forecasts of expected cash flows. The College's cash and cash equivalents are held with major regulated financial institutions.

UHI Moray maintains short-term liquidity by judicious management of its cash deposits and working capital. Over the longer term there is a requirement to repay borrowings and the maturity profile of the College's loans is as follows:

Notes to the Financial Statements (continued)

	Moray Council	
	31 July 2023 £'000	31 July 2022 £'000
Less than one year	47	47
Between 1 and 2 years	47	47
Between 2 and 5 years	109	141
In five years or more	-	16

Interest rate risk

The College is exposed to interest rate risk on its historic borrowing, which was obtained at fixed rates. A rise in interest rates has the effect of reducing the fair value of loans. However, since the loans are shown at amortised cost on the Balance Sheet, there is no impact from interest rate changes on the Statement of Comprehensive Income and Expenditure.

Credit risk

The Royal Bank of Scotland currently holds a long-term credit rating of A from Standard and Poor's. This means that it has a strong capacity to meet its financial commitments but is somewhat susceptible to the adverse effects of changes in circumstances and economic conditions.

Credit risk in respect of receivables is limited, due to the organisation's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of defaults, is that the credit risk is higher for amounts receivable from individuals than from businesses. We carry out an impairment review of receivables each year to identify an appropriate level of provision. Balances are considered for impairment on an individual basis and by reference to the extent to which they become overdue. The maximum credit risk exposure at the reporting date is £22k (2022: £102k), being the sum of cash and cash equivalents and trade and other receivables. The fair values are not significantly different to carrying values.

18. Revaluation reserve

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
At 1 August	19,968	12,935
Revaluations in the year	-	7,482
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(689)	(449)
At 31 July	**19,279**	**19,968**

Notes to the Financial Statements (continued)

19. General Reserve

	Income and Expenditure Account Reserve	Pension liability	Total	Income and Expenditure Account Reserve	Pension liability	Total
			2023			2022
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August	1,860	(408)	**1,452**	1,278	(5,464)	**(4,186)**
Deficit from the Statement of Comprehensive Income and Expenditure	(886)	(85)	**(971)**	133	(916)	**(783)**
Transfer from revaluation reserve	689	-	**689**	449	-	**449**
Remeasurement of pension scheme assets and liabilities	-	358	**358**	-	5,972	**5,972**
At 31 July	**1,663**	**(135)**	**1,528**	**1,860**	**(408)**	**1,452**

20. Reconciliation of consolidated operating surplus to net cash flow from operating activities

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(971)	(783)
Depreciation	1,149	921
Deferred capital grants released to income	(509)	(453)
Interest payable	9	11
(Increase) in stocks	(21)	(19)
(Increase) in debtors	(196)	(213)
Increase/(Decrease) in creditors	232	(162)
Increase in provisions	(15)	541
Net cash flow from operating activities	**(322)**	**(157)**

Notes to the Financial Statements (continued)

21. Returns on investments and servicing of finance

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Interest paid	(9)	(11)
Net cash flow from returns on investments and servicing on finance	**(9)**	**(11)**

22. Capital expenditure and financial investment

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Purchase of tangible fixed assets	(225)	(716)
Deferred capital grants received	225	680
Net cash flow from capital expenditure and financial investment	**-**	**(36)**

23. Financing

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Debt due beyond a year:		
repayment of Moray Council loan	(47)	(47)
repayment of bank loan		-
Net cash flow from financing	**(47)**	**(47)**

24. Analysis of changes in net funds

	At 1 August 2022 £'000	Cash flows £'000	At 31 July 2023 £'000
Cash at bank and in hand	1,540	(378)	1,162
	1,540	(378)	1,162
Debt due within 1 year	218	47	265
Debt due after 1 year	(492)	-	(492)
	1,266	**(331)**	**935**

Notes to the Financial Statements (continued)

25. Pension and similar obligations

Accrued pension benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which was a notionally funded and contracted out of State Earnings-Related Pension Scheme until 1 April 2016 when it stopped being contracted out, and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS were final salary pension schemes until 31 March 2015. From 1 April 2015 they are Career Average Revalued Earnings (CARE) pension schemes. This means that pension benefits were based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age is 60 or 65, or SPA depending on the length of membership in the scheme. Contribution rates are set annually for all employees of the NESPF scheme and monthly for the STSS scheme.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Scottish Teachers Superannuation Scheme (STSS)

"IAS 19 - Employee Benefits paragraph 148 - Multi-employer plans

(a) UHI Moray participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions

(b) UHI Moray has no liability for other employers' obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

(d)
(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government

Notes to the Financial Statements (continued)

pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

(v) UHI Moray's level of participation in the scheme is 0.15% based on the proportion of employer contributions paid in 2022/23."

Contributions to the STSS, on a pay as you go basis, are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. This Act and associated regulations include the requirement that any deficit should be funded by a supplementary contribution over a 40-year period.

Total contributions for the year ended 31 July 2023 were £1,344k (2021/22 £1,384k) of which employers contributions totalled £944k (2021/22 £993k) and employees contributions totalled £400k (2021/22 £391k). Total contributions for the year included £114k outstanding at the balance sheet date (2021/22 £137k).

The current contribution rates are:	Employees	Banded rates salary based ranging 7.2% to 10.4%
	Employers	23.0% from 01.09.2019

The appropriate provision in respect of unfunded enhanced early retirement pension benefits is included in Provisions.

FRS 102

Under the definitions set out in Financial Reporting Standard 102 the STSS is an unfunded multi-employer defined benefit scheme. Assets and liabilities of the fund are not separately identified between the participating employers and as a result the College is unable to identify its relevant share of the underlying assets and liabilities of the fund. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

In the past, the College accounted for pension contributions to the Local Government Pension Scheme as if it were a defined contribution scheme. This meant that the liability to pay for future pensions of current staff was not recognised on the balance sheet as required by FRS102. Historically, the actuary only identified assets and liabilities for the North East of Scotland Colleges on an aggregate basis which meant Colleges received a pooled valuation and shared a common contribution rate. From 2015/16, the SORP requires the College to bring the estimated liability based on actuarial valuation onto the balance sheet and to restate prior year figures.

The long-term obligation of early retirees which is not funded by the pension scheme had previously been reflected as a provision in the balance sheet based on valuation guidance provided by the Scottish Funding Council. With the implementation of the SORP, the provision needed to be amended to remove Local Government retirees and avoid double counting. This affected both current and previous year figures.

The actuary estimates the liability using a range of assumptions to which a discount factor is applied to determine the current value. The discount factor applied in 2022 was 5.2% (2021 3.5%).

Notes to the Financial Statements (continued)

To reflect the pension liability on the balance sheet, the provision decreased by £6,454k (decreased by £5,056k in 2021/22), which was largely due to the actuarial assumptions applied.

North East Scotland Pension Fund (NESPF)

The North East Scotland Pension Fund is a statutory multi-employer defined benefit scheme. It is administered by Aberdeen City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008, as amended.

A valuation for the purpose of FRS 102 of the North East Scotland Pension Fund was performed at 31 March 2023 by a qualified, independent actuary.

Total contributions for the year ended 31 July 2023 were £1,067k (2021/22 £1,053k) of which employers contributions totalled £853k (2021/22 £836k) and employees contributions totalled £215k (2021/22 £217k). Total contributions for the year included £88k outstanding at the balance sheet date (2021/22 £120k).

The current contribution rates are:	Employees	Tiered rates based on salary ranging 5.5% to 9.5%.
	Employers	23.4% from 01.04.2023 (23.2% until 31.03.2023)

The amounts recognised in the SOCI are as illustrated in the below table, under Other Comprehensive Income and Expenditure:

	Year ended 31 July 2023 £'000	**Year ended 31 July 2022 £'000**
Current service cost	938	1,635
Interest on obligation	(1)	80
Administration expenses	15	15
Past service cost	-	-
Expected return on employer assets	-	-
Effect on curtailments	-	-
Total	**952**	**1,730**
Other comprehensive income and expenditure		
Remeasurements (assets and liabilities)	**6,539**	**5,972**
Restriction of plan assets under FRS102	**(6,181)**	-

Notes to the Financial Statements (continued)

The assets and liabilities recognised in the SOFP are as follows:

	As at 31 July 2023 £'000	As at 31 July 2022 £'000
Present value of the defined benefit obligation	20,524	26,239
Present value of unfunded benefit obligations	135	121
Fair value of plan assets	(26,705)	(25,952)
Restriction of plan assets under FRS 102	6,181	-
Net (asset)/liability	**135**	**408**

Reconciliation of the present value of the scheme liabilities (the defined benefit obligation):

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Opening defined benefit obligation	26,360	33,510
Current service cost	938	1,635
Interest on pension liability	914	533
Contribution by members	215	217
Past service cost	-	-
Remeasurements (liabilities)	-	-
Expenditure Gain	-	-
Experience loss	730	1,780
(Gain) on assumptions	(6,849)	(10,721)
(Gain) on demographic assumptions	(925)	(151)
Curtailments	-	164
Unfunded benefits paid	(14)	(12)
Benefits paid	(710)	(595)
Closing defined benefit obligation	**20,659**	**26,360**

Reconciliation of movements in the fair value of the scheme assets:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Opening fair value of scheme assets	25,952	28,046
Expected return on assets	915	453
Contribution by members	215	217
Contribution by the employer	867	978
Contributions in respect of unfunded benefits	14	12
Remeasurement of assets	(505)	(3,120)
Unfunded benefits paid	(14)	(12)
Benefits paid	(724)	(607)
Administration expenses	(15)	(15)
Closing fair value of scheme assets	**26,705**	**25,952**

Notes to the Financial Statements (continued)

The assets in the scheme are:

		Value at 31 July 2023		Value at 31 July 2022
	%	£'000	%	£'000
Equities	57.4	15,328	59.9	15,545
Government Bonds	6.0	1,602	8.2	2,128
Bonds	0.0	-	0.0	-
Property	6.5	1,736	6.5	1,687
Cash	2.5	935	3.0	779
Other	26.6	7,104	22.4	5,813

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2023 rolled forward to 31 July 2023.

The significant assumptions used by the actuary are as follows:

	Year ended 31 July 2023 % pa	Year ended 31 July 2022 % pa
Pension increase rate	2.7	2.7
Salary increase rate*	4.2	4.2
Discount rate	5.2	3.5
Average future life expectancies at age 65 are summarised below:		
Future pensioners (males / females)	21.9 (24.7)	23.0 (26.3)
Current pensioners (males / females)	20.6 (22.9)	21.5 (24.2)
The employer contributions for year to 31 July 2023 will be approximately	801	862

*An adjustment has been made for short term pay restraint in line with the latest actuarial valuation

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses are determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Notes to the Financial Statements (continued)

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation of the scheme	**Increase in Assumption £'000**	**Decrease in Assumption £'000**
Longevity (increase or decrease in 1 year)	500	(500)
Rate of inflation (increase or decrease by 0.1%)	798	(798)
Rate of increase in salaries (increase or decrease by 0.1%)	93	(93)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,508)	1,508

Impact on the College's Cash Flows

The triennial valuation was completed at 31 March 2023, which is effective from 31 July 2023.

The total contributions expected to be made to the Local Government Pension Scheme by the College in the year to 31 March 2024 is £801k. If actual assumptions are the same, the total pension cost recognised in the Statement of Comprehensive Income and Expenditure in 2023/24 is estimated to be £254k.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2023 valuation is 20 years.

26. Non-cash allocation

The College's adjusted operating position as at 31 July 2023 is illustrated below:

	2022/23	**2021/22**
	£'000	**£'000**
Deficit before other gains and losses (FE/HE SORP basis)	(971)	(783)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	653	830
Operating (deficit)/surplus on Central Government accounting basis	**(318)**	**47**

Following reclassification, Colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, Colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the College recorded an operating deficit of £971k for the year ended 31 July 2023. After taking account of the Government non-cash budget, the College shows a deficit on a Central Government accounting basis. This demonstrates that the College is not currently operating sustainably within its funding allocation. Management are continuing to work on a recovery plan to bring the College back within a 'balanced position' by the end of FY 2026/27.

Notes to the Financial Statements (continued)

Underlying Operating Position		
	2022/23	**2021/22**
	£'000	**£'000**
Deficit before other gains and losses	**(971)**	**(783)**
Add back:		
- Depreciation (net of deferred capital grant release)	640	468
- Exceptional non-restructuring costs (e.g. impairment)	-	-
- Non cash pension adjustments (FRS102)	71	657
- Non cash pension adjustments (Net interest costs)	(1)	80
- Non cash pension adjustments (SFC)	(100)	(375)
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	-	-
- Exceptional income	-	-
- Revenue Funding allocated to loan repayments and other capital items*	(47)	(47)
Underlying Operating Deficit	**(408)**	**-**

* This line eliminates the extent to which the Cash Budget for Priorities (net depreciation) is used for capital items otherwise the operating position is overstated.

27. Capital commitments

At 31 July 2023 the College had no capital commitments.

28. Financial commitments

At 31 July 2023 the College had annual commitments under non-cancellable operating leases as shown:

	Year ended 31 July 2023 £’000	**Year ended 31 July 2022 £’000**
Land and Buildings		
Falling due within one year	-	-
Falling due within one and two years	-	-
	-	**-**
Other		
Falling due within one year	32	32
Falling due within one and two years	44	44
Falling due within two and five years	62	18
	138	**94**

Notes to the Financial Statements (continued)

29. Related party transactions

The Board of Management of UHI Moray is a body incorporated under the Further and Higher Education (Scotland) Act 1992, which is a member of the University of Highlands and Islands Regional Board and supported sponsored by the Scottish Funding Council (SFC), who in turn are sponsored by the Scottish Government Advanced Learning and Science Directorate (SGALSD).

SGALSD is regarded as a related party. During the year the College had various material transactions with other entities for which SGALSD is regarded as the sponsoring directorate. These include UHI, SAAS and the SFC. Transactions with UHI are shown below.

The College had no transactions in the year with publicly funded or external bodies in which members of the Board of Management hold or held official positions.

<u>Aggregate transactions with the University of the Highlands and Islands*:</u>

FE funding	£6,235,470 (2022 - £6,565,604)
HE funding	£2,580,358 (2022 - £2,948,196)
Sales ledger	£263,282 (2022 - £851,759)
Purchase ledger	£192,274 (2022 - £51,319)
Debtor	£6,758 (2022 - £13,915)
Creditor	£10,007 (2022 - £NIL)

*Amount/ balances shown below are exclusive of other funding passed via UHI (i.e. FWDF, ESIF etc)

30. Post balance sheet events

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.

31. Bursaries and other student support funds

	FE Bursaries £'000	FE Hardship £'000	EMA £'000	HE Hardship £'000	2022/23 Total £'000	2021/22 Total £'000
At 1 August	121	-	32	64	217	343
Allocation received in year	1,863	295	73	88	2,319	2,501
Virements	108	(79)	-	-	29	322
Expenditure	(1,104)	(201)	(73)	(91)	(1,469)	(2,348)
Repaid to Funding Council as clawback	(167)	-	-	-	(167)	(401)
In year Re-Distribution	(670)	-	-	-	(670)	(201)
At 31 July	**151**	**15**	**32**	**61**	**259**	**216**

Notes to the Financial Statements (continued)

Represented by:						
Repayable to UHI as clawback	-	-	-	-	-	-
Repayable to Region for Re-distribution	-		-	-	-	---
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	151	15	32	61	259	216
	151	**15**	**32**	**61**	**259**	**216**

Funding Council grants are available solely for students and the College acts as paying agent only. Funds held in trust are reflected on the balance sheet as both cash and a current liability, and the grants and related disbursements are excluded from the income and expenditure account.

32. Childcare funds

	2022/23 £'000	2021/22 £'000
At 1 August	-	78
Allocation received in year	189	232
Expenditure	(124)	(106)
Repaid to Funding Council as clawback	-	-
Virements	(28)	(204)
At 31 July	**37**	**-**
Represented by:		
Repayable to UHI as clawback	-	-
Repayable to Region for Re-distribution	-	-
Repayable to Funding Council as clawback	-	-
Retained by College for students	37	-
	37	**-**

FE Childcare transactions are included within the College income and expenditure account in accordance with the accounts direction issued by the Scottish Funding Council.

APPENDIX 1 - 2022-23 Accounts direction for Scotland's Colleges

1. It is the Scottish Funding Council's direction that institutions[1] comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts[2].

2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned Colleges).

3. Incorporated Colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FReM) where applicable. In case where there is a conflict between the FReM and the SORP, the latter will take precedence.

4. Incorporated Colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.

5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.

6. Incorporated Colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
20 July 2023

[1]The term "institutions" includes Colleges and Glasgow Colleges' Regional Board.

[2] Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.