UHI MORAY

Annual Report and Financial Statements for the year ended 31 July 2024

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Performance Report

OVERVIEW

Principal's foreword

This Performance Report for the year ended 31 July 2024 provides an overview of the College, its purpose and priorities, its performance over the year, and the risks it continues to face and address.

2023/24 was a year dominated by financial challenges to which the college responded robustly with £1.8m in staffing and non-pay cost reductions from March 2023 up to the approval and launch of a Voluntary Severance Scheme that has resulted in a further £1.3m savings. These combined measures will have resulted in a reduction of 22% of the work force from 241 full-time staff in March 2023 to 189 full-time equivalent staff by the end of 2024.

Despite a planned 10% reduction in its FE Curriculum target, the college maintained its previous volumes of delivery, delivering 19,103 credits (19,168 in the previous year) against a reduced Regional Strategic Body target of 17,100.

The College's Higher Education ("HE") enrolment for the year saw a further slight decline, delivering 633.5 FTE enrolments, below the previous year's total 662.8.

Having delivered FE full-time student attainment well above the Scotland average in the previous six years, the college again delivered a similar level of full-time attainment this year of 65.9% (previous year was 66.8%), again above the current national average.

The College's overall student satisfaction rate reported in the year-end SFC national Student Satisfaction and Engagement Survey remained extremely high at 96.0% (up 1.4% on the previous year). Given the disruption and uncertainties created by national pay disputes and planned staffing reductions this year, this Student Satisfaction (the highest in recent years) is a testament to the quality of teaching and support that staff have continued to deliver in this highly uncertain and difficult environment.

Throughout the year, the college continued to support the development of key projects within the proposed Moray Growth Deal (MGD). In February 2024 however, the University of the Highlands and Islands (UHI) informed the MGD Programme Board that it was no longer willing to underwrite the MAATIC project (The Moray Aerospace, Advanced Technology and Innovation Campus) led by the college, and in October 2024 the project was officially ended, and work began to find an alternative use of the £21m of Growth Deal capital funding ringfenced by the UK Government for skills development in Moray. At the time of writing, the Business Enterprise Hub (BEH) full business case is being finalised for final review by the Programme Board and Scottish Government.

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 Foundation Apprenticeships. 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, fully utilising its increased contract although it was still not able to satisfy demand for Modern Apprenticeships from local employers in Moray. The college also continued to deliver employability programmes to support those seeking to re-enter the job market.

Performance Report (continued)

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, and successfully delivered a Scottish government funded Just Transition research project.

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

It has maintained a gender balance across its Board of Management. At the time of writing, an interim chair remains in place; a new permanent chair was recruited in November 2024 and a transition process is currently in place. A recruitment campaign for members successfully refreshed the Board membership, replacing those members who had stepped down, or who were 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 utilise its *Just Transition* funding from the Scottish government and a final project report was submitted in March 2024. Funding was also secured to develop and deliver the Scottish Government-funded Climate Engagement project "Under the scissors" where Hairdressing students from UHI Moray worked with Environmental Science students from Scottish Association for Marine Science (SAMS) in Argyll to better communicate environmental issues to hairdressing salon clients.

The college is reporting an Underlying Adjusted Operating (AOP) deficit of £1,050k for 2023/24 (see table on page 11). 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 a 17% 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 through the UHI2024 Workplan to agree a reduction in funding contributions to the running of UHI Executive Office, funds that are withheld centrally from colleges' SFC HE Teaching Grant, did not reach a conclusion. The college can neither afford, work to minimise, nor identify commensurate benefits from this "top-slice" of the HE Teaching Grant. The rigidity of the separate FE and HE funding streams also does not allow colleges in this region to offset more buoyant Level 4-6 FE provision against declining Higher National (HN) demand (unlike all other regions in Scotland).

Performance Report (continued)

- 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 reduced significantly since before Covid.

The College's estate continues to require significant investment and the Speyside wing of the Moray Street campus had to be closed in August 2023 due to the presence of reinforced autoclaved aerated concrete (RAAC) in that building. This need for investment 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 proposed £34m budget, which was subsequently withdrawn by the SFC.

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 2024, the outstanding achievements of its staff and students for the previous year were shared with its community.

I commend this annual report to you now and thank everyone associated with the College in this challenging time for their commitment, flexibility, and resilience to ensure the successful delivery of these outcomes in 2023/24.

David Patterson
Principal and Chief Executive

Performance Report (continued)

Financial Recovery Plan

In April 2023, faced with the removal of the ‘transformation’ funding from the SG budget, and both the SFC and UHI Court positions on there being no funding available to support college staff severance schemes, UHI Moray announced a nuanced job freeze (under the banner of ‘Strategic Opportunism’), to reduce staffing numbers, and where possible restructure services.

In June 2023 the UHI Moray Board of Management endorsed this nuanced job freeze as part of a wider plan to improve the college’s financial position. The College’s Financial Forecast Return (FFR) was prepared and shared with the Board and was submitted to the RSB. This information was prepared in advance of the SFC’s annual request for a three-year FFR which was due, and submitted by, 30 June 2023. The FFR forecast AOP deficits for the current year (£763k) and for the following two years (£2.3m and £2.9m).

In September 2023 the college Board was advised of a revised (reduced) deficit outturn for 22/23 of (£408k). The Board recognised that although it had been possible to progress those items of the plan that were within the college’s control, full recovery could not be delivered without external resource. The Board instructed that the possibility of advanced funding or borrowing to undertake a voluntary severance scheme (VSS) be explored. It was confirmed again by the Interim Vice Chancellor that there was no funding available from the RSB UHI.

In December 2023, following meetings with representatives of the UHI Court and consideration by the UHI Moray Board of Management, a revised financial recovery plan was drafted, approved by the college board and supported by the RSB.

In February 2024 formal consultations began with the college’s recognised trade unions and staff representatives. The documents to meet the governance requirements of SFC Circular SFC/GD/01/2016 were submitted to the RSB on 12 February 2024. This documentation was forwarded by the RSB to the SFC with a statement that the RSB was content that it met the technical criteria for approval, accepting that there was a previously flagged funding gap for the VS Scheme, for which funding was still sought.

In April 2024 the RSB advised that the SFC had approved the UHI Moray VSS but had not yet committed funding. The SFC committed on 24 May 2024, to provide £2m of liquidity support for UHI Moray until its financial solvency issues were resolved, and loan funding from the SFC in relation to a Voluntary Severance Scheme (VSS), was subsequently approved in time for a VSS to be launched on 3 June 2024.

The college was able to realise £1.8m in staffing and non-pay cost reductions from March 2023 up to the approval and launch of the Voluntary Severance Scheme. The VSS itself has resulted in a further £1.3m savings. These combined measures have resulted in an estimated 22% reduction in the work force to 189 full-time equivalent staff by the end of 2024.

The college needs to identify and realise a further £125k of sustainable income or cost reductions in 2024/25 to achieve its targeted improvement and, due to the costs of the VSS and the delay in its approval, the full benefit of a balanced budget adjusted operating position will not be seen until year- end 2025/26.

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 2023/24 were as follows:

- **Tertiary Education:** Plan to improve HE student enrolments; creation of a pipeline for new provision; reviewing and delivering key actions from the college’s EREP process; and supporting HISA to ensure that the Student Voice is heard by managers and the Board

- **Research Impact:** Develop a new Research Action Plan for 2023/24 with structure & support mechanisms

Performance Report (continued)

- **Engagement:** Utilise the new HR/payroll system to improve HR processes and create more effective ways of working*

- **Enterprise:** Expansion of employability programmes; achieve sign-off of both MGD projects' Full Business Cases

- **Sustainability:** Progress and monitor financial recovery; fully engage in regional 'Operating Model' discussions; and launch cross-college plan for next wins in carbon reduction

**work on Engagement was expanded in-year to include a focus on maintaining effective communications and consultation throughout planning to improve the college's financial position*

The outcomes of this Operational Plan were presented and fully discussed at the Board's September 2024 meeting.

KEY ISSUES AND RISKS

At the end of the 2023/24 academic year, the residual risks rated highest after mitigations were:

- Inability to achieve a balanced budget (elevated in fourth quarter of 2023/24 to be an actual issue as there were insufficient funds to pay any nationally agreed pay rises)
- College estate not fit for purpose (elevated to be an actual issue)
- 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 Highlands of Islands Students Association 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 2023/24, the College delivered 19,103 FE credits (2022/23 19,168) against a reduced target of 17,100 SFC grant-funded credits (2022/23 19,000), equivalent to 111.7% of the target (2022/23 100.9%).

In 2023/24 UHI Moray delivered a total of 633.5 HE FTE (full-time equivalent) funded students (2022/23 662.8 funded FTEs). This generated grant-in-aid income (net of a UHI EO 'top-slice' retention) of £2,595k (2022/23 £2,599k).

Performance Report (continued)

Student retention

The College's overall Full-Time FE (FTFE) student retention figure in 2023/24 was 74.0%* (2022/23 79.5%) 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 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)
2020/21	61.3%	68.9%
2021/22	59%	66.7%
2022/23	63.6%	66.8%
2023/24	Not available yet	65.9%*

**College estimate after successful completion of FES Audit*

Other performance measures

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

Danny McBean, competed as Scottish champion in the electrical installation UK Skills Final in Manchester in November 2023 and won the gold medal. He then qualified to represent the UK on the world stage at the Worldskills Finals where he was placed 4th in the world in the renewable energy competition.

Ellis Stevenson, who works for Campbell and McHardy, was awarded the Gold medal for Electrical Installation in Scotland last year and Kalum Low who works for MS Electrical will be competing in this year's UK Finals in Manchester in November 2024.

A third apprentice, Liam Marshall, also won the silver medal in the Scottish Sheet Leadwork competition.

The title of UHI Moray Apprentice of the Year 2023/24 was jointly awarded to two female apprentices: electrician Ellis Stevenson and plumber Nina Hamilton.

Fine Art graduate Jen Upson was chosen to exhibit at the 2024 RSA New Contemporaries Exhibition in Edinburgh.

Student satisfaction

The College's annual Learner Survey for 2023/24, incorporating the SFC national Student Satisfaction and Engagement Survey, opened in March 2024 with another increased response rate. The overall

Performance Report (continued)

satisfaction for FE students was 96.0%, an increase of 1.4% on the previous year, and the highest rating in recent years.

Full-time students reported very positively (over 90%) in a range of areas including:

- Staff encourage students to take responsibility for their learning (99%)
- My time at college has helped me develop knowledge and skills for the workplace (95%)
- The way I'm taught helps me learn (94%),
- I receive useful feedback which informs my future learning (93%)
- I am able to influence learning on my course (92%), and
- Staff regularly discuss my progress with me (92%)

Curriculum developments

A major Curriculum Review was undertaken at UHI Moray in 2023/24 to ensure that the Financial Recovery Plan could be based on a revised and reduced curriculum with a clear understanding of the need, performance, and the resource required to deliver it. The FE curriculum was reviewed against a number of metrics and five areas declared to be at risk. After review and consultation all the vocational curriculum areas were retained as a necessary first progression route for young people in Moray, but some with a reduced delivery capacity.

The review of HE provision (also informed by the wider UHI Curriculum Review conducted in the previous year) identified, after consultation, a range of HN and Degree programmes that would still be taught directly at UHI Moray; a range of programmes where Moray would host and support students to be taught across the UHI partner network; and a limited number of programmes that could no longer be delivered here.

Research Impact and Knowledge Exchange (RIKE)

Research activity developed further in 2023/24 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 and development plans of the MGD Business Enterprise Hub project.

The Scottish government-funded *Just Transition* project was completed and disseminated from March 2024. It researched the implications of the shift to Net Zero on the employment, skills and infrastructure requirements of the region over the next 10 -15 years and was designed to enable UHI Moray support the region’s transition to Net Zero through a focused programme of infrastructure development, training, skills development and education. It provided a review of the enterprise pathways, training and development needed to translate those skills into new business ventures that will then support the growth and resilience of the emerging green economy in Moray.

Environmental Sustainability

The College continues to work towards achieving ‘emerging maturity’ within the EAUC framework. The “Under the Scissors” project referenced above was a key awareness-raising project and has received national recognition. The college provided climate change literacy training to all staff in its planned Staff Development sessions in January 2024. Planning for annual estates maintenance and updating has continued to focus on projects to reduce energy consumption, with projects planned for 2024/25 including a significant programme to introduce a step-change in LED lighting, particularly at the Linkwood Technology Centre.

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 £2,522k for the 2023/24 financial year (FY 2022/23 £971k deficit). This is an Underlying Operating Deficit (as per the SFC's definition) before pension adjustments of £1,301k. The College closed the year with a positive cash balance of £1,460k (FY 2022/23 £1,162k).

Total income decreased in 2023/24 by £2.5m from £15.13m to £12.65m (c.16.5%). The main reason for this is a reduction of £1.03m in respect of RDEL maintenance funding being discontinued in 2023/2024. Most other sources of income are largely similar year on year.

Total expenditure decreased by £0.9m from £16.10m to £15.16m (c.6%). The decrease reflected ongoing measures to reduce staff numbers. Nationally agreed pay rises for all staff were more than offset by an 11% in year reduction in staff numbers (239 to 212) enabling a net reduction of £1.16m in staff costs (c.9%) to be achieved. Non staff costs rose by £0.30m (c.11%) largely due to inflationary pressures on teaching materials and utilities as well as increased estate management costs.

Impact of FRS102 on Local Government Pension Scheme

In 2023/24 the College had a deficit before pension remeasurements of £2,513k (2022/23 deficit £971k). Excluding non-cash items of net depreciation and non-cash pension costs, this has resulted in a deficit of £1,050k for the year (2022/23 deficit £408k).

Performance Report (continued)

The underlying operating position of the College is illustrated below:

Underlying Operating Position		
	2023/24	**2022/23**
	£'000	**£'000**
Deficit before other gains and losses	**(2,513)**	**(971)**
Add back:		
- Depreciation (net of deferred capital grant release)	642	640
- Pension adjustment - Net service cost (FRS102 Staff cost adjustment)	(232)	71
- Pension adjustment - Net interest costs	(338)	(1)
- Pension adjustment - Early retirement provision	6	(100)
- Costs of middle management job evaluation exercise not matched by revenue	1,432	-
Deduct:		
- Revenue Funding allocated to loan repayments and other capital items*	47	47
Underlying Operating Deficit	**(1,050)**	**(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.

Table of Cash Budgets for Priorities Spend		
Revenue	**2023/24**	**2022/23**
	£'000	**£'000**
Student Support	209	209
Pay Award	168	168
Total Impact on Operating Position	**377**	**377**
Capital		
Loan Repayments	47	47
Total Capital	**47**	**47**
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 inflow for 2023/24 was £343k (2022/23 operating cash outflow £322k).

The average closing monthly cash balance in 2023/24 was £1,559k (including student support funds) (2022/23 £914k) and the year-end balance was £1,460k – which is inclusive of student support funds of £279k (2022/23 £1,162k including student support funds of £258k).

The average cash position for 2023/24 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 23/24 for lecturing staff based on the final offer made by College Employer's Scotland. 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 £7k (2022/23 loan interest payable £9k).

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 18 December 2024 and signed on its behalf by:

Mr D Patterson
Principal and Chief Executive

Performance Report (continued)

PROFESSIONAL ADVISORS

External Auditor	-	Deloitte LLP
Internal Auditor	-	BDO Wbg Services LLP
Bankers	-	Royal Bank of Scotland
Solicitors	-	Grigor & Young Stronachs
Insurers	-	Gallagher (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, 2 student members and 2 staff members; the overall gender balance on the Board was 6 male and 7 female members which meets the government recommendations with regards to gender split. In 2023/24 the only co-opted member was Mr Grenville Johnston, until he became a full member of the Board on 12 February 2024.

The members who served on the Board of Management during 2023/24 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	Learning, Teaching and Quality 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	04/10/24	Teaching Staff	Learning, Teaching and Quality Staff Governance Remuneration
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[2]	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	30/10/24	Non-Executive	Learning, Teaching and Quality (Convener)
Elizabeth Hudson	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality
Leigh Mair	23/06/22	26/06/26	08/12/23	Non-Executive	Audit

[2] Co-opted member of Audit Committee from 1 August 2024

Melissa Carr	20/06/22	30/06/23	22/12/23	Student	Staff Governance Learning, Teaching and Quality Remuneration
Grenville Johnston (Vice-Chair)[3]	12/02/24	11/02/28		Non-Executive	Audit
Charlotte Usher	04/03/24	31/07/24	31/07/24	Student	Finance and General Purposes Learning, Teaching and Quality Remuneration
Clare Matysova	20/05/24	19/05/28		Non-Executive	Staff Governance Learning, Teaching and Quality
James Walls	20/05/24	19/05/28		Non-Executive	Audit (Convener) Chairs Remuneration Nomination
Ralph Luck	03/06/24	02/06/28		Non-Executive	Finance and General Purposes
Katy O'Connor	05/10/24	04/10/28		Teaching Staff	Learning, Teaching and Quality Staff Governance Remuneration
Alex Paterson (Interim chair July to Nov 24)	01/06/24	30/11/24		Non-Executive	Finance and General Purposes Staff Governance
Sarah Marshall	01/08/24	31/05/25		Student	Learning, Teaching and Quality Remuneration

[3] Previous co-opted member - Vice-Chair from 20 June 2024

Chloe Catmore	11/11/24	31/05/25		Student	TBC
Eilidh Kennedy McLean (Chair)	01/12/24	30/11/28		Non-Executive	TBC
Roddy Burns	01/12/24	30/11/28		Non-Executive	TBC

The Board of Management meets formally five times a year. During 2023/24, there was also a Board Development Day and an additional 4 extraordinary meetings. 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 2023/24 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	9/9	n/a	3/3	1/1	0/0	1/1	2/2
Mr B Cookman	2/3	n/a	2/2	n/a	n/a	n/a	n/a
Dr J McLeman	8/9	4/4	n/a	n/a	n/a	1/1	2/2
Mrs D McKinstrey	1/4	2/2	n/a	n/a	n/a	n/a	n/a
Mrs L Hudson	7/9	n/a	n/a	1/1	n/a	n/a	n/a
Mr P Mitchell	1/2	n/a	n/a	n/a	0/0	n/a	n/a
Mrs R Dewis	9/9	n/a	3/3	0/1	0/0	1/1	n/a
Mrs C Webster	8/9	n/a	3/3	n/a	n/a	n/a	2/2
Mr J Wilson	4/9	n/a	2/3	n/a	n/a	0/1	n/a
Ms L Mair	2/3	1/2	n/a	n/a	n/a	n/a	n/a
Mr S Cruickshank	7/9	n/a	n/a	n/a	0/0	1/1	n/a
Mr D McCallum	6/9	n/a	n/a	1/1	n/a	1/1	n/a
Mrs A Wiggins	3/9	n/a	n/a	n/a	0/0	1/1	n/a
Mr G Johnston	5/5	4/4	n/a	n/a	n/a	n/a	1/1
Mr R Luck	1/1	n/a	n/a	n/a	n/a	n/a	n/a
Mr J Walls	1/1	n/a	n/a	n/a	n/a	n/a	n/a
Ms C Matysova	1/1	n/a	n/a	n/a	n/a	n/a	n/a

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

Accountability Report (continued)

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.

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 on 10 November 2023, 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 discuss the Financial Recovery Plan. Members also welcomed Aimee Cuthbert, HISA, who presented the Board of Management project and explained the student member action plan. This was well received, with those in attendance supportive of the project.

Accountability Report (continued)

The College has an independent Clerk to the Board to support the work of the Board of Management. A new Clerk was appointed with effect from 23 January 2023. Throughout 2023/24 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.

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. These meetings were conducted by the interim Chair following his appointment in July 2024.

Accountability Report (continued)

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 through 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 incorporate 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. Beginning 2023/24, membership of the committee comprised four non-exec Board members, as well as the principal, both staff members and one student member. Unfortunately, due to the resignations of several Board members, all business of the Staff Governance committee was reported directly to the full board. This was to ensure that there was no business overlooked during the period of low membership.

The purpose of the F&GP Committee is to ensure a sound system of internal financial management and control, monitoring the 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. The Director of Finance attends the F&GP Committee but not as a member. Membership comprises at least three non-exec members of the Board, the Principal, a staff member and a student member. Although meetings of the F&GP committee were held throughout 2023/24, all matters were reported to the full board in detail due to the complexity of the financial situation.

In addition to five Board members (one executive, one staff, one student and two non-executive), beginning 2023/24 the Learning, Teaching and Quality Committee (LTQC) comprised of two curriculum representatives from each curriculum area, one promoted and one non-promoted, as well as relevant senior managers. However, following the first meeting of the committee, the members agreed to amend the membership to include the Heads of Curriculum, Head of Academic Partnerships and the Learning and Teaching coach.

The Committee’s 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.

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 were no meetings of the Nominations Committee held in 2023/24.

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

Accountability Report (continued)

Following the National bargaining agreement of the Support staff pay claim, a Remuneration Committee meeting was convened on 14 August 2024 to discuss and agreed to increase the salaries of senior staff on the same basis. 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 complies with the principles of the 2022 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.

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.

For 2023/24 the college complied with the Code except for sections C3 and C22 (which relate to a failure to deliver a balanced 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).

Risk management and internal control

The Audit Committee membership at the beginning of the 2023/24 session comprised 3 non-executive Board members and 1 co-opted member. Following resignations and the co-opted member seeking full Board membership, membership was reduced to 2 non-executive members, 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 received regular updates on Cyber Security, including details of the College’s contribution to the UHI Partnership achievement of the Cyber Essentials Plus standard and on-going enhancements to network and systems security. The College previously adopted the Education Alliance for Universities and Colleges framework for measuring the organisational maturity of the plans to achieve net zero and the committee received regular reports on progress.

The 2023/24 Internal Audit Report submitted by the College’s internal auditor concluded that risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related objectives were achieved for the period under review.

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 period, the executive worked to maintain the progress made in previous sessions to ensure all recommended audit actions were completed in a timely fashion. As of July 2024, there were only two outstanding actions in respect of audits completed during prior periods.

Accountability Report (continued)

Internal audit activity undertaken in 2023/24:

Review	Conclusion	Recommendations
Stock Control	Moderate	4
Disaster Recovery	Moderate	5
Student Support	Substantial	5
IT General Controls	Moderate	1

In addition to the above reviews, the annual audits of Student Activity Data (Credits) 2023-24, the Student Support Funds Audit 2023-24 and the Education Maintenance Allowance (EMA) Audit 2023-24 were undertaken by Wylie Bissett (now Wbg).

With regard to the Credits Audit, the return was unqualified with two recommendations raised, one medium and one low grade. No recommendations were made in relation to the Student Support Funds Audit. The EMA Audit resulted in one low grade recommendation.

During the session, the Committee has continued to review risk management arrangements, including risk policy, the Board's appetite to risk and the 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.

At the end of the 2023/24 academic year, the residual risks rated highest after mitigations were:

- Inability to achieve a balanced budget (elevated in fourth quarter of 2023/24 to be an actual issue as there were insufficient funds to pay any nationally agreed pay rises)
- College estate not fit for purpose (elevated to be an actual issue)
- College does not achieve allocation HE student number target
- Impact of the National Job Evaluation Scheme

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.

Details of any significant lapses of data security

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

Accountability Report (continued)

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 2024, other than those already noted above in respect of a balanced budget and the disputes raised by the Trades Unions in 2024.

Authorised for issue and approved by order of the members of the Board on 18 December 2024 and signed on its behalf by:

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

Accountability Report (continued)

Remuneration and staff report

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 14 August 2024 to discuss and agree the salaries of senior staff following the agreement of the backdated pay awards for support and teaching staff (covering 1 September 2022 to 31 August 2025 for support staff and 1 September 2022 to 31 August 2026 for teaching staff).

Remuneration including salary and pension entitlements

The following table provides detail of the remuneration and pension interests of senior management of UHI Moray. The senior staff of UHI Moray have received the same lump sum consolidated uplifts in sessions 22/23 and 23/24 as was agreed for support and teaching staff. The information in this section of the Remuneration Report is subject to audit.

Accountability Report (continued)

		12 months ended 31 July 2024				
Name	**Post**	**Salary £'000**	**Other £000's**	**Pension Benefit £'000**[4]	**Total £'000**	**Full Time Annual Equivalent £'000**
David Patterson	Principal and Chief Executive	105-110	-	55-60	160-165	160-165
Kenny McAlpine (left 09.01.24)	Deputy Principal	35-40	-	5-10	40-45	85-90
Derek Duncan	Director of Information, Planning and Student Support	60-65	-	0-5	65-70	65-70
Carolyn Thomson	Director of HR and Organisational Development	60-65	-	35-40	100-105	100-105
Shelly McInnes (left 05.04.24)*	Director of Finance	40-45	-	20-25	65-70	85-90

*Following the departure of the Director of Finance, interim arrangements were put in place to hire short term financial support with key financial responsibilities being distributed across existing members of the Senior Leadership Team.

		12 months ended 31 July 2023				
Name	**Post**	**Salary £'000**	**Other £000's**	**Pension Benefit £'000**[5]	**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

** Other relates to the Deputy Principal receiving £8,000 relocation allowance.

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

[5] 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.

	2023/24 £'000	**2022/23 £'000**	**Change %**
Range of workforce remuneration	**21-109**	**19-106**	
Highest paid official remuneration	**109**	**106**	**2.8**
Median (total pay and benefits)	**43**	**35**	**23**
Median (salary only)	**43**	**35**	**23**
Ratio	**2.53:1**	**3.03:1**	
25th percentile (total pay and benefits)	**31**	**25**	**24**
25th percentile (salary only)	**31**	**25**	**24**
Ratio	**3.52:1**	**4.24:1**	
75th percentile (total pay and benefits)	**47**	**44**	**7**
75th percentile (salary only)	**47**	**44**	**7**
Ratio	**2.32:1**	**2.41:1**	

Based on the 12-month figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2023/24 was in the range £105k-£110k (2022/23 £105k-£110k). This was 2.54 times (2022/23 3.07 times) the median remuneration of the workforce which was in the range £40k-£45k (2022/23 - £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 2024	Accrued pension at pension age at 31 July 2023	Real increase in pension 1 August 2023 – 31 July 2024	Real increase in lump sum 1 August 2023 – 31 July 2024	CETV at 31 July 2024	CETV at 31 July 2023	Real increase in CETV
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
David Patterson	15-20	15-20	0-5	0-5	370	295	75
Kenny McAlpine (left 09.01.24)	20-25	20-25	0-5	-0-5	500	491	9
Derek Duncan	15-20	15-20	0-5	-0-5	414	406	8
Carolyn Thomson	30-35	25-30	0-5	0-5	536	485	51
Shelly McInnes (left 05.04.24)	5-10	5-10	0-5	0-5	82	63	19

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 2024		Year ended 31 July 2023	
	Senior post-holders	Other staff	Senior post-holders	Other Staff
£ 60,001 to £ 70,000	2	-	3	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	-	-	1	-
£ 90,001 to £100,000	-	-	-	-
£ 100,001 to £110,000	1	-	1	-
	3	**-**	**5**	**-**

Staff numbers and costs

	2024	2024	2024	2023
	Directly employed staff £'000	**Seconded and agency staff £'000**	**Total £'000**	**Total £'000**
Wages and salaries	8,724	3	8,727	9,219
Social security costs	826	-	826	883
Other pension costs	1,432	-	1,432	2,118
Total	10,982	3	10,985	12,220
Staff Numbers (FTE)	212	-	212	239

Staff comparison

On 31 July 2024 there were 267 contracted staff, 179 females and 88 males (2022/23 318 contracted staff - 207 females, 111 males).

Sickness absence data

The average sickness absence data rate over the period 1 August 2023 to 31 July 2024 was 2.45% (2022/23 4.01%).

Staff turnover

The average staff turnover percentage in 2023/24 was 15.15% (2022/23 8.23%)

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 2024.

Accountability Report (continued)

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
2	2

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£19,306
Total pay bill	£11,159,526
Percentage of the total pay bill spent on facility time	0.17%

Paid trade union activities

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

Staff Policies

UHI Moray operates a subgroup of the Joint Consultative Committees which provides recommendations on HR Policy development and review. Whilst in session 23/24 it was difficult for this group to progress matters this group has been recommenced in session 24/25 and is prioritising activities.

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.

Accountability Report (continued)

Off-payroll engagements

The services of a part time finance professional has been engaged from March 2024 consequent upon the resignation of the full time Director of Finance. Details of this can be found in the table below:

Table 1: Highly paid off-payroll worker engagements as at 31 July 2024, earning £245 per day or greater.		
	UHI Moray	**Total £000's**
No. of existing engagements as of 31 July 2024	1	20
Of which…		
No. that have existed for less than one year at time of reporting*	1	20

* There is only one off-payroll engagement during the year

Compensation for loss of office

There is nothing to report under the above for UHI Moray. Compensation for loss of office resulting from the Voluntary Severance Scheme referred to below falls within session 24/25 reporting period.

Parliamentary Accountability Report

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

Other Employee Matters

As is stated within the Principal's forward, academic session 23/24 has been dominated by measures to address financial challenges including the implementation of a Financial Recovery Plan incorporating the need to reduce staffing significantly. This has been achieved through a number of measures such as robust management of staffing, and vacancies, and also through a Voluntary Severance Scheme (VSS). It is estimated that the staffing FTE will reduce by a significant 22% following the last departures through VSS. This has been supported through a full curriculum review and continues to necessitate a significant period of change for our staff.

National Pay Disputes

Session 23/24 saw a significant period of disruption in relation to the national pay disputes. This resulted in a challenging employee relation context including strike action and action short of strike action.

Local Disputes

During the consultations on the Financial Recovery Plan and Voluntary Severance Scheme, both recognised Trade Unions raised local disputes. It is also the case that our local Trade Union representatives have resigned their Trade Union positions and there is, at the time of writing, no local representation being provided by our recognised Trade Unions.

Accountability Report (continued)

National Job Evaluation

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

Mr GS Johnston
Vice Chair

Mr D Patterson
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 2024 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 2024 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.

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

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

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.

Nicola Wright (for and on behalf of Deloitte LLP)
1 Trinity Gardens
Newcastle
NE1 2HF
United Kingdom

18 December 2024

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2024

	Note	31 July 2024 £'000	31 July 2023 £'000
Income			
Funding body grants	1	10,060	11,026
Tuition fees and education contracts	2	1,587	2,014
Research grants and contracts	3	308	1,547
Other income	4	700	540
Total Income		**12,655**	**15,127**
Expenditure			
Staff costs	5	10,985	12,220
Other operating expenses	7	3,029	2,720
Depreciation	11	1,147	1,149
Interest payable	8	7	9
Total Expenditure		**15,168**	**16,098**
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(2,513)	(971)
Loss on disposal of assets		(9)	-
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(2,522)	(971)
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(2,522)	(971)
Remeasurement of pension scheme assets and liabilities	25	(545)	358
Total comprehensive income and expenditure for the year		**(3,067)**	**(613)**

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 2024

	General Reserve £'000 (Note 19)	Revaluation Reserve £'000 (Note 18)	Total £'000
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 1 August 2023	**1,528**	**19,279**	**20,807**
Deficit from the income and expenditure account	(2,522)	-	(2,522)
Other comprehensive income	(545)	-	(545)
Transfers between revaluation and income and expenditure reserve	689	4,838	5,527
Balance at 31 July 2024	**(850)**	**24,117**	**23,267**

Statement of Financial Position
as at 31 July 2024

	Notes	As at 31 July 2024 £'000	As at 31 July 2023 £'000
Non-current assets			
Fixed assets	11	35,871	31,169
		35,871	**31,169**
Current Assets			
Stock		123	127
Trade and other receivables	12	378	1,641
Cash and cash equivalents		1,460	1,162
		1,961	2,930
Creditors: amounts falling due within one year	13	(4,273)	(4,232)
Net current liabilities		**(2,312)**	**(1,302)**
Total assets less current liabilities		33,559	29,867
Creditors: amounts falling due after more than one year	14	(7,030)	(7,223)
Provisions	16	(3,262)	(1,837)
TOTAL NET ASSETS		**23,267**	**20,807**
UNRESTRICTED RESERVES			
Revaluation reserve	18	24,117	19,279
General reserve	19	(850)	1,528
TOTAL RESERVES		**23,267**	**20,807**

The financial statements on pages 37 to 73 were authorised for issue and approved by the Board of Management on 18 December 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 2024

	Notes	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Cash inflow/(outflow) from operating activities	20	343	(322)
Returns on investments and servicing of finance	21	(7)	(9)
Financing	23	(38)	(47)
Increase/(Decrease) in cash in the year		**298**	**(378)**

Note to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

Increase/(Decrease) in cash in the year		298	(378)
Change in net debt resulting from cash flows	24	38	47
Movement in net funds in year		336	(331)
Net funds at 1 August 2023		935	1,266
Net funds at 31 July 2024	24	**1,271**	**935**

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 2023-24 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 for the periods to July 2025 and July 2026. These recognise:

- staff pay rises already agreed, and an assumption that an increase for support staff in 2025/26 will be consistent with the outcome agreed for teaching staff;
- real cuts in funding announced in the December 2023 draft budget statement;
- the outcome of a financial recovery plan which is due to be completed by the end of 2024

These cash flow projections show that as a result of the actions taken and additional funding received, the College should be financially sustainable through to the end of July 2026. Beyond that, the College would have a sustainable operating model provided the SFC funding policy then recognises the impact of national salary increases.

On the basis of the above, it is therefore considered that the College remains a going concern 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 2023/24. 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 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.

Statement of Principal Accounting Policies (continued)

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

- 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 with interim valuations in year 3 of the 5-year cycle. Land and buildings were valued as at 31 July 2024 (full 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 2024 £'000	Year ended 31 July 2023 £'000
SFC recurrent grant (including fee waiver)	6,738	6,649
UHI recurrent grant – HE provision	2,595	2,599
Capital funding	159	198
FE childcare funds	144	124
Release of deferred capital grants (SFC)	296	300
Other SFC grants – FE provision	-	-
Other UHI grants – HE provision	128	1,156
	10,060	**11,026**

2. Tuition fees and education contracts

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
FE fees – UK	458	774
HE fees	825	926
Skills Development Scotland (SDS) contracts	150	132
Other contracts	154	182
	1,587	**2,014**

3. Research grants and contracts

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Release of deferred capital grants (UHI)	209	209
European funds	(2)	-
Other grants	1,291	1,338
Job Evaluation income*	(1,190)	-
	308	**1,547**

*In 2018, a national job evaluation exercise was started with the purpose of harmonising support and middle management staff roles and salary costs across the College sector in Scotland. The full extent of the costs to be worked through the National Pay Bargaining process will not be known until the job evaluation exercise is concluded, the outcome of which will be implemented effective from 1 September 2018. Colleges initially accrued an estimated cost and corresponding grant funding (based on Colleges Scotland's February 2019 staff costings) with no net impact on the reported operating result of the college. These balances were subsequently adjusted annually in line with agreed salary increases. For UHI Moray, the accrual and associated debtor amounts reported by the College at 31 July 2023 amounted to £1,190k. The 2023-24 Accounts Direction from the Scottish Funding Council (SFC) however, signalled a change in the funding arrangements which requires the accounting treatment to be revised. Reserved cash funding previously held by the SFC was returned to Scottish Government in 2023 and although it is recognised that responsibility for funding now sits with the Scottish Government, insufficient evidence has been provided for this income to continue to be recognised in the financial statements. On this basis, the revenue element of £1,190k has been de-recognised in the accounts in the current period (see also Note 12). The Accounts Direction has also advised that because of this uncertain timing as to when the benefits might become payable, the accrual should be reclassified as a provision in the current period (see tables in Notes 13 and 16).

Notes to the Financial Statements (continued)

4. Other income

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Catering and residences	74	105
Nursery	197	133
Hairdressing and beauty	45	36
Early Learning Support (ELS) Income	51	62
Rent	65	64
Other income	268	140
	700	**540**

5. Staff numbers and costs

Staff numbers (full-time equivalent):	Year ended 31 July 2024	Year ended 31 July 2023
Academic/Teaching departments	90	104
Academic/Teaching services	29	33
Administration and central services	70	60
Premises	10	13
Other expenditure	13	29
	212	**239**
Staff on permanent contracts	180	198
Staff on temporary contracts	32	41
	212	**239**

Notes to the Financial Statements (continued)

Staff costs:	**Year ended 31 July 2024 £'000**	**Year ended 31 July 2023 £'000**
Academic/Teaching departments	5,903	6,278
Academic/Teaching services	1,272	1,157
Administration and central services	2,448	3,122
Premises	420	409
Other expenditure	1,496	1,169
Pension movement	(554)	85
	10,985	**12,220**
Wages and salaries	8,727	9,219
Social security costs	826	883
Other pension costs	1,432	2,118
	10,985	**12,220**

Pension provision adjustment

In accordance with SFC guidance the pension provision in respect of unfunded enhanced early retirements has been revalued using the 2023/24 SFC guidance. An interest rate of 0.0% has been used (2022/23 interest rate 0.0%) which resulted in an increase in provision of £6k (2022/23 decrease of £101k). 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 -£554k (2022/23 £85k).

6. Senior post-holders' emoluments

	Year ended 31 July 2024 Number	**Year ended 31 July 2023 Number**
Senior post-holders including the Principal:	**3**	**6**
Senior post-holders' emoluments including the Principal:	**£'000**	**£'000**
Salaries	315	403
Pension contributions	70	89
	385	**492**

Notes to the Financial Statements (continued)

Amounts paid to the Principal:

	£'000	£'000
Salary	106	106
Pension contributions	23	25
	129	**131**

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 2024 £'000	Year ended 31 July 2023 £'000
Academic/Teaching departments and services	605	610
Administration and central services	1,007	858
Agency staff	161	111
Premises	1,062	927
Other expenditure	90	94
Catering and residences	103	120
	3,029	**2,720**

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

Other operating expenses include:	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Auditor's remuneration:		
external audit	19	23
internal audit	17	24
Disbursements of childcare funds to students	144	124
Legal services	13	5
Hire of plant and machinery – operating leases	41	37

Notes to the Financial Statements (continued)

8. Interest payable

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in less than 5 years	7	9
	7	**9**

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 2024 £'000	Year ended 31 July 2023 £'000
Total comprehensive income expenditure for the year is made up of the following:		
Deficit for the year	(2,522)	(971)
Remeasurements of pension scheme assets and liabilities	(545)	358
	(3,067)	**(613)**

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 2023	31,086	3,261	2,744	37,091
Additions	79	74	172	325
Disposals	-	(390)	(15)	(405)
Revaluation	5,527	-	-	5,527
At 31 July 2024	**36,692**	**2,945**	**2,901**	**42,538**
Depreciation				
At 1 August 2023	1,562	2,997	1,363	5,922
Charge for the year	821	105	221	1,147
Disposals	-	(390)	(10)	(400)
At 31 July 2024	**2,383**	**2,712**	**1,574**	**6,669**
Net book value				
At 31 July 2024	**34,309**	**234**	**1,327**	**35,870**
Net book value				
At 31 July 2023	**29,524**	**264**	**1,381**	**31,169**
Inherited	21,462	-	-	21,462
Financed by capital grant	12,488	234	1,230	13,952
Other	359	-	97	456
Net book value				
At 31 July 2024	**34,309**	**234**	**1,327**	**35,870**

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 2024 (full 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 2024 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 2024 £'000	As at 31 July 2023 £'000
Trade receivables	45	22
Prepayments and accrued income	257	419
Other debtors	76	1,200
	378	**1,641**

13. Creditors: Amounts falling due within one year

	As at 31 July 2024 £'000	As at 31 July 2023 £'000
Loans and overdrafts (secured)	38	47
Payments received in advance	824	576
SFC Loan	880	-
Trade creditors	72	88
Other creditors	361	1,412
Other taxation and social security	430	209
Accruals and deferred income	895	1,099
Bursary and access funding	278	295
Capital grants	495	506
	4,273	**4,232**

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

	As at 31 July 2024 £'000	As at 31 July 2023 £'000
Moray Council loan	128	156
Capital grants	6,901	7,067
	7,030	**7,223**

Notes to the Financial Statements (continued)

15. Borrowings

Bank loans and overdrafts

Moray Council loan

	As at 31 July 2024 £'000	As at 31 July 2023 £'000
The Moray Council loan is repayable as follows:		
In one year or less	38	47
Between one and two years	38	47
Between two and five years	90	109
In five years or more	-	-
	166	**203**

The Moray Council loan is secured over College buildings.

16. Provisions for liabilities and charges

	Early retirement pension costs £'000	Pension costs £'000	Job evaluation costs £'000	2023/24 Total £'000	2022/23 Total £'000
At 1 August	1,700	135	-	1,835	2,210
Expenditure in the year	(132)	-	-	(132)	(128)
Reclassification*	-	-	1,190	1,190	-
Additional provision required in year	132	-	242	374	128
Revaluation adjustment	4	(554)	-	(550)	(15)
Pension valuation changes	-	545	-	545	(358)
At 31 July	**1,704**	**126**	**1,432**	**3,262**	**1,837**

*The estimated liability associated with the ongoing Job Evaluation exercise, previously held as an accrual, has been reclassified in line with the current Accounts Direction from the SFC (see also Note 3).

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 2024 **£'000**	**31 July 2023** **£'000**	**31 July 2024** **£'000**	**31 July 2023** **£'000**
Financial assets – loans and receivables				
Trade receivables	-	-	45	22
Cash and cash equivalents	-	-	1,460	1,162
Total loans and receivables	**-**	**-**	**1,505**	**1,184**
Financial liabilities at amortised cost				
Trade and other payables	-	-	954	1,187
Long term borrowing	128	156	-	-
Total financial liabilities at amortised cost	**128**	**156**	**954**	**1,187**

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 2023		**31 July 2024**		
£'000		**£'000**	**£'000**	**£'000**
		Financial liabilities	**Financial assets**	
		Liabilities measured at amortised cost	Loans and receivables	**Total**
(9)	Interest expense	(7)	-	**(7)**
-	Gains/Losses on revaluation	-	-	**-**
(9)	**Net (loss) for the year**	**(7)**	**-**	**(7)**

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 2024 for loans from Moray Council 3.54%
- 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 2024		**31 July 2023**	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Borrowing repayable				
Moray Council	166	160	203	207
Total	**166**	**160**	**203**	**207**

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.

Notes to the Financial Statements (continued)

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:

	Moray Council	
	31 July 2024 £'000	31 July 2023 £'000
Less than one year	38	47
Between 1 and 2 years	38	47
Between 2 and 5 years	90	109
In five years or more	-	-

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 £45k (2023: £22k), 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

	2024 **£'000**	**2023** **£'000**
At 1 August	19,279	19,968
Revaluations in the year	5,527	-
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(689)	(689)
At 31 July	**24,117**	**19,279**

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
			2024			2023
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August	1,663	(135)	**1,528**	1,860	(408)	**1,452**
Deficit from the Statement of Comprehensive Income and Expenditure	(3,076)	554	**(2,522)**	(886)	(85)	**(971)**
Transfer from revaluation reserve	689	-	**689**	689	-	**689**
Remeasurement of pension scheme assets and liabilities	-	(545)	**(545)**	-	358	**358**
At 31 July	**(724)**	**(126)**	**(850)**	**1,663**	**(135)**	**1,528**

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

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(2,522)	(971)
Depreciation	1,147	1,149
Deferred capital grants released to income	(506)	(509)
Interest payable	7	9
Decrease/(Increase) in stocks	4	(21)
Decrease/(Increase) in debtors	1,261	(196)
(Decrease)/Increase in creditors	66	232
Increase/(Decrease) in provisions	880	(15)
Loss on disposal of assets	6	-
Net cash flow from operating activities	**343**	**(322)**

Notes to the Financial Statements (continued)

21. Returns on investments and servicing of finance

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Interest paid	(7)	(9)
Net cash flow from returns on investments and servicing on finance	**(7)**	**(9)**

22. Capital expenditure and financial investment

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Purchase of tangible fixed assets	(325)	(225)
Deferred capital grants received	325	225
Net cash flow from capital expenditure and financial investment	**-**	**-**

23. Financing

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Debt due beyond a year: repayment of Moray Council loan	(38)	(47)
Net cash flow from financing	**(38)**	**(47)**

24. Analysis of changes in net funds

	At 1 August 2023 £'000	Cash flows £'000	At 31 July 2024 £'000
Cash at bank and in hand	1,162	298	1,460
	1,162	298	1,460
Debt due within 1 year	265	38	303
Debt due after 1 year	(492)	-	(492)
	935	**336**	**1,271**

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 2023. 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 2024 is 26% 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 2023, 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 2023/24."

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 2024 were £1,351k (2022/23 £1,344k) of which employers contributions totalled £984k (2022/23 £944k) and employees contributions totalled £400k (2022/23 £400k). Total contributions for the year included £130k outstanding at the balance sheet date (2022/23 £114k).

The current contribution rates are:	Employees	Banded rates salary based ranging 7.35% to 12.14%
	Employers	26.0% from 01.04.2024

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 2024 was 4.9% (2023 5.2%).

Notes to the Financial Statements (continued)

To reflect the pension liability on the balance sheet, the provision decreased by £9k (decreased by £6,454k in 2022/23), 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 2024 were £1,115k (2022/23 £1,067k) of which employers contributions totalled £856k (2022/23 £853k) and employees contributions totalled £259k (2022/23 £215k). Total contributions for the year included £188k outstanding at the balance sheet date (2022/23 £120k).

The current contribution rates are:	Employees	Tiered rates based on salary ranging 5.5% to 9.5%.
	Employers	17.4% from 01.04.2024 (23.4% until 31.03.2024)

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

	Year ended 31 July 2024 £'000	**Year ended 31 July 2023 £'000**
Current service cost	639	938
Interest on obligation	(338)	(1)
Administration expenses	16	15
Past service cost	-	-
Expected return on employer assets	-	-
Effect on curtailments	-	-
Total	**317**	**952**
Other comprehensive income and expenditure		
Remeasurements (assets and liabilities)	**672**	**6,539**
Restriction of plan assets under FRS102	**(7,398)**	**(6,181)**

Notes to the Financial Statements (continued)

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

	As at 31 July 2024 £'000	As at 31 July 2023 £'000
Present value of the defined benefit obligation	22,322	20,524
Present value of unfunded benefit obligations	126	135
Fair value of plan assets	(29,720)	(26,705)
Restriction of plan assets under FRS 102	7,398	6,181
Net (asset)/liability	**126**	**135**

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

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Opening defined benefit obligation	20,659	26,360
Current service cost	639	938
Interest on pension liability	1,062	914
Contribution by members	237	215
Past service cost	-	-
Remeasurements (liabilities)	-	-
Expenditure Gain	-	-
Experience loss	(96)	730
Loss/(Gain) on assumptions (Gain) on demographic assumptions Curtailments	696 (75) -	(6,849) (925) -
Unfunded benefits paid	(15)	(14)
Benefits paid	(659)	(710)
Closing defined benefit obligation	**22,448**	**20,659**

Notes to the Financial Statements (continued)

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

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Opening fair value of scheme assets	26,705	25,952
Expected return on assets	1,400	915
Contribution by members	237	215
Contribution by the employer	871	867
Contributions in respect of unfunded benefits	15	14
Remeasurement of assets	1,197	(505)
Unfunded benefits paid	(15)	(14)
Benefits paid	(674)	(724)
Administration expenses	(16)	(15)
Closing fair value of scheme assets	**29,720**	**26,705**

The assets in the scheme are:

		Value at 31 July 2024		Value at 31 July 2023
	%	£'000	%	£'000
Equities	58.2	17,296	57.4	15,328
Government Bonds	5.4	1,605	6.0	1,602
Bonds	0.0	-	0.0	-
Property	6.2	1,843	6.5	1,736
Cash	2.9	862	3.5	935
Other	27.3	8,114	26.6	7,104

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 2024.

Notes to the Financial Statements (continued)

The significant assumptions used by the actuary are as follows:

	Year ended 31 July 2024 % pa	**Year ended 31 July 2023 % pa**
Pension increase rate	2.7	2.8
Salary increase rate*	4.1	4.2
Discount rate	4.9	5.2
Average future life expectancies at age 65 are summarised below:		
Future pensioners (males / females)	21.9 / (24.7)	21.9 / (24.7)
Current pensioners (males / females)	20.6 / (23)	20.6 / (22.9)
The employer contributions for year to 31 July 2025 will be approximately	726	801

*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.

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)	522	(522)
Rate of inflation (increase or decrease by 0.25%)	884	(884)
Rate of increase in salaries (increase or decrease by 0.25%)	101	(101)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(1,670)	1,670

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 2025 is £726k. If actual assumptions are the same, the total pension cost recognised in the Statement of Comprehensive Income and Expenditure in 2024/25 is estimated to be £312k.

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

Notes to the Financial Statements (continued)

26. Non-cash allocation

The College's adjusted operating position as at 31 July 2024 is illustrated below:

	2023/24	2022/23
	£'000	£'000
Deficit before other gains and losses (FE/HE SORP basis)	(2,522)	(971)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	78	653
Operating (deficit) on Central Government accounting basis	**(2,444)**	**(318)**

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 £2,513k for the year ended 31 July 2024. 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.

Underlying Operating Position		
	2023/24	**2022/23**
	£'000	**£'000**
Deficit before other gains and losses	**(2,513)**	**(971)**
Add back:		
- Depreciation (net of deferred capital grant release)	642	640
- Pension adjustment - Net service cost (FRS102 Staff cost adjustment)	(232)	71
- Pension adjustment - Net interest costs	(338)	(1)
- Pension adjustment - Early retirement provision	6	(100)
- Costs of middle management job evaluation exercise not matched by revenue	1,432	-
Deduct:		
- Revenue Funding allocated to loan repayments and other capital items*	47	47
Underlying Operating Deficit	**(1,050)**	**(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.

Notes to the Financial Statements (continued)

27. Capital commitments

At 31 July 2024 the College had no capital commitments.

28. Financial commitments

At 31 July 2024 the College had annual commitments under non-cancellable operating leases as shown:

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Land and Buildings		
Falling due within one year	-	-
Falling due within one and two years	-	-
	-	**-**
Other		
Falling due within one year	22	32
Falling due within one and two years	44	44
Falling due within two and five years	-	62
	66	**138**

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	£6,737,707 (2023 - £6,235,470)
HE funding	£2,553,826 (2023 - £2,580,358)
Sales ledger	£278,388 (2023 - £263,282)
Purchase ledger	£199,440 (2023 - £192,274)
Debtor	£29,026 (2023 - £6,758)
Creditor	£8,967 (2023 - £10,007)

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

30. Post balance sheet events

The College had no post balance sheet events.

Notes to the Financial Statements (continued)

31. Bursaries and other student support funds

	FE Bursaries £'000	FE Hardship £'000	EMA £'000	HE Hardship £'000	2023/24 Total £'000	2022/23 Total £'000
At 1 August	151	15	32	61	259	217
Allocation received in year	1,965	250	79	59	2,353	2,319
Virements	54	(65)	-	-	(11)	29
Expenditure	(1,170)	(257)	(81)	(38)	(1,546)	(1,469)
Repaid to Funding Council as clawback	(248)	-	-	-	(248)	(167)
In year Re-Distribution	(630)	65	-	-	(565)	(670)
At 31 July	**122**	**8**	**30**	**82**	**241**	**259**
Represented by:						
Repayable to UHI as clawback	-	-	-	-	-	-
Repayable to Region for Re-distribution	-		-	-	-	-
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	122	8	30	82	241	259
	122	**8**	**30**	**82**	**241**	**259**

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

	2023/24 £'000	2022/23 £'000
At 1 August	37	-
Allocation received in year	143	189
Expenditure	(144)	(124)
Repaid to Funding Council as clawback	-	-
Virements	-	(28)
At 31 July	**36**	**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	36	37
	36	**37**

Notes to the Financial Statements (continued)

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 - 2023-24 Accounts direction for Scotland's Colleges

1. It is the Scottish Funding Council's direction that institutions[6] comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts[7].

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 2023-24 (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 2024.

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
18 September 2024

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

[7] 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.