MORAY COLLEGE UHI

Annual Report and Financial Statements for the year ended 31 July 2022

University of the Highlands and Islands Moray College

Contents

Performance Report

OVERVIEW

Principal's foreword

This Performance Report for the year ended 31 July 2022 provides an overview of the College, its purpose and priorities, its performance over the year, and the risks it continues to face and address.

2021/22 was a year in which the challenges facing the staff and students of Moray College UHI (UHI Moray) due to the global pandemic both continued and changed as we gradually sought to bring more priority student groups safely back on campus.

The college returned to previous volumes of delivery for its FE curriculum, delivering 19,033 credits (14,381 in the previous year) following the flexibilities introduced by the SFC during the year.

The College's Higher Education ("HE") enrolment for the year however was significantly lower than previous levels, at 755 full-time equivalent students (FTEs), well below the previous year's total (857).

Having delivered FE full-time student attainment above the Scotland average in the previous four years, the college now delivered a fifth year of high attainment (66.7%), including covid-deferred students from the previous year, again above previous national averages.

The College's overall student satisfaction rate reported in the year-end SFC national Student Satisfaction and Engagement Survey remained extremely high at 93.7%.

The College again started the year facing an estimated £1m shortfall of income against expenditure. Through careful management of staffing and non-staffing costs however, and through increases in other income that could not have been foreseen at the start of the year, the College has been able to report an adjusted operating break-even position for 2021/22 (excluding pension adjustments).

Throughout the year, the college continued to support the development of key projects within the proposed Moray Growth Deal. It continued to lead two projects (representing 40% of the funding on offer from the UK and Scottish governments) and played an active role on the Project Boards of another four projects (representing a further 50% of the government funding). Heads of Terms for the Deal was signed in August 2020, and Outline Business Cases for the whole Deal were signed in December 2021.

The College also continued to be the host organisation and employer for the staff of DYW Moray (Developing the Young Workforce) and was 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, and a range of Broad General Education introductions to curriculum, delivered by the college on school premises.

The College continued to work with major employers in Moray through the Flexible Workforce Development Fund, and commercial income in 2021/22 exceeded that in previous years. It delivered and supported both Foundation and Modern Apprenticeships throughout the year, and the college also continued to deliver employability programmes to support those seeking to re-enter the job market.

The college increased its work to develop and deliver research projects with local organisations through the SFC's Innovation Voucher scheme and, with regional partners, secured its first Knowledge Transfer Partnership project funding for a sustainable brewing project with a local employer.

In terms of governance and management, the College maintained full compliance with the Code of Good Governance and in Spring 2022 made seven new Board appointments to refresh the Board and address emerging skills gaps. It has maintained a gender balance with currently 9 female members and

Performance Report (continued)

8 male members. The Board and its committees continued to function well remotely, with a return to a blend of in-person and remote meetings planned for 2022/23.

Throughout 2021/22, the Board and senior team worked together to articulate the college's new strategic plan, which 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 continues to operate in an environment of enormous opportunity, through the on-going Moray Growth Deal projects working towards full business case approval, and the significant *Just Transition* investment announced by the Scottish government for Moray and its north-east neighbours.

The college sector though is also facing enormous challenges going forward, with at least half the colleges in Scotland forecasting underlying cash deficits for the current year – based on assumptions of a maximum of only 2% public pay policy cost increases.

The financial challenges that this college faces originate and are potentially resolved in three dimensions.

Nationally, the sector is being forewarned at the time of writing of "at best flat cash" funding for next year, with talk of cash reductions of up to 5% and therefore a possible real term unsustainable reduction in funding of c.15% next year. Colleges Scotland has now held three "Think the Unthinkable" sessions for Chairs and Principals to consider future plans and responses, and is drafting possible immediate and short-term flexibilities and mitigations, alongside medium and longer-term options for systemic change.

Regionally, a programme of work "UHI 2024" is now underway to generate financial sustainability through a more integrated and connected university partnership, supported by simplified governance arrangements, and strong devolved decision-making to a local level. Programme plans are for the funding contributions that colleges make to the running of UHI Executive Office to be revised/reduced in August 2023, and again in August 2024. (Moray's contribution in 2021/22 was c.£2.8m).

Locally, while FE enrolment is back at pre-Covid levels and Apprenticeship enrolment is buoyant, HE enrolment at the college has collapsed by nearly 200 FTEs (22%) over the past four years, primarily since the first full pandemic year. Work is on-going to address where possible the root causes of this decline and at the same time review our curriculum and support delivery costs against income in each area.

The condition of the college estate also remains challenging. This was recognised by the SFC in 2016 as requiring partial demolition, rebuild, and refurbishment, and for which the Funding Council then provided outline plans and a budget, which was subsequently withdrawn. The estate challenges have now been removed from the risk register as a live issue.

Performance Report (continued)

Throughout this pandemic period, the college has continued to make a vital contribution, both to its local community, and to wider regional developments. It has successfully delivered balanced budgets in an ever more challenging financial environment; sound governance and management in unprecedented times of change; and excellent student attainment and satisfaction.

I commend this annual report to you now and thank everyone associated with the College in this time for their commitment, flexibility, and resilience to ensure the successful delivery of these outcomes in 2021/22.

Signed by

David Patterson
Principal and Chief Executive

Performance Report (continued)

STRATEGIC PLANNING: PURPOSE AND ACTIVITIES

In response to the challenges of the pandemic, and in a wish to align itself with a planned new UHI Strategic Plan, the Board agreed an extension to the current 5-year Strategic Plan (2016-2021) with additional strategic objectives to:

i. Prioritise the health, safety and wellbeing of students and staff for both on-campus and home-based working
ii. Maximise delivery of as much of the curriculum portfolio as is possible under the current circumstances to maximise the number of current students who can successfully complete, or progress onwards, from their current programme of study
iii. Gather lessons learned from this pandemic period to inform and be built into the future strategy and working practices of the College

Mission Statement

The purpose of the College is:

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

Vision Statement

The College's vision is that over the next 3-5 years it will become 'famous' for:

1. the high quality of its teaching, learning and support for students.

2. its partnership work with stakeholders (including schools, employers, the Moray community and its UHI partners).

3. the positive impact and outcomes of the work it does, and

4. its values, for "doing the right things in the right way".

Values Statement

As part of the UHI partnership, the College has chosen to adopt the 'core' values of UHI's Strategic Plan and Vision for 2015-20. These are:

- collaboration
- openness
- respect
- excellence

These statements are further articulated in five Strategic Aims, with accompanying Strategic Objectives, which have driven the activities of the College over the period of this Strategic Plan to July 2022. The Strategic Aims have focussed on the development of:

- Curriculum
- Learning and Teaching
- Organisational Culture
- Partnerships, and
- Sustainability

Performance Report (continued)

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.

The development of the college's next Strategic Plan began at its Board Development Day in October 2021 and was completed and approved by the Board in September 2022.

Implementation of the Strategic Plan

The key tasks of the Operational Plan for the final extended year of the plan (2021/22) were as follows. Work around the Curriculum and Learning & Teaching aims was combined into one workstream.

- **Curriculum and Learning**: work to ensure the fullest possible delivery of planned curriculum with a particular focus on safety and efficiency of delivery; planning work to support additional in-year recruitment and inform target-setting and applications growth from 22/23; a review of the curriculum portfolio to identify opportunities to grow student numbers; development and implementation of a systematic mechanism for inter-departmental sharing of good practice

- **Organisational Culture:** implementation of Professional Dialogue work between staff groups; measures to ensure Learning and Teaching Enhancement and the integration of enhancement activities with HR processes; support and underpinning policy work to enable hybrid or flexible working

- **Partnership:** work to secure Outline Business Case sign-off from both governments for both Moray Growth Deal projects; and regional alignment work as part of the UHI Change Management Plan

- **Sustainability:** development of a new Estates Strategy; reviewing the provision and structure of administrative and student support services; and work to deliver sustainable future finances and put in place a new commercial income strategy

KEY ISSUES AND RISKS

The Strategic Leadership Team (SLT) members used part of the annual Board Development Day in August 2022 to review the College's risk register and risk appetite.

The current highest rated risks after mitigation were:

- College does not achieve allocated FE targets
- College does not achieve allocation HE student number target
- Failure to meet commercial income generation targets
- Impact of the National Job Evaluation Scheme
- Poor employee relations through industrial action
- Institutional , personal, and sensitive date is corrupted,lost, stolen or misused

The risks that have now become issues are:

- College estate not fit for purpose
- Inability to achieve a balanced budget

Performance Report (continued)

PERFORMANCE ANALYSIS

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

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

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

Student recruitment

In 2021/22, the College delivered 19,033 FE credits (2020/21 14,381) against a target of 19,800 SFC grant funded credits, equivalent to 96.1% of the target.

UHI Moray delivered a total full-time equivalent (FTE) HE students of 755 FTE’s (2020/21 857 funded FTEs) against a target of 830 FTE’s. This generated grant-in-aid income from UHI of £2,836k (2020/21 £2,833k).

Student retention

The College’s overall Full-Time FE (FTFE) student retention figure in 2021/22 was 73.5% (2020/21 77%) slightly above the latest sector average for Scotland (72.3%).

Student attainment

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

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

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

**FE FT Students due to finish in 2021/22. Figure includes some 2020/21 starts deferred due to Covid.*

Performance Report (continued)

Other performance measures

There have been a number of notable awards and events occurring throughout the year, involving staff and students, of which three are outlined below:

A previous graduate was awarded the 2021 UHI Alumni of the Year Award in recognition of being the first solo female chef in Scotland to be awarded a Michelin star.

A graduate modern apprentice in plumbing won through, after two years of qualifying competitions, to represent the UK in the World Skills Finals in Germany in October 2022.

A Fine Art graduate was chosen to exhibit at the 2022 RSA New Contemporaries Exhibition in Edinburgh and won a £10,000 award to become artist-in-residence at Glenfiddich distillery in Speyside.

Student satisfaction

The College's annual Learner Survey for 2021/22, incorporating the SFC national Student Satisfaction and Engagement Survey, opened in March 2022 with a much increased response rate of 48.8%. The overall satisfaction for FE students was 93.7%, an increase of 1.5% on the previous year.

Students reported very positively (over 90%) in a range of areas including being supported to take responsibility for their own learning, being able to influence learning on their course, staff regularly discussing their progress with them, receiving useful feedback, and developing knowledge and skills for the workplace.

Curriculum developments

Throughout the year curriculum developments continued to align with priority sectors identified in both the Moray Skills Investment Plan and the Moray Economic Strategy, as well as recognising the curriculum opportunities presented by the Moray Growth Deal.

HE curriculum changes focused on reorganising programme content to ensure cost effective delivery whilst retaining a meaningful student experience. This resulted in changes to HNC programmes in Visual Communication; Computing; Care and Administrative Practice; Hospitality; Professional Cookery; and Fitness, Health, and Exercise, and led to the discontinuation of enrolment to BSc Psychology (Hons).

FE curriculum change saw the introduction of newly approved full-time courses in Creative Practice Art, Design and Communications; Musical Theatre and Performance; Foundation Barbering; Health and Social Care; Performing Engineering Operations; Hospitality; and NQ Computing with Digital Media. Newly approved Modern Apprenticeship programmes were introduced in Health and Social Care and in Food and Drink. New Short Full-Time courses were developed in Bakery; Sport; Microblading Artistry; Integrative Healthcare; and Future Pathways.

There was a resurgence in demand from employers for training via the Flexible Workforce Development Fund (FWDF), as well as a range of employability programmes delivered in partnership with local employers. New FWDF courses were delivered in Psychometric Testing, Social Media, Workplace Investigation, Using Adobe Suite, Mentoring, and British Sign Language. A range of other new programmes were developed for community partners and schools in Moray.

Performance Report (continued)

Research Impact and Knowledge Exchange (RIKE)

Research activity developed further in 2021/22 with considerable activity from the SFC Innovation Voucher scheme: four ongoing projects (Inchindown Tunnels; Mesomorphic; EPIT; Moray Chamber of Commerce) and three new projects (SwimWild; Dufftown & Mortlach Development Trust; THAW Orkney). A project with Rural Housing Scotland was completed in May 2022, developing a successful prototype for an innovative bespoke video streaming software platform that can be used for virtual consultations to replicate community consultation on housing projects. The combined funding for these projects was just under £60K.

Of particular note is the first Knowledge Transfer Partnership project at UHI Moray in partnership with Windswept Brewing and two other UHI partners. The total funding for this project is c.£175k. With a focus on sustainability, this project will provide Windswept with the knowledge and expertise needed to identify, select and deploy sustainable energy and waste management technologies going forward. There are some other projects one of which is with Friendly Access funded by the University Innovation Fund to develop a digital visual/virtual portfolio of accessible local activities on a digital platform. There is also a project in partnership with Moray Well Being Hub funded by the Ideas Fund to engage those with a lived experience of perinatal and infant mental ill-health in action research.

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.

Performance Report (continued)

Total income increased in 2021/22 from £13.81m to £14.40m (an increase of £590k (+4.2%)) driven largely by the completion of deferred students who had been unable to finish their studies during the previous academic year (+£368k) and an increase in the successful completion of milestones for our Foundation Apprenticeship students (+£169k).

Other income decreased from £628k to £458k, (-£170k (-27.1%)) which includes the reduction in Coronavirus Job Retention Scheme income (-£347k), partially offset by improvements in commercial and other income (+£177k) as Covid restrictions were lifted.

Total expenditure increased from £14.66m to £15.18m (an increase of £520k (+3.5%)). The increase is driven by nationally agreed pay rises for all staff and an increase in maintenance costs across the College as restrictions were lifted and projects were able to begin. The College continues to exercise strict control over the recruitment of additional staff/extra staff costs and operational delivery costs.

Impact of FRS102 on Local Government Pension Scheme

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

In 2021/22 the College had a deficit before pension remeasurements of £783k (2020/21 deficit £853k). Excluding non-cash items of net depreciation and non-cash pension costs, this has resulted in a break even position for the year (2020/21 deficit £15k).

The underlying operating position of the College is illustrated below:

Underlying Operating Position		
	2021/22	**2020/21**
	£'000	**£'000**
Deficit before other gains and losses	**(783)**	**(853)**
Add back:		
- Depreciation (net of deferred capital grant release)	468	484
- Pension adjustment - Net service cost (FRS102 Staff cost adjustment)	657	660
- Pension adjustment - Net interest costs	80	127
- Pension adjustment - Early retirement provision	(375)	(336)
Deduct:		
- Revenue Funding allocated to loan repayments and other capital items*	47	97
Underlying Operating Surplus/(Deficit)	**-**	**(15)**

* 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.

Performance Report (continued)

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

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

Table of Cash Budgets for Priorities Spend		
Revenue	**2021/22**	**2020/21**
	£'000	**£'000**
Student Support	209	209
Pay Award	168	118
Total Impact on Operating Position	**377**	**327**
Capital		
Loan Repayments	47	97
Total Capital	**47**	**97**
Total Cash Budget for Priorities Spend	**424**	**424**

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

Liquidity

The operating cash outflow for 2021/22 was £157k (2020/21 operating cash inflow £1,320k).

The average closing monthly cash balance in 2020/21 was £1,641k (including student support funds) (2020/21 £1,700k) and the year-end balance was £1,540k – which is inclusive of student support funds of £217k (2020/21 £1,795k including student support funds of £421k).

The average cash position for 2021/22 was significantly influenced by the level of Backlog Maintenance funding. Whilst projects were identified for all the funding provided, successive lock downs prevented much of the necessary work being undertaken on site until restrictions started to lift. The College was then faced with the difficulty of securing timely completion of work given the back log that the construction and maintenance industry faced.

Loan interest payable for the year was £11k (2020/21 loan interest payable £15k).

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.

Performance Report (continued)

Authorised for issue and approved by order of the members of the Board on 15 December 2022 and signed on its behalf by:

Mr D Patterson
Principal and Chief Executive

Performance Report (continued)

PROFESSIONAL ADVISORS

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

Accountability Report

CORPORATE GOVERNANCE REPORT

Directors' Report

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

As of the date of signing, the Board comprised one executive director, 13 non-executives, 1 HISA rep and 2 staff reps; the overall gender balance on the Board was 8 male and 9 female members which meets the government recommendations with regards to gender split. In 2021/22 the only co-opted member was Mr Grenville Johnston, who sits on the Audit Committee.

The members who served on the Board of Management during 2021/22 and up to the date of approval of the annual report and financial statements are shown below, together with relevant Register of Interests:

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Committee Membership
David Patterson	29/02/16	Duration of contract of employment		Principal	Finance and General Purposes Chairs Staff Governance
Stuart Cruickshank	01/08/21	31/07/25		Support Staff	Staff Governance Remuneration
Rosemary McCormack	19/09/17	18/09/21	01/12/21	Teaching Staff	Finance and General Purposes Staff Governance Remuneration
Alistair Fowlie	15/12/21	14/12/25	09/05/22	Teaching Staff	Finance and General Purposes Staff Governance Remuneration
Rebecca Dewis	23/06/22	22/06/26		Teaching Staff	Learning, Teaching and Quality Committee Staff Governance Remuneration
Anne Campbell	01/01/20	31/12/23	22/02/22	Non-Executive	Learning, Teaching and Quality
Murray Easton (Vice-Chair)	01/07/16	31/07/24	25/03/22	Non-Executive	Finance and General Purposes (Convener) Chairs Remuneration Nominations

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Committee Membership
Peter Graham (Chair)	01/07/16	15/03/26		Non-Executive	Finance and General Purposes Chairs Remuneration Nominations
Paul Mitchell	01/01/20	31/12/23		Non-Executive	Staff Governance
Dr Jessie McLeman	01/07/16	31/07/24		Non-Executive	Audit (Convener) Chairs Remuneration Nominations
Dawn McKinstrey	01/01/20	31/12/23		Non-Executive	Co-opted to Audit Committee 30 May 2019
Caroline Webster	01/08/17	31/07/25		Non-Executive	Finance and General Purposes Staff Governance
Seonaid Mustard	01/08/17	31/07/25	31/03/22	Non-Executive	Staff Governance Learning, Teaching and Quality
Hugh Hamilton	01/11/20	31/10/24		Non-Executive	Staff Governance Learning, Teaching and Quality
Amy Wiggins	23/06/22	26/06/26		Non-Executive	Staff Governance
Ben Cookman	23/06/22	26/06/26		Non-Executive	Finance and General Purposes
David McCallum	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Committee Membership
Elizabeth Hudson	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality
Jacqueline Stevenson	23/06/22	26/06/26		Non-Executive	Learning, Teaching and Quality
Jamie Wilson	23/06/22	26/06/26		Non-Executive	Finance and General Purposes
Leigh Mair	23/06/22	26/06/26		Non-Executive	Audit
Rhiannon Stradling	01/07/21	30/06/22	30/06/22	Student	Audit Learning, Teaching and Quality Remuneration
Caelum Leese	01/07/21	30/06/22	30/06/22	Student	Finance and General Purposes Learning, Teaching and Quality Remuneration
Melissa Carr	20/06/22	30/06/23		Student	Staff Governance Learning, Teaching and Quality Remuneration
Alan Simpson	20/06/22	30/06/23	25/08/22	Student	Finance and General Purposes Learning, Teaching and Quality Remuneration

Accountability Report (continued)

The Board of Governors meets formally five times a year. During 2021/22, there was also a Board Development Day and an extraordinary meeting on 24 February 2022 to approve the annual accounts for 2020/21. 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 2021/22 is shown below:

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

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

Statement of Board of Management's Responsibilities

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

Accountability Report (continued)

In preparing the financial statements, the Board is required to comply with the requirements of United Kingdom Generally Accepted Accounting Practice as adapted for the higher and further education sector by the 2019 Statement of Recommended Practice (the SORP) and the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Scottish Funding Council, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in FReM have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the financial statements on a going concern basis.

The Board's responsibilities include responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the assets of UHI Moray. The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Governance statement

Introduction

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

It is a condition of the Financial Memorandum with the Regional Strategic Body that the Board meets the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. The College is committed to achieving best practice in all aspects of corporate governance. It has worked over recent years towards implementing all the changes recommended by the Cabinet Secretary's Good Governance Task Force to ensure compliance in all areas of the Code. The following items describe the manner in which the College has applied the principles set out in the Code of Good Governance.

The Board held its annual development event in October 2021, which was attended in person by Board members and members of the Strategic Leadership Team (SLT). The main focus of this event was to begin the process of developing a new Strategic Plan for the next 5 years. The UHI Vice-Chancellor and the UHI Vice-Principal, Strategic Developments, attended separate sessions to discuss the new UHI Strategic Plan and the impact of the UHI curriculum review respectively. A discussion was held to determine the Board's appetite for regional alignment and their views were sought on the new UHI branding proposals.

Accountability Report (continued)

The College has an independent Clerk to the Board to support the work of the Board of Management. The former Clerk to the Board retired at the end of October 2021 and a new Clerk was appointed with effect from 1 November 2021.Throughout the session 2021/22 the Clerk to the Board continued to support the SLT by attending monthly meetings with the objective of further improving communications and clarifying the expectations of the Board to the SLT. This development has continued to work well with actions arising from Board and Committee meetings being acted upon in a timely manner.

All Board and committee meetings continued to be held virtually using Microsoft Teams until June 2022. It is anticipated that in-person meetings will be the norm going forward, but to ensure inclusivity, members will still have the option to attend remotely.

In June 2022, the Board undertook its annual review of Board and Committee Effectiveness (including evaluation of the Board, Committee Chairs, and evaluation of the Clerk). The conclusions and recommendations from the Annual Board and Committee review in 2021/22 indicated a high level in the confidence the Board and SLT seem to have in itself, and each other. Committee members also indicated a high level of confidence in the Chairs of each of the Committees. A review of the returns shows positive results in the majority of areas with Strongly Agree and Agree in all but a few aspects. Similarly positive comments were evident in relation to the Chairs and the Board's confidence in them.

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 took place in June 2022.

The externally facilitated Board Effectiveness Review, which was carried out during December 2020 and March 2021, resulted in Wylie Bisset LLP providing a substantial level of assurance. Their assurance level was predicated on continued improvements being made by the Board of Management in their approach to Governance. Three areas of good practice were identified and five recommendations and actions which have been completed.

Annual Board Development Event

The Board held a further annual development day with the SLT in September 2022 at which the College's Strategic Plan (2022-27) and the associated Risk register were discussed and finalised.

Governing Body

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

The Staff Governance Committee's terms of reference incorporates the Staff Governance Standards as determined by Colleges Scotland and the STUC. Its main remit is to ensure an effective system of corporate governance oversight for the management, safety and welfare of the workforce, including a workforce planning and development strategy. Membership of the committee comprises not less than five Board members, plus the Principal and both staff members.

Accountability Report (continued)

The purpose of the F&GP Committee is to ensure a sound system of internal financial management and control, monitoring performance of that system on a regular basis throughout the accounting period. It recommends to the Board the College's annual revenue and capital budgets, and monitors performance in relation to the approved budgets. It also approves and recommends the Annual Report and Financial Statements to the Board. The Director of Finance attends the F&GP Committee but not as a member. Membership comprises at least three members of the Board and the Principal.

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

The Chair's Committee is called as necessary to deal with urgent business that cannot wait for a scheduled Board meeting. Membership includes the Board Chair, Vice-Chair, the four Committee Convenors and the Principal.

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.

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.

Full Minutes including supporting papers of all meetings, except those deemed confidential and reserved, are available from the Clerk to the Board of Management and normally on the College website.

Statement of Compliance

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

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. Members of the Strategic Leadership Team during session 2021/22 are shown below:

Accountability Report (continued)

Risk management and internal control

The Audit Committee membership during the 2021/22 session comprised 4 non-executive Board 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 Annual Internal Audit Report for 2021/22 submitted by the College's internal auditor concluded that the College has adequate and effective arrangements for risk management, control and governance.

An audit register is used by senior management to periodically review and progress all outstanding recommendations and that is also reviewed by the committee. During the current session (2021/22) the executive worked hard to maintain the progress made in previous sessions to ensure all recommended audit actions were completed in a timely fashion.

Following a procurement exercise, Wyllie and Bisset LLP were appointed the College's internal auditors with effect from 1 August 2020.

Internal audit activity undertaken in 2021/22:

Review	Conclusion	Recommendations
Income Collection & Credit Control	Strong	1 low grade recommendation
SITS System	Strong	2 low grade recommendations
Cyber Security/IT Systems	Strong	None
Marketing	Strong	1 low grade recommendation
Estates Strategy	Strong	None
EMA	N/A	1 low grade recommendation

Further reviews were carried out in respect of Student Support, and Student Activity Data (Credits) with an unqualified audit certificate on the Further Education Statistical ("FES") return.

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

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

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

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

Accountability Report (continued)

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

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

Details of any significant lapses of data security

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

Conclusion

The Board of Management has no matters to report in respect of failures in the expected standards of good governance, risk management and control for the period ending 31 July 2022, other than the continuing work to secure a balanced budget position within its current budget and FFR.

Authorised for issue and approved by order of the members of the Board on 15 December 2022 and signed on its behalf by:

Mr P Graham
Chair

Mr D Patterson
Principal and Chief Executive

Accountability Report (continued)

Remuneration and staff report

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

The Remuneration Committee convened once during the year, and consists of the following members:

- Chair and Vice Chair of the Board of Management;
- Conveners of F&GP and Audit Committee;
- The Board independent member;
- Staff representatives; and
- HISA representatives.

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.

Remuneration including salary and pension entitlements

The following table provides detail of the remuneration and pension interests of senior management of UHI Moray. The information in this section of the Remuneration Report is subject to audit.

			12 months ended 31 July 2022		
Name	**Post**	**Salary £'000**	**Pension Benefit £'000[1]**	**Total £'000**	**Full Time Annual Equivalent £'000**
David Patterson	Principal and Chief Executive	100-105	35-40	140-145	140-145
Kenny McAlpine*	Deputy Principal	10-15	0-5	10-15	80-85
Derek Duncan	Director of Information, Planning and Student Support	60-65	0-5	60-65	60-65
Chris Newlands**	Director of Curriculum and Academic Operations	25-30	0-5	25-30	50-55

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

Carolyn Thomson	Director of HR and Organisational Development	60-65	30-35	95-100	95-100
Shelly McInnes	Director of Finance	60-65	20-25	85-90	85-90

*Kenny McAlpine started at UHI Moray 1st June 2022.
**Chris Newlands left UHI Moray 31st August 2021 and returned 6th September 2021 as a supply bank member of staff

			12 months ended 31 July 2021		
Name	**Post**	**Salary £'000**	**Pension Benefit £'000[1]**	**Total £'000**	**Full Time Annual Equivalent £'000**
David Patterson	Principal and Chief Executive	100-105	30-35	135-140	135-140
Derek Duncan	Director of Information, Planning and Student Support	60-65	5-10	75-80	75-80
Chris Newlands	Director of Curriculum and Academic Operations	50-55	15-20	65-70	65-70
Nikki Yoxall*	Director of Learning & Teaching	50-55	20-25	70-75	70-75
Carolyn Thomson	Director of HR and Organisational Development	60-65	25-30	90-95	90-95
Shelly McInnes	Director of Finance	60-65	20-25	80-85	80-85

*Nikki Yoxall (NY) left UHI Moray 30th July 2021

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.

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

Accountability Report (continued)

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.

	2021/22 £'000	2020/21 £000'	Change %
Range of workforce remuneration	17-106	16-105	
Highest paid officical remuneration	106	105	0.95
Median (total pay and benefits)	31	30	3.24
Median (salary only)	31	30	3.24
Ratio	3.40:1	3.48:1	
25th percentile (total pay and benefits)	25	24	4.01
25th percentile (salary only)	25	24	4.01
Ratio	4.21:1	4.34:1	
75th percentile (total pay and benefits)	44	43	2.31
75th percentile (salary only)	44	43	2.31
Ratio	2.43:1	2.46:1	

Based on the 12-month figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2021/22 was in the range £105k-£110k (2020/21 £100k-£105k). This was 3.40 times (2020/21 3.48 times) the median remuneration of the workforce which was in the range £30k-£35k (2020/21 - £25k-£30k).

The change in percentage of the ratios year on year is minimal as the pay rise awarded was a round figure rather than a percentage 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 2022	Accrued pension at pension age at 31 July 2021	Real increase in pension 1 August 2020 – 31 July 2022	Real increase in lump sum 1 August 2019 – 31 July 2021	CETV at 31 July 2022	CETV at 31 July 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
David Patterson	10-15	10-15	0-5	0-5	208	164	44
Kenny McAlpine	0-5	-	0-5	-	0-5	-	-
Derek Duncan	10-15	10-15	0-5	0-5	299	277	22
Chris Newlands	25-30	25-30	0-5	0-5	698	698	-
Carolyn Thomson	25-30	20-25	0-5	0-5	378	348	30
Shelly McInnes	0-5	0-5	0-5	0-5	33	20	13

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 2022		Year ended 31 July 2021	
	Senior post-holders	Other staff	Senior post-holders	Other Staff
£ 60,001 to £ 70,000	3	-	3	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	-	-	-	-
£ 90,001 to £100,000	-	-	-	-
£ 100,001 to £110,000	1	-	1	-
	4	**-**	**4**	**-**

Staff numbers and costs

	2022 Directly employed staff £'000	2022 Seconded and agency staff £'000	2022 Total £'000	2021 Total £'000
Wages and salaries	8,612	-	8,612	9,634
Social security costs	811	-	811	743
Other pension costs	2,510	-	2,510	1,293
Total	11,933	-	11,933	11,670
Staff Numbers (FTE)	239	-	239	235

Staff comparison

On 31 July 2022 there were 318 contracted staff, 210 females and 108 males (2020/21 327 contracted staff - 223 females, 104 males).

Sickness absence data

The average sickness absence data rate over the period 1 August 2021 to 31 July 2022 was 4.36% (2020/21 2.17%).

Staff turnover

The average staff turnover percentage in 2021/22 was 13.66% (2020/21 6.51%)

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 2022.

Accountability Report (continued)

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
6	6

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£31,686
Total pay bill	£10,869,564
Percentage of the total pay bill spent on facility time	0.29%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours	0.00%

Staff Policies

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

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

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

Expenditure on Consultancy

During the financial year, the appropriately procured services of Aspen People were engaged to support the recruitment process resulting in the appointment of the Deputy Principal.

Off-payroll engagements

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

Accountability Report (continued)

Compensation for loss of office

During the financial year, RSB and SFC permission was obtained to secure a voluntary severance program, ringfenced to those staff who worked in the College's refectory. The refectory was closed during the first lock-down in March 2020 and the staff remained on full furlough throughout the 2020/21 financial year. Wherever possible the staff affected were found suitable alternative employment in the College. The scheme was funded via sustainability funding from the SFC and agreements were reached with seven members of staff who applied for voluntary severance during 2020/21. The seven members of staff left the College's employment in September 2021.

RSB and SFC permission was also obtained to secure a voluntary resignation through the offer of a non-contractual financial consideration for one member of staff who left the employment of the College on 3 December 2021.

Parliamentary Accountability Report

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

Other Employee Matters

More College activities were delivered on a face to face basis where allowed and appropriately risk assessed within this period, following constructive consultation with staff and trade union representatives. Furlough continued to be used where appropriate and whilst available. A survey was undertaken to establish the benefits and drawbacks from the remote working arrangements which had been in place over lockdown and also how working arrangements in future could be adapted to the benefit of College operations and individual members of staff. The results of this survey then informed the development of a New Ways of Working Pilot which is being rolled out within session 2022/23.

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

Mr P Graham	Mr D Patterson
Chair	Principal and Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Moray college UHI for the year ended 31 July 2022 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 Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flow 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 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 31 May 2016. The period of total uninterrupted appointment is six years. 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 college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.
These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

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

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:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;

- identifying which laws and regulations are significant in the context of the college;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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.

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

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.

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. In our opinion, the audited part of the Remuneration and Staff Report has 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 other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part 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.

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

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 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 part 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 120 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.

Stephen Reid, for and on behalf of Ernst & Young LLP
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX
Date:
Ernst & Young is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2022

	Note	31 July 2022 £'000	31 July 2021 £'000
Income			
Funding body grants	1	10,329	9,878
Tuition fees and education contracts	2	2,349	2,126
Research grants and contracts	3	1,270	1,181
Other income	4	458	628
Total Income		**14,406**	**13,813**
Expenditure			
Staff costs	5/6	11,933	11,670
Other operating expenses	7	2,324	2,091
Depreciation	11	921	890
Interest payable	8	11	15
Total Expenditure		**15,189**	**14,666**
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(783)	(853)
Loss on disposal of assets	11	-	-
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(783)	(853)
Taxation	9	-	-
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(783)	(853)
Remeasurement of pension scheme assets and liabilities	25	5,972	3,600
Unrealised surplus on revaluation of land and buildings	11	-	-
Total comprehensive income and expenditure for the year		**5,189**	**2,747**

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 2022

	General Reserve 31 July 2022 £'000 (Note 19)	Revaluation Reserve 31 July 2022 £'000 (Note 18)	Total 31 July 2022 £'000
Balance at 1 August 2020	**(7,382)**	**13,384**	**6,002**
Deficit from the income and expenditure account	(853)	-	(853)
Other comprehensive income	3,600	-	3,600
Transfers between revaluation and income and expenditure reserve	449	(449)	-
Balance at 1 August 2021	**(4,186)**	**12,935**	**8,749**
Deficit from the income and expenditure account	(783)	-	(783)
Other comprehensive income	5,972	7,482	13,454
Transfers between revaluation and income and expenditure reserve	449	(449)	-
Balance at 31 July 2022	**1,452**	**19,968**	**21,420**

Statement of Financial Position
as at 31 July 2022

	Notes	as at 31 July 2022 £'000	as at 31 July 2021 £'000
Non-current assets			
Fixed assets	11	32,092	24,852
		32,092	**24,852**
Current Assets			
Stock		107	88
Trade and other receivables	12	1,445	1,233
Cash and cash equivalents		1,540	1,795
		3,092	3,116
Creditors: amounts falling due within one year	13	(3,990)	(4,124)
Net current liabilities		**(898)**	**(1,007)**
Total assets less current liabilities		31,194	23,843
Creditors: amounts falling due after more than one year	14	(7,564)	(7,448)
Provisions	16	(2,210)	(7,647)
TOTAL NET ASSETS		**21,420**	**8,750**
UNRESTRICTED RESERVES			
Revaluation reserve	18	19,968	12,926
General reserve	19	1,452	(4,176)
TOTAL RESERVES		**21,420**	**8,750**

The financial statements on pages 35 to 70 were authorised for issue and approved by the Board of Management on 15 December 2022 and were signed on its behalf on that date by:

Mr P Graham
Chair

D Patterson
Principal and Chief Executive

Cash Flow Statement
for the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Cash (outflow)/inflow from operating activities	20	(157)	1,320
Returns on investments and servicing of finance	21	(11)	(14)
Capital expenditure and financial investment	22	(36)	(14)
Financing	23	(47)	(56)
(Decrease)/Increase in cash in the year		**(251)**	**1,236**

Note to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

(Decrease)/Increase in cash in the year		(251)	1,236
Change in net debt resulting from cash flows	24	47	56
Movement in net funds in year		(204)	1,292
Net funds at 1 August 2021		1,470	178
Net funds at 31 July 2022	24	**1,266**	**1,470**

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 2021-22 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, stock 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.

The College recorded a deficit of £0.8 million for the year before other gains and losses during the financial year and total comprehensive income of £5.2 million. The College reported a break even position after accounting for technical pension adjustments, loan repayment costs and net depreciation adjustments. Cash decreased by £0.3 million during the year and at 31 July 2022 the College held a cash balance of £1.5 million.

Cashflow projections have been prepared for the going concern period to 31 July 2023 assuming pay rises in line with the SFC guidance. This exercise has demonstrated that there may be a requirement to manage cash flow requirements through the re-phasing of grant payments within the academic year from the Regional Strategic Body. Should significantly higher pay rises be agreed, without additional funding from the Scottish Government, the College will require more significant support from the Regional Strategic Body. The Board of Management of UHI Moray has no reason to believe that support of this nature from the Regional Strategic Body and Scottish Funding Council will not be forthcoming. The College has received a letter of support from the SFC which states that they will 'work with the sector and individual Colleges and regions to help manage cash flow requirements, at least for the period of 12 months from the date of approval of your balance sheet, specifically through the re-phasing of grant payments within and between academic years if required.' The College is satisfied that it will continue to be able to pay its operating expenses as they fall due.

The ongoing financial pressures are driven largely by altered enrolment patterns during the pandemic, and by policy and funding decisions out-with the control of College management. The downturn in enrolment during the pandemic 'emergency years' (as defined by the SFC) ran contrary to the period of growth and development preceding it. Mitigating actions which the College has control of, or areas which the College can make changes to - such as maintaining strict controls on staff numbers and operating costs, reviewing and addressing changes to the curriculum and securing additional, non-government funded income; all have to be delivered within the constraints of an unbalanced budget and a pressure on cash. As the local area and economy recover, the College needs to be in a position

Statement of Principal Accounting Policies (continued)

to support those who wish to continue or return to education and training. This will include identifying areas of the curriculum that need to be changed, introduced or removed.

The Board of Management do, however, look forward to the medium-term opportunities afforded by the Moray Growth Deal, signed in December 2021 by the UK and Scottish governments. The project offers an unprecedented local investment in projects which through College and partner leadership will create new and stronger demand for the College’s services across a wide range of the College’s curriculum provision. The MAATIC project will widen the curriculum offering of the College; establishing the area as a centre for excellence in aviation, aerospace, and digital manufacturing engineering. The Business Enterprise Hub will support existing small and micro-businesses in the area, strengthen research and the curriculum with courses unique to Scotland and provide additional CPD capacity support. The Cultural Quarter will be a catalyst for increased demand for courses in creative and performing arts, tourism, hospitality, and allied areas. Successful delivery of these projects will significantly increase the reputation of the College and help to secure the long-term viability of the College.

The conclusion from the above analysis is that whilst the financial position of the College continues to be challenging and the financial pressures extend beyond the period to 31 July 2023, the College is a public body providing statutory services and as such will remain a going concern as long as this is the case. It remains wholly appropriate to adopt a going concern basis for the preparation of these annual financial statements.

Changes in Accounting Policies

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.

Statement of Principal Accounting Policies (continued)

Grant Funding

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

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

Donations and endowments

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

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

Capital Grants

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

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

Statement of Principal Accounting Policies (continued)

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.

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.

Statement of Principal Accounting Policies (continued)

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.
- 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.

Statement of Principal Accounting Policies (continued)

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

Depreciation

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

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

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

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

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

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

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

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

Statement of Principal Accounting Policies (continued)

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.

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.

Statement of Principal Accounting Policies (continued)

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.

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.

Statement of Principal Accounting Policies (continued)

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.

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 2022 £'000	Year ended 31 July 2021 £'000
SFC recurrent grant (including fee waiver)	5,234	5,279
UHI recurrent grant – HE provision	2,836	2,833
Capital funding	217	-
FE childcare funds	106	142
Release of deferred capital grants (SFC)	252	205
Other SFC grants – FE provision	1,390	1,361
Other UHI grants – HE provision	294	58
	10,329	**9,878**

2. Tuition fees and education contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
FE fees – UK	664	296
HE fees	1,077	1,259
Skills Development Scotland (SDS) contracts	386	453
Other contracts	222	118
	2,349	**2,126**

3. Research grants and contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Release of deferred capital grants (UHI)	201	201
European funds	-	1
Other grants	1,069	979
	1,270	**1,181**

Notes to the Financial Statements (continued)

4. Other income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Catering and residences	46	8
Nursery	123	138
Hairdressing and beauty	24	16
Early Learning Support (ELS) Income	32	5
Rent	66	46
Other income*	167	415
	458	**628**

*Included in other income above is £10k (2020/21 £357k) of Coronavirus Job Retention Scheme (Furlough income) received.

5. Staff numbers and costs

Staff numbers (full-time equivalent):	Year ended 31 July 2022	Year ended 31 July 2021
Academic/Teaching departments	104	103
Academic/Teaching services	33	30
Administration and central services	60	60
Premises	12	11
Other expenditure	29	24
Catering and residences	1	7
	239	**235**
Staff on permanent contracts	199	208
Staff on temporary contracts	40	27
	239	**235**

Notes to the Financial Statements (continued)

Staff costs:	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Academic/Teaching departments	5,914	5,713
Academic/Teaching services	1,157	981
Administration and central services	2,707	2,693
Premises	390	328
Other expenditure	827	759
Catering and residences	22	180
Voluntary Severence	-	215
Pension movement	916	801
	11,933	**11,670**
Wages and salaries	8,612	9,634
Social security costs	811	743
Other pension costs	2,510	1,293
	11,933	**11,670**

Pension provision adjustment

In accordance with SFC guidance the pension provision in respect of unfunded enhanced early retirements has been revalued using the 2020/21 SFC guidance. An interest rate of 0.0% has been used (2020/21 interest rate 0.0%) which resulted in a decrease in provision of £375k (2020/21 decrease of £336k). 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 £916k (2020/21 £801k).

6. Senior post-holders' emoluments

	Year ended 31 July 2022 Number	Year ended 31 July 2021 Number
Senior post-holders including the Principal:	**6**	**6**
Senior post-holders' emoluments including the Principal:	**£'000**	**£'000**
Salaries	336	400
Pension contributions	72	90
	408	**490**

Notes to the Financial Statements (continued)

Amounts paid to the Principal:	£'000	£'000
Salary	104	104
Pension contributions	24	23
	128	**127**

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 2022 £'000	Year ended 31 July 2021 £'000
Academic/Teaching departments and services	585	605
Administration and central services	669	651
Agency staff	137	88
Premises	782	664
Other expenditure	81	64
Catering and residences	70	19
	2,324	**2,091**

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

Other operating expenses include:	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Auditor's remuneration:		
external audit	20	34
internal audit	17	17
Disbursements of childcare funds to students	106	142
Legal services	7	11
Hire of plant and machinery – operating leases	38	49
Hire of other assets - operating leases	-	1

Notes to the Financial Statements (continued)

8. Interest payable

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	11	15
	11	**15**

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 2022 £'000	Year ended 31 July 2021 £'000
Total comprehensive income expenditure for the year is made up of the following:		
Deficit for the year	(783)	(853)
Remeasurements of pension scheme assets and liabilities	5,972	3,600
	5,189	**2,747**

Notes to the Financial Statements (continued)

11. Tangible fixed assets

	Freehold Land and Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost / Valuation					
At 1 August 2021	24,813	3,017	2,093	36	29,959
Additions	36	195	485	(36)	680
Completion of construction	-	-	-	-	-
Revaluation	6,227	-	-	-	6,227
Disposals	-	-	-	-	-
At 31 July 2022	**31,076**	**3,212**	**2,578**	**-**	**36,866**
Depreciation					
At 1 August 2021	1,358	2,784	965	-	5,107
Charge for year	640	95	186	-	921
Revaluation	(1,255)	-	-	-	(1,255)
Disposals	-	-	-	-	-
At 31 July 2022	**743**	**2,879**	**1,151**	**-**	**4,773**
Net book value					
At 31 July 2022	**23,455**	**233**	**1,128**	**36**	**24,852**
Net book value					
At 1 August 2021	**30,333**	**333**	**1,427**	**-**	**32,093**
Inherited	17,486	-	-		17,486
Financed by capital grant	12,488	333	1,330		14,151
Other	359	-	97	-	456
Net book value					
At 31 July 2022	**30,333**	**333**	**1,427**	**-**	**32,093**

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

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

Notes to the Financial Statements (continued)

Had land and buildings not been revalued historically they would have been included at 31 July 2022 as:

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

12. Trade and other receivables

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
Trade receivables	102	125
Prepayments and accrued income	372	395
Other debtors	972	713
	1,446	**1,233**

13. Creditors: Amounts falling due within one year

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
Loans and overdrafts (secured)	47	51
Payments received in advance	1,085	1,333
Trade creditors	77	81
Other creditors	1,246	1,148
Other taxation and social security	310	201
Accruals and deferred income	513	460
Bursary and access funding	217	421
Capital grants	495	429
	3,990	**4,124**

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

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
Moray Council loan	204	251
Capital grants	7,360	7,197
	7,564	**7,448**

Notes to the Financial Statements (continued)

15. Borrowings

Bank loans and overdrafts

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
The Royal Bank of Scotland loan is repayable as follows:		
In one year or less	-	9
Between one and two years	-	-
Between two and five years	-	-
	-	**9**

The Royal Bank of Scotland holds a standard security over the Technology Centre.

Moray Council loan

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
The Moray Council loan is repayable as follows:		
In one year or less	47	47
Between one and two years	47	47
Between two and five years	141	141
In five years or more	16	64
	251	**299**

The Moray Council loan is secured over College buildings.

16. Provisions for liabilities and charges

	Early retirement pension costs £'000	Pension costs £'000	Other £'000	2021/22 Total £'000	2020/21 Total £'000
At 1 August	2,177	5,464	6	7,647	10,782
Expenditure in the year	(142)	-	(6)	(148)	(149)
Additional provision required in year	142	-	-	142	149
Revaluation adjustment	(375)	916	-	541	465
Pension valuation changes	-	(5,972)	-	(5,972)	(3,600)
At 31 July	**1,802**	**408**	**-**	**2,210**	**7,647**

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 2022 **£'000**	**31 July 2021** **£'000**	**31 July 2022** **£'000**	**31 July 2021** **£'000**
Financial assets – loans and receivables				
Trade and other receivables			102	125
Cash and cash equivalents			1,540	1,795
Total loans and receivables			**1,642**	**1,920**
Financial liabilities at amortised cost				
Trade and other payables			590	733
Long term borrowing	204	252		
Total financial liabilities at amortised cost	**204**	**252**	**590**	**733**

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 2021		**31 July 2022**		
£'000		**£'000**	**£'000**	**£'000**
		Financial liabilities	**Financial assets**	
		Liabilities measured at amortised cost	Loans and receivables	**Total**
(15)	Interest expense	(11)		**(11)**
-	Gains on revaluation	-		**-**
	Losses on revaluation	-	-	-
(15)	**Net gain / (loss) for the year**	**(11)**		**(11)**

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 2022 for loans from Moray Council 3.76%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the billed amount

The fair values are as follows:

	31 July 2022		**31 July 2021**	
	Carrying amount £’000	**Fair value £’000**	**Carrying amount £’000**	**Fair value £’000**
Borrowing repayable				
Moray Council	253	262	299	327
Royal Bank of Scotland	-	-	9	54
Total	**253**	**262**	**308**	**381**

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

Risks associated with financial instruments

Liquidity risk

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

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

Notes to the Financial Statements (continued)

	Royal Bank of Scotland		Moray Council		**Total**	
	31 July 2022 £'000	31 July 2021 £'000	31 July 2022 £'000	31 July 2021 £'000	**31 July 2022** **£'000**	31 July 2021 £'000
Less than one year		9	47	47	**56**	103
Between 1 and 2 years	-	-	47	47	**47**	47
Between 2 and 5 years	-	-	141	141	**141**	141
In five years or more	-	-	18	64	**64**	110

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 £102k (2021: £125k), being the sum of cash and cash equivalents and trade and other receivables. The fair values are not significantly different to carrying values.

18. Revaluation reserve

	As at 31 July 2022 £'000	**As at 31 July 2021 £'000**
At 1 August	12,935	13,384
Revaluations in the year	7,482	-
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(449)	(449)
At 31 July	**19,968**	**12,935**

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
			2022			2021
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August	1,278	(5,464)	**(4,186)**	881	(8,263)	**(7,382)**
Deficit from the Statement of Comprehensive Income and Expenditure	133	(916)	**(783)**	(52)	(801)	**(853)**
Transfer from revaluation reserve	449	-	**449**	449	-	**449**
Remeasurement of pension scheme assets and liabilities	-	5,972	**5,972**	-	3,600	**3,600**
At 31 July	**1,860**	**408**	**1,452**	**1,278**	**(5,464)**	**(4,186)**

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

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(783)	(852)
Depreciation	921	889
Deferred capital grants released to income	(453)	(406)
Interest payable	11	15
(Increase)/decrease in stocks	(19)	-
(Increase)/decrease in debtors	(213)	644
(Decrease)/Increase in creditors	(162)	565
Increase in provisions	541	465
Net cash flow from operating activities	**(157)**	**1,320**

Notes to the Financial Statements (continued)

21. Returns on investments and servicing of finance

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Interest received	-	-
Interest paid	(11)	(14)
Net cash flow from returns on investments and serviing on finance	**(11)**	**(14)**

22. Capital expenditure and financial investment

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Purchase of tangible fixed assets	(716)	(127)
Deferred capital grants received	680	113
Disposal of land and building	-	-
Net cash flow from capital expenditure and financial investment	**(36)**	**(14)**

23. Financing

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Debt due beyond a year:		
repayment of Moray Council loan	(47)	(47)
repayment of bank loan	-	(9)
Net cash flow from financing	**(47)**	**(56)**

24. Analysis of changes in net funds

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash at bank and in hand	1,791	(251)	-	1,540
	1,791	(251)	-	1,540
Debt due within 1 year	171	47	-	218
Debt due after 1 year	(492)	-	-	(492)
	1,470	**(204)**	**-**	**1,266**

Notes to the Financial Statements (continued)

25. Pension and similar obligations

Accrued pension benefits

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

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

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

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

Scottish Teachers Superannuation Scheme (STSS)

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

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

(v) UHI Moray's level of participation in the scheme is 0.15% based on the proportion of employer contributions paid in 2020/21."

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 2022 were £1,384k (2020/21 £1,352k) of which employers contributions totalled £993k (2020/21 £972k and employees contributions totalled £391k (2020/21 £380k). Total contributions for the year included £137k outstanding at the balance sheet date (2020/21 £113k).

The current contribution rates are:	Employees	Banded rates salary based ranging 7.2% to 11.5%
	Employers	23.0% from 01.09.2019

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

FRS 102

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

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

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

The actuary estimates the liability using a range of assumptions to which a discount factor is applied to determine the current value. The discount factor applied in 2021 was 3.5% (2020 1.6%).

Notes to the Financial Statements (continued)

To reflect the pension liability on the balance sheet, the provision decreased by £5,056k (decreased by £2,799k in 2020/21), 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 2020 by a qualified, independent actuary.

Total contributions for the year ended 31 July 2022 were £1,053k (2020/21 £999k) of which employers contributions totalled £836k (2020/21 £789k) and employees contributions totalled £217k (2020/21 £210k). Total contributions for the year included £120k outstanding at the balance sheet date (2020/21 £84k).

The current contribution rates are:	Employees	Tiered rates based on salary ranging 5.5% to 9.7%.
	Employers	23.2% from 01.04.2022 (22.7% until 31.03.2022)

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

	Year ended 31 July 2022 £'000	**Year ended 31 July 2021 £'000**
Current service cost	1,635	1,462
Interest on obligation	80	127
Administration expenses	15	14
Past service cost	-	-
Expected return on employer assets	-	-
Effect on curtailments	-	-
Total	**1,730**	**1,603**
Other comprehensive income and expenditure		
Remeasurements (assets and liabilities)	**5,972**	**3,600**

Notes to the Financial Statements (continued)

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

	As at 31 July 2022 £'000	As at 31 July 2021 £'000
Present value of the defined benefit obligation	26,239	33,360
Present value of unfunded benefit obligations	121	150
Fair value of plan assets	(25,952)	(28,046)
Net liability	**408**	**5,464**

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

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Opening defined benefit obligation	33,510	29,554
Current service cost	1,635	1,462
Interest on pension liability	533	472
Contribution by members	217	210
Past service cost	-	-
Remeasurements (liabilities)	-	-
Expenditure Gain	-	-
Experience (gain)/loss	1,780	466
Loss/(Gain) on assumptions	(10,721)	1,836
Loss/(Gain) on demographic assumptions	(151)	-
Curtailments	164	-
Unfunded benefits paid	(12)	(13)
Benefits paid	(595)	(477)
Closing defined benefit obligation	**26,360**	**33,510**

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

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Opening fair value of scheme assets	28,046	21,291
Expected return on assets	453	345
Contribution by members	217	210
Contribution by the employer	978	789
Contributions in respect of unfunded benefits	12	13
Remeasurement of assets	(3,120)	5,902
Unfunded benefits paid	(12)	(13)
Benefits paid	(607)	(477)
Administration expenses	(15)	(14)
Closing fair value of scheme assets	**25,952**	**28,046**

Notes to the Financial Statements (continued)

The assets in the scheme are:

		Value at 31 July 2022		Value at 31 July 2021
	%	**£'000**	**%**	**£'000**
Equities	59.9	15,545	58.3	16,350
Government Bonds	8.2	2,128	7.9	2,216
Bonds	0.0	-	0.0	-
Property	6.5	1,687	6.1	1,711
Cash	3.0	779	2.6	729
Other	22.4	5,813	25.1	7,040

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 2020 rolled forward to 31 July 2021.

The significant assumptions used by the actuary are as follows:

	Year ended 31 July 2022 % pa	Year ended 31 July 2021 % pa
Pension increase rate	2.7	2.6
Salary increase rate*	4.2	4.1
Discount rate	3.5	1.6
Average future life expectancies at age 65 are summarised below:		
Future pensioners (males / females)	23.0 (26.3)	23.1 (26.3)
Current pensioners (males / females)	21.5 (24.2)	21.5 (24.2)
The employer contributions for year to 31 July 2022 will be approximately	862	819

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

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

Notes to the Financial Statements (continued)

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

Impact on the Defined Benefit Obligation of the scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	628	(628)
Rate of inflation (increase or decrease by 0.1%)	507	(507)
Rate of increase in salaries (increase or decrease by 0.1%)	61	(61)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(497)	497

Impact on the College's Cash Flows

The triennial valuation was completed at 31 March 2020, which is effective from 31 March 2021.

The total contributions expected to be made to the Local Government Pension Scheme by the College in the year to 31 March 2023 is £862k. If actual assumptions are the same, the total pension cost recognised in the Statement of Comprehensive Income and Expenditure in 2022/23 is estimated to be £989k.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 valuation is 20 years.

26. Non-cash allocation

The College's adjusted operating position as at 31 July 2022 is illustrated below:

	2021/22	2020/21
	£'000	£'000
Deficit before other gains and losses (FE/HE SORP basis)	(783)	(852)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	830	935
Operating surplus on Central Government accounting basis	**47**	**83**

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 £783k for the year ended 31 July 2022. After taking account of the Government non-cash budget, the College shows break even on a Central Government accounting basis. This demonstrates that the College is not currently operating sustainably within its funding allocation. Management are continuing to work on a recovery plan to bring the College back within a 'balanced position' by the end of FY 2026/27.

Notes to the Financial Statements (continued)

Underlying Operating Position		
	2021/22	**2020/21**
	£'000	**£'000**
Deficit before other gains and losses	**(783)**	**(853)**
Add back:		
- Depreciation (net of deferred capital grant release)	468	484
- Exceptional non-restructuring costs (e.g. impairment)	-	-
- Non cash pension adjustments (FRS102)	657	660
- Non cash pension adjustments (Net interest costs)	80	127
- Non cash pension adjustments (SFC)	(375)	(336)
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant)	-	-
- Exceptional income	-	-
- Revenue Funding allocated to loan repayments and other capital items*	(47)	(97)
Underlying Operating Surplus/(Deficit)	**-**	**(15)**

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

27. Capital commitments

At 31 July 2022 the College had no capital commitments.

28. Financial commitments

At 31 July 2022 the College had annual commitments under non-cancellable operating leases as shown:

	Year ended 31 July 2022 £'000	**Year ended 31 July 2021 £'000**
Land and Buildings		
Falling due within one year	-	-
Falling due within one and two years	-	-
	-	**-**
Other		
Falling due within one year	32	34
Falling due within one and two years	44	4
Falling due within two and five years	18	-
	94	**38**

Notes to the Financial Statements (continued)

29. Related party transactions

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

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

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

Aggregate transactions with the University of the Highlands and Islands*:

FE funding	£6,565,604 (2021 - £6,699,354)
HE funding	£2,948,196 (2021 - £2,483,661)
Sales ledger	£851,759 (2021 - £433,268)
Purchase ledger	£51,319 (2021 - £13,002)
Debtor	£13,915 (2021 - £63,728)

*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.

31. Bursaries and other student support funds

	FE Bursaries £'000	FE Hardship £'000	EMA £'000	HE Hardship £'000	2021/22 Total £'000	2020/21 Total £'000
At 1 August	122	72	27	122	343	371
Allocation received in year	2,073	99	93	236	2,501	2,727
Virements	331	(9)	-	-	322	-
Expenditure	(1,804)	(162)	(88)	(294)	(2,348)	(2,090)
Repaid to Funding Council as clawback	(401)	-	-	-	(401)	(282)
In year Re-Distribution	(200)	-	-	-	(201)	(383)
At 31 July	**121**	**-**	**32**	**64**	**216**	**343**
Represented by:						
Repayable to UHI as clawback	-	-	-	-	-	-
Repayable to Region for Re-distribution	-		-	-	-	---
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	121	-	32	64	216	343
	121	**-**	**32**	**64**	**216**	**343**

Notes to the Financial Statements (continued)

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

	2021/22 £'000	2020/21 £'000
At 1 August	78	14
Allocation received in year	232	206
Expenditure	(106)	(142)
Repaid to Funding Council as clawback	-	-
Virements	(204)	-
At 31 July	**-**	**78**
Represented by:		
Repayable to UHI as clawback	-	-
Repayable to Region for Re-distribution	-	-
Repayable to Funding Council as clawback	-	-
Retained by College for students	-	78
	-	**78**

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 - 2021-22 Accounts direction for Scotland's Colleges

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

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

3. Incorporated Colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (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 2022.

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 July 2022

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

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