



MORAY COLLEGE



Annual Report  
and Financial Statements  
for the year ended 31 July 2008



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## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES

The Board of Management presents its annual report and audited financial statements for the year ended 31 July 2008.

#### Legal Status

Moray College became a fully incorporated college under the Further and Higher Education (Scotland) Act 1992. The College is a registered Scottish charity, No. SCO21205, and as such is not liable for Corporation Tax.

#### Vision

To be a learning provider of the highest reputation.

#### Mission

Moray College aims to provide a readily accessible range of high quality lifelong learning opportunities that are offered in a safe and supportive environment and which support the economic, social, environmental and cultural development of the communities that it serves.

#### Implementation of Strategic Plan

In December 2007 the Board of Management approved the Strategic Plan for the period 2007 to 2010. This is reviewed and updated annually. The current strategic aims are:

- a College that is responsive to the lifelong learning needs of the students and communities that it serves;
- a College that provides learning and teaching of the highest quality;
- a College that works efficiently and effectively with other organisations to meet the lifelong learning needs of the communities that it serves;
- a College that is financially secure on a sustainable basis;
- a College that operates to the highest standards of leadership and management.

In 2007/08 significant progress was made in respect of each strategic aim.

The annual Operational Plan details key tasks associated with each strategic aim and in 2007/08 approximately 75% of these key tasks were completed and significant progress was made in respect of the remaining 25%.

#### Financial objectives

The College's financial objectives are:

- to generate annual operating surpluses sufficient to meet College needs and its continued financial security;
- to fully embed the principles of risk management into College decision making at all levels;
- to ensure the effectiveness and efficiency of College operations through a systematic application and review of processes relating to value for money, benchmarking and business planning;
- to maximise income from non Grant-in-Aid sources;
- to seek out efficiencies that might be gained from a greater level of partnership working.

In 2007/08 significant progress was made in respect of each financial objective.

## Performance indicators

The College is fully committed to performance indicator reporting and will continue to benchmark within the sector and will seek to improve performance on a continuous basis.

The following key performance indicators are monitored and reported regularly:

- student activity levels;
- teacher qualifications;
- partnership working;
- employer engagement;
- environmental issues.

The College had an FE target for the year of 26,437 Weighted Student Units of Measurement (WSUMs) and achieved 27,169. The College received its HE funding via the University of the Highlands and Islands Millennium Institute (UHIMI) and agreed a funded target of 899 full-time equivalent students (FTE) for the year, against which it achieved 865.

An objective has been agreed that the percentage of full-time permanent lecturers in possession of a Teaching Qualification in Further Education (TQFE) should exceed 90% by 2010. This target should be met within that timeframe.

Much has been achieved in strengthening working relationships with key stakeholders. The College continues to make a significant contribution to UHIMI's application for university title. It is a leading partner in the Moray Community Planning Partnership and in the Lifelong Learning Forum with the objective of providing a co-ordinated response to the Scottish Government's Lifelong Skills Strategy.

Closer partnership working with Moray Educational Services has resulted in a significant increase in the number of secondary school pupils attending Moray College during the year and planning is underway to extend learning opportunities to local primary school pupils.

The College has developed a strategy in support of SFC initiatives in respect of employer engagement and knowledge transfer. A planned calendar of events highlights the key activities being undertaken to ensure full engagement.

Significant progress has been made in supporting environmental issues. The College is a member of the SFC's Campus Sustainability Programme and in partnership with Moray Council has received a certificate of commendation from Moray Community Environmental Initiatives for waste re-cycling. The College Energy Group increased energy awareness, contributing to a 15% drop in electricity consumption this year and further improvements in respect of sustainable heating and lighting are planned for next year.

## FINANCIAL POSITION

### Financial results

The College generated a surplus in 2007/08 of £211,000 (2006/07 surplus £304,000).

This was after charging £132,000 in respect of an increase to the unfunded early retirement pension provision, in accordance with guidance and interest tables issued by the Scottish Funding Council in July 2008 (2006/07 pension provision increase £71,000).

**Treasury policies and objectives**

Treasury management relates to the planning and control of College cash flows and the optimisation of its banking arrangements. The principal bank accounts consist of a working account maintained at a low credit balance, an interest bearing investment account used to service the former and a corporate bonus account to benefit from higher interest rates. Treasury management is part of the College Financial Strategy.

**Cash flows**

At £824,000 the operating cash inflow for 2007/08 was strong (2006/07 £737,000).

**Liquidity**

The average closing monthly cash balance in 2007/08 was £3.28m and the year-end balance was £3.23m (2006/07 £2.46m).

Loan interest payable was £100,000 (2006/07 £106,000), well within the operating cashflow.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE****Student numbers**

In 2007/08 the College delivered 27,169 WSUMs of FE activity, generating grant-in-aid income from SFC of £5,427,000 (2006/07 £5,107,000). In addition, 865 FTEs were delivered in respect of HE activity, generating income from UHIMI of £2,196,000 (2006/07 £2,160,000). Total grant-in-aid and tuition fee income from student activity was £9,395,000 (2006/07 £8,896,000).

**Student achievements**

The College continues to support learners in the pursuit of excellence. College students in plumbing have won the UK trophy in three of the eight years since the competition's inception. In 2007/08 students studying degrees in Environment & Heritage and Fine Art achieved 1st Class Honours. All learners are encouraged to set challenging targets for themselves as they strive to fulfil their potential.

**Curriculum developments**

School/college partnership working expanded dramatically during the year with the adoption of the Skills for Work programme across a range of vocational areas. Pupils from Nairn and Forres Academies enrolled in increasing numbers for courses in construction and engineering at the new vocational centre at Greshop and the College was an active participant in the Aspire North programme aimed at raising the aspiration of school pupils in respect of further and higher education.

Networking of Higher National courses took place improving the efficiency of delivery and enhancing student options, for example Moray and Inverness Colleges agreed to jointly develop and deliver a programme for HNC Hairdressing.

The College delivered to Honours level in both Fine Art and Social Sciences for the first time in 2007/08.

Training options for the long-term unemployed were expanded with innovative programmes, such as Prepare 2 Care, proving very successful.

**Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998 requires colleges to make payments to suppliers within 30 days. The average trade creditor balance for the year represented 28.1 days purchases based upon the aggregate invoiced amount during the year.

No interest was paid during the year under the above legislation.

**Post-balance sheet events**

There have been no significant post balance sheet events.

**Future developments**

The College estate has been well managed and maintained, however there are particular problems in relation to flat roofs and security. A strategic objective has been agreed to provide sector-leading accommodation for the benefit of students and staff.

An Outline Business Case was submitted to the Scottish Funding Council seeking funding for the redevelopment of the main campus, which at this stage has not been supported. The College will re-submit its application and is hopeful of securing funding in the future.

The first stage of campus redevelopment is a proposal to establish a Life Sciences Centre on site in conjunction with NHS Grampian.

**RESOURCES**

Key resources available to the College include:

- Staff: the College employs approximately 250 full-time equivalent staff who are considered to be its key asset.
- Location and facilities: the main campus is centrally situated in Elgin with excellent bus, rail and road access. The Technology Centre, situated 1.5 miles from the main campus offers specialist accommodation for construction and engineering.
- Financial: the College has net assets in excess of £12m (including £2.8m unfunded pension liability).
- Reputation: the reputation of the College has strengthened considerably in recent years which is seen as a continuing trend.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The process of embedding risk awareness and risk management throughout the College has continued during the year.

The Risk Management Group meets regularly to review all aspects of risk and monitor progress against the Action Plan contained within the Risk Register. The Action Plan is linked to the Strategic Plan and identifies management responsibility against each risk. The Risk Register is reviewed by the Audit Committee.

Key areas of risk to the College include:

#### *Grant-in-Aid funding*

In excess of 80% of College funding comes from public funds through SFC and UHIMI. There can be no assurance that public funding will be maintained at this high level and the risk of reduction is one that the College mitigates by the following:

- maximising funding from non grant-in-aid sources;
- submitting all appropriate bids to the European Social Fund and the European Regional Development Fund;
- seeking efficiencies to be gained from a greater level of partnership working with other organisations.

#### *Staffing*

The College is aware of the risks associated with insufficient staff, wrong mix of staff, and ineffective staff succession planning. To mitigate such risks the following actions have been taken:

- embedding manpower planning within all operational planning;
- annual career reviews for all staff to identify staff development needs;
- continuing professional development for all staff;
- regular staff development programmes open to all staff.

#### *Estates*

In order to offer facilities of the highest standard to students and staff a strategic objective has been agreed, with the following specific actions:

- to formulate an Estates Strategy, updated annually and against which progress is monitored;
- to make annual financial provision for the planned upgrade of accommodation and equipment, including IT;
- to re-submit the Outline Business Case to SFC seeking funding for the redevelopment of the campus.

### **STAKEHOLDER RELATIONSHIPS**

Stakeholders in Moray College include:

- students;
- staff;
- Scottish Funding Council;
- UHIMI;
- Moray Council;
- local community;
- Government agencies;
- other FE institutions;
- professional bodies;
- trade unions.

The Board of Management greatly values working in partnership with all stakeholders. In particular relationships with the Scottish Funding Council, UHIMI, Moray Council and local schools have been significantly strengthened during the year.

**Equal opportunities and employment of disabled persons**

All students, staff and visitors to Moray College have the right to be treated fairly and equally and not to suffer discrimination due to:

- colour;
- ethnic or national origin;
- religion or belief;
- disability;
- gender;
- sexual orientation;
- age.

The College has a specific policy in place relating to race, disability and gender. In addition an over-arching Equality, Diversity and Inclusion Policy integrates activities across all legislated areas.

**Disability statement**

Moray College makes the following commitments:

- to interview all applicants with a disability who meet the minimum criteria for a job vacancy and consider them on their abilities;
- to ensure there is a mechanism in place to discuss at any time, but at least once a year, with disabled employees what can be done to make sure they can develop and use their abilities;
- to make every effort when employees become disabled to make sure they stay in employment;
- to take action to ensure that all employees develop the awareness of disability issues needed to make our commitments work.

**Disclosure of information to auditors**

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.

Approved by order of the Board of Management on 9 December 2008 and signed on its behalf by:

Dr J Hutt  
Chair

**PROFESSIONAL ADVISERS**

- External audit - Henderson Loggie, Dundee  
(appointed by the Auditor General : 1/08/06 to 31/07/11)
- Internal audit - Wylie & Bisset, Glasgow  
(appointed following competitive tendering: 1/08/05 to 31/07/08  
re-appointed 1/08/08 to 31/07/11)
- Bankers - Bank of Scotland, Elgin
- Solicitors - Grigor & Young, Elgin
- Debt Collection - Scott & Co., Inverness  
(re-appointed for a further period: 1/01/08 to 31/07/10)
- Insurance - Zurich Municipal, Glasgow  
(re-appointed following competitive tendering: 1/08/05 to 31/07/09)

## Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the Combined Code of Corporate Governance 2006. Its purpose is to give an understanding of how the principles have been applied.

In the opinion of the Board of Management, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education sector and it has complied throughout the year ended 31 July 2008.

### Board of Management

The members who served on the Board of Management during 2007/08 and up to the date of signature of this report are shown below:

Dr R D M MacLeod (Chair)	Retired Consultant Physician. Convener of the Remuneration, Chair's and Nominations Committees. Retired 30 September 2008.
Dr J Hutt (Vice-Chair)	Training and education consultant. Member of the Remuneration, Chair's and Nominations Committees. Appointed Chair 1 October 2008.
Mr M Devenney (Principal and Accountable Officer)	Member of the F&GP, Staffing, Chair's, Nominations, Building Committees and College Academic Council.
Mr D Bedford (Convener Staffing Committee)	Management consultant. Chair of HIE Moray and foundation member of UHIMI. Member of the Audit, Remuneration, Chair's and Nominations Committees. Retired 31 August 2007.
Mrs M Gilchrist	Retired Head Teacher. Appointed Convener of the Staffing Committee September 2007. Member of the Audit Committee and College Academic Council.
Mr A Campbell (Convener Finance & General Purposes Committee (F&GP))	Chartered Accountant. Member of the Remuneration, Chair's and Nominations Committees.
Mr B Hope (Convener Audit Committee)	Retired Head Teacher. Appointed Convener of the Audit Committee May 2006. Member of the Remuneration, Chair's and Nominations Committees.
Mr J Manson (Convener Building Committee)	Chartered Architect. Member of the F&GP, Remuneration, Chair's and Nominations Committees.
Dr N Brown	Construction industry consultant. Member of the F&GP and Building Committees.
Ms L Castle	Support staff member. Member of the Staffing and Building Committees.
Mr P Dick	Retired company director. Member of the F&GP Committee. Resigned 18 September 2008.

Professor G Hill	Former Vice-Chancellor of the University of Zimbabwe. Vice-Convener of the Staffing Committee, member of the F&GP Committee, College Academic Council and the Joint Negotiating Committee.
Ms G Lapington	President of the student union for one year from 1 July 2007. Attended the Board, F&GP and Building Committees.
Mr A Major	Local Enterprise Company member. Member of the Audit Committee.
Mrs M Palmer-Abbs	Sustainable development consultant. Member of the Staffing Committee.
Mr N Taylor	Teaching staff member. Member of the Staffing Committee.
Mr D Tucker	RAF Officer. Member of the Staffing, Remuneration Committees and the Joint Negotiating Committee.
Mr E Watson	President of the student union for one year from 1 July 2008. Attends the Board and the F&GP and Building Committees.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Board conducts its business through a number of Committees. Each Committee has terms of reference approved by the Board. These Committees are Finance & General Purposes (F&GP), Staffing, Remuneration, Audit and Nominations. The Building Committee is a sub-committee of the F&GP Committee. Full minutes of all meetings, except those deemed confidential and reserved, are available on the internet at:

[www.moray.ac.uk](http://www.moray.ac.uk)

or from:

The Clerk to the Board  
Moray College  
Moray Street  
Elgin  
Moray  
IV30 1JJ

The Clerk to the Board maintains a register of financial and personal interest of each Board member. The register is reviewed and updated every six months and is available for inspection at the above address.

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to the Board in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and the Principal are separate.

### **Nominations Committee**

The Nominations Committee did not meet during the year. This Committee reviews, interviews and recommends candidates for vacancies on the Board of Management. It also considers nominations for co-opted vacancies.

### **Finance & General Purposes Committee**

The Finance & General Purposes Committee (F&GP) met on four occasions during the year. It recommends to the Board of Management the College's annual revenue and capital budgets, in consultation with the Staffing and Building Committees, and monitors performance in relation to the approved budgets. It also recommends the annual statutory accounts to the Board of Management. Members of senior management attend F&GP Committee meetings but not as members of the Committee.

### **Audit Committee**

The Audit Committee met on four occasions during the year, with external and internal auditors in attendance as required. The Committee also held a private meeting with both the internal and external auditors. It considers detailed reports on internal control, including recommendations for improvement along with management responses and implementation plans. It also considers reports from the Scottish Funding Council as they affect the operation of the College and it monitors adherence to regulatory requirements. Members of senior management attend Audit Committee meetings but not as members of the Committee.

### **Staffing Committee**

The Staffing Committee met on four occasions during the year. It considers any organisational restructuring required to facilitate the achievement of strategic objectives or to respond to opportunities. It consults and negotiates on matters relating to staff, collectively or individually, and makes recommendations to the Board of Management. It also approves all employment policies, monitors their implementation and receives information in respect of appointments and resignations.

### **Remuneration Committee**

The Remuneration Committee met on three occasions during the year. It determines the salary scales for management staff, levels 1-4, and the remuneration within these scales of the most senior post-holders, including the Principal.

### **Internal Control**

#### *Scope of responsibility*

The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated the day to day responsibility to the Principal, as Accountable Officer, for maintaining a sound system of internal control that supports the achievement of the College's priorities, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Moray College and the Scottish Funding Council. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Moray College for the year ended 31 July 2008 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2008 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee.

*The risk and control framework*

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

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

Moray College has internal auditors that operate in accordance with SFC audit guidelines. The work of internal audit is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. At least once per year, internal audit meets with the Audit Committee in the absence of any College officers. An annual report on their activity for the year is provided, which includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

*Review of effectiveness*

As Accountable Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review is informed by:

- the work of the internal auditors;
- the work of the senior managers within College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the external auditors in their management letters and other reports.

The Principal has been advised on the implications of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and the Risk Management Group. A plan to address weaknesses and ensure continuous improvement of systems and processes is in place.

The Principal's Management Group (PMG) receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the Directorates and reinforced by risk awareness training. The PMG and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The agenda for the Board of Management includes a regular item for the consideration of reports on internal control by the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the September meeting the Board of Management carried out its annual assessment on its roles and responsibilities for the year ended 31 July 2008 by considering documentation from the PMG and internal audit, and taking account of events since 31 July 2008.

**Principal's Management Group**

Mr M Devenney	Principal and Accountable Officer
Mr W Duncan	Assistant Principal: Secretariat and Clerk to the Board of Management
Mr J Ellwood	Assistant Principal: Learning and Teaching
Mrs A Lindsay	Assistant Principal: Student Services
Mr T McGarry	Assistant Principal: Planning and Quality
Mr F Hutcheon	Director of Finance
Ms H Ospazuk	Director of Curriculum and Quality
Mrs C Newlands	Director of Curriculum and Quality
Mr D Duncan	Director of Curriculum and Quality

**Going Concern**

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Board of Management on 9 December 2008 and signed on its behalf by:

Dr J Hutt  
Chair

M Devenney  
Principal and Accountable Officer

## Statement of Responsibilities of the Board of Management

The Board of Management is required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the SFC and the Board of Management, the latter, through the Principal is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Board of Management is also required to prepare a report which describes its purpose and aims, and its operation in this respect. The Board must also provide information as to the legal and administrative status of the College.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for ensuring that expenditure and income are applied for the purpose intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Scottish Funding Council are used only in accordance with the Financial Memorandum and any other conditions that the SFC may prescribe from time to time. The Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, the Board is responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

Approved by order of the Board of Management on 9 December 2008 and signed on its behalf by:

Dr J Hutt  
Chair

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

We have audited the financial statements of Moray College for the year ended 31 July 2008 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Board of Management, Principal and auditor**

The Board of Management and the Principal are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. The Board of Management and the Principal are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of Board and Principal's Responsibilities.

Our responsibilities are to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We report to you whether, in our opinion, the information which comprises the Operating and Financial Review, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects:

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2008; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

In addition, we report to you if, in our opinion, the college has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement of Corporate Governance and Internal Control reflects the college's compliance with the requirements of the Scottish Funding Council and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Statement of Responsibilities of the Board of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and the Principal in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the college's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion***Financial statements*

In our opinion

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council, of the state of affairs of the college as at 31 July 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council; and
- information which comprises the Operating and Financial Review, included with the Annual Report, is consistent with the financial statements.

*Regularity*

In our opinion in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2008; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

Henderson Loggie  
Registered Auditors  
Chartered Accountants  
Royal Exchange  
Dundee  
DD1 1DZ

Date:

## Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Scottish Funding Council.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

### Basis of consolidation

Consolidated financial statements have not been prepared since the College's subsidiary, Moray College Enterprise Ltd., has been dormant since 1996. In addition, Moray College Endowment Trust has not been consolidated on the grounds that its transactions are not material.

### Recognition of income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council and other bodies are credited direct to the income and expenditure account.

Non-recurrent grants from the Scottish Funding Council and other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the useful economic life of the assets.

Tuition fees are credited to the income and expenditure account in the period in which they are due to be received. The College operates a fee waiver policy that provides free access to education to students where they have special educational needs or they, or their partner, is receiving state benefit.

### Retirement benefits

Retirement benefits to employees of the College are provided by the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using the prospective benefit method for the STSS.

The College has taken advantage of the FRS17 exemption for multi-employer defined benefit pension schemes and has accounted for both schemes as defined contribution schemes.

**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 using actuarial tables provided by the Scottish Funding Council.

**Investments**

The investment in the subsidiary company is carried at historic cost less any provision for impairment.

**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.

**Tangible fixed assets***Land and buildings*

Land and buildings inherited from the local authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost.

The Technology Centre has been valued on the basis of open market value.

Land and buildings acquired in the period between valuations are included in the balance sheet at cost. They are depreciated over their expected useful economic life of between 10 and 50 years, on a straight line basis. At present the valuation of land cannot be separately identified from buildings for depreciation purposes.

A review for impairment of a fixed asset is carried out if circumstances indicate that the carrying amount may not be recoverable.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset.

Buildings under construction are accounted for at cost based upon the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

The College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the sale proceeds of land and buildings which have been financed by exchequer funds.

*Plant and equipment*

Equipment costing less than £1,000 inclusive of VAT per individual item is taken to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its expected useful economic life, on a straight line basis as follows:

plant, equipment, fixtures & fittings	5 to 10 years
computer equipment	3 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

**Leased assets**

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

**Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving 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 value added tax. 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.

**Liquid resources**

Liquid resources include sums on short-term deposit with a recognised bank.

**Provisions**

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

**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.

**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.

### Income and Expenditure Account for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>Income</b>			
Funding Council Grants	1	9,165	8,640
Tuition fees and education contracts	2	1,843	1,827
Research grants and contracts	3	-	-
Other income	4	999	1,066
Endowment and Investment income	5	167	126
<b>Total Income</b>		<b>12,174</b>	<b>11,659</b>
<b>Expenditure</b>			
Staff costs	6/7	7,981	7,472
Other operating expenses	8	3,311	3,286
Depreciation	13	571	491
Interest payable	9	100	106
<b>Total Expenditure</b>		<b>11,963</b>	<b>11,355</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		211	304
Loss on disposal of assets	13	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		211	304
Taxation	10	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	11	<b>211</b>	<b>304</b>

The Income and Expenditure Account is in respect of continuing activities.

### Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Surplus on continuing operations before taxation		211	304
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	317	170
<b>Historical cost Surplus for the year before taxation</b>		<b>528</b>	<b>474</b>
<b>Historical cost Surplus for the year after taxation</b>		<b>528</b>	<b>474</b>

### Statement of Total Recognised Gains and Losses for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		211	304
Unrealised surplus on revaluation of fixed assets	21	2,220	-
<b>Total recognised gains relating to the year</b>		<b>2,431</b>	<b>304</b>
<b>Reconciliation:</b>			
Opening reserves and endowments		5,561	5,257
Total recognised gains for the year		2,431	304
<b>Closing reserves and endowments</b>		<b>7,992</b>	<b>5,561</b>

**Balance Sheet as at 31 July 2008**

	Notes	as at 31 July 2008 £000	as at 31 July 2007 £000
<b>Fixed Assets</b>			
Tangible assets	13	14,793	12,932
Investments	12	-	-
		<u>14,793</u>	<u>12,932</u>
Endowment assets	20	-	-
<b>Current Assets</b>			
Stock		64	55
Debtors	14	370	319
Investments	12	1	1
Cash at bank and in hand		3,233	2,456
		<u>3,668</u>	<u>2,831</u>
<b>Creditors: amounts falling due within one year</b>	15	(2,034)	(1,780)
<b>Net current assets</b>		<u>1,634</u>	<u>1,051</u>
<b>Total assets less current liabilities</b>		16,427	13,983
<b>Creditors: amounts falling due after more than one year</b>	16	(1,446)	(1,559)
<b>Provisions for liabilities and charges</b>	18	(2,969)	(2,813)
<b>NET ASSETS</b>		<u>12,012</u>	<u>9,611</u>
<b>Deferred capital grants</b>	19	<u>4,020</u>	<u>4,050</u>
Revaluation reserve	21	8,250	6,264
General reserve	22	(258)	(786)
Restricted reserve	22	-	83
<b>Total Reserves</b>		<u>7,992</u>	<u>5,561</u>
<b>TOTAL</b>		<u>12,012</u>	<u>9,611</u>

The financial statements on pages 20 to 39 were approved by order of the Board of Management on 9 December 2008 and were signed on its behalf by:

Dr J Hutt  
Chair

M Devenney  
Principal and Accountable Officer

### Cash Flow Statement for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>Cash inflow from operating activities</b>	23	824	737
Returns on investments and servicing of finance	24	67	20
Capital expenditure and financial investment	25	(1)	(53)
Management of liquid resources	26	-	-
Financing	27	(113)	(97)
<b>Increase in cash in the year</b>	28	<u><u>777</u></u>	<u><u>607</u></u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		777	607
Cash inflow from liquid resources	26	-	-
Change in net debt resulting from cash flows	27	<u>113</u>	<u>97</u>
Movement in net funds in year		890	704
Net funds at 1 August 2007		800	96
<b>Net funds at 31 July 2008</b>	28	<u><u>1,690</u></u>	<u><u>800</u></u>

## Notes to the Accounts

## 1. SFC income

	SFC	SFC via	2007/08	2006/07
	£000	UHIMI	Total	Total
		£000	£000	£000
SFC recurrent grant (including fee waiver)	5,427	2,196	7,623	7,267
Funding for increased STSS contributions	75	-	75	112
Financial security funding	277	287	564	473
Childcare funds	115	-	115	119
Release of deferred capital grants (SFC)	96	-	96	88
Other funding (including ELT)	425	267	692	581
	<b>6,415</b>	<b>2,750</b>	<b>9,165</b>	<b>8,640</b>

## 2. Tuition fees and education contracts

	Year ended	Year ended
	31 July 2008	31 July 2007
	£000	£000
FE fees – UK	860	778
FE fees – EU	5	-
HE fees	907	851
Education contracts	71	198
	<b>1,843</b>	<b>1,827</b>

## 3. Research grants and contracts

The College has no income in respect of research grants or contracts.

## 4. Other income

	Year ended	Year ended
	31 July 2008	31 July 2007
	£000	£000
Residencies, catering and conferences	223	206
Other grant income – European	69	190
Release of deferred capital grants (non-SFC)	145	135
Other income	562	535
	<b>999</b>	<b>1,066</b>

## Notes to the Accounts

## 5. Endowment and investment income

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Other interest receivable	167	126
	<b>167</b>	<b>126</b>

## 6. Staff numbers and costs

## Staff numbers (full time equivalents):

	Year ended 31 July 2008 Number	Year ended 31 July 2007 Number
Academic / Teaching departments	108	111
Academic / Teaching services	33	30
Administration and central services	67	64
Premises	16	16
Other expenditure	21	21
Catering and residences	6	6
	<b>251</b>	<b>248</b>

	Number	Number
Staff on permanent contracts	224	218
Staff on temporary contracts	27	30
	<b>251</b>	<b>248</b>

## Staff costs:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Academic / Teaching departments	4,007	3,971
Academic / Teaching services	856	622
Administration and central services	2,009	1,818
Premises	317	300
Other expenditure	683	652
Catering and residences	109	109
	<b>7,981</b>	<b>7,472</b>

## Notes to the Accounts

Staff numbers, including senior post-holders and the Principal, who received emoluments in the following ranges:

	Year ended 31 July 2008		Year ended 31 July 2007	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 50,001 to £ 60,000	4	-	3	-
£ 60,001 to £ 70,000	-	-	-	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	1	-	1	-
£ 90,001 to £100,000	-	-	-	-
	<u>5</u>	-	<u>4</u>	-

## 7. Senior post-holders' emoluments

	Year ended 31 July 2008 Number	Year ended 31 July 2007 Number
<b>Senior post-holders including the Principal:</b>	<b>5</b>	<b>6</b>
<b>Senior post-holders' emoluments:</b>	<b>£000</b>	<b>£000</b>
Salaries	303	329
Pension contributions	41	40
	<u>344</u>	<u>369</u>
<b>Amounts paid to the Principal (included in the above emoluments):</b>	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Salary	85	82
	<u>85</u>	<u>82</u>
Pension contributions	<u>11</u>	<u>10</u>

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

**Notes to the Accounts****Overseas Activities**

No material costs were incurred during 2007/08 in respect of overseas activities, in accordance with the strategy approved by the Board of Management.

**8. Other operating expenses**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Academic / Teaching departments and services	700	656
Administration and central services	872	858
Agency staff	342	513
Premises	944	876
Other expenditure	223	210
Catering and residences	101	100
VAT provision adjustment	(3)	2
Unfunded pension provision adjustment	132	71
	<b>3,311</b>	<b>3,286</b>

**Other operating expenses include:**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Auditors' remuneration:		
external audit	12	12
internal audit	14	19
other services from external / internal audit	2	4
Disbursements of childcare funds to students	115	119
Legal services	4	11
Losses on disposal of tangible fixed assets	-	-
Hire of plant and machinery - operating leases	72	77
Hire of other assets - operating leases	58	62

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

During the year £17,726 was written-off to bad debts (2006/07 £24,221) which had been provided for as part of general bad debt provisioning throughout the year.

**9. Interest payable**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	100	106
	100	106
On finance leases	-	-
	<b>100</b>	<b>106</b>

## Notes to the Accounts

### 10. Taxation

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

### 11. Surplus on continuing operations for the year

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
The surplus on continuing operations for the year is made up of the following:		
Surplus for the year	211	304
	<b>211</b>	<b>304</b>

### 12. Investments

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Investments in subsidiary companies	1	1
	<b>1</b>	<b>1</b>

The College owns 100% of the issued ordinary £1 shares of Moray College Enterprise Limited, a company incorporated in Great Britain and registered in Scotland.

No consolidated accounts have been prepared as the subsidiary has been dormant since April 1996 when its activities were transferred to the College. Its shareholder's funds at 31 July 2008 amounted to £100.

No element of the foregoing relates to a fixed asset investment and accordingly this has been reclassified on the balance sheet as a current asset.

## Notes to the Accounts

## 13. Tangible fixed assets

	Freehold Land and Buildings £000	Plant and Equipment £000	Fixtures and Fittings £000	Total £000
<b>Cost / Valuation</b>				
At 1 August 2007	13,298	2,506	447	16,251
Additions	-	197	15	212
Revaluation	1,285	-	-	1,285
Disposals	-	(1)	-	(1)
<b>At 31 July 2008</b>	<b>14,583</b>	<b>2,702</b>	<b>462</b>	<b>17,747</b>
<b>Depreciation</b>				
At 1 August 2007	979	2,066	274	3,319
Charge for year	395	138	38	571
Revaluation	(935)	-	-	(935)
Disposals	-	(1)	-	(1)
<b>At 31 July 2008</b>	<b>439</b>	<b>2,203</b>	<b>312</b>	<b>2,954</b>
<b>Net book value</b>				
<b>At 31 July 2008</b>	<b>14,144</b>	<b>499</b>	<b>150</b>	<b>14,793</b>
<b>Net book value</b>				
<b>At 1 August 2007</b>	<b>12,319</b>	<b>440</b>	<b>173</b>	<b>12,932</b>
Inherited	9,369	-	-	9,369
Financed by capital grant	4,313	436	143	4,892
Other	462	63	7	532
<b>Net book value</b>				
<b>At 31 July 2008</b>	<b>14,144</b>	<b>499</b>	<b>150</b>	<b>14,793</b>

Land and buildings with a net book value of £9,369,000 have been financed by exchequer funds. Should these assets be sold the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the proceeds to that body.

Land and buildings were subject to a desktop revaluation in November 2007 by D M Hall, an independent firm of Chartered Surveyors. If they had not been re-valued they would have been included as follows:

	<b>£000</b>
Cost	7,344
Aggregate depreciation based on cost	(1,424)
Net book value based on cost	<u>5,920</u>

## Notes to the Accounts

## 14. Debtors

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>Amounts due within one year:</b>		
Trade debtors	165	155
European funding	73	46
Prepayments and accrued income	132	118
	<b>370</b>	<b>319</b>

## 15. Creditors: amounts due within one year

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Bank loans and overdrafts	97	97
Payments received in advance	658	537
Trade creditors	397	390
Amounts owed to subsidiary undertaking	1	1
Other creditors	107	95
Other taxation and social security	158	149
Accruals	315	281
Amounts owed to UHIMI	122	101
Bursary and Access Funding	179	129
	<b>2,034</b>	<b>1,780</b>

## 16. Creditors: amounts due after one year

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Bank loan	600	650
Moray Council loan	846	909
	<b>1,446</b>	<b>1,559</b>

## Notes to the Accounts

### 17. Borrowings

#### Bank loans and overdrafts:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Bank loans and overdrafts are repayable as follows:		
in one year or less	50	50
between one and two years	50	50
between two and five years	150	150
in five years or more	400	450
	<b>650</b>	<b>700</b>

In August 2000 a £1m loan was negotiated with the Bank of Scotland as part funding for the construction of the Technology Centre. The loan is repayable over 21 years, at an interest rate of 1% over base subject to a minimum rate of 4% per annum. It is secured upon the Technology Centre building.

#### Moray Council loan:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
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	658	721
	<b>893</b>	<b>956</b>

The Moray Council loan was inherited at incorporation along with College assets. From April 2005 it has attracted a variable interest rate equivalent to the Council's average loans pool rate for the preceding financial year.

### 18. Provisions for liabilities and charges

	Early retirement pension costs £000	Other £000	2007/08 Total £000	2006/07 Total £000
<b>At 1 August 2007</b>	2,717	96	2,813	2,718
Expenditure in the year	(160)	-	(160)	(153)
Additional provision required in year	160	24	184	177
Revaluation adjustment	132	-	132	71
<b>At 31 July 2008</b>	<b>2,849</b>	<b>120</b>	<b>2,969</b>	<b>2,813</b>

The early retirement pension provision has been revalued using the actuarial tables and 2% interest rate advised by SFC.

Other provisions are in respect of VAT clawback by HMRC and dilapidations on rented property.

## Notes to the Accounts

## 19. Deferred capital grants

	SFC £000	Other £000	2007/08 Total £000	2006/07 Total £000
<b>At 1 August 2007</b>				
land and buildings	1,017	2,520	3,537	3,578
equipment, fixtures & fittings	274	239	513	482
Cash received				
land and buildings	-	-	-	58
equipment, fixtures & fittings	108	103	211	157
Released to income and expenditure account				
land and buildings	(32)	(68)	(100)	(99)
equipment, fixtures & fittings	(64)	(77)	(141)	(126)
	<b>1,303</b>	<b>2,717</b>	<b>4,020</b>	<b>4,050</b>
<b>At 31 July 2008</b>				
land and buildings	985	2,452	3,437	3,537
equipment, fixtures & fittings	318	265	583	513
	<b>1,303</b>	<b>2,717</b>	<b>4,020</b>	<b>4,050</b>

## 20. Moray College Endowment Trust

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>At 1 August 2007</b>		
Income	-	1
Expense	-	(1)
<b>At 31 July 2008</b>	<b>-</b>	<b>-</b>

All members of the Endowment Trust are drawn from the College's Board of Management and during the year there were no resignations or appointments. At 31 July 2008 the members were Dr R D M MacLeod, Mr M Devenney, Mr A J Campbell and Mr J C Manson.

## 21. Revaluation reserve

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>At 1 August 2007</b>	6,264	6,432
Revaluations in the year	2,220	-
Transfer from revaluation reserve to general reserve in respect of Depreciation on revalued assets	(234)	(168)
<b>At 31 July 2008</b>	<b>8,250</b>	<b>6,264</b>

## Notes to the Accounts

## 22. Movement on general reserves

## Income and Expenditure Account Reserve

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>At 1 August 2007</b>	(786)	(1,260)
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	211	304
Transfer from revaluation reserve	234	168
Transfer from restricted reserve	83	2
<b>At 31 July 2008</b>	<b>(258)</b>	<b>(786)</b>

The Accumulated Income and Expenditure Account Reserve consists of :

Accumulated historical cost surplus	2,591	1,931
Pension provision for unfunded early retirements	(2,849)	(2,717)
	<b>(258)</b>	<b>(786)</b>

## Restricted Reserve

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>At 1 August 2007</b>	83	85
Transfer to Income and Expenditure Account Reserve	(83)	(2)
<b>At 31 July 2008</b>	<b>-</b>	<b>83</b>

## Notes to the Accounts

**23. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax	211	304
Depreciation	571	491
Deferred capital grants released to income	(241)	(224)
Interest payable	100	106
(Increase)/decrease in stocks	(9)	9
(Increase)/decrease in debtors	(51)	197
Increase/(decrease) in creditors	254	(115)
Increase in provisions	156	95
Interest receivable	(167)	(126)
<b>Net cash inflow from operating activities</b>	<b>824</b>	<b>737</b>

**24. Returns on investments and servicing of finance**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Interest received	167	126
Interest paid	(100)	(106)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>67</b>	<b>20</b>

**25. Capital Expenditure and Financial Investment**

	<b>Year ended 31 July 2008 £000</b>	<b>Year ended 31 July 2007 £000</b>
Purchase of tangible fixed assets	(212)	(268)
Deferred capital grants received	211	215
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1)</b>	<b>(53)</b>

**26. Management of liquid resources**

The College made no transactions during the year, or in the preceding year, which constituted the management of liquid resources.

## Notes to the Accounts

**27. Financing**

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Debt due beyond a year:		
repayment of Moray Council Loan	(63)	(47)
repayment of Bank Loan	(50)	(50)
<b>Net cash outflow from financing</b>	<b>(113)</b>	<b>(97)</b>

**28. Analysis of changes in net funds**

	At 1 August 2007 £000	Cashflows £000	Other Changes £000	At 31 July 2008 £000
Cash in hand, and at bank	2,456	777	-	3,233
	2,456	777	-	3,233
Debt due within 1 year	(97)	97	(97)	(97)
Debt due after 1 year	(1,559)	16	97	(1,446)
	<b>800</b>	<b>890</b>	<b>-</b>	<b>1,690</b>

**29. Cash flow relating to exceptional items**

During the year there were no cash flows relating to exceptional items.

**30. Major non-cash transactions**

During the year there were no major non-cash transactions, other than the normal ongoing depreciation charges.

## Notes to the Accounts

### 31. Pension and similar obligations

College employees belong to one of two pension schemes: the Scottish Teachers Superannuation Scheme (STSS) administered by the Scottish Public Pensions Agency, or the Local Government Pension Scheme (LGPS) administered by Aberdeen City Council Superannuation Fund.

#### Scottish Teachers Superannuation Scheme (STSS)

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 2008 were £672,874 (2006/07 £610,031) of which employers contributions totalled £457,719 (2006/07 £412,526) and employees contributions totalled £215,155 (2006/07 £197,505). Total contributions for the year included £57,961 (2006/07 £51,613) outstanding contributions at the balance sheet date.

The current contribution rates are:	Employees	6.4%
	Employers	13.5%

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

#### FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits) 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.

#### Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The latest actuarial valuation of the Scheme was dated 31 March 2005 and showed the overall funding position to be 84%, which represented a deficit of £243.4m.

Total contributions for the year ended 31 July 2008 were £476,287 (2006/07 £446,150) of which employers contributions totalled £354,488 (2006/07 £328,508) and employees contributions totalled £121,799 (2006/07 £117,642). Total contributions for the year included £41,122 (2006/07 £36,623) outstanding contributions at the balance sheet date.

The current contribution rates are:	Employees	6.0%	
	Employers	18.0%	increased from 17.1% on 1 April 2008

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

## Notes to the Accounts

### FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits) the LGPS is a funded 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.

### 32. Post balance sheet events

There have been no significant post balance sheet events.

### 33. Capital commitments

At 31 July the College had capital commitments contracted for as follows:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Air conditioning, Culbin wing	3	-
Water tank, Speyside wing	3	-
Refectory/LRC/Beechtree/other	-	45
	<b>6</b>	<b>45</b>

### 34. Financial commitments

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

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
<b>Land and Buildings</b>		
Expiring within one year	14	-
Expiring within two and five years inclusive	45	55
Expiring in over five years	-	-
	<b>59</b>	<b>55</b>
<b>Other</b>		
Expiring within one year	9	2
Expiring between two and five year inclusive	46	51
Expiring in over five years	-	-
	<b>55</b>	<b>53</b>

### 35. Contingent liability

The College is not aware of any contingent liabilities.

## Notes to the Accounts

### 36. Related party transactions

Due to the nature of College operations and the composition of the Board of Management, being drawn from local organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All such transactions are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with related parties during the year:

<u>Organisation</u>	<u>Member</u>	<u>Position</u>
HIE Moray	Mr D N Bedford	Chairman
UHIMI	Mr M Devenney	Member
	Mr D N Bedford	Member

The aggregate of transactions greater than £5,000 with the aforementioned bodies:

UHIMI - HE funding	£ 2,346,000
UHIMI - Sales ledger	£ 119,000
UHIMI - Purchase ledger	£ 121,000

## Notes to the Accounts

## 37. Bursaries and other student support funds

	Bursary £000	H/ship £000	EMA £000	Other £000	2007/08 Total £000	2006/07 Total £000
<b>At 1 August 2007</b>	103	7	1	12	123	232
Allocation received in year	1,430	111	183	65	1,789	1,576
Expenditure	(1,320)	(115)	(180)	(77)	(1,692)	(1,625)
Repaid to funding council as clawback	-	-	-	-	-	(60)
Virements	(69)	-	26	-	(43)	-
<b>At 31 July 2008</b>	<b>144</b>	<b>3</b>	<b>30</b>	<b>-</b>	<b>177</b>	<b>123</b>
<b>Represented by:</b>						
Repayable to funding council as clawback	68	-	-	-	68	69
Retained by college for students	76	3	30	-	109	54
	<b>144</b>	<b>3</b>	<b>30</b>	<b>-</b>	<b>177</b>	<b>123</b>

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

## 38. Childcare funds

	2007/08 £000	2006/07 £000
<b>At 1 August 2007</b>	6	-
Allocation received in year	68	66
Expenditure	(115)	(60)
Virements	43	-
<b>At 31 July 2008</b>	<b>2</b>	<b>6</b>
<b>Represented by:</b>		
Repayable to funding council as clawback	-	-
Retained by college for students	2	6
	<b>2</b>	<b>6</b>

Childcare Fund transactions are included within the College income and expenditure account in accordance with the Accounts Direction issued by the Scottish Funding Council.



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Student Funding Advisors  
01343 576265

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