



MORAY COLLEGE

Registered Scottish Charity No. SC021205



Annual Report
and Financial Statements
for the year ended 31 July 2009



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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The Board of Management present their annual report and the audited financial statements for the year ended 31 July 2009.

Legal Status

Moray College 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.

Scope of the Financial Statements

The Financial Statements cover all activities of the College.

Mission Statement

Moray College provides accessible, high quality, lifelong learning opportunities in a safe and supportive environment.

Implementation of Strategic Plan

The current Strategic Plan covers the period from 2007 to 2010 and 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 partners 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 2008/09 continued progress was made in respect of each strategic aim:

- student activity targets were met, the Inclusion Strategy and Implementation Plan were further embedded and research was initiated in the areas of sustainability, art and health;
- the evaluation of learning and teaching was embedded into the internal verification process for subject teams and blended learning was further implemented across the curriculum;
- the College participated fully in the Moray Community Planning Partnership in progressing towards the 2009 Single Outcome Agreement for Moray and contributed to the revision of the Moray 2020 Strategy;
- financial security was further enhanced and the College engaged fully with the UHIMI business transformation agenda;
- a job evaluation scheme was initiated, the Gender Equality and Disability Equality Action Plans were implemented and legislation in respect of the energy performance certification of buildings was complied with.

Financial objectives

The College's financial objectives are:

- to maintain College financial sustainability through generation of annual operating surpluses as planned;
- to ensure effectiveness, efficiency and economy 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 2008/09 significant progress was made in respect of each financial objective:

- annual operating surpluses continue to be achieved;
- continuous business process improvement remained a priority throughout the year, utilising for example, benchmarking data and value for money reviews;
- project income increased by over 80% in 2008/09;
- the College engaged with working in partnership, especially within UHIMI, as opportunities arose throughout the year.

Performance indicators

In accordance with SFC requirements, the College is required to publish and report progress against targets for national priorities. The performance indicators used by the College measure actual results in the following areas:

- student numbers;
- student success rates;
- continued professional development for staff;
- employer engagement.

FINANCIAL POSITION

Financial results

The College generated a surplus in 2008/09 of £25,000 (2007/08 surplus £211,000). This was after charging £254,000 in respect of an increase to the unfunded early retirement pension provision, in accordance with Funding Council guidance issued in August 2009 (2007/08 provision increase £132,000).

Taxation status

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

Treasury policies and objectives

The forecasting and management of College cash flow throughout the year was of a high standard. The key objective of the banking arrangements was to maximise interest receivable in the investment accounts, maintaining a minimal balance in the working account and avoiding overdrawing in the latter. During the year a Guaranteed Fixed Deposit Account was opened for a one year term, maturing in August 2009, which yielded a highly competitive interest rate of 6.5%. All bank accounts were maintained at the Bank of Scotland. The key feature of the College treasury management policy continues to be low risk, prudent banking with recognised UK high street banks and the avoidance of any form of market speculation.

Cash flows

The operating cash outflow for 2008/09 was £342,000 (2007/08 operating cash inflow £824,000).

Liquidity

The average closing monthly cash balance in 2008/09 was £3.5m and the year-end balance was £2.9m (2007/08 year-end balance £3.2m).

Loan interest payable for the year was £81,000 (2007/08 £100,000).

Creditor payment policy

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 25.4 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 are no post balance sheet events.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**Student numbers**

In 2008/09 the College delivered 26,401 WSUMs of FE activity, generating grant-in-aid income from SFC of £5,747,000 (2007/08 £5,427,000). In addition 872 FTEs were funded by UHIMI in respect of HE activity, generating grant-in-aid income of £2,243,000 (2007/08 £2,196,000). Total grant-in-aid and tuition fee income was £9,811,000 (2007/08 £9,324,000).

Student achievements

Students continue to excel at every level and the College demonstrates its support of the Skills Strategy for Scotland. This is evidenced by the performance of our students at WorldSkills 2008 where Moray College students achieved awards in Beauty Therapy, Carpentry and Plumbing. Three of these students achieved Gold Awards and one Bronze. This range of achievements at Moray College was on a par with that of much larger colleges.

Moray College is now recognised as the fifth Scottish art school and a final year student represented the best of the College when she was selected for the New Contemporaries exhibition at the Royal Scottish Academy in February 2009.

All learners at Moray College are encouraged to set challenging targets for themselves as they strive to fulfil their potential.

Curriculum developments

School/college work continues to expand as we extend opportunities to more schools. Work within UHIMI was very much aimed at rationalising the existing curriculum and encouraging collaboration in the development, delivery and quality assurance of the Scottish Qualifications Authority HNC and HND programmes. Colleges within UHIMI are distinctive in that they see HNC and HND courses as a platform for completing degrees in a wide range of subjects.

The College focus on programmes to get people back into the workforce continues to develop in partnership with other key agencies.

Future developments

There is a proposal to establish a Life Sciences Centre on the main College campus in conjunction with NHS Grampian, which supports a key theme of Moray 2020 in respect of realising and marketing Moray's health and social care potential. No financial support is being sought from the Funding Council in respect of this project.

The College estate has been well managed and maintained over time, however a relatively high proportion of flat-roofed buildings remain and this is an issue which will be progressed.

Much work has been done to improve accessibility for learners with impaired mobility, however the College is determined to further improve the situation.

A revised Outline Business Case was submitted to the Funding Council seeking funding for the redevelopment of the main campus, following on from the Life Sciences development, however this has not been supported.

RESOURCES

Key resources of the College include:

- staff: the College employs approximately 260 full-time equivalent staff who are considered to be its key asset;
- students and the student union: an active and vibrant student union adds greatly to the life of the College;
- location and facilities: the main campus is centrally situated in Elgin with excellent access and the Technology Centre, situated 1.5 miles from the main campus, offers specialist accommodation for construction and engineering. Outreach centres are maintained at Nairn, Forres, Buckie and Keith;
- financial: the College is financially secure on a sustainable basis. It has net assets in excess of £16m, including net current assets of over £2m;
- reputation: the reputation of the College has strengthened considerably in recent years and this is seen as a continuing and improving trend into the future.

PRINCIPAL RISKS AND UNCERTAINTIES

The embedding of risk awareness and risk management throughout the College is a continuous process.

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 College Strategic Plan and identifies management responsibility against each risk. The Risk Register is reviewed regularly by the Audit Committee.

Key areas of risk to the College include:

Staffing

The College is aware of the risks associated with insufficient staff, poorly trained and motivated staff, and ineffective staff succession planning. To mitigate such risks the following actions are ongoing:

- 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

The risks to the delivery of learning and teaching resulting from inappropriate and/or insufficient accommodation and equipment are clear. In order to offer facilities of the highest standard to students and staff a strategic objective has been agreed which includes the following:

- 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;
- to address the specific issues of improving access for learners with disabilities and the problems associated with flat-roofed buildings;
- to continue to work in partnership with NHS Grampian and others to develop a Life Sciences Centre on the College campus.

Grant-in-Aid funding

Approximately 80% of Moray College funding comes from public funds via SFC and UHIMI. There is an obvious risk, particularly in the current economic recession, that this level may not be maintained or increased delivery will be expected with no commensurate increase in funding. To mitigate risk in this area the following actions are ongoing:

- maximising income from non-summable activity, especially full cost recovery;
- maximising bids in respect of appropriate alternative funding sources, including the Scottish government, UK and European funds;
- seeking efficiencies through value for money reviews;
- seeking efficiencies through increased partnership working.

STAKEHOLDER RELATIONSHIPS

Stakeholders in Moray College include:

- students and the student union
- staff
- Scottish Funding Council
- UHIMI
- Moray Community Planning Partnership
- Moray Council
- local community
- other FE institutions
- trade unions and professional bodies

The Board of Management greatly values working in partnership with all stakeholders. In particular relationships with the Moray Community Planning Partnership, NHS Grampian, the Moray Council and local schools have been considerably 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 be discriminated against on the grounds of:

- colour
- ethnic or national origin
- religion or belief
- disability
- gender
- sexual orientation
- age
- appearance or accent

The College has an Equality, Diversity and Inclusion Policy which 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 members of the Board on 8 December 2009 and signed on its behalf by:

Dr J Hutt
Chair

PROFESSIONAL ADVISERS

External Auditors - Henderson Loggie, Dundee

Internal Auditors - Wylie & Bisset, Glasgow

Bankers - Bank of Scotland, Elgin

Solicitors - Grigor & Young, Elgin

Insurers - Zurich Municipal, Glasgow

Statement of Corporate Governance and Internal Control

The College is committed to achieving 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 2008. 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 2009.

Board of Management

The members who served on the Board of Management during 2008/09 and up to the date of approval of the annual report and financial statements are shown below:

Dr R D M MacLeod	Retired Consultant Physician. Chair, Convener of the Remuneration, Chairs and Nominations Committees. Retired 30 September 2008.
Dr J Hutt (Chair)	Training and education consultant. Member of the Remuneration, Chairs and Nominations Committees. Appointed Chair 1 October 2008.
Mr A Major (Vice-Chair)	Retired RAF Officer and aerospace industry consultant. Member of the Audit Committee. Appointed Vice-Chair 8 October 2008.
Mr M Devenney (Principal)	Member of the F&GP, Staffing, Chairs, Nominations and Building Committees and College Academic Council.
Mrs M Gilchrist (Convener Staffing Committee)	Retired Head Teacher. 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, Chairs and Nominations Committees.
Mr B Hope (Convener Audit Committee)	Retired Head Teacher. Member of the Remuneration, Chairs and Nominations Committees.
Mr J Manson (Convener Building Committee)	Chartered Architect. Member of the F&GP, Remuneration, Chairs 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. Member of the Staffing, F&GP Committees, College Academic Council and the Joint Negotiating 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 and Remuneration Committees and the Joint Negotiating Committee. Resigned 27 February 2009.
Mr E Watson	President of the student union for one year from 1 July 2008. Attended the Board, F&GP and Building Committees. Resigned 30 June 2009.
Mr W Dale	President of the student union for one year from 1 July 2009. Attends the Board, F&GP and Building Committees.
Mr G Milne	Retired Deputy Head Teacher. Member of the Building Committee.
Mr S Reeves	RAF Officer. Member of the Audit Committee.

Mr W Duncan acted as Clerk to the Board of Management until his retirement on 31 August 2009. Mrs Elspeth Mackay-Smith assumed this role on 1 September 2009.

The Board conducts its business through a number of Committees, each of which has terms of reference approved by the Board. These Committees are Finance & General Purposes (F&GP), Audit, Staffing, Remuneration, Nominations and Chairs. 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 from the Clerk to the Board of Management and on the College website.

Finance & General Purposes Committee (F&GP)

Convened on six occasions during the year. It recommends to the Board 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 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.

Audit Committee

Convened on four occasions during the year, with external and internal auditors in attendance as required. 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 and it monitors adherence to regulatory requirements. The Director of Finance attends the Audit Committee but not as a member.

Staffing Committee

Convened 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 staff matters, and makes recommendations to the Board. It also approves all employment policies, monitors their implementation and receives information in respect of appointments and resignations.

Remuneration Committee

Convened once during the year. It determines the salary scales for management staff, and the remuneration within these scales of the most senior post-holders, including the Principal.

Nominations Committee

Convened once during the year. It interviews and recommends candidates for Board membership, including co-opted members.

Chairs Committee

Convened once during the year. It meets as necessary to deal with urgent business which cannot wait until the next statutory Board meeting.

Risk Management and Internal Control*Scope of responsibility*

The Board of Management is ultimately responsible for the College's system of risk management and internal control and for reviewing its effectiveness. Such a system can only manage, rather than eliminate risk, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board delegates day to day responsibility to the Principal for maintaining a sound system of internal control and is responsible for reporting to the Board any material weaknesses or failures.

The purpose of the system of internal control

The system of internal control is based on a continuous process designed to identify and prioritise risks, evaluate the likelihood of their occurrence, assess their impact and manage them efficiently, effectively and economically.

Capacity to handle risk

The Board, through the Audit Committee, has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to manage these risks. The Board is of the view that there is a formal, ongoing process for identifying, evaluating and managing risk and that this has been in place for the period ending 31 July 2009 and up to the date of approval of the annual report and financial statements.

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 process with an annual budget that is agreed and approved by the Board;
- regular reviews by the Board of periodic financial reports which indicate performance against budget, variance analysis and forecast outturn updates;
- clearly defined capital investment authorisation and control procedures;

The internal auditors to the College operate in accordance with Funding Council guidelines. Their work is informed by an analysis of the risks to which the College is exposed and their annual Audit Needs Assessment is based upon this analysis. The latter report is endorsed by the Board on the recommendation of the Audit Committee. An Annual Audit Report is presented to the Board by the internal auditors which details their activity in the College and which includes their opinion upon the adequacy and effectiveness of the College's system of internal control and risk management.

Review of effectiveness

The Principal has responsibility for reviewing the effectiveness of the system of internal control. His review is informed and guided by:

- the work of the internal auditors;
- the work of the senior managers within the College who have responsibility for internal control and risk management, including the Risk Management Group;
- comments made by the external auditors in their management letter and other reports.

Principal's Management Group

The Principal's Management Group (PMG) 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 PMG during 2008/09 are shown below:

Mr M Devenney	Principal
Mr W Duncan	Assistant Principal: Secretariat and Clerk to the Board of Management (retired 31 August 2009)
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 members of the Board on 8 December 2009 and signed on its behalf by:

Dr J Hutt
Chair

M Devenney
Principal

Statement of the Board of Management's Responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

The financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial Memorandum and other formal disclosures that the Scottish Funding Council require the Board of Management to make in the financial statements and related notes.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance and General Purposes Committee;
- professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Approved by order of the members of the Board on 8 December 2009 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 2009 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 for Further and Higher Education. 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 2009; 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. Our 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 2009 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 2009; 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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 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 receive 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.

Land and buildings acquired in the period between valuations are included in the balance sheet at cost. Buildings are depreciated over their expected useful economic life of between 20 and 37 years, on a straight line basis.

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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;
- where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or
- where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

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. 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 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.

Liquid resources

Liquid resources include sums on short-term deposit with a recognised UK 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 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Income			
SFC grants	1	9,302	9,165
Tuition fees and education contracts	2	2,149	1,843
Other grant income	3	380	334
Other operating income	4	672	665
Endowment and investment income	5	139	167
Total Income		12,642	12,174
Expenditure			
Staff costs	6/7	8,465	7,981
Exceptional pension provisioning	8	254	132
Other operating expenses	9	3,243	3,179
Depreciation	14	574	571
Interest payable	10	81	100
Total Expenditure		12,617	11,963
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		25	211
Loss on disposal of assets	14	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		25	211
Taxation	11	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	12	25	211

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

Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations before taxation		25	211
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	234	317
Historical cost Surplus for the year before taxation		259	528
Historical cost Surplus for the year after taxation		259	528

Statement of Total Recognised Gains and Losses for the year ended 31 July 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		25	211
Unrealised surplus on revaluation of fixed assets	21	4,445	2,220
Total recognised gains relating to the year		4,470	2,431
Reconciliation:			
Opening reserves and endowments		7,992	5,561
Total recognised gains for the year		4,470	2,431
Closing reserves and endowments		12,462	7,992

Balance Sheet as at 31 July 2009

	Notes	as at 31 July 2009 £000	as at 31 July 2008 £000
Fixed Assets			
Tangible assets	14	18,805	14,793
		<u>18,805</u>	<u>14,793</u>
Current Assets			
Stock		76	64
Debtors	15	788	370
Investments	13	1	1
Cash at bank and in hand		2,849	3,233
		<u>3,714</u>	<u>3,668</u>
Creditors: amounts falling due within one year	16	(1,597)	(2,034)
Net current assets		<u>2,117</u>	<u>1,634</u>
Total assets less current liabilities		20,922	16,427
Creditors: amounts falling due after more than one year	17	(1,349)	(1,446)
Provisions for liabilities and charges	19	(3,211)	(2,969)
NET ASSETS		<u>16,362</u>	<u>12,012</u>
Deferred capital grants	20	<u>3,900</u>	<u>4,020</u>
Revaluation reserve	21	12,461	8,250
General reserve	22	1	(258)
Restricted reserve	22	-	-
Total Reserves		<u>12,462</u>	<u>7,992</u>
TOTAL		<u>16,362</u>	<u>12,012</u>

The financial statements on pages 20 to 37 were approved by the Board of Management on 8 December 2009 and were signed on its behalf on that date by:

Dr J Hutt
Chair

M Devenney
Principal

**Cash Flow Statement
for the year ended 31 July 2009**

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Cash (outflow)/inflow from operating activities	23	(342)	824
Returns on investments and servicing of finance	24	58	67
Capital expenditure and financial investment	25	(3)	(1)
Financing	26	(97)	(113)
(Decrease)/increase in cash in the year		<u><u>(384)</u></u>	<u><u>777</u></u>

Note to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year		(384)	777
Change in net debt resulting from cash flows	26	<u>97</u>	<u>113</u>
Movement in net funds in year		(287)	890
Net funds at 1 August 2008		1,690	800
Net funds at 31 July 2009	27	<u><u>1,403</u></u>	<u><u>1,690</u></u>

Notes to the Financial Statements

1. SFC grants

	SFC £000	SFC via UHIMI £000	2008/09 Total £000	2007/08 Total £000
SFC recurrent grant (including fee waiver)	5,747	2,243	7,990	7,623
Funding for increased STSS contributions	37	-	37	75
Financial security funding	302	223	525	564
FE Childcare funds	139	-	139	115
Release of deferred capital grants (SFC)	108	-	108	96
Other funding	220	283	503	692
	6,553	2,749	9,302	9,165

2. Tuition fees and education contracts

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
FE fees – UK	879	860
FE fees – EU	5	5
HE fees	993	907
Education contracts	272	71
	2,149	1,843

3. Other grant income

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Release of deferred capital grants (non-SFC)	150	145
European funds	110	69
Other grants	120	120
	380	334

4. Other operating income

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Catering and residences	309	308
Nursery	151	170
Hairdressing and beauty	58	50
Other income	154	137
	672	665

Notes to the Financial Statements (continued)

5. Endowment and investment income

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Other interest receivable	139	167
	139	167

6. Staff numbers and costs

Staff numbers (full time equivalent):

	Year ended 31 July 2009 Number	Year ended 31 July 2008 Number
Academic/Teaching departments	111	108
Academic/Teaching services	34	33
Administration and central services	74	67
Premises	16	16
Other expenditure	20	21
Catering and residences	6	6
	261	251
Staff on permanent contracts	222	224
Staff on temporary contracts	39	27
	261	251

Staff costs:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Academic/Teaching departments	4,203	4,007
Academic/Teaching services	785	856
Administration and central services	2,355	2,009
Premises	330	317
Other expenditure	680	683
Catering and residences	112	109
	8,465	7,981

Notes to the Financial Statements (continued)

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

	Year ended 31 July 2009		Year ended 31 July 2008	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 50,001 to £ 60,000	4	-	4	-
£ 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>-</u>	<u>5</u>	<u>-</u>

7. Senior post-holders' emoluments

	Year ended 31 July 2009 Number	Year ended 31 July 2008 Number
Senior post-holders including the Principal:	5	5
Senior post-holders' emoluments including the Principal:	£000	£000
Salaries	321	303
Pension contributions	45	41
	<u>366</u>	<u>344</u>
Amounts paid to the Principal:	£000	£000
Salary	88	85
Pension contributions	12	11
	<u>100</u>	<u>96</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 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.

8. Exceptional pension costs

In accordance with SFC instructions the pension provision in respect of unfunded enhanced early retirements has been revalued using the actuarial tables supplied by the Government Actuaries Department in August 2009 and the recommended interest rate of 2.5%. This has given rise to an increase in the provision of £254,000 (2007/08 provision increase £132,000) which is an exceptional pension cost charged to the income and expenditure account for the year.

Notes to the Financial Statements (continued)

9. Other operating expenses

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Academic/Teaching departments and services	802	700
Administration and central services	837	872
Agency staff	233	342
Premises	993	944
Other expenditure	287	223
Catering and residences	101	101
VAT provision	(10)	(3)
	3,243	3,179

Other operating expenses include:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Auditors' remuneration:		
external audit	12	12
internal audit	12	14
other services from external / internal audit	4	2
Disbursements of childcare funds to students	139	115
Legal services	8	4
Hire of plant and machinery - operating leases	65	72
Hire of other assets - operating leases	93	58

All expenditure included irrecoverable VAT.

No special payments were made in the year.

£10,917 was written-off to bad debts during the year (2007/08 £17,726).

10. Interest payable

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	81	100
	81	100

Notes to the Financial Statements (continued)**11. Taxation**

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

12. Surplus on continuing operations for the year

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
The surplus on continuing operations for the year is made up of the following:		
Surplus for the year	25	211
	<u>25</u>	<u>211</u>

13. Investments

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Investments in subsidiary companies	1	1
	<u>1</u>	<u>1</u>

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

No consolidated accounts have been prepared as the subsidiary has been dormant since 1996 when its activities were transferred to the College. Shareholders funds at 31 July 2009 amounted to £100. No element of this related to a fixed asset investment and accordingly it has been classified on the balance sheet as a current asset.

Notes to the Financial Statements (continued)

14. Tangible fixed assets

	Land £000	Buildings £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost / Valuation					
At 1 August 2008	-	14,583	2,702	462	17,747
Additions	-	9	132	-	141
Revaluation	2,520	1,115	-	-	3,635
Disposals	-	-	-	-	-
At 31 July 2009	2,520	15,707	2,834	462	21,523
Depreciation					
At 1 August 2008	-	439	2,203	312	2,954
Charge for year	-	394	142	38	574
Revaluation	-	(810)	-	-	(810)
Disposals	-	-	-	-	-
At 31 July 2009	-	23	2,345	350	2,718
Net book value					
At 31 July 2009	2,520	15,684	489	112	18,805
Net book value					
At 1 August 2008	-	14,144	499	150	14,793
Inherited	2,520	9,500	-	-	12,020
Financed by capital grant	-	5,776	442	108	6,326
Other	-	408	47	4	459
Net book value					
At 31 July 2009	2,520	15,684	489	112	18,805

Land and buildings with a net book value of £12,020,000 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 Funding Council, to surrender such proceeds to that body.

Land and buildings were subject to revaluation at 31 July 2009 by D M Hall, an independent firm of Chartered Surveyors. Had they not been revalued then, and on prior occasions, land and buildings would have been included as:

	£000
Cost	7,344
Aggregate depreciation based on cost	(1,574)
Net book value based on cost	<u>5,770</u>

Notes to the Financial Statements (continued)

15. Debtors: Amounts falling due within one year

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Trade debtors	298	165
European funding	103	73
Prepayments and accrued income	371	132
Other debtors	16	-
	788	370

16. Creditors: Amounts falling due within one year

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Bank loans and overdrafts	97	97
Payments received in advance	403	658
Trade creditors	365	397
Amounts owed to subsidiary undertaking	1	1
Other creditors	116	107
Other taxation and social security	182	158
Accruals	128	315
Amounts owed to UHIMI	111	122
Bursary and access funding	194	179
	1,597	2,034

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

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Bank loan	550	600
Moray Council loan	799	846
	1,349	1,446

Notes to the Financial Statements (continued)

18. Borrowings

Bank loans and overdrafts:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
The Bank of Scotland loan is 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	350	400
	600	650

Moray Council loan:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £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	611	658
	846	893

19. Provisions for liabilities and charges

	Early retirement pension costs £000	Other £000	2008/09 Total £000	2007/08 Total £000
At 1 August 2008	2,849	120	2,969	2,813
Expenditure in the year	(164)	-	(164)	(160)
Additional provision required in year	164	(12)	152	184
Revaluation adjustment	254	-	254	132
At 31 July 2009	3,103	108	3,211	2,969

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

Notes to the Financial Statements (continued)

20. Deferred capital grants

	SFC	Other	2008/09 Total	2007/08 Total
	£000	£000	£000	£000
At 1 August 2008				
land and buildings	985	2,452	3,437	3,537
equipment, fixtures & fittings	318	265	583	513
Cash received				
land and buildings	-	9	9	-
equipment, fixtures & fittings	40	89	129	211
Released to income and expenditure account				
land and buildings	(34)	(65)	(99)	(100)
equipment, fixtures & fittings	(74)	(85)	(159)	(141)
	1,235	2,665	3,900	4,020
At 31 July 2009				
land and buildings	951	2,396	3,347	3,437
equipment, fixtures & fittings	284	269	553	583
	1,235	2,665	3,900	4,020

21. Revaluation reserve

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
At 1 August 2008	8,250	6,264
Revaluations in the year	4,445	2,220
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(234)	(234)
At 31 July 2009	12,461	8,250

Notes to the Financial Statements (continued)

22. Movement on general reserves

Income and Expenditure Account Reserve

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
At 1 August 2008	(258)	(786)
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	25	211
Transfer from revaluation reserve	234	234
Transfer from restricted reserve	-	83
At 31 July 2009	1	(258)
The Accumulated Income and Expenditure Account Reserve consists of :		
Accumulated historical cost surplus	3,104	2,591
Pension provision for unfunded early retirements	(3,103)	(2,849)
	1	(258)

Restricted Reserve

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
At 1 August 2008	-	83
Transfer to Income and Expenditure Account Reserve	-	(83)
At 31 July 2009	-	-

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

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of Assets at valuation and tax	25	211
Depreciation	574	571
Deferred capital grants released to income	(258)	(241)
Interest payable	81	100
Increase in stocks	(12)	(9)
Increase in debtors	(418)	(51)
(Decrease)/increase in creditors	(437)	254
Increase in provisions	242	156
Interest receivable	(139)	(167)
Net cash flow from operating activities	(342)	824

Notes to the Financial Statements (continued)

24. Returns on investments and servicing of finance

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Interest received	139	167
Interest paid	(81)	(100)
Net cash inflow from returns on investments and servicing of finance	58	67

25. Capital Expenditure and Financial Investment

	31 July 2009 £000	31 July 2008 £000
Purchase of tangible fixed assets	(141)	(212)
Deferred capital grants received	138	211
Net cash outflow from capital expenditure and financial investment	(3)	(1)

26. Financing

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Debt due beyond a year:		
repayment of Moray Council loan	(47)	(63)
repayment of bank loan	(50)	(50)
Net cash outflow from financing	(97)	(113)

27. Analysis of changes in net funds

	At 1 August 2008 £000	Cashflows £000	Other changes £000	At 31 July 2009 £000
Cash in hand, and at bank	3,233	(384)	-	2,849
	3,233	(384)	-	2,849
Debt due within 1 year	(97)	97	(97)	(97)
Debt due after 1 year	(1,446)	-	97	(1,349)
	1,690	(287)	-	1,403

28. Cash flow relating to exceptional items

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

29. Major non-cash transactions

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

Notes to the Financial Statements (continued)**30. 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 2009 were £751,433 (2007/08 £672,874) of which employers contributions totalled £515,364 (2007/08 £457,719) and employees contributions totalled £236,069 (2007/08 £215,155). Total contributions for the year included £62,669 (2007/08 £57,961) outstanding contributions at the balance sheet date.

The current contribution rates are:

Employees	6.4%	
Employers	14.9%	Increased from 13.5% on 1 April 2009.

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.

Total contributions for the year ended 31 July 2009 were £546,956 (2007/08 £476,287) of which employers contributions totalled £413,544 (2007/08 £354,488) and employees contributions totalled £133,412 (2007/08 £121,799). Total contributions for the year included £46,489 (2007/08 £41,122) outstanding contributions at the balance sheet date.

The current contribution rates are:

Employees	Tiered rates based on salary, ranging from 5.5% to 8.2%.	Increased from flat 6.0% on 1 April 2009.
Employers	19.1%	Increased from 18.0% on 1 April 2009.

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 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.

Notes to the Financial Statements (continued)**31. Capital commitments**

At 31 July the College had no capital commitments contracted for (2007/08 £6,000).

32. Financial commitments

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

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Land and Buildings		
Expiring within one year	12	14
Expiring within two and five years inclusive	50	45
	62	59
Other		
Expiring within one year	1	9
Expiring between two and five year inclusive	74	46
	75	55

33. 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 transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with the College's financial regulations and procurement procedures.

The College had transactions during the year, or worked in partnership with, the following publicly funded or representative bodies in which members of the Board of Management hold, or held, official positions:

<u>Organisation</u>	<u>Member</u>	<u>Position</u>
UHIMI	Dr J Hutt	Director
	M Devenney	Member

Aggregate transactions with UHIMI:

HE funding	£ 2,675,000
Sales ledger	£ 130,000
Purchase ledger	£ 117,000

34. Post balance sheet events

There are no post balance sheet events.

35. Contingent liability

At 31 July the College had no contingent liabilities.

Notes to the Financial Statements (continued)

36. Bursaries and other student support funds

	Bursary £000	H/ship £000	EMA £000	Other £000	2008/09 Total £000	2007/08 Total £000
At 1 August 2008	144	3	30	-	177	123
Allocation received in year	1,346	53	164	159	1,722	1,789
Expenditure	(1,290)	(20)	(200)	(121)	(1,631)	(1,692)
Repaid to Funding Council as clawback	(67)	-	-	-	(67)	-
Virements	9	(30)	7	-	(14)	(43)
At 31 July 2009	142	6	1	38	187	177
Represented by:						
Repayable to Funding Council as clawback	68	-	-	3	71	68
Retained by College for students	74	6	1	35	116	109
	142	6	1	38	187	177

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.

37. Childcare funds

	2008/09 £000	2007/08 £000
At 1 August 2008	2	6
Allocation received in year	130	68
Expenditure	(139)	(115)
Repaid to Funding Council as clawback	-	-
Virements	14	43
At 31 July 2009	7	2
Represented by:		
Repayable to Funding Council as clawback	-	-
Retained by College for students	7	2
	7	2

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



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