



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC GUIDANCE

REFERENCE: SFC/GD/17/2025

ISSUE DATE: 14/08/2025

Accounts Direction for Scotland's Colleges 2024-25



Accounts Direction for Scotland's Colleges 2024-25

ISSUE DATE: 14 August 2025

REFERENCE: SFC/GD/17/2025

SUMMARY: To provide SFC's 2024-25 accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

FAO: Principals / Executive Director / Finance Directors / Board Secretaries of Scotland's colleges and Glasgow Colleges' Regional Board and the general public

FURTHER INFORMATION:

CONTACT: Fiona O'Neill

JOB TITLE: Assistant Director

DIRECTORATE: Finance

TEL: 0131 313 3565

EMAIL: foneill@sfc.ac.uk

TABLE OF CONTENTS

Accounts Direction for Scotland's Colleges 2024-25	5
Introduction and Structure of Accounts Direction.....	6
Mandatory and Corporate Governance Disclosures	6
Changes for 2025	6
Deadlines	6
Future of the SORP	6
2022 Code of Good Governance for Scotland's Colleges	7
Appendix 1	8
Mandatory Disclosures – Non-Incorporated Colleges.....	8
Strategic Report	8
Notes to the Accounts	9
Corporate Governance	9
Remuneration	10
National bargaining support staff and middle management job evaluation costs	10
Appendix 2	12
Mandatory Disclosures – Incorporated Colleges and Glasgow Colleges' Regional Board ...	12
The Performance Report	12
Depreciation Budget for Government-Funded Assets	13
Adjusted Operating Position (AOP)	14
Payment Practice.....	14
The Accountability Report	14
Corporate Governance Report	14
Directors' Report	15
Statement of Board of Management/Board Responsibilities	15
Governance Statement	15
Remuneration and Staff Report.....	16
Parliamentary Accountability Report	18
Notes to the Accounts	18
National bargaining support staff and middle management job evaluation costs	19

Appendix 3	20
Governance Statement Guidance for Institutions	20
Appendix 3 (A).....	22
Template for Statement of Compliance with the 2022 Code of Good Governance for Scotland's Colleges	22
Appendix 4	23
Model Adjusted Operating Position (AOP) Note	23
Appendix 5	25
Impact of depreciation budget on statement of comprehensive income (incorporated colleges only)	25
Illustrative form of words for inclusion in the statement at the foot of the statement of comprehensive income	25
Illustrative form of words for inclusion in the notes to the accounts	25
Appendix 6	27
Template for remuneration report (for incorporated colleges and Glasgow colleges' regional board only)	27
Remuneration Policy.....	27
Remuneration (including Salary) and Pension Entitlements	27
Remuneration (salary, benefits in kind and pensions)	27
Fair Pay – Pay Multiples.....	27
Accrued Pension Benefits.....	29
Senior Officials Pension	29
Cash Equivalent Transfer Value (CETV).....	29
Real increase in CETV	30
Compensation for loss of office.....	30
Salaries and Related Costs.....	31
Facility Time.....	31

Accounts Direction for Scotland's Colleges 2024-25

It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

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

Incorporated colleges and Glasgow Colleges' Regional Board² are also required to comply with the Government Financial Reporting Manual 2024-25 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2025.

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

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

Scottish Funding Council

14 August 2025

¹ The term "institutions" includes colleges and Glasgow Colleges' Regional Board

² Glasgow Colleges' Regional Board was dissolved on 30 July 2025. The Scottish Funding Council will be responsible for preparing the 2024-25 accounts. This applies to all references made to Glasgow Colleges' Regional Board throughout this document.

Introduction and Structure of Accounts Direction

Mandatory and Corporate Governance Disclosures

1. We draw your attention to the specific mandatory disclosures for non-incorporated colleges in **Appendix 1** and for incorporated colleges and Glasgow Colleges' Regional Board ("GCRB") in **Appendix 2**. The corporate governance disclosures required are listed in **Appendix 3**.

Changes for 2025

2. Institutions are reminded of the importance of complying with the Scottish Government's Fair Work reporting requirements. Updated information is given in **Appendix 1** paragraphs 18 to 21.
3. **Appendix 2** paragraph 68 has been updated to include FReM additional disclosure relating to the McCloud remedy.
4. Removal of wording included in the 2023-24 direction regarding the exceptional delay in calculation of pension data following application of the public service remedy.
5. We have signposted in **Appendix 2** paragraph 42 that while 'Task Force on Climate-related Financial Disclosures' are not required for 2024-25 annual reports and accounts, this will be revisited for 2025-26.

Deadlines

6. Incorporated and non-incorporated colleges³ are required to provide their annual report and accounts, together with the associated annual audit reports, to us by 31 December 2025. If you consider that your college will be unable to meet this deadline, please contact SFC.
7. The annual report and accounts should be prepared with a 31 July year-end.

Future of the SORP

8. The Financial Reporting Council (FRC) has concluded its consultation on amendments to FRS 102 contained in FRED 82⁴. The most consequential amendments relate to the incorporation of IFRS 16 Leases into FRS 102. The forthcoming SORP will be based on the new FRS 102. The SORP based on the revised FRS 102 will be effective for accounting periods beginning 1 January 2026 and will therefore be applicable for the 2026-27

³ The term non-incorporated college covers Newbattle Abbey College, Sabhal Mòr Ostaig, UHI Argyll, UHI Orkney and UHI Shetland. UHI Orkney forms part of Orkney Islands Council and will be included in the annual report and accounts of the local authority.

⁴ [FRC revises UK and Ireland accounting standards](#)

Academic Year financial statements.

2022 Code of Good Governance for Scotland's Colleges

9. The latest version of the Scottish Code of Good Governance was published in September 2022: [Institutional governance - Scottish Funding Council \(sfc.ac.uk\)](https://www.sfc.ac.uk/institutional-governance) . Institutions are asked to comply with the 2022 Code.

Appendix 1

Mandatory Disclosures – Non-Incorporated Colleges

10. Listed below are disclosures which non-incorporated colleges must include in the financial statements.

Strategic Report⁵

11. A list of members of the governing body and key committees. This should cover all those who served during the period and include any changes up to the date of signing the annual report and accounts. The report should also disclose attendance of individual members at board meetings but this can be disclosed as a percentage attendance for each member for the year.
12. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.
13. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.
14. The report should provide a commentary on the college financial performance in the year. This should include a table setting out the adjusted operating position for the year in accordance with the template included in **Appendix 4**.
15. The commentary should explain the impact of current inflationary pressures and geopolitical issues on the college's financial position.
16. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:
 - Relevant union officials.
 - Percentage of time spent on facility time.
 - Percentage of pay bill spent on facility time.
 - Paid trade union activities.
17. An example of the disclosure required is given in **Appendix 6** of this Direction.
18. A commentary outlining the Fair Work First practices and the progress the institution has made in their implementation. Best practice is that institutions should make every

⁵ Further guidance on strategic reports is given in the 2019 SORP (paragraphs 3.23 to 3.26)

endeavour to do this in agreement with their workforce, such as the relevant trade union where one is present, or workers' representative(s) where there is no union present.

19. The commentary must demonstrate how the institution complies with the following mandatory criteria:
 - Pay at least the Real Living Wage.
 - Provide appropriate channels for effective workers' voice, i.e. collectively (e.g. through trade union recognition) and individually (e.g. through staff surveys)
20. Recipients of public sector grants are also expected to commit to working towards the remaining five desirable [Fair Work First criteria](#).
21. Guidance on adhering to the criteria along with examples are available in [Fair Work First - Guidance \(updated November 2024\)](#). A link to an existing statement on the institution's website demonstrating compliance with the Fair Work First requirements would also be acceptable. Such a statement should be reviewed annually. SFC will review these commentaries/statements annually, follow up with institutions as appropriate and report to Scottish Government on the sector's adherence to the Fair Work First criteria.

Notes to the Accounts

22. The audit and non-audit fees paid to external and internal auditors.

Corporate Governance

23. We require non-incorporated colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.
24. It is a condition of the Financial Memorandum (FM) with SFC or the RSB (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2022 Code of Good Governance for Scotland's Colleges ("the Scottish Code"). Colleges are required to include a statement in their accounts confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.
25. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, colleges should give due regard to the guidance contained in **Appendix 3**.
26. Colleges should also refer to the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in

May 2019.

27. Colleges should be aware that their external auditors will be reviewing the corporate governance statement as part of their audit and will be including a reference to this in their audit report.

Remuneration

28. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. This should be the actual figure and not a banding. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of the college has been paid salary in lieu of pension contributions, this should be explained in the note.
29. The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
30. The aggregate amount of any compensation for loss of office payable to the head of the college and any staff member earning in excess of £60,000 per annum, together with the number of people to whom this was payable, or where the costs of all elements of a proposed arrangement amount to more than £75,000.
31. Audit Scotland published a Good Practice Note on the preparation of the Remuneration report in May 2023 which colleges should refer to. The Good Practice Note can be found here: [Remuneration Report - Good Practice Note on enhancing the quality of financial reporting \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/reports-and-publications/good-practice-note-on-enhancing-the-quality-of-financial-reporting).

National bargaining support staff and middle management job evaluation costs

32. The accounting treatment of National Bargaining support staff and middle management job evaluation exercise changed in 2023-24. The accounting treatment is unchanged for 2024-25 with further detail provided in the following paragraphs.
33. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is concluded, the outcome of which will be backdated to 1 September 2018. Up until 2022-23, colleges accrued support staff and middle management costs (and associated grant funding) based on Colleges Scotland's February 2019 costings.
34. In previous years, SFC has held in reserve grant funding provided by the Scottish Government that relates to this activity, but these funds were returned to Scottish Government in 2023 with Scottish Government agreeing that responsibility for Job Evaluation funding commitments now rests with the Scottish Government until the

process is complete.

35. A liability relating to the costs of implementing the middle management and support staff job evaluation exercise outcome should continue to be recognised. The job evaluation exercise is a past event which has led to an obligation being created that can be reliably measured and is likely to result in an outflow of benefit in future periods. Given the timing of the outflow remains to be uncertain, a provision is likely to be the appropriate treatment.
36. The position in relation to the recognition of the revenue is not as clear due to the change in the funding arrangements not providing sufficient audit evidence for it to be recognised in the financial statements. The revenue element should therefore not be recognised.
37. The current year cost provision should be adjusted through the college's adjusted operating position calculation (see **Appendix 4** of the Accounts Direction).
38. It is important to note that this remains to be a technical accounting change only. The Scottish Government remains clear that responsibility for Job Evaluation funding commitments now rests with it until the process is complete.

Appendix 2

Mandatory Disclosures – Incorporated Colleges and Glasgow Colleges’ Regional Board

39. Institutions⁶ are required to comply with the [Government Financial Reporting Manual: 2024-25 - GOV.UK](#) as well as complying with the SORP. The additional disclosures required in institutions’ annual report and accounts to comply with the FReM (i.e. those areas not addressed in the SORP) are set out in the various disclosures below. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
40. The disclosures which institutions must include in the annual report and accounts are outlined below.

The Performance Report

41. Chapter 5 of the FReM requires institutions to include a Performance Report in their annual report and accounts. The report will provide information on the institution, its main objectives and strategies and the principal risks that it faces. The report must provide a fair, balanced and understandable analysis of the institution’s performance, including both positive and negative aspects. The report, which should be signed and dated by the College Principal or Executive Director, should contain an overview of performance in the year and a Performance Analysis. Auditors will review the Performance Report for consistency with the financial statements and compliance with the Accounts Direction and give an opinion on this.
42. The Performance Overview should give the user sufficient information to understand the organisation, its purpose, its objectives, its performance and both the impact of and management of key risks. As a minimum, the Overview should include:
- A short summary explaining the purpose of the overview section.
 - A statement from the Principal or Executive Director providing their perspective on the performance of the institution over the period. This should include an explanation of the impact of current inflationary pressures and geopolitical issues on the college’s performance.
 - A statement of the purposes and activities of the institution including a brief description of the business model and environment, organisational structure, objectives and strategies, including estates management strategies.
 - A summary of key issues and principal risks that could affect the institution in delivering its objectives and explanation of the mitigation of those risks.

⁶ In this section “institutions” refers to all incorporated colleges and Glasgow Colleges’ Regional Board.

- An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities which may require to be funded from public sources. Mitigating actions taken as a result of inflationary impacts should form part of the going concern commentary.
 - A performance summary including key indicators.
 - Confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The Schedule to the 2015 Order sets out the required content for the report. Institutions should also have net zero strategies in place aligned to the 2045 national legally binding target and seeking closer alignment with interim national legally binding targets. Colleges should note that 'Task Force on Climate-related Financial Disclosures' (TCFD) [Task Force on Climate-related Financial Disclosure \(TCFD\) -aligned disclosure application guidance - GOV.UK](#) are not required for 2024-25 annual reports and accounts but this will be revisited for 2025-26.
 - Disclosures on adjusted operating position (see below).
43. The purpose of the Performance Analysis is for institutions to provide a detailed view of their performance.
44. Colleges should seek to tie in the Performance Analysis to other parts of the financial statements to provide a cohesive and consistent understanding of performance.
45. Guidance on preparation of the Performance Analysis is given in section 5.4 of the FReM. Colleges should note the mandatory requirements listed in section 5.4.4 d-m (excluding e, h and I which do not apply in Scotland)
46. In addition to the mandatory FReM requirements noted above, the Performance Analysis must include a description of the way in which the institution has promoted equality of delivery of service to different groups and had due regard to public sector equality duty under the Equality Act 2010. This may include a cross reference to separately published reports dealing with Public Sector Equality Duties.
47. Fair Work disclosures (refer to paragraphs 18 to 21 in **Appendix 1**)

Depreciation Budget for Government-Funded Assets

48. Colleges are required to include a statement at the foot of the Statement of Comprehensive Income (SOCi) and also a note to the accounts explaining the impact of the depreciation budget for government-funded assets. This is required because the depreciation budget allocation cannot be reflected as income in the SOCi under the FE/HE SORP accounting rules.
49. The adjustment is to add the actual depreciation budget to the SOCi surplus/(deficit) in order to reflect the results on a Government accounting basis for the academic year.
50. The form of wording for the statement at the foot of the SOCi and the note to the

accounts is set out in **Appendix 5**.

Adjusted Operating Position (AOP)

51. The Performance Report must also provide details of the AOP for Academic Year 2024-25. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.
52. The template for the computation of the AOP is shown in **Appendix 4**.
53. It is important that the calculation of the AOP is consistent with other disclosures within the Performance Report and accounts.
54. To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are encouraged to submit the AOP as early as possible to allow time for review.

Payment Practice

55. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

The Accountability Report

56. Requirements for the Accountability report are set out in Chapter 6 of the FReM. The Accountability Report is required to have three sections:
 - Corporate Governance report.
 - Remuneration and Staff report.
 - Parliamentary Accountability report.

Corporate Governance Report

57. The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

58. As a minimum, the Corporate Governance report must include a Directors' report, a statement of the Board of Management / Board responsibilities and a governance statement. These elements should be clearly identified.

Directors' Report

59. The Directors' report should set out the membership of the Board of Management/Board and also those members of the senior management team who influence the decisions of the institution as a whole. Details should be given of any directorships or other interests which the members have or a link provided to the relevant Register of Interests. Any information on personal data-related incidents reported to the Information Commissioner's Office should also be disclosed.

Statement of Board of Management/Board Responsibilities

60. The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. The SFC Chief Executive provides a governance certificate of assurance covering all institutions to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by institutions⁷. In light of this unique arrangement, institutions are required to provide a Statement of Board's responsibilities within their Corporate Governance report.

Governance Statement

61. We require institutions to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.
62. It is a condition of the FM with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2022 Code of Good Governance for Scotland's Colleges ("the Scottish Code"). All institutions are required to include a statement confirming compliance with the Scottish Code. In line with the principles of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.
63. Paragraph 6.4.8 of the FReM sets out the minimum information that a Governance Statement should acknowledge and explain. In preparing the Governance Statement, institutions must comply with the FReM and also with the guidance set out in the [Governance Statement section of the SPFM](#).
64. We recognise that each institution will have its own system of corporate governance,

⁷ Regional Strategic Bodies provide the certificate of assurance to SFC based upon certificates of assurance provided by the assigned colleges.

reflecting its particular objectives and management processes. However, in preparing their governance statement, institutions should give due regard to the guidance contained in **Appendix 3**.

65. The governance statement should also outline and explain the changes to the governance framework and any other governance implications arising from the exceptional inflationary pressures exerted on the sector.
66. Institutions should be aware that their external auditors are required to read the information in the Performance Report and the governance statement and express an opinion in the independent auditor's report on whether:
 - The information given in the Performance Report and governance statement is consistent with the financial statements.
 - The Performance Report and governance statement has been prepared in accordance with the accounts direction.
67. Further guidance is available in the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in May 2019.

Remuneration and Staff Report

68. Institutions are required to include within their annual report and accounts a remuneration and staff report in accordance with Chapter 6 (Paras 6.5.1 to 6.5.29, and Para 6.5.45) of the FReM. Paragraph 6.5.8f has been added to require additional disclosure where an individual included in the Remuneration Report is impacted by the McCloud remedy. The disclosure explains that the calculation of the disclosed pension benefits is based on the terms of the legacy scheme for the remedy period unless the individual actively elects otherwise. As in 2023-24, this includes significant changes to Fair Pay disclosures with pay multiples disclosures extended to include upper and lower quartile ratios and further explanations (Paras 6.5.19 to 6.5.29). A best practice disclosure for Diversity and Inclusion (Paras 6.5.45 to 6.5.52) encourages institutions to include details and narrative of their own diversity and inclusion policies, initiatives and longer-term ambitions in the staff report. Further information is contained in the FReM 2024-25.
69. Institutions should also refer to further guidance contained in Employers Pension Notice 727: [EPN727 - Civil Service Pension Scheme](#) and Employer Pension Notice 737: [EPN737 - Civil Service Pension Scheme](#).
70. Although EPN 727 and EPN 737 deal specifically with the Civil Service Pension Scheme, they contain a standard format for disclosure and explanations of what should be included in the report in order to comply with the FReM. The Remuneration report should set out the remuneration and accrued pension benefits of senior managers of the institution and this will include those named in the Directors' report (see paragraph 28 above).

71. An example Remuneration report is attached at **Appendix 6**. It is important to note that individuals should be informed in advance of the intention to disclose their salary information in this report. There is a presumption that information about named individuals will be given unless there is specific justification for not disclosing this (see FReM paragraph 6.5.4 for circumstances where non-disclosure is acceptable). In other cases, it would be for the staff member to make a case for non-disclosure which should be considered by the institution on a case-by-case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.
72. The Staff report must include the following information:
- The number of senior staff by band.
 - Staff numbers and costs distinguishing between permanent contract staff and agency/contract staff.
 - Staff composition – the number of persons of each sex who were directors or employees of the institution.
 - Sickness absence data.
 - Staff turnover expressed as a percentage.
 - Staff policies applied during the year:
 - (a) For giving full and fair consideration to applications for employment to the institution made by disabled persons, having regard to their particular aptitudes and abilities.
 - (b) For continuing the employment of, and arranging appropriate training for, employees of the institution who have become disabled persons during the period they were employed by the institution.
 - (c) Otherwise for the training, career development and promotion of disabled persons employed by the institution.
 - The number and overall value of exit packages (as approved by SFC under Severance Guidance).
 - Other employee matters – such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships and human capital management such as career management and employability, pay policy etc.⁸

⁸ This FReM requirement strengthens non-financial reporting for the benefit of users of the accounts and aligns with the introduction of EU Regulations and Directives. Further guidance is available at the following link: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01))

73. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:
- Relevant union officials.
 - Percentage of time spent on facility time.
 - Percentage of pay bill spent on facility time.
 - Paid trade union activities.
74. Audit Scotland published a Good Practice Note on the preparation of the Remuneration report in May 2023 which colleges should refer to. The Good Practice Note can be found here: [Remuneration Report - Good Practice Note on enhancing the quality of financial reporting \(audit-scotland.gov.uk\)](#).

Parliamentary Accountability Report

75. The FReM requires the inclusion of a Parliamentary Accountability report and, for Scottish government bodies, the requirements are reflected in the SPFM. The disclosures required are:
- Fees and charges for each service where the full annual cost is £1 million or more, or (if lower) where the amount of the income and full cost of the service are material to the financial statements:
 - Financial objective
 - Performance against that financial objective. The standard approach to setting charges for public services is full cost recovery but the SPFM lists some exceptions e.g. subsidised services.
 - Full cost of the service.
 - Income from charging for the service.
 - Surplus or deficit.
 - Disclosure of contingent liabilities, specifically enforceable undertakings given in the form of a guarantee or indemnity which would bind the body into providing the resources in the event of the guarantee or indemnity maturing; or a letter or general statement of comfort which could be considered to impose a moral obligation.
 - Disclosure of total losses exceeding £300,000 and total special payments exceeding £300,000.
76. It is not envisaged that the Parliamentary Accountability disclosures will require to be completed by most institutions unless they are material.
77. The Accountability report should be signed and dated by the Principal or Executive Director.

Notes to the Accounts

78. The audit fees and non-audit fees paid to external and internal auditors.

79. The actual total remuneration of the Principal or Executive Director, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of Principal or Executive Director during the year, details should be given separately for each person, noting the dates each was in post. Where the Principal or Executive Director has been paid salary in lieu of pension contributions, this should be explained in the note.
80. The total number of higher paid staff, including senior post-holders, in bands of £10,000 above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
81. The tables in the staff cost note required in paragraph 94 should be cross-referenced to the remuneration and staff report. Alternatively, if institutions prefer, the tables can be included in the remuneration and staff report and cross-referenced to the staff costs note. This will avoid duplication of the information.

National bargaining support staff and middle management job evaluation costs

82. The current position in relation to the above exercise is set out at paragraphs 32 to 38 in Appendix 1 of this document.

Appendix 3

Governance Statement Guidance for Institutions

83. Institutions are required to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.
84. It is a condition of the Financial Memorandum with the SFC or the Regional Strategic Body (for assigned colleges) that governing bodies meet the principles of good governance, set out in the 2022 Code of Good Governance for Scotland's Colleges. All institutions are required to include a statement in their corporate governance statements confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation must be provided in the event that the institution's practices are not consistent with particular principles. The template to be used for the compliance statement is at **Appendix 3(A)**.
85. The following should be included in the governance statement:
 - The governance framework of the institution, including information about the committee structure of the Board of Management / Board and the coverage of its work.
 - The operation of the Board of Management / Board, including membership and attendance of individual members at meetings, during the period.
 - An assessment of corporate governance with reference to compliance with the Scottish Code and explanations of any departures from the Code.
 - Responsibilities for risk management and internal control systems and for reviewing their effectiveness.
 - The ongoing process and structures used to identify, evaluate and manage the principal and emerging risks faced.
 - A statement that the systems have been in place for the year under review and up to the date of approval of the financial statements.
 - The main features that support regular monitoring, review and assurance.
 - The process applied in reviewing the effectiveness of the system of risk management and internal control, including explaining what actions have been or are being taken to remedy any significant failings or weaknesses.
 - In setting out principal risks and uncertainties, colleges should consider the specific risks arising from inflationary pressures and geopolitical issues and the steps being taken to mitigate those risks.

- Details of any significant lapses of data security.
 - Confirmation that the institution is a going concern, with supporting assumptions and qualifications as necessary. This disclosure provides support for the use of the going concern accounting policy and should not be inconsistent with the disclosures regarding going concern either in the annual report and accounts or the auditors' report thereon.
86. Institutions should refer to the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' which is based on a review of the corporate governance statements in the 2017-18 institution accounts. Audit Scotland identifies key characteristics which make for a high-quality corporate governance statement, including:
- There should be a single, coherent narrative running through the whole of the annual report and accounts.
 - The governance statement, wherever possible, should be brief, focused and high level.
 - The governance statement should be open and transparent and should reflect the specific matters that cause concern to the Board of Management/Board.
 - Emphasis should be on assessing the effectiveness of the arrangements rather than simply providing an explanation of the arrangements.
 - Key risks should be identified, the impact analysed and steps taken to mitigate the risk should be reflected in the statement.
 - The statement should provide understandable information and use precise language that explains issues clearly.

Appendix 3 (A)

Template for Statement of Compliance with the 2022 Code of Good Governance for Scotland's Colleges

87. The institution complies with all the principles of the 2022 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2025.

or

The institution complies with all the principles of the 2022 Code of Good Governance for Scotland's Colleges with the exception of xxxx. The institution is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.

Appendix 4

Model Adjusted Operating Position (AOP) Note

88. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

	2024-25	2023-24
	£'000	£'000
Surplus/(deficit) before other gains and losses		

Add back:

- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 1)
- Exceptional non-restructuring costs - Impairment (Note 2)
- Pension adjustment – Net service cost (Note 3)
- Pension adjustment - Net interest cost (Note 4)
- Pension adjustment - Early retirement provision (Note 5)
- Donation to Arms-Length Foundation (ALF)* (Note 6)
- Costs of middle management job evaluation exercise and income derecognition (Note 7)

Deduct:

- Non-Government capital grants (e.g. ALF capital grant) (Note 8)
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim (Note 9)
- Revenue funding allocated to loan repayments and other capital items* (Note 10)
- NPD income applied to reduce NPD balance sheet debt (Note 11)

Adjusted operating surplus/(deficit)

*incorporated colleges only

EXPLANATION FOR ADJUSTING ITEMS

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The exceptional non-restructuring adjustment will relate to any material one-off charges in year which may distort the accounts.

Note 3: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 4: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or deleting employees.

Note 6: The ALF donation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

Note 7: The costs of middle management job evaluation not matched by revenue.

Note 8: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 9: Exceptional income items which distort the results for the year are excluded. This is only relevant where the item is disclosed as exceptional in the accounts.

Note 10: Revenue funding is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where revenue funding has been used to fund them.

Note 11: NPD grant income is included in the SOCI but the payment is applied to reduce the balance sheet liability and, as this would overstate the surplus, is therefore adjusted.

Appendix 5

Impact of depreciation budget on statement of comprehensive income (incorporated colleges only)

Illustrative form of words for inclusion in the statement at the foot of the statement of comprehensive income

89. The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note X provides details of the adjusted operating position on a Central Government accounting basis.

Illustrative form of words for inclusion in the notes to the accounts

90. Following reclassification, incorporated colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.
91. Under the FE/HE SORP, the college recorded an operating deficit of £X for the year ended 31 July 2025. After adjusting for the non-cash allocation provided under government rules, the college shows an “adjusted” surplus/deficit of £X on a Central Government accounting basis.
92. This demonstrates that the college is operating sustainably within its funding allocation.

or

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of factors such as inflationary pressure and geopolitical issues as explained in the Performance Report on pages x to x.

	2024-25	2023-24
	£'000	£'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year		
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year		

Operating surplus/(deficit) on Central Government
accounting basis for academic year

Appendix 6

Template for remuneration report (for incorporated colleges and Glasgow colleges' regional board only)

Remuneration Policy

93. Institutions should outline here the details of their remuneration policy for the Principal or Executive Director and senior managers and also outline the operation of the Remuneration Committee.

Remuneration (including Salary) and Pension Entitlements

Remuneration (salary, benefits in kind and pensions)⁹

94. The following table provides detail of the remuneration and pension interests of senior management.

Single total figure of remuneration						
Year ended 31 July 2025				Year ended 31 July 2024		
Name	Salary	Pension	Total	Salary	Pension	Total
	£'000	Benefit ¹⁰ £'000		£'000	Benefit £'000	
Name A						
Name B						

95. Where applicable, performance pay or bonuses payable, salary paid in lieu of pension and non-cash benefits in kind should also be disclosed separately in the above table. Explanations of these items should also be provided to aid the understanding of the users of the financial statements.

Fair Pay – Pay Multiples

96. Institutions are required to disclose the relationships between the remuneration of the highest paid official and the remuneration of their workforce.
97. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension

⁹ The details in this table are subject to audit.

¹⁰ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

contributions and the cash equivalent transfer value of pensions.

98. The FreM requires disclosures of the median, 25th and 75th percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanations of any changes.

	2024-25	2023-24	Change
	£'000	£'000	%
Range of workforce remuneration			
%age change in salary and allowances for employees as a whole			
Highest paid official remuneration			
Performance pay/bonus for highest paid director (disclose for employees as a whole where applicable)			
Median (total pay and benefits)			
Median (salary only)			
Ratio			
25th percentile (total pay and benefits)			
25th percentile (salary only)			
Ratio			
75th percentile (total pay and benefits)			
75th percentile (salary only)			
Ratio			
Explanation of changes (per FReM 6.5.26)			

99. The banded remuneration of the highest paid official in the institution in the financial year 2024-25 was £xxx (2023-24 £xxx). This was x times (2023-24 x times) the median remuneration of the workforce which was £xx (2023-24 £xx).

100. [Explanation for changes in the ratio]

Accrued Pension Benefits

101. Institutions should outline here the pension schemes in operation and give a brief explanation of how benefits accrue for the employees. Additional disclosure is required where an individual included in the Remuneration Report is impacted by the McCloud remedy.

Senior Officials Pension

102. Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior managers are set out in the table below, together with the pension contributions made by the institution.

Name	Accrued pension at pension age at 31 July 2025	Accrued lump sum at pension age at 31 July 2025	Real increase in pension 1 August 2024 to 31 July 2025	Real increase in lump sum 1 August 2024 to 31 July 2025	CETV at 31 July 2025	CETV at 31 July 2024	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Name A

Name B

Cash Equivalent Transfer Value (CETV)

103. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

104. The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government Pension Scheme service and not just their current appointment.

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

- (i) The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

106. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

107. xx employees left under voluntary exit terms on xx/xx/xx. They received a compensation payment of £'xxx.

108. xx employees left under voluntary redundancy terms on xx/xx/xx. They elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pension was £xx. They did not receive any additional compensation.

109. The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000			
£10,000 - £25,000			
£25,000 - £50,000			
£50,000 - £100,000			
£100,000 - £150,000			
£150,000 - £200,000			
Total number of exit packages			
Total cost (£)			

Salaries and Related Costs

	2025	2025	2025	2024
	Directly employed staff on permanent UK contracts	Other staff including short-term contract, seconded and agency staff	Total	Total
Wages and salaries				
Social security costs				
Other pension costs				
Total				
Average number of FTE				

Note: Where the number of staff under any one category of “other staff” is significant, that category should be separately disclosed.

110. The institution employed xx females and xx males as at 31 July 2025.

111. In the year ended 31 July 2025 staff turnover was x%.

Facility Time

112. In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the institution provided the following support through paid facility time for union officials working at the institution during the year ended 31 March 2025.

Relevant Union Officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time:
Total pay bill:
Percentage of the total pay bill spent on facility time:

Paid trade union activities

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