

Accounts Direction for Scotland's Universities 2024-25



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Accounts Direction for Scotland's Universities 2024-25

1. It is the Scottish Funding Council's (SFC's) direction that institutions comply with the [2019 Statement of Recommended Practice: Accounting for Further and Higher Education](#) (SORP) in preparing their annual report and accounts.
2. Institutions must comply with this accounts direction in the preparation of their annual report and accounts in accordance with the [Financial Memorandum with higher education institutions](#).
3. The annual report and accounts should be signed by the Chief Executive Officer and by the Chair, or one other member of the governing body.

Scottish Funding Council

8 August 2025

Introduction and Structure of Accounts Direction

Mandatory and Corporate Governance Disclosures

4. We draw your attention to the specific mandatory disclosures for institutions in **Appendix 1**. The corporate governance disclosures required are listed in **Appendix 2**.

Changes for 2025

5. Institutions are reminded of the importance of complying with the Scottish Government's Fair Work reporting requirements. Updated information requirements are given in Appendix 1 paragraphs 7 to 12.

Deadlines

6. Institutions should submit audited financial information to SFC by 31 December 2025. If institutions consider that they will be unable to meet this deadline they should contact SFC at the earliest opportunity. The annual report and accounts should be prepared with a 31 July year-end.

The Future of the SORP

7. The Financial Reporting Council (FRC) has concluded its consultation on amendments to FRS 102 contained in FRED 82¹ with the most consequential amendments applying to leases and revenue recognition. The forthcoming SORP will be based on the new FRS 102. The SORP will be effective for accounting periods beginning 1 January 2026 and will therefore be applicable from Academic Year 2026-27.

2023 Scottish Code of Good HE Governance

8. The 2023 edition of the Scottish Code of Good Governance was published in 2023: [2023 Scottish Code of Good Higher Education Governance](#). Institutions are asked to comply with the 2023 version of the Code for 2024-25.

¹ [FRC revises UK and Ireland accounting standards](#)

Mandatory Disclosures

1. Listed below are disclosures which institutions must include in the financial statements.

Strategic Report²

2. 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. Attendance at Court meetings should also be included in the accounts or a link provided to where this information is held on the institution's website.
3. The SORP considers that disclosure of the following items in the Strategic Report is best practice for all institutions:
 - Objectives, and strategy for achieving those objectives.
 - A fair and balanced review of the institution's development and performance throughout the financial year and position at the end of the financial year. This should include a description of the challenges presented by the period of high inflation and current geopolitical issues, and the mitigating actions taken.
 - Future prospects.
 - A description of the principal risks and uncertainties being faced.
 - Key performance indicators.
4. 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.
5. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.
6. A statement outlining 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 cross reference to separately published reports on public sector equality duties.
7. A commentary outlining the Fair Work First practices and the progress the institution

² Further guidance on Strategic reports is given in the SORP (paragraphs 3.23 to 3.26)

has made in their implementation. Best practice is that institutions should make every endeavor 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.

8. 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).
9. Recipients of public sector grants are also expected to commit to working towards the remaining five desirable [Fair Work First criteria](#).
10. 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

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

Corporate Governance

12. 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.
13. It is a condition of the Financial Memorandum (FM) with SFC that governing bodies comply with the principles of good governance set out in the 2023 Scottish Code of Good HE Governance ("the Scottish Code"). Institutions should have fully adopted the revised Scottish Code from 1 August 2023. The corporate governance statement in the accounts should include a statement specifically 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 institution's practices are not consistent with particular principles. Institutions should use the wording in the template in **Appendix 3** for reporting compliance with the Code.
14. We recognise that each institution will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing

their governance statement, institutions should give due regard to the guidance contained in **Appendix 2**.

15. Institutions 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.
16. The following paragraphs provide details of specific disclosures that must be included in the annual report and accounts.

Remuneration

17. The Code notes that “the remuneration committee is expected to represent the public interest and avoid any inappropriate use of public funds”. To ensure greater transparency over decisions on remuneration, institutions are required to outline within their annual report details of the operation of the remuneration committee and the policy adopted for senior pay, including that of the Principal.
18. The actual total remuneration of the head of institution which must disclose separately salary, bonus, employer pension contributions, payments in lieu of pension contributions and taxable and non-taxable benefits in kind. Where there is a change of head of institution during the year, details should be given separately for each person, noting the dates each was in post and giving comparative information.
19. Institutions should also disclose the relationship between the Principal’s total remuneration and that of all other employees, expressed as a multiple of the median pay across all staff. For the purposes of this calculation, total remuneration comprises salary, bonus, employer pension contribution, payments in lieu of pension contributions, taxable and non-taxable benefits. The median is based on the annualised, full-time equivalent remuneration of all staff at the reporting date. Explanations should be provided for any significant change in the median compared with prior year.
20. 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 £100,000. Payments funded from external sources, including the NHS, should be included in emoluments. The number of senior post-holders within each band should be separately identified.
21. The aggregate amount of any compensation for loss of office payable to the head of institution and any staff member earning in excess of £100,000 per annum, or where the costs of all elements of a proposed arrangement amount to more than £100,000, together with the number of people to whom this was payable.

Financial and Environmental Sustainability

22. Main principle 1, provision 4 of the 2023 Scottish Code of Good HE Governance states

that “the governing body must be attentive to risks which could threaten the sustainability of the institution, including the risk of inaction in the face of threat or opportunity, and ensure that the institution has appropriate procedures to identify and actively manage risk”. In this context, institutions are required to include within their annual report and accounts a description of the sustainability framework within the institution.

23. Institutions should outline the challenges presented by current geopolitical issues and the period of high inflation to the sustainability of the institution and the steps taken by the institution to mitigate these challenges.
24. Institutions should outline the process by which the governing body monitors the overall sustainability of the institution, including the key sustainability measures used.
25. Institutions are encouraged to provide commentary on the steps being taken to address climate change issues. This could include confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. Institutions should also include a commentary on net zero strategies in place aligned to the 2045 national legally binding target and seeking closer alignment with interim national legally binding targets.

Corporate Governance Statement Guidance for Institutions

1. 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.
2. It is a condition of the Financial Memorandum with SFC that governing bodies meet the principles of good governance, set out in the Scottish Code.
3. Institutions must include a specific statement in the corporate governance statement to confirm 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 wording which institutions must use to confirm compliance is included at **Appendix 3**.
4. Institutions are required to demonstrate robust governance, maintain a sound system of internal control and ensure that the following key principles of effective risk management have been applied:
 - Covers all risks – including those of governance, management, quality, reputation and finance – but focuses on the most important risks.
 - Produces a balanced portfolio of risk exposure.
 - Is based on a clearly articulated risk appetite, policy and approach.
 - Requires regular monitoring and review, giving rise to action where appropriate.
 - Needs to be managed by an identified individual and involve the demonstrable commitment of the governing body and the executive leadership.
 - Is embedded into normal business processes and aligned to the strategic objectives of the organisation.
5. Institutions are required to review at least annually the effectiveness of their system of internal control. Institutions must include in their financial statements a statement on internal control. In formulating their statements, institutions should refer to best practice guidance, including guidance from the British Universities Finance Directors Group.

Format of Corporate Governance Statement

6. We recognise that each institution will have its own system of corporate governance,

reflecting its particular objectives and management processes, and the corporate governance disclosures in the annual report will differ accordingly. It is expected that each institution will tailor its corporate governance statement to reflect its own individual circumstances. However, good practice suggests that a corporate governance statement should include the following sections:

- **Introduction**, which shows the context and purpose of the corporate governance statement.
- **Governing body**, outlining the governance structure and the role of the institution's committees, and their effectiveness.
- **Corporate strategy**, outlining the arrangements for strategic development.
- **Risk management and internal control**, setting out the arrangements for identifying, evaluating and managing risks and the arrangements for monitoring internal controls. Institutions should highlight the challenges presented by the period of high inflation and current geopolitical situation.
- **Going concern**, confirming that the institution is a going concern, with supporting assumptions and qualifications as necessary including reference to compliance with bank covenants where applicable. This disclosure provides support for the use of the going concern accounting policy and should be consistent with the disclosures regarding going concern either in the annual report and accounts or the auditors' report.
- **Conclusion**, providing any concluding observations or messages.

Template for the Statement of Compliance with the Scottish Code of Good Higher Education Governance

In the opinion of the Governing Body, the institution complied with all the principles and provisions of the 2023 Scottish Code of Good Higher Education Governance through the year

Or

In the opinion of the Governing Body, the institution complied with all the principles and provisions of the 2023 Scottish Code of Good Higher Education Governance with the exception of

[List areas of non-compliance]

The institution is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.