

Colleges Scotland Trustees Meeting

Thursday 22 January 2026 (1000-1400), Argyll Court, Stirling, FK9 4TY

Agenda

<i>Time</i>	<i>Item</i>	<i>Lead</i>	<i>Paper</i>
1000	1. Welcome and Apologies	SE	Verbal
General Business			
1000	2. Declaration of Interests	SE	Verbal
1002	3. Minute of Previous Meeting and Matters Arising <ul style="list-style-type: none"> • Thursday 30 October 2025 	SE	Paper 3.1
1005	4. CEO Update	GD	Verbal
For Discussion/Approval			
1015	5. External Audit <ul style="list-style-type: none"> • Draft Financial Statements for the Year Ended 31st July 2025 • Reconciliation of Management Accounts to Statutory Accounts – Year Ended 31st July 2025 • CT Audit Summary and Findings Report <ul style="list-style-type: none"> ○ Audit Summary Report ○ Charity Technical Update – Nov 2025 ○ Letter of Representation • Annual Governance Statement for 2024/25 	PS/GD/AW	Paper 5.1 Paper 5.2 Paper 5.3 Paper 5.4
1030	6. Financial Information: <ul style="list-style-type: none"> • CS Management Accounts to 30th November 2025 and F1 Forecast • CES Management Accounts to 30th November 2025 and F1 Forecast • Annual Pension Report • Financial Regulations and Procedures Manual • Treasury Management Policy 	GD/AW GD/CC GD GD GD	Paper 6.1 Paper 6.2 Paper 6.3 Paper 6.4 Paper 6.5
1100	7. Colleges Scotland (CS) <ul style="list-style-type: none"> • Risk and Regulatory Update • Strategy Trackers Update • Governance Framework • Performance Review Outcomes for CEO 	GD/AW	Paper 7.1 Paper 7.2 Paper 7.3 Paper 7.4

1115	8. College Employers Scotland (CES) <ul style="list-style-type: none"> • CES Assurance Reports: <ul style="list-style-type: none"> ○ National Bargaining ○ Job Evaluation 	GD/CC	Verbal
1130	9. Board of Trustees Code of Conduct	GD	Paper 9.1
1145	10. Recruitment of Chair	GD	Paper 10.1
1155	11. Any Other Competent Business	SE	Verbal
1158	12. Date of Next Meeting <ul style="list-style-type: none"> • Thursday 26 March 2026 (1000-1200) at Argyll Court, Stirling, FK9 4TY 	SE	Verbal
1200	<i>Networking Lunch with Colleges Scotland Staff</i>		
1230	<i>Photograph Session for Trustee Members</i>		
1245	13. Board of Trustees Induction Session <i>(papers are available to view on the members area of Colleges Scotland Website)</i>	GD/RF	Online
1400	14. Close		

Minute of Previous Meeting and Matters Arising

Paper 3.1

FOISA Status	Non-Disclosable
Lead	Secretary to the Board

Summary:

This paper presents the draft minute and action log from the Colleges Scotland Trustees meeting on Thursday 30 October 2025.

Recommendations:

The Board of Trustees is asked to:

- discuss any relevant matters arising
- approve the minutes as a true record.

Colleges Scotland
January 2026

DRAFT Minute of Colleges Scotland Trustees

Thursday 30 October 2025, Argyll Court, Stirling

Present

Susan Elston (SE), (Chair)

Gavin Donoghue (GD)

Angela Cox (ACo)

Waiyin Hatton (WH)*

In Attendance

Karen Tracey (KT), (Minutes)

Andy Witty (AW)

Apologies

Pete Smith (PS)

* *via video conferencing*

1. Welcome and Apologies

1.1. SE welcomed members to the meeting. Apologies were noted as above.

2. Independent Trustees and Chair

2.1. Paper 2.1 which outlined the recruitment process for the new Independent Trustees and Chair was noted by members.

2.2. GD presented the paper, noting that the interview panel recommended three candidates for Independent Trustee positions. As no candidate had met the criteria for Chair, recruitment for that role will continue.

2.3. The Trustees agreed the following:

- **Colleges Scotland will issue confirmation letters to the three approved candidates for Independent Trustee positions.**
- **To explore whether offering remuneration for the Chair role could broaden the applicant pool and assess associated risks, with a detailed discussion on this proposal to take place at the next meeting on Thursday 22 January 2026.**
- **SE will temporarily serve as Trustee with certain delegated functions, in lieu of a Chair, including the monitoring and reviewing of the performance of the CEO, on behalf of the Board.**

3. Declaration of Interests

3.1. There was no declaration of interests recorded.

4. Colleges Scotland Board Minute of Previous Meeting and Matters Arising

4.1. The draft minute outlined in Paper 4.1 was noted by members and accepted as a true reflection of the meeting which took place on Thursday 26 June 2025.

5. CEO Update Report

- 5.1. GD reported on the ongoing measures to strengthen the organisation's financial position, including the development of new income streams and careful expenditure management to deliver a balanced budget.
- 5.2. It was noted that significant progress has also been achieved in sector advocacy, with enhanced engagement with Scottish Government officials, the Scottish Funding Council, and key stakeholders on the manifesto, transformation agenda, and draft budget. Collaboration through the Tripartite Alignment Group has also improved.
- 5.3. GD confirmed the appointment of a Director of College Employers Scotland and informed interviews for the Head of National Bargaining and Corporate and Governance Manager roles have now been completed, with successful candidates to be announced shortly.

6. Board of Trustees Cycle of Business for 2025/26

- 6.1. Paper 6.1 which provided a cycle of business for 2025/26 was noted by members.
- 6.2. GD explained that for 2025/26, the review of the Board of Trustees' Code of Conduct, Treasury Management Policy, and CEO Performance Outcomes will be deferred to January 2026 to allow the newly appointed Independent Trustees to be fully briefed. From 2026/27, these reviews will return to the standard October schedule, on a tri-annual basis.
- 6.3. **The Trustees endorsed the annual cycle of business for 2025/26 as presented.**

7. Membership of the new Audit Committee

- 7.1. The proposed membership of the new Audit Committee outlined in Paper 7.1 was noted by members.
- 7.2. A discussion took place around the suggested approach, and it was agreed to appoint at least four members, to ensure quorum. PS was confirmed as Chair, given his financial qualifications and relevant experience. WH will also join the committee as a current Trustee member.
- 7.3. **The Trustees approved the Committee's membership as presented, with plans to add an independent Trustee from the recently appointed candidates and a co-opted member with financial expertise.**

8. Financial Information

Colleges Scotland (CS) Management Accounts to 31st August 2025

- 8.1. The CS management accounts outlined in Paper 8.1 was noted by members.
- 8.2. AW reported that overall expenditure was £2k less than forecast and income was £2.4k less than forecast.
- 8.3. AW informed that Colleges Scotland aims to increase its conference facility hire revenue through new promotional materials and enhanced targeted marketing. The Trustees however noted that careful oversight will be required to ensure these efforts do not compromise the organisation's core activities.

College Employers Scotland (CES) Management Accounts to 31st August 2025

- 8.4. The CES management accounts outlined in Paper 8.2 was noted by members.

- 8.5. GD reported that expenditure was £12.5k less than forecast, partly due to the Director vacancy and a reduction in working hours within the team. Income was in line with budget.
- 8.6. **The Trustees noted the financial information provided.**

HR and Health and Safety Report

- 8.7. The new and updated HR policies outlined in Paper 8.3 were noted by members.
- 8.8. **The Trustees requested information to allow them to monitor and assess employee engagement and satisfaction following the recent change in approach.**

9. Colleges Scotland

Risk and Regulatory Update

- 9.1. The Risk Register outlined in Paper 9.1 was noted by members.
- 9.2. WH noted an increase in the Net Score for Risk 1 (members leaving Colleges Scotland) and asked that the following mitigation actions which had been omitted from the risk assessment be added to the document:
- Agreed new committee structure and to look at establishing different income streams for CS other than room hire.
 - Agreed to look at implementing a new subscription model for 2026/27 with greater emphasis on member benefits
- 9.3. **The Trustees approved the risk register, incorporating the agreed mitigations.**

Strategy Trackers

- 9.4. AW presented an approach for reviewing the Strategic Trackers which was agreed in October 2022, with an updated version to be shared with Trustees at the January 2026 meeting.
- 9.5. It was noted that the Trackers, which will form part of the Trustees' business cycle, should be revised to better reflect Colleges Scotland's priorities rather than sector-wide issues, ensuring alignment without duplication.
- 9.6. **The Trustees agreed to hold a discussion on this proposal at the next meeting on Thursday 22 January 2026.**

10. College Employers Scotland

CES Assurance Reports:

- **National Bargaining**

- 10.1. GD provided a brief update on matters relating to National Bargaining.

- **Job Evaluation Project Update**

- 10.2. GD provided a brief update on matters relating to Job Evaluation.

11. Any Other Competent Business

11.1. To accommodate additional agenda items for the January 2026 meeting, it was agreed that the meeting will be extended to run from 1000 to 1400 and will include a Board Induction session for members.

11.2. No further business was discussed.

12. Date of Next Meeting

12.1. SE advised that the next meeting of the Trustees is on Thursday 22 January 2026 (1000-1400) at Colleges Scotland, Argyll Court, Stirling.

NB: Bolden text are decisions and actions which are captured in the action log.

Non-Disclosable

Action Monitoring Log

Actions from 30 October 2025 Meeting				
Action Ref	Action	Owner	Due Date	Status
30102025 – 2.3	Issue confirmation letters to the three approved candidates for Independent Trustee positions	GD	Nov 2025	Complete
30102025 – 2.3	Explore whether offering remuneration for the Chair role could broaden the applicant pool and assess associated risks, with a detailed discussion on this proposal to take place at the next meeting on Thursday 22 January 2026.	GD	Jan 2026	On Agenda
30102025 – 8.8	Share information with Trustees to allow them to monitor and assess employee engagement and satisfaction following the recent change in approach.	GD	March 2026	Ongoing
30102025 – 9.3	Update the Risk Register incorporating the agreed mitigations	GD	Nov 2026	Complete
30102025 – 9.6	Revise Strategic Trackers to better reflect CS priorities rather than sector-wide issues, with a detailed discussion on this proposal to take place at the next meeting on Thursday 22 January 2026	GD	Jan 2026	On Agenda
30102025 – 11.1	Extend January 2026 meeting to run from 1000-1400 and include a Board Induction session for members.	GD	Jan 2026	On Agenda

Non-Disclosure

Draft Financial Statements for Year Ended 31st July 2025

Paper 5.1

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper outlines the Draft Colleges Scotland Financial Statements for the Year Ended 31st July 2025.

The document was considered by the Audit Committee at its meeting on Tuesday 9 December 2025 and is now presented to the Board of Trustees for final consideration and agreement.

Recommendations:

The Board of Trustees is asked to approve the Draft Colleges Scotland Financial Statements for the Year Ended 31st July 2025 and for Trustee, Susan Elston, to sign on behalf of the Board.

Colleges Scotland
January 2026

Colleges Scotland Financial Statements for the Year Ended 31 July 2025

Scottish Charity Number: SC023848
Registered in Scotland Number: SC143210

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Report of the Directors

The Board of Trustees shall be a Director for the purposes of the Companies Act and a Trustee for the purpose of the Charities Act. The Directors present their report and audited financial statements for the year ended 31 July 2025.

The Financial Statements have been prepared in accordance with the accounting policies set out in note 1 to the Financial Statements and comply with the charity's Memorandum and new Articles of Association which were adopted on 27 March 2025, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

Objectives and Activities

The Colleges Scotland Strategic Plan 2022-2026 was published in June 2022 and will help deliver the college sector's ambitions.

Vision

When Colleges Thrive, Scotland Thrives. Colleges Scotland as the voice of the sector supports the delivery of thriving colleges at the heart of a thriving Scotland.

Purpose

Colleges Scotland exists to promote, influence and exemplify colleges as they deliver world-class education and training to students and their contribution to Scotland's economic, climate, social, and international ambitions.

Colleges Scotland Strategic Plan 2022-26 which incorporates policy, comms, public affairs and College Employers Scotland areas of work, sets out the strategic aims for Colleges Scotland over five years, these are:

Colleges Scotland Strategic Aims

Aim 1: Lead and influence policy

Aim 2: Raise the Profile and Enhance the Reputation of Scotland's Colleges Sector

Aim 3: Advocate for the delivery of Increased Sector Resource

Aim 4: Be an Enabler, Supporter and Connector of the Sector Membership, both internally and externally

Aim 5: Be an Improving Organisation providing Value for Money for our Members.

Specific activities performed by the management and staff of Colleges Scotland includes:

- Supporting the Colleges Scotland Board/Board of Trustees
- Supporting the committees of the Colleges Scotland Board/Board of Trustees. These arrangements ensure collective consideration of substantive policy issues
- Raise awareness, change attitudes and motivate actions

- Carrying out policy research and data gathering to inform and influence funding and policy matters affecting the college sector
- Facilitate and add value to working groups and roundtable type discussions, both within the college sector and externally
- Advocate with key stakeholders on behalf of the college sector to influence policy and funding decisions
- Developing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector
- Raising the profile and enhancing the reputation of the sector
- Actively participate with key stakeholders to influence strategic dialogue.

Summary of Key Achievements and Performance

The 2024/25 period has been marked by meaningful progress, achieved despite considerable challenges facing our members. Throughout this period, Colleges Scotland has remained steadfast in championing the college sector – advocating for increased and sustainable investment in our colleges as valuable anchor institutions in our local communities and skills engines of the Scottish economy.

Our engagement with the Scottish Government and Scottish Funding Council (SFC) has yielded promising developments. Initiatives like the Offshore Wind Skills Programme have begun to come to life, publication of the Professor Joe Little report, £700k College Innovation funding, and the rollout of the Test and Learn pilot. Colleges Scotland members have played a vital role in shaping these, as well as many other influential reports and reviews, that Colleges Scotland will use in seeking to drive significant reform across the sector.

Collaboration has been at the heart of our approach. We've worked closely with Ministers, parliamentarians from all political parties, civil servants, and key partners – including the Scottish Funding Council (SFC), Skills Development Scotland (SDS), Energy Skills Partnership (ESP), and College Development Network (CDN) – to ensure colleges continue to provide inclusive, world-class learning opportunities for our students.

College Employers Scotland has also evolved over the past year, reinforcing its position as the trusted voice of employers in industrial relations and making significant progress in several key areas, such as multi-year pay deals for staff, the securing of additional government funding, and re-setting the Job Evaluation project.

As an organisation, Colleges Scotland also embraced change this past year: undergoing two leadership transitions; and implementing a new organisational governance model designed to simplify and clarify the role of the Board of Trustees.

Key Achievements

- **Offshore Wind Skills Programme £3m** (For AY 2025/26) – working with sector partners, government officials and the renewables industry to create a skills programme to ensure a pipeline of college-trained workers to support energy transition and the offshore wind sector.
- **Active Campus Co-ordinators £1.45m** (For AY 2025/26 and 2026/27) – continuation of the Active Campus Network, with 18 Active Campus Co-ordinators now in place across the sector, increasing the provision of sport and active wellbeing in colleges across Scotland, following the initial investment committed between 2023 and 2025.

- **College Innovation Funding £700k** – as part of the Scottish Government Entrepreneurial Campus Blueprint initiative to help college students develop business skills and link up with investors.
- **Care Skills Partnership £500k** (For AY 2025/26) – enabling the college sector to develop and deliver a national resource to strengthen colleges' capacity to support Scotland's health and social care sector. This initiative will focus on workforce planning, new entry upskilling, and reskilling existing professionals to meet critical staffing challenges.
- **3% Increase in Fee Rate** – for the current college fee rate paid by the Construction Industry Training Board (CITB) for apprentices who start in AY 2025/26.
- **Scottish Education Exchange Programme £185k** – 11 colleges successfully bid for 13 projects across a variety of international activity as part of the Test and Learn Pilot.
- **Four-year Lecturer Pay Agreement** – ratified in September 2024, delivering a £5,000 consolidated pay rise across AYs 2022/23, 2023/24 and 2024/25, and a further increase of 4.14% in 2025/26, supported by additional funding from the Scottish Government.
- **Three-year Support Staff Pay Offer** – worked successfully with trade union partners to reach joint agreement on a proposed pay increase of just over 11% across AYs 2025/26, 2026/27 and 2027/28, if supported by additional funding from the Scottish Government.
- **Job Evaluation** – worked successfully with trade union partners on a refreshed proposal to recommence Job Evaluation for support staff. This was accepted by a majority of support staff trade union members when it was put to them in ballots.

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2024/25 Colleges Scotland reported net expenditure of £24k (2023/24: net income of £216k) before other recognised gains or losses on the pension scheme. The net expenditure result comprised £80k expenditure on restricted funds and £56k income on unrestricted funds. (2023/24: net income result comprised £71k on restricted funds and £145k on unrestricted funds).

Other recognised gains associated with the defined benefit pension scheme, which do not represent the in-year operating position, resulted in decrease in total funds of £175k (2023/24: increase of £71k). Net assets on the balance sheet are £493k (2023/24: £668k). This is explained further within the reserves policy below.

The net loss during 2024/25 was foreseen as part of the forecasts, some of the reasons are noted below:

- use of temporary staffing to cover core vacancies
- use of consultants to carry out project work related to the vision and governance refresh
- recruitment of Interim Chief Executive Officer and permanent Chief Executive Officer
- the transition from Interim Chief Executive Officer to permanent Chief Executive Officer.

Principal Funding Sources

Colleges Scotland funding comes from two sources – sector subscriptions for Policy, Communications and Corporate, and funding from the SFC for College Employers Scotland.

In 2024/25, income from sector subscriptions was £893k for Policy, Communications, Public Affairs and Corporate activity. Income from the SFC for College Employers Scotland was £996k, and a proportion is for corporate service support.

Value Added Tax

Colleges Scotland is not VAT registered.

Investment Policy

Under the Memorandum and the new Articles of Association which were adopted on 27 March 2025, Colleges Scotland has the power to invest in any way the Executive Directors see fit. Having regard to the operational liquidity requirements, the Executive Directors operate a policy of keeping funds required in the short to medium term in a non-interest bearing bank account, whilst funds not so required are held in an interest bearing bank account. Restricted funds for College Employers Scotland are held in a separate non-interest bearing bank account. A new Treasury Management Policy has been developed and initiated to maximise interest bearing bank accounts.

Reserves Policy

The Board of Trustees have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level (a minimum of three months' operating costs) of reserves has therefore been set acknowledging the main risks and potential liabilities faced by the organisation. This lends a degree of financial stability in the event of lost or reduced income sources to ensure continuity of service provision.

The Reserves Policy was reviewed and updated in June 2024 by the Board of Trustees, as part of Audit and Risk Assurance Committee's annual Cycle of Business. The policy sets out the principles and guidelines for the management of reserves at Colleges Scotland to ensure the financial sustainability and operational stability of the organisation.

The reserves position at 31 July 2025, excluding pensions liabilities, is therefore £493k (2023/24: £668k) and including pensions liabilities, a net asset position of £493k (2023/24: £671k). Of these reserves, £75k relates to restricted reserves (2023/24: £155k). The Directors are aware of the net asset position at the balance sheet date as a result of FRS102 – section 28 accounting for the Falkirk Pension Scheme and recognise that operational reserves are £418k and are therefore content that the reserves policy has been met.

Going Concern

The Board of Trustees has not identified any material uncertainty with respect to going concern. The Board of Trustees is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future, being at least 12 months from the date of approval of these financial statements, and, accordingly, the financial statements have been prepared on the going concern basis.

Plans for Future Periods

Looking ahead to 2025/26, the organisation's focus is on embedding our recent organisational changes; securing increased investment in our colleges through the Scottish Government's Draft Budget scheduled to be announced in January 2026; and ensuring political parties carry a strong pro-college message in their manifestos for the Scottish Elections in May 2026. In doing this, we will continue to advocate strongly for the sector, ensuring colleges are empowered to deliver exceptional education and support learners, communities, and the wider economy.

We will be developing a new Strategic Plan in 2026, to cover the period of the next Scottish Parliament, up to 2031.

Structure, Governance and Management

Governing Document

Colleges Scotland is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its new Articles of Association which were adopted on 27 March 2025. In the event of the company being wound up, members are required to contribute an amount not exceeding £1. Colleges Scotland is owned by the Regional Colleges and a Regional Strategic Body.

Legal Status

Colleges Scotland is a charitable company limited by guarantee in terms of the Companies Act 2006. There are 16 members – all of the regional colleges and a regional strategic body in Scotland. The liability of each member is limited to £1.

Recruitment and Appointment of the Board of Trustees

The Board of Trustees shall be a Director for the purposes of the Companies Act and a Trustee for the purpose of the Charities Act.

In March 2025, Colleges Scotland moved to a new governance model. The Board of Trustees will consist of up to ten Trustees. This will include the Chair of the College Principals' Group, one other person who is a Principal, Chair of the College Chairs' Group, one other person who is a Chair, up to four independent individuals, Chairperson, and Colleges Scotland's Chief Executive Officer.

Under the requirements of the Memorandum and new Articles of Association which were adopted on 27 March 2025, the Board of Trustees shall hold office for a period of two years, and shall be eligible for reappointment for a single further period of up to two years at the discretion of the Trustees with the exception of the Chief Executive Officer who shall hold office until their cessation of employment as Chief Executive Officer; and the Chair of the Principals' Group and the Chair of the Chairs' Group shall hold office until their term of service as Chair of the Principals' Group or Chairs' Group comes to an end.

Board of Trustees Induction and Training

All Board of Trustee members receive an induction on joining the Board of Trustees. They are provided with login details to a private members area where they are able to access an induction pack briefing them on: their legal obligations; their duties as Board Members; the main documents

which set out the operational framework for Colleges Scotland including the Memorandum and Articles, financial performance, relevant policies and procedures, and future plans and objectives. The Board are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

The insurance policies are (Business Assist, Offices, Employers' Liability, Personal Accident/Business Travel, Cyber Risk, and Fidelity Guarantee/Crime).

Organisation

In March 2025, Colleges Scotland moved to a new governance model. The Board of Trustees meets at least four times a year and formally constituted committees, with remits approved by the Board of Trustees, are in place covering the following:

- Audit and Risk Assurance renamed and with an updated remit to the Audit Committee in March 2025
- Finance and General Purposes Committee (until March 2025)
- College Sector Finances Committee (until March 2025)

The Audit and Risk Assurance renamed the Audit Committee is an advisory committee to the Board of Trustees with no executive powers and will have a minimum of three members appointed by the Board of Trustees.

In addition, the Governing Body of College Employers Scotland was formed under the auspices and authority of Colleges Scotland Board of Trustees and is the forum through which the employers support the continued delivery and implementation of the Scottish Government's policy of National Bargaining. Through an agreed Memorandum of Authority, the Governing Body of College Employers Scotland has full decision-making authority on all matters related to National Bargaining.

The advisory groups are the College Principals' Group and College Chairs' Group. The additional new advisory groups since March 2025 are Chairs and Principals Forum and the College Leadership Executive.

There were eighteen members including the Chief Executive Officer on the Board. This changed in March 2025, when Colleges Scotland moved to a new governance model. At present, there are eight members including the Chief Executive Officer. The Chief Executive Officer is appointed by the Board of Trustees to manage the day-to-day operations of the company.

The Board of Trustees of Colleges Scotland has chosen to adopt the Model Code of Conduct that is in place in the college sector to ensure that its conduct is consistent with the Ethical Standards in Public Life etc (Scotland) Act 2000.

The Board of Trustees has also chosen to develop its own Governance Framework which draws on the UK Code on Corporate Governance and the Code of Good Governance for Scotland's Colleges in setting out key principles and supporting provisions for effective governance.

Our Governance Framework addresses: protocol for how decisions are made; what decisions are made by trustees; what decisions are delegated; and arrangements for setting pay and remuneration of key management personnel as outlined in the following four sections:

1. The Board of Trustees Composition and Performance

Colleges Scotland is headed by an effective Board of Trustees, which is collectively responsible for the success of Colleges Scotland.

All Board of Trustees members must take decisions objectively in the interests of Colleges Scotland and in pursuance of its charitable objects.

As part of their role as members of the Board of Trustees, members should constructively challenge and help develop proposals on strategy. Board of Trustees members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

There should be a clear division of responsibilities within Colleges Scotland, between the running of the Board of Trustees and the executive responsibility for the running of Colleges Scotland day-to-day operations. No one individual should have unfettered powers of decision. To achieve this, there are clear roles established for the Board of Trustees, its Chair, the Chief Executive Officer, and also the Secretary to the Board.

In order to supply the Board of Trustees in a timely manner with the information in a form and quality appropriate to enable it to discharge its duties, management has an obligation to provide relevant information in an appropriate form, but equally Board of Trustee members should seek clarification or amplification where necessary.

The Board of Trustees and its committees should have the appropriate balance of skills, experience, independence, and knowledge of Colleges Scotland to enable them to discharge their respective duties and responsibilities effectively. Appointments to the Board must be made in accordance with the new Articles of Association which were adopted on 27 March 2025. The Board of Trustees should retain oversight of membership and tenure and satisfy itself that plans are in place for orderly succession in relation to appointments to the Board of Trustees.

The Board of Trustees should undertake a formal annual evaluation of compliance with the provisions of the Governance Framework, its own performance, that of its committees, individual Board of Trustee members, the Chair of the Board of Trustees and committee chairs.

Individual evaluation should aim to show whether each Board of Trustees member continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board of Trustee and committee meetings and any other duties). The Chair should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board of Trustees.

2. Remuneration

The Board of Trustees has determined that levels of remuneration should be set fairly to commensurate with the duties, responsibilities, skills and experience of the post, sufficient to attract and retain. There should be a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration package of the Chief Executive Officer and other staff. The Chief Executive Officer and other staff should not be involved in deciding their own remuneration.

The Board of Trustees sets the remuneration levels, salary awards, pensions, terms and conditions of employment and any other related matters for the Chief Executive Officer and other staff.

The Board of Trustees leads the appointment process of the Chief Executive Officer.

The Board of Trustees reviews and agrees the performance management system of the organisation where the chair of the Board of Trustees will be responsible for reviewing the performance of the Chief Executive Officer and reporting findings annually to the Board of Trustees. The Chief Executive Officer will be responsible for reviewing the performance of the senior leadership team within the organisation.

The Board of Trustees will monitor the staffing complement and structure and be consulted on any proposals for major changes to employee benefit structures/working conditions (e.g. location).

3. Accountability and Audit

The Board of Trustees responsibility to present a balanced and understandable assessment extends to public reports and reports to regulators (particularly the Office of the Scottish Charity Regulator (OSCR)) as well as to information required to be presented by statutory requirements.

The Board of Trustees is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board of Trustees should maintain sound risk management and internal controls systems.

The Board of Trustees should establish formal and transparent arrangements for considering how they should apply the risk management and internal control principles and for maintaining an appropriate relationship with Colleges Scotland's auditors.

To this end, the Board has established an Audit and Risk Assurance Committee renamed Audit Committee. The Audit Committee will meet at least once a year at appropriate times in the reporting and audit cycle, with one meeting coordinated in advance of the Board of Trustees AGM so that it may receive the Audit Committee's report and recommendations.

The main role and responsibilities of the Audit Committee are in the terms of reference and include:

- to monitor the integrity of the financial statements of Colleges Scotland and reviewing significant financial reporting judgements contained in them.
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

The Audit and Risk Assurance Committee/Audit Committee should review arrangements by which staff of Colleges Scotland may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Audit and Risk Assurance Committee/Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

4. Other Committees/Advisory Groups

The Board of Trustees has four advisory groups (College Principals' Group, College Chairs' Group, Chairs and Principals Forum, and the College Leadership Executive).

These are all sector-facing groups established to consider issues impacting the sector and help share the policy agenda in these areas. Furthermore, College Employers Scotland is the body recognised by the Colleges Scotland Board of Trustees, through the Memorandum of Authority, as the forum through which National Bargaining is to be implemented by employers. The

Governing Body of College Employers Scotland appoints an Executive Group and a National Joint Negotiating Committee (NJNC) Management Side Negotiating Team.

Related Parties

From subscription income totalling £892,665, £876,740 has been received from 10 Regional Colleges and 3 Regional Strategic Bodies, whose Chairs were members of our Board during 2024/25.

National Facilities Time for AY 2024/25 was fully reimbursed from an underspend in CES budget and with prior approval from the Scottish Funding Council. The total reimbursement for AY 2024/25 is £222,902.71 and has been reimbursed to 9 colleges. Of these Colleges, 4 are Regional Colleges and 5 are Assigned Colleges within the 3 Regional Strategic Bodies, all of whose Chairs were members of our Board during 2024/25.

City of Glasgow College, whose Chair was a member of our Board during 2024/25, provided catering services to Colleges Scotland at a cost of £72.18 for a Roundtable event at City of Glasgow College.

Forth Valley College, whose Chair was a member of our Board during 2024/25, provided catering services to College Employers Scotland at a cost of £72.00 for an internal meeting held at Forth Valley College.

West College Scotland, whose Chair was a member of our Board during 2024/25, provided Marketing, Advertising and HR services to Colleges Scotland at a cost of £4,465 for the recruitment of the permanent Colleges Scotland CEO. Of these costs, £3,988.80 related to external advertising and £476.62 related to Marketing/HR hours

Sustainability Reporting

The Corporate Social Responsibility policy was last updated in September 2023.

Corporate Social Responsibility is a key part of the Colleges Scotland strategy. Staff are supported to volunteer and take part in fundraising which reflects their personal interests and encourages professional development. A number of our staff also sit on charity boards as trustees.

As part of the Corporate Social Responsibility policy, Colleges Scotland teamed up with Stirlingshire Voluntary Enterprise (SVE), Stirling's local third sector interface. Activity included Colleges Scotland staff hosted and gave a presentation at Stirlingshire Voluntary Enterprise's Community Breakfast Event, assisted at the Stirling Inspire Volunteering Awards, and volunteered at the Start Up Stirling food bank.

Key Risks

Risk	Mitigations
Members give notice to leave Colleges Scotland	<ul style="list-style-type: none"> • Colleges Scotland has an up-to-date Strategic Plan 2022-26 with Strategy Trackers. Chairs and Principals endorsed key work areas: Manifesto and Draft Budget documents • Member 1-1 meetings • Attendance and offer to address individual college boards continues

	<ul style="list-style-type: none"> • Members Benefits booklet and subscription invoices issued in July 2025 as agreed by the Board in June 2025 • Colleges Scotland Annual Report issued in September 2025
<p>Risk of cyberattack to Colleges Scotland data and information and 'physical' risk to Colleges Scotland as a whole</p>	<ul style="list-style-type: none"> • Colleges Scotland is a Cyber Essentials approved organisation, which is a UK government information assurance scheme that is operated by the National Cyber Security Centre, that encourages organisations to adopt good practice in information security • Received a reduction in premium in insurance because of having Cyber Essentials. • Colleges Scotland has Cyber Risk Insurance in place (limit of indemnity £500k) and cover for business interruption • Colleges Scotland has a contract in place with RazorBlue for Managed IT Support Service, including proactive and on-going administration and maintenance of the installed systems and services and an agreed response times for critical incidents • Colleges Scotland has a Business Continuity Plan and ICT Disaster Recovery Plan that is reviewed regularly by the Trustees • All staff are required to undertake mandatory iHasco Online Training in Cyber Security Awareness. • Organisation undertaken Joomla upgrades to websites to increase the security of the admin panel process
<p>Failure to properly manage the future financial sustainability of the organisation</p>	<ul style="list-style-type: none"> • 2025/26 Budget agreed at June Trustees meeting along with a subscription model, with quarterly reforecasting in place. • The Executive has updated the 5 year forward forecast • Pay award to staff continues the move away from following the outcomes of National Bargaining to ensure sustainability of the organisation • Work being done to further reduce costs in non staff areas e.g. mobiles, electricity, IT • Sub-tenants confirmed continuation of arrangements to same time period of CS • Seeking to establish additional income streams related to the building
<p>Lack of awareness of sector issues which could cause reputational damage to both the sector and the sector organisation</p>	<ul style="list-style-type: none"> • Key sector groups currently meet on a regular basis to discuss sector issues and liaise with key stakeholders to determine the way forward in each instance (e.g. Scottish Government, SFC, MAWG, CPG, Trade Unions and Management Side, Executive, SDS, CS Trustees) • All chairs and principals endorsed Manifesto and Draft Budget documents • College Principals' Group (CPG) restructured, with CS involved in the technical sub groups • Regular engagement with College Chairs' Group • Continued strategic engagement and dialogue with Scottish Government and SFC • Publication of Daily Monitoring Report, monthly Lines to Take, monthly Policy Updates, annual Key Facts and annual CS report • Improved relationship with SFC and have published clear ToR for Tripartite Alignment Group with sector input • CEO visiting a number of colleges in-person • Policy team continuing engagement visits to colleges

<p>Failure of ongoing effective working relationship with trade unions as key stakeholders that impacts the reputation of Colleges Scotland</p>	<ul style="list-style-type: none">• Positive relationship between CES Team and EIS National Officer and staff side joint secretary, and still working closely with EIS Assistant Secretary• Trade union representatives have met and know new CEO• Positive progress on new NRPA, three-year support staff pay offer and Job Evaluation• Joint CS/TU statement on racism• TU reps invited to CS Annual Parliamentary Reception• CPG seeking to set up new Strategic Partnership Forum• New permanent Director of CES appointed
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Reference and Administrative Information

Company Number:	SC143210
Registered Scottish Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	CT Audit Limited 61 Dublin Street Edinburgh EH3 6NL
Solicitors:	Thorntons LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Bankers:	Bank of Scotland plc The Mound Edinburgh EH1 1YZ
Chief Executive Officer	Gavin Donoghue (1 June 2025 – current)

Directors and Trustees

The Directors/Trustees of the Company during the year 1 August 2024 – 31 July 2025 and as at 22 January 2026 were:

Name	Position and Organisation	Date of Appointment	Date of Termination
Dr Winnie Wai-Yin Hatton	Regional Chair, West College Scotland	3 March 2020	
Susan Elston	Regional Chair, North East Scotland College	26 January 2023	
Angela Cox	Principal and Chief Executive, Ayrshire College	13 May 2025	
Peter Smith	Principal and Chief Executive, Borders College	28 May 2025	
Gavin Donoghue	Chief Executive Officer, Colleges Scotland	1 June 2025	
Dave Anderson	Independent Trustee	30 October 2025	
Linda Johnston	Independent Trustee	30 October 2025	
Dr Yekemi Otaru	Independent Trustee	30 October 2025	
Shona Struthers	Chief Executive, Colleges Scotland	18 August 2014	20 September 2024
Derek Smeall	Principal and Chief Executive, Glasgow Kelvin College	20 November 2023	26 March 2025
Dr Abhishek Agarwal	Regional Chair, Forth Valley College	28 June 2024	27 March 2025
Angus Campbell	Further Education Regional Lead and Vice-Chair of UHI Regional Strategy Committee, University of the Highlands and Islands	28 October 2021	27 March 2025
Elizabeth Connolly	Principal and Chief Executive, West College Scotland	1 January 2020	27 March 2025
Dr Margaret Cook	Principal and Chief Executive, UHI Perth	15 November 2018	27 March 2025
Sue Cook	Regional Chair, West Lothian College	27 June 2024	27 March 2025
Laurence O'Donnell	Regional Chair, Dundee and Angus College	27 October 2022	27 March 2025
Raymond McCowan	Regional Chair, Borders College	1 February 2022	27 March 2025
Janie McCusker	Regional Chair, Glasgow Colleges' Regional Board	8 January 2018	27 March 2025
Fiona McQueen	Regional Chair, Ayrshire College	3 March 2022	27 March 2025
Nora Senior	Regional Chair, Edinburgh College	27 October 2022	27 March 2025
Ronald Smith	Chair, The Lanarkshire Board	3 October 2019	27 March 2025
Caroline Stuart	Regional Chair, Dumfries and Galloway College	1 February 2022	27 March 2025
Dr David Watt	Regional Chair, Fife College	19 March 2019	27 March 2025
Joanna Campbell (Vice Chair)	Principal and Chief Executive, Dumfries and Galloway College	12 September 2023	13 May 2025
Dr Graeme Jackson	Interim Chief Executive Officer, Colleges Scotland	1 October 2024	31 May 2025

Frances Harrower was Company Secretary between 1 May 2023 to 28 February 2025.

Directors' Responsibilities in Relation to the Financial Statements

The trustees (who are also directors of Colleges Scotland for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP (FRS 102)
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with Colleges Scotland's articles, the auditor CT Audit will be reappointed at the forthcoming Annual General Meeting.

Disclosure of Information to Auditor

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Director's report was approved by the Board of Directors.

Susan Elston, Trustee

Date

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2025

Opinion

We have audited the financial statements of Colleges Scotland (the 'charitable company') for the year ended 31 July 2025 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2025, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2025 (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept adequate and sufficient accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2025 (continued)

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the charitable company and industry in which it operates and considered the risks of acts by the charitable company which were contrary to applicable laws and regulations, included fraud. These included but were not limited to the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

We focussed on laws and regulations that could give rise to a material misstatement in the financial statements. Out tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of Board and other Committee meetings throughout the period; and
- obtaining and understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2025 (continued)

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, to the charitable company's directors, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charity's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Chittleburgh CA (Senior Statutory Auditor)
For and on behalf of
CT Audit Limited
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

CT Audit Limited is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Date:

COLLEGES SCOTLAND

STATEMENT of FINANCIAL ACTIVITIES

for the year to 31 July 2025

	Note	Unrestricted Funds £000s	Restricted Funds £000s	2025 Total £000s	Unrestricted Funds £000s	Restricted Funds £000s	2024 Total £000s
Income:							
Charitable activities	3	922	873	1,795	924	1,172	2,096
Investments	4	5	-	5	2	-	2
Total		927	873	1,800	926	1,172	2,098
Expenditure:							
Charitable activities	5	871	953	1,824	781	1,101	1,882
Total Expenditure		871	953	1,824	781	1,101	1,882
Net Income / (Expenditure)		56	(80)	(24)	145	71	216
Transfers between funds		-	-	-	-	-	-
Net Income after transfers		56	(80)	(24)	145	71	216
Other recognised gains							
Actuarial (loss)/gain on pension fund	16	(151)	-	(151)	(145)	-	(145)
Net Movement in Funds		(95)	(80)	(175)	-	71	71
Funds brought forward		513	155	668	513	84	597
Funds carried forward		418	75	493	513	155	668

All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year. The notes on pages 22 to 36 form part of these financial statements.

COLLEGES SCOTLAND

BALANCE SHEET

As at 31 July 2025

	Notes	2025 £000s	2024 £000s
FIXED ASSETS			
Tangible assets	10	51	69
CURRENT ASSETS			
Debtors	11	60	282
Cash at bank and in hand	12	792	857
		852	1,139
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	(352)	(489)
NET CURRENT ASSETS			
		500	650
TOTAL ASSETS LESS CURRENT LIABILITIES			
		551	719
Provisions	14	(58)	(51)
NET ASSETS			
	18	493	668
FUNDS			
Restricted funds	17	75	155
Unrestricted funds :			
General funds	17	418	513
TOTAL CHARITY FUNDS			
	18	493	668

Approved by the Board of Directors and signed on its behalf by:

<p>..... Chief Executive Officer</p> <p>Gavin Donoghue</p>	<p>..... Trustee</p> <p>Susan Elston</p>
--	--

DATE:

Company Registration Number: SC143210
Charity number: SC023848

The notes on pages 22 to 36 form part of these financial statements.

COLLEGES SCOTLAND

STATEMENT of CASH FLOWS

For the year ended 31 July 2025

	Notes	2025 £000s	2024 £000s
Reconciliation of net movement in funds to net cash inflow from operating activities			
Net movement in funds		(24)	216
Interest received		(5)	(2)
Increase in debtors		222	(23)
Increase in creditors		(137)	75
Depreciation charge		21	18
Increase in Dilapidations Provision		7	15
Defined Benefit Pension scheme		(151)	(145)
Net cash used by operating activities		(67)	154
Cash flows from investing activities			
Interest received		5	2
Purchase of tangible fixed assets		(3)	(39)
Cash provided by investing activities		2	(37)
(Decrease) / Increase in cash and cash equivalents in the year		(65)	117
Cash and cash equivalents at beginning of year		857	740
Cash and cash equivalents at end of year	12	792	857

The notes on pages 22 to 36 form part of these financial statements.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025

1. Accounting Policies

General Information

College Scotland is a charitable company limited by guarantee and is incorporated in Scotland. The charitable company's registered charity number is SC023848 and its registered company number is SC143210. The address of the charitable company's registered office is Argyll Court, Castle Business Park, Stirling, FK9 4TY.

The continuing activities of Colleges Scotland is to promote the advancement of college education for the public benefit.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Charities SORP (FRS102) and the Charities Accounts (Scotland) Regulations 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Colleges Scotland meets the definition of a public benefit entity under FRS 102.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in Pounds Sterling (GBP), which is the functional currency of the charitable company, and rounded to the nearest £1,000.

Going Concern

The Board has not identified any material uncertainty with respect to going concern. The Board is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future, being at least 12 months from the date of approval of these financial statements, and, accordingly, the financial statements have been prepared on a going concern basis.

Income recognition

Income is recognised in the Statement of Financial Activities when the charitable company is entitled to the income, receipt of income is probable and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- Subscription income is recognised in the period in which the charitable company provides the services.
- Grants, where entitlement is not conditional on the delivery of a specific performance by the charitable company, are recognised when the charitable company becomes unconditionally entitled to the grant.
- Grants, where related to performance and specific performance by the charitable company, are accounted for as the charitable company earns the right to the consideration by its performance. Income is deferred for grants which have claw back conditions.
- Investment income consists of bank interest and is included when receivable.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025

1. Accounting Policies (continued)

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and is classified by activity. The Charity is not registered for VAT and expenditure includes the irrecoverable VAT element. The following specific policies are applied to particular categories of expenditure:

- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

The basis on which costs have been allocated are set out in notes 5 and 6.

Pensions

Retirement benefits to the employees of the company are provided by Falkirk Council (FCPF) and Aegon. FCPF is a defined benefit scheme. For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs related to the defined benefit plan are recognised in the Statement of Financial Activities within employee benefit costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting is limited to the present value of available refunds or reductions in future contributions to the plan.

The company also participates in a defined benefit contribution scheme with Aegon. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the statement of financial activities represent the contributions payable by the charity in the year.

Leases

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025

1. Accounting Policies (continued)

Employee Benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are rendered.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Taxation

The company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes. Non-recoverable VAT arising from expenditure on activities is charged to the statement of financial activities in the year in which it is incurred.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

1. Accounting Policies (continued)

Tangible fixed assets

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Equipment	-	3-5 years straight line
Furniture & Fittings	-	5 years straight line

The capitalisation threshold for fixed asset expenditure is £1,000.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Any impairment is recognised in the Statement of Financial Activities.

Debtors

Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand and bank deposits with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are obligations to pay for goods or services that have been acquired. Creditors are classified as creditors falling due within one year if payment is due within one year or less. Any amounts due after one year are recognised as creditors falling due after one year. Creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.

Designated funds comprise unrestricted funds that have been set aside by the Board of Directors for particular purposes.

Restricted funds represent grant monies from the Scottish Funding Council (SFC) to specifically support College Employers Scotland.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

2. Judgements and estimates

In preparing the financial statements, directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

In measuring the defined benefit pension liability, the directors take advice from the actuaries on the appropriate actuarial assumptions required to value the liabilities arising. The estimate is necessarily sensitive to the actual assumptions chosen as follows:

- A 0.1% decrease in the real discount rate would increase the defined benefit obligation by 2% (£57,000)
- A 1 year increase in member life expectancy would increase the defined benefit obligation by 4% (£121,000)
- A 0.1% increase in the salary increase rate would increase the defined benefit obligation by 0% (£2,000)
- A 0.1% increase in the pension increase rate would increase the defined benefit obligation by 2% (£56,000)

3. Income from charitable activities

	2025	2024
	£000s	£000s
<i>Unrestricted</i>		
Subscriptions	893	893
Contracts and support services	29	29
Other Income	-	2
	<u>922</u>	<u>924</u>
<i>Restricted</i>		
Grant Funding from SFC	873	944
Facilities time	-	225
Other Income	-	3
	<u>873</u>	<u>1,172</u>
Total income from charitable activities	<u>1,795</u>	<u>2,096</u>

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

4. Income from investments

	2025 £000s	2024 £000s
<i>Unrestricted</i>		
Bank Interest	5	2

5. Expenditure on charitable activities

	Colleges Scotland	College Employers Scotland	Total	Colleges Scotland	College Employers Scotland	Total
	2025 £000s	2025 £000s	2025 £000s	2024 £000s	2024 £000s	2024 £000s
Staffing Costs	688	543	1,231	583	528	1,111
Other costs associated with support to colleges	166	393	559	183	554	737
Service Level Agreement costs	10	10	20	9	11	20
Governance costs	7	7	14	6	8	14
Total	871	953	1,824	781	1,101	1,882
Analysis between funds						
Unrestricted	871	-	871	781	-	781
Restricted	-	953	953	-	1,101	1,101
	871	953	1,824	781	1,101	1,882

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

6a. Analysis of other costs

		Basis of allocation	Colleges Scotland	College Employers Scotland	Total	Colleges Scotland	College Employers Scotland	Total
			2025 £000s	2025 £000s	2025 £000s	2024 £000s	2024 £000s	2024 £000s
Facility Time Costs		Direct	-	223	223	-	290	290
Staff Support Costs		Direct	22	20	42	17	32	49
Office Facilities		Direct	60	60	120	58	115	173
Professional Fees		Direct	13	44	57	11	29	40
Printing		Direct	2	-	2	2	-	2
Reference Materials		Direct	1	1	2	2	2	4
Consumables		Direct	7	6	13	9	9	18
Computer Costs		Direct	16	17	33	22	26	48
Advertising & Marketing		Direct	5	-	5	8	1	9
Room Hire & Hospitality		Direct	9	4	13	23	3	26
External Travel & Subsistence		Direct	1	1	2	1	-	1
Miscellaneous Other		Direct	-	-	-	(2)	-	(2)
Development & Commissions		Direct	5	13	18	10	15	25
Job Evaluation Software		Direct	-	-	-	-	20	20
Bank Charges		Direct	1	-	1	1	-	1
Dilapidations		Direct	3	4	7	7	8	15
Depreciation		Direct	21	-	21	14	4	18
Total			166	393	559	183	554	737

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

6b. Analysis of support and governance costs

2025	Basis of allocation	Support Costs 2025 £000s	Governance 2025 £000s	Total 2025 £000s	Support Costs 2024 £000s	Governance 2024 £000s	Total 2024 £000s
Service Level Agreement costs	Direct	20	-	20	20	-	20
Audit fees	Direct	-	14	14	-	14	14
Total		20	14	34	20	14	34

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

7. Staff costs

	2025	2024
	£000s	£000s
Core Staff		
Wages and salaries	923	821
Social security costs	106	91
Other pension costs	246	234
FRS 102 defined benefit adjustment	(151)	(145)
Total staff costs	<u>1,124</u>	<u>1,001</u>
Short-term and temporary staff		
Consultants	107	110
Total	<u>1,231</u>	<u>1,111</u>
<i>Average staff numbers</i>		
Employees	<u>19</u>	<u>18</u>

The number of total staff who received emoluments above £60,000 (including employer NI but excluding employer pension contributions) fell within the following ranges was as follows:

	2025	2024
£60,000 - £69,999	-	-
£70,000 - £79,999	2	1
£80,000 - £89,999	3	2
£90,000 - £99,999	1	-
£100,000+	-	1

Within total staff costs, Key management personnel are defined as the Trustees, the Chief Executive, the Director of Strategic Policy and Corporate Governance and the Director of College Employers Scotland. Total remuneration of key management was as follows:

	2025	2024
	£000s	£000s
Salary	255	243
Benefits in kind	2	4
Pension contributions	71	73
Total Emoluments	<u>328</u>	<u>320</u>

The above emoluments include amounts payable to the Chief Executive, who is also a trustee for the purposes of charity law, of £114,785 (2024: £93,508). The Chief Executive position was served during the year by Shona Struthers, Graeme Jackson and Gavin Donoghue. Contributions to pension schemes on behalf of the Chief Executive were £29,509 (2024: £28,208). The Chief Executive also received benefits in kind of £812 (2024: £1,738). As authorised by the charitable company's Articles of Association, the above noted remuneration to Shona Struthers, Graeme Jackson and Gavin Donoghue is for their role in the day to day running of the charitable company.

8. Board remuneration

The emoluments of key management, including the Chief Executive, are disclosed in note 7. No other member of the Board either received or waived any emoluments during the year. (2024 - £nil).

During the year, Directors received reimbursement of expenses of £450 (2024 - £79).

COLLEGES SCOTLAND
Notes to the Financial Statements
for the year ended 31 July 2025 (continued)

9. Net expenditure for the year

This is stated after charging:

	2025 £000s	2024 £000s
Depreciation of tangible fixed assets	21	18
Auditors remuneration – audit	14	14
Operating lease rentals	48	67
Pension contributions	95	89

10. Tangible fixed assets

	Equipment £000s	Furniture & Fittings £000s	Total £000s
Cost:			
At 1 August 2024	148	44	192
Additions during the year	3	-	3
At 31 July 2025	<u>151</u>	<u>44</u>	<u>195</u>
Accumulated depreciation:			
At 1 August 2024	117	6	123
Provided during the year	13	8	21
At 31 July 2025	<u>130</u>	<u>14</u>	<u>144</u>
Net book value			
31 July 2025	<u>21</u>	<u>30</u>	<u>51</u>
31 July 2024	<u>31</u>	<u>38</u>	<u>69</u>

11. Debtors

	2025 £000s	2024 £000s
Debtors	1	225
Other debtors	36	36
Prepayments and accrued income	23	21
	<u>60</u>	<u>282</u>

The debtors above include the following amounts falling due after more than one year:

	2025 £000s	2024 £000s
Other debtors	36	36

12. Cash and cash equivalents

	2025 £000s	2024 £000s
Cash at bank and in hand	792	857

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

13. Creditors: Amounts falling due within one year

	2025 £000s	2024 £000s
Trade Creditors	233	68
Taxes and social security costs	24	23
Accruals and other creditors	95	398
	<u>352</u>	<u>489</u>

14. Provisions

	2025 £000s	2024 £000s
Opening balance	51	36
Increase in year	7	15
Closing balance	<u>58</u>	<u>51</u>

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in December 2027.

15. Lease commitments

Future minimum lease payments falling due under non-cancellable operating leases are:

	2025 £000s	2024 £000s
In less than 1 year	70	48
Within 2-5 years	90	160
	<u>160</u>	<u>208</u>

16. Pension commitments and other post-retirement benefits

Colleges Scotland is a member of the Falkirk Council Pension Fund (FCPF) and operates the Aegon scheme. Colleges Scotland also contributes into a personal pension plan for employees on request.

The total employer's pension cost for the period was as follows:

	2025 £000s	2024 £000s
Contribution to FCPF	219	210
Contribution to Aegon	27	24
Total pension cost	<u>246</u>	<u>234</u>

Contributions outstanding at the year-end were £15,748 (2024: £21,547)

The estimated employer contributions to the defined benefit scheme (Falkirk Council Pension Fund) for the next financial year will be approximately £220,000.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

16. Pension commitments and other post-retirement benefits (continued)

The following information is based upon a full actuarial valuation of the Fund at 31st July 2025 by a qualified independent actuary, Hymans Robertson LLP.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability						
	2025			2024		
	Asset	Obligations	Net (liability) / asset	Asset	Obligations	Net (liability) / asset
	£000s	£000s	£000s	£000s	£000s	£000s
Fair value of plan assets	3,304	-	3,304	3,273	-	3,273
Present value of funded obligations	-	3,304	(3,304)	-	3,273	(3,273)
Opening position as at 31 July 2024	3,304	3,304	-	3,273	3,273	-
Service Cost						
Current service cost	-	97	(97)	-	96	(96)
Past service cost	-	-	-	-	-	-
Effect of settlements	-	-	-	-	-	-
Total Service Cost	-	97	(97)	-	96	(96)
Net interest						
Interest income on plan assets	196	-	196	198	-	198
Interest cost on defined benefit obligation	-	167	(167)	-	167	(167)
Total Net Interest	196	167	29	198	167	31
Total defined benefit cost recognised in SOFA	196	264	(68)	198	263	(65)
Cashflows						
Participants' contributions	43	43	-	41	41	-
Employer contributions	219	-	219	210	-	210
Benefits paid	(79)	(79)	-	(75)	(75)	-
Unfunded benefits paid	-	-	-	-	-	-
Contributions in respect of unfunded benefits paid	-	-	-	-	-	-
Expected closing position	3,683	3,532	151	3,647	3,502	145
Remeasurements						
Changes in demographic assumptions	-	(477)	477	-	(130)	130
Changes in financial assumptions	-	9	(9)	-	3	(3)
Other experience	-	(30)	30	(571)	(71)	(500)
Return on assets excluding amounts included in net interest	21	-	21	208	-	208
Adjustment for amounts not recognised in balance sheet	(670)	-	-	20	-	20
Total remeasurements recognised in SOFA	(649)	(498)	(151)	(343)	(198)	(145)
Fair value of plan assets	3,034	-	3,034	3,304	-	3,304
Present value of plan liabilities	-	3,034	(3,034)	-	3,304	(3,304)
Closing position	3,034	3,034	-	3,304	3,304	-

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

16. Pension commitments and other post-retirement benefits (continued)

The principal actuarial assumptions used at the balance sheet date are as follows:

	2025	2024
	%	%
Pension Increase Rate	2.75	2.75
Salary Increase Rate	3.25	3.25
Discount Rate	5.80	5.00
	Males	Females
	Years	Years
Current pensioners	20.5	23.1
Future pensioners (assumed to be aged 45 at last formal valuation date)	21.3	24.8

An allowance is included for future retirements to elect to take 75% of the maximum additional tax-free cash up to HMRC limits.

The major categories of plan assets as a percentage of total plan assets were as follows:

	2025	2024
	%	%
Equities	56	55
Bonds	32	34
Property	4	5
Cash	8	6

As at 31 July 2025, there is a surplus in fair value of plan assets of £1.19m not recognised (2024 : £529k surplus) by Colleges Scotland. Under accounting standards, demonstrating a future economic benefit (through way of reduced contributions or a refund) from the scheme cannot be achieved.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

17. Fund reconciliation

2025	At 1 August 2024	Income	Expenditure	Transfers	Other Gains/ (Losses)	At 31 July 2025
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General fund	513	927	(1,022)	-	-	418
Designated Funds: Pension Liability	-	151	-	-	(151)	-
Total Unrestricted Funds	513	1,078	(1,022)	-	(151)	418
Restricted funds						
College Employers Scotland	155	873	(953)	-	-	75
Total Restricted funds	155	873	(953)	-	-	75
Total funds	668	1,951	(1,975)	-	(151)	493
2024	At 1 August 2023	Income	Expenditure	Transfers	Other Gains/ (Losses)	At 31 July 2024
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General fund	513	926	(926)	-	-	513
Designated Funds: Pension Liability	-	145	-	-	(145)	-
Total Unrestricted Funds	513	1,071	(926)	-	(145)	513
Restricted funds						
College Employers Scotland	84	1,172	(1,101)	-	-	155
Total Restricted funds	84	1,172	(1,101)	-	-	155
Total funds	597	2,243	(2,027)	-	(145)	668

Designated Funds

The designated fund represents the recognised actuarial valuation of the pension fund at 31st July 2025 as carried out by qualified independent actuary, Hymans Robertson LLP.

Restricted Funds

All grant income from the Scottish Funding Council and expenditure for the operations of College Employers Scotland to support the implementation of National Bargaining is charged against restricted funds and held in a separate non-interest-bearing bank account.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2025 (continued)

18. Funds analysis

2025	Restricted	Unrestricted Designated Funds	Unrestricted General Funds	Total Funds
	£000s	£'000s	£000s	£000s
Fixed Assets	-	-	51	51
Debtors	12	-	48	60
Cash	346	-	446	792
Creditors	(283)	-	(69)	(352)
Net pension asset / (liability)	-	-	-	-
Provisions	-	-	(58)	(58)
	75	-	418	493

2024	Restricted	Unrestricted Designated Funds	Unrestricted General Funds	Total Funds
	£000s	£000s	£000s	£000s
Net assets	155	-	564	719
Net pension asset / (liability)	-	-	-	-
Provisions	-	-	(51)	(51)
	155	-	513	668

19. Related party transactions

From subscription income totalling £892,665, £876,740 has been received from 10 Regional Colleges and 3 Regional Strategic Bodies whose Chairs are members of our Board.

National Facilities Time for AY 2024/25 was fully reimbursed from an underspend in CES budget and with prior approval from the Scottish Funding Council. The total reimbursement for AY 2024/25 is £222,903 and has been reimbursed to 9 colleges. Of these Colleges, 4 are Regional Colleges and 5 are Assigned Colleges within the 3 Regional Strategic Bodies, all of whose Chairs were members of our Board during 2024/25.

City of Glasgow College, whose Chair was a member of our Board during 2024/25, provided catering services to Colleges Scotland at a cost of £72 for a Roundtable event at City of Glasgow College.

Forth Valley College, whose Chair was a member of our Board during 2024/25, provided catering services to College Employer Scotland at a cost of £72 for an interim meeting held at Forth Valley College.

West College Scotland, whose Chair was a member of our Board during 2024/25, provided Marketing, Advertising and HR services to Colleges Scotland at a cost of £4,465 for the recruitment of the permanent Colleges Scotland CEO. Of these costs, £3,988.80 related to external advertising and £476.62 related to Marketing/HR hours.

Reconciliation from Management Accounts to Statutory Accounts - Year Ended 31st July 2025

Paper 5.2

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper outlines the reconciled Management Accounts to Statutory Accounts for the Year Ended 31st July 2025

The document was considered by the Audit Committee at its meeting on Tuesday 9 December 2025 and is now presented to the Board of Trustees.

Recommendations:

The Board of Trustees is asked to note the reconciliation provided.

Colleges Scotland
January 2026

Colleges Scotland Income and Expenditure for the Year End to 31st July 2025

	Per management accounts				Per audited financial statements				Variances			
	Colleges Scotland	College Employers Scotland	Job Evaluation	Total	Colleges Scotland	College Employers Scotland	Job Evaluation	Total	Colleges Scotland	College Employers Scotland	Job Evaluation	Total
	£	£	£	£	£	£	£	£	£	£	£	£
Income												
Subscriptions	892,665	-	-	892,665	892,665	-	-	892,665	-	-	-	-
EA grant income	-	872,786	-	872,786	-	872,786	-	872,786	-	-	-	-
Bank interest	4,693	-	-	4,693	4,693	-	-	4,693	-	-	-	-
Other income	29,203	319	-	29,522	29,203	319	-	29,522	-	-	-	-
Total Income	926,561	873,105	-	1,799,666	926,561	873,105	-	1,799,666	-	-	-	-
Expenditure												
Core staffing	745,549	531,798	-	1,277,347	742,272	531,798	-	1,274,070	(3,277)	-	-	(3,277)
FRS102 pension adjustment	-	-	-	-	(151,000)	-	-	(151,000)	(151,000)	-	-	(151,000)
Other staffing	95,907	10,898	-	106,805	95,907	10,898	-	106,805	-	-	-	-
Facilities time	-	222,903	-	222,903	-	222,903	-	222,903	-	-	-	-
Staff support costs	21,517	19,533	-	41,050	21,517	19,533	-	41,050	-	-	-	-
Office facilities	60,376	60,344	-	120,720	60,376	60,344	-	120,720	-	-	-	-
Professional fees	13,155	43,766	-	56,921	13,155	43,766	-	56,921	-	-	-	-
Printing	2,430	-	-	2,430	2,430	-	-	2,430	-	-	-	-
Reference materials	1,020	1,119	-	2,139	1,020	1,119	-	2,139	-	-	-	-
Consumables	7,103	6,116	-	13,219	7,103	6,116	-	13,219	-	-	-	-
Computer costs	15,491	17,624	-	33,115	15,491	17,624	-	33,115	-	-	-	-
Advertising and marketing	5,019	-	-	5,019	5,019	-	-	5,019	-	-	-	-
Room hire and hospitality	9,128	3,796	-	12,924	9,128	3,796	-	12,924	-	-	-	-
External travel and subsistence	450	479	-	929	450	479	-	929	-	-	-	-
Misc other	121	69	-	190	121	69	-	190	-	-	-	-
Development and commissions	5,183	13,244	-	18,427	5,183	13,244	-	18,427	-	-	-	-
Job evaluation software	-	-	-	-	-	-	-	-	-	-	-	-
Bank charges and interest	922	111	-	1,033	922	111	-	1,033	-	-	-	-
Depreciation	20,735	-	-	20,735	20,735	-	-	20,735	-	-	-	-
Dilapidations provision	3,444	3,444	-	6,888	3,444	3,444	-	6,888	-	-	-	-
SLA costs	10,246	10,246	-	20,492	10,246	10,246	-	20,492	-	-	-	-
Governance costs	7,164	7,164	-	14,328	7,164	7,164	-	14,328	-	-	-	-
Total expenditure	1,024,960	952,654	-	1,977,614	870,683	952,654	-	1,823,337	(154,277)	-	-	(154,277)
Surplus/(deficit) for year	(98,399)	(79,549)	-	(177,948)	55,878	(79,549)	-	(23,671)	154,277	-	-	154,277
Transfers between funds	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain on pension funds	-	-	-	-	(151,000)	-	-	(151,000)	(151,000)	-	-	(151,000)
Net movement in funds	(98,399)	(79,549)	-	(177,948)	(95,122)	(79,549)	-	(174,671)	3,277	-	-	3,277

CT Audit Summary and Findings Report

Paper 5.3

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

The following documents were considered by the Audit Committee at its meeting on Tuesday 9 December 2025 and are now presented to the Board of Trustees for final consideration and agreement:

- Audit Summary Report
- Charity Technical Update – November 2025
- Audit Letter of Representation

Recommendations:

The Board of Trustees is asked to:

- approve the Audit Summary Report
- note the Charity Technical Update.
- approve the Letter of Representation for signing by Trustee, Susan Elston, on behalf of the Board.

Colleges Scotland
January 2026

CT: Audit

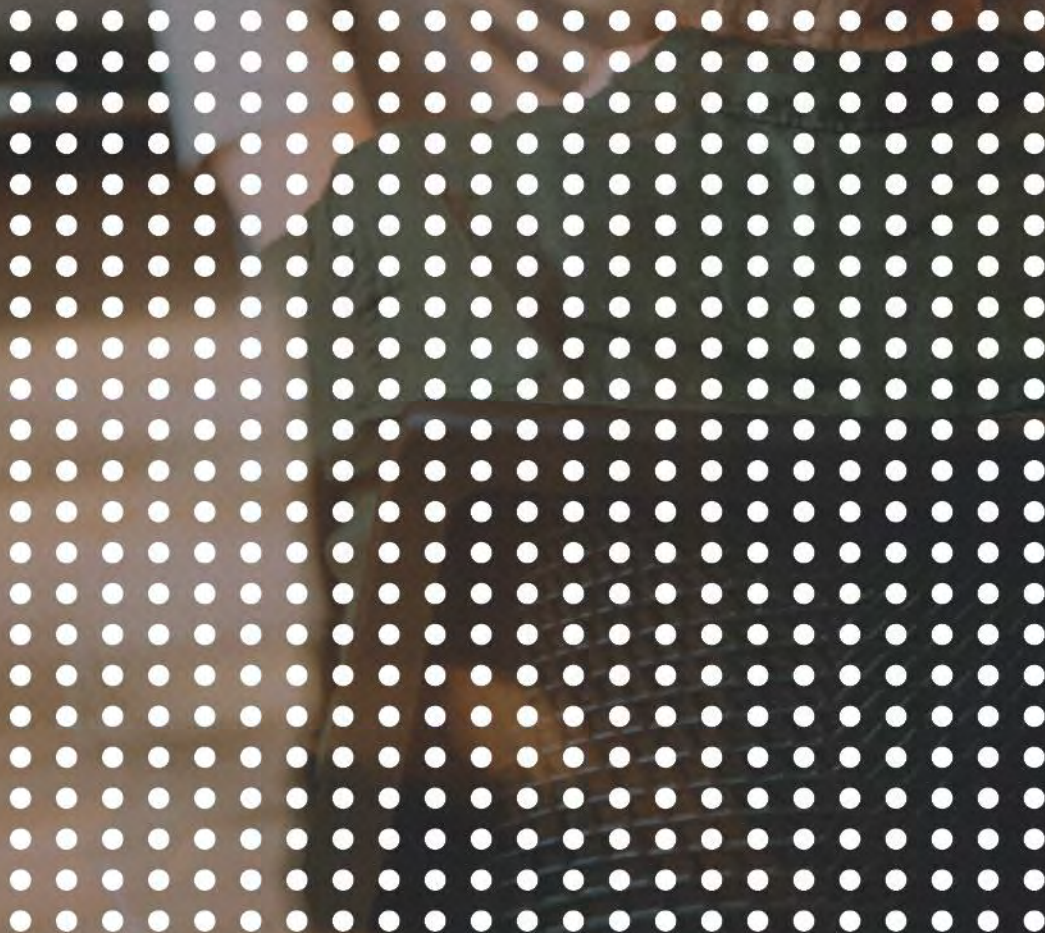
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Colleges Scotland

For the year ended 31 July 2025

Audit Summary Report to those
charged with Governance



CT Audit Limited is registered in Scotland (SC765600). Our registered office is at 61 Dublin Street, Edinburgh EH3 6NL. Offices in Glasgow, Inverness and London. For full contact details visit www.ct.me.

CT Audit is registered to carry on audit work and is regulated by the Institute of Chartered Accountants of Scotland. Details about our audit registration can be viewed at www.auditregister.org.uk.



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Limitations of this report

This report refers only to material matters we have identified from our audit of the financial statements of Colleges Scotland, for the year ended 31 July 2025, that we think merit being brought to your attention. The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all issues affecting the financial statements of Colleges Scotland.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. We draw your attention to the fact that management are responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for your use as Directors and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Executive summary

Introduction

The purpose of this report is to highlight the key issues affecting the preparation of the financial statements for the year ended 31 July 2025. It is also used to report to management matters arising from our audit work and to meet the mandatory requirements of International Standard on Auditing (UK) 260 – Communication with those charged with governance.

Changes to our audit plan

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Planning Document dated 24 September 2025. We note how we have addressed the risks identified at planning.

Status of the audit

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Obtaining and reviewing the letter of representation.
- Updating our post balance sheet events review to the date of signing the financial statements.

Audit adjustments

The audit adjustments are discussed in the 'Audit Adjustments' section of this document.

Control matters

The management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of financial control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the Directors.

Matters arising from the financial statements audit and any recommendations have been discussed with management and noted in the 'Issues Arising During the Audit' section.

Financial statements opinion

We propose to give an unqualified opinion on the financial statements.

Appreciation

We would like to take the opportunity to record our appreciation for the assistance provided by your team during our audit.

Accounting and audit risks and responses

Issues identified at planning stage

As noted in our Audit Planning Document submitted to the Directors, the following audit risk areas in respect of the financial statements being materially misstated were identified as significant matters and therefore were considered in detail during our audit fieldwork.

Business risks

Risk and audit response	Resolution
<p>Corporate Governance We note that Colleges Scotland have undertaken a review of the governance structure of the organisation which has resulted in significant changes to the Board of Trustees and sub-committees, including the Audit and Risk Assurance Committee. We note a new CEO and key finance contact for audit purposes is to be appointed.</p> <p>Such changes may produce risks of temporary instability, strategic shifts or disruption in the oversight function in relation to management override of control.</p> <p>We will review the changes to the governance structure to ensure it is operating effectively and is in line with best practice.</p>	<p>Following our review of the new governance changes implemented by Colleges Scotland, we confirmed that the revised governance structure is operating effectively. The new articles of association was approved and submitted in accordance to the required regulations.</p> <p>The governance changes have been implemented in a manner that supports stability, transparency, and effective oversight.</p>

Audit risks

Risk and audit response	Resolution
<p>Revenue recognition All material revenue streams and the systems and controls in place to record revenue will be tested to gain assurance that these are operating effectively. We will substantively test revenue recorded in the year to ensure that it is materially complete. In addition, cut-off procedures will be performed around the year end to ensure that income is recorded in the correct period.</p>	<p>We are satisfied from our testing that the systems and controls in place over income are operating as documented.</p> <p>We conducted substantive testing on all material income streams and are confident that income is materially complete and recorded in the correct accounting period.</p>

Management override of controls and fraud

We will discuss with management the processes and controls in place to mitigate the risk of fraud, as well as knowledge of any fraudulent activity in the year. Throughout the audit we will remain alert for any unusual or suspicious transactions.

Finally, we will use Data Analytics software to review entries posted to the accounting records in the period, and post year end, to identify any evidence of management override of controls.

Throughout the audit process, we held discussions with management to confirm their awareness to any known or suspected cases of fraud. No instances were noted.

Journal adjustments posted throughout the period and for one month after the year end were reviewed for reasonableness using data analytics software that analysis value, date posted and description of journals. We are satisfied that journals were posted in the normal course of business and no instances of management override, or fraud were noted.

We also remained alert to the possibility of fraud throughout our other work performed and found no issues.

Undisclosed related party transactions

We will discuss with management during the audit the process regarding related parties and the established controls for recognising related transactions.

Testing will be performed to ensure that the related party disclosure note is materially complete and presented in accordance with relevant accounting standards.

Our review of the underlying accounting records and discussions with management did not reveal any undisclosed related parties. As a result, we are satisfied that the related party disclosure in the financial statements is materially complete and presented in accordance with accounting standards.

Fund accounting

We will perform tests on income and expenditure to ensure the accurate allocation between restricted and unrestricted funds. Procedures for the allocation of expenditures will also undergo review, along with an examination of disclosure in the notes to the financial statements.

We performed testing on both income and expenditure transactions to ensure they were appropriately classified between restricted and unrestricted funds in line with any conditions attached to them. Our testing did not identify any errors in allocation and therefore we are satisfied fund accounting is correct.

Issues arising during the audit

During the course of our audit work we noted the following issues that we wish to bring to your attention:

Issue	Resolution
<p>FRS 102 and Charity SORP updates Recent announcements have indicated that some changes to the FRS102 and subsequently the Charity SORP will have an impact on Colleges Scotland.</p>	<p>Please refer to our Technical Document for more information on these changes which will be applicable for the year ended 31 July 2027. We expect the changes are likely to have an impact on the Directors report and the accounting treatment of revenue and leases.</p>

Issues arising during the prior year audit

During our audit work in the prior year we noted some issues which are of ongoing relevance. The table below describes these issues and the actions taken to address them.

Issue	Resolution
<p>Funds Analysis Note The analysis of net assets between restricted and unrestricted balances has not been maintained historically. Net assets should be broken down between each fund and shown by bank balances, debtors, creditors etc.</p>	<p>It is our understanding that Colleges Scotland are in the process of looking back several years to produce a split that can be used to justify the net asset position within the financial statements. We recommend management review the preparation of this disclosure in advance of future statutory audits.</p> <p>Update for 2025: In the current year this issue was corrected and resolved</p>
<p>Additionally, it is required that all charities are required to provide a justification of purposes of restricted and designated funds.</p>	<p>Management have provided narrative wording to appendix the funds note, explaining the purposes of restricted and designated funds in line with the Charities SORP.</p> <p>Update for 2025: In the current year this issue was corrected and resolved</p>
<p>Holiday Pay Accrual The holiday pay accrual did not consider the costs of Employers NI and pension contributions in the calculation.</p>	<p>To ensure the creditors is complete and accurate the calculation should include all associated costs with holidays remaining at the year end.</p> <p>We have proposed that the calculation is adjusted to incorporate Employers NI and pension costs. Management have agreed at the adjustment has been posted. See the 'Audit Adjustments' section.</p>

Update for 2025:

In the current year this issue was corrected and resolved

Going Concern

It was noted from review of board minutes and discussions with client that there is threat of members beginning to consider withdrawing from paying subscription fees, with one college undecided on 2025-26 fees.

This would represent a significant challenge for Colleges Scotland due to the large income that comes from this revenue source. It has been noted that management are aware of this concern and are implementing policies to mitigate this.

It is recommended that management continue to mitigate the risk of loss of subscription income through close cooperation with members and payment options.

Update for 2025:

In the current year management change the process that 12 months' notice should be given before colleges could end their subscription. This issue has been resolved.

Dilapidations Provision

Management have accounted for the dilapidations provision historically by building up towards a reasonable estimate of £75K based on discussions with the landlord in January 2023. In accordance with best practice, the dilapidations provision should be fully recognised once management are satisfied that the estimate reflects the costs to be incurred to restore the leased premises to its original condition. At conclusion of the audit, management are satisfied that the level of £51K appropriately reflects anticipated costs.

It is our understanding that the current dilapidation provision is adequate, however, it is our recommendation that management utilise an external surveyor to ensure that the provision represents a more accurate estimate of the costs required to return the premises to its original state.

Update for 2025:

In the current year, the same process for dilapidations was followed. Management has indicated that they will obtain an estimate from an external surveyor in the new year. This is an ongoing process.

During the current year audit, management understood from discussions with the landlord that the estimated cost would be £100K and believe this to significantly exceed anticipated costs. We recommend that management review the appropriateness of the dilapidations provision going forward.

Bank Balances

It was noted at the year end that funds held in the bank were very large at approximately £850K. The new reserves policy states that

It is recommended that management look at the options available to them and put the funds to better use to optimise any interest rates available to them. From our understanding, a new treasury management policy has

<p>funds equivalent to three months operating costs must be retained (around £500k) therefore there is a surplus of £350k that could be invested or used to gain better deposit rates.</p>	<p>been finalised and management have begun utilising cash on deposit structures.</p> <p>Update for 2025: In the current year, funds were utilised in the same manner. It is recommended to review treasury management to maximise returns on funds.</p>
<p>Prepayments Recognition From our testing it was found that a payment made for expenditure relating to 2024/25 was not recorded as a prepayment. After discussions with management this was agreed to be an unadjusted error.</p>	<p>We would recommend that all prepayments are correctly recognised in accordance with accounting standards.</p> <p>Update for 2025: In the current year this issue was corrected and resolved</p>
<p>Debtors Presentation It was noted during our testing that the lease deposit was to be received on 1st January 2028, regardless of if the lease is extended, however, this balance was included in debtors to be received in under one year.</p>	<p>We recommended and proposed a presentational adjustment to move the lease deposit balance from debtors due under one year to debtors due over one year. Management accepted this proposal and the presentational adjustment has been made.</p> <p>Update for 2025: In the current year this issue was corrected and resolved</p>
<p>Subscription Income % Document From our understanding the subscription income per college is based upon the 2014/15 funding document which details the split of funding between colleges. This document is now almost ten years old and it is likely to be out of date.</p>	<p>We understand from discussions with management and those charged with governance that the subscription rate, increases and split between members is reviewed on an annual basis, however internal wording refers to an outdated document. Management are satisfied that the subscription income levels are appropriate and intend to remove reference to 2014 rates.</p> <p>Update for 2025: In the current year this issue was corrected and resolved</p>

Forthcoming developments

We enclose a copy of our Technical Developments briefing document which we hope will be of interest to you. If you have any questions regarding any of the content please do not hesitate to contact us.

Internal Control

Weakness and governance issues arising during the audit

We have set out below areas of accounting and internal control weakness that we consider should be brought to the attention of the Trustees which arose as a result of our audit work.

This does not constitute a comprehensive statement of weaknesses that may exist in internal controls or of all improvements which may be made

Definition of priorities

High Issues subjecting the organisation to material risk which should be addressed as a matter of priority.

Medium Issues subjecting the organisation to actual or potential significant risk.

Low Matter which, if addressed, will enhance efficiency and effectiveness.

Issues arising

We are pleased to note that our audit has not identified any control weaknesses or governance issues in the current year.

No control matters or governance issues were identified in the prior year.

Audit adjustments

Impact of audit adjustments made

No audit adjustments were identified as requiring to be made in the financial statements for the year to 31 July 2025.

Uncorrected misstatements

We are required to communicate all uncorrected misstatements to you, other than those considered to be clearly trivial. There are no uncorrected misstatements identified during the year.

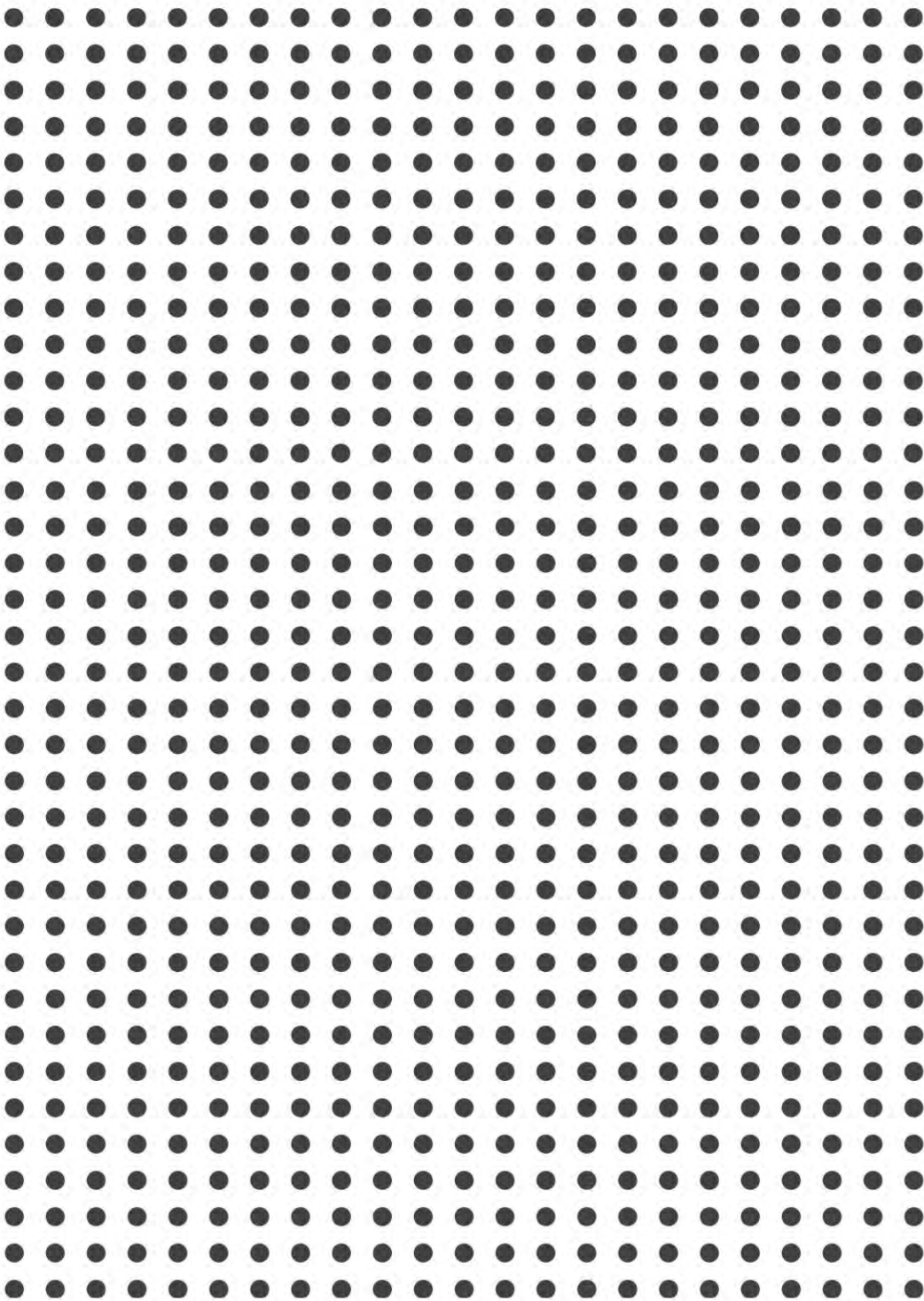
ISA 260 reporting requirements

International Standard on Auditing ('ISA') 260 "Communication of audit matters with those charged with governance" requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance.

We have set out opposite how each of the key areas has been addressed and where they have been reported:

ISA 260 Requirement	CT Response
Confirmation of the independence of both the Firm and the audit team	Confirmed.
Confirmation of audit approach and scope	Confirmed via planning document.
Consideration of significant accounting policies	Considered throughout the audit process and discussed with management as appropriate.
Consideration of any material risks and exposures	Considered throughout the audit process and further within this report.
Schedule of material audit adjustments (adjusted and unadjusted)	Discussed on page 12 of this report
Consideration of material uncertainties casting doubt on the entity's ability to continue as a going concern	No material uncertainties identified.
Significant disagreements with management	None noted.
Expected modifications to the auditor's report	None noted.
Material weakness in the accounting and internal control system	None noted.

CT: Audit

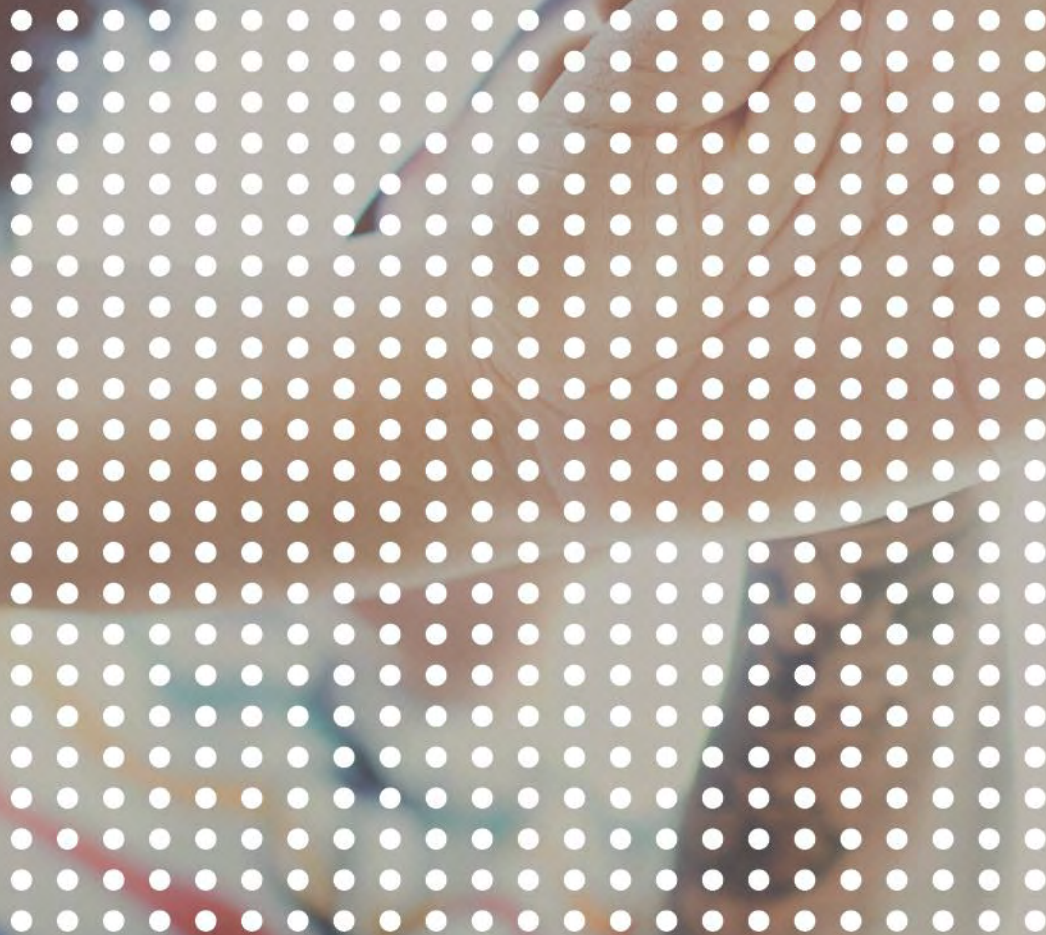


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Charity Technical Update

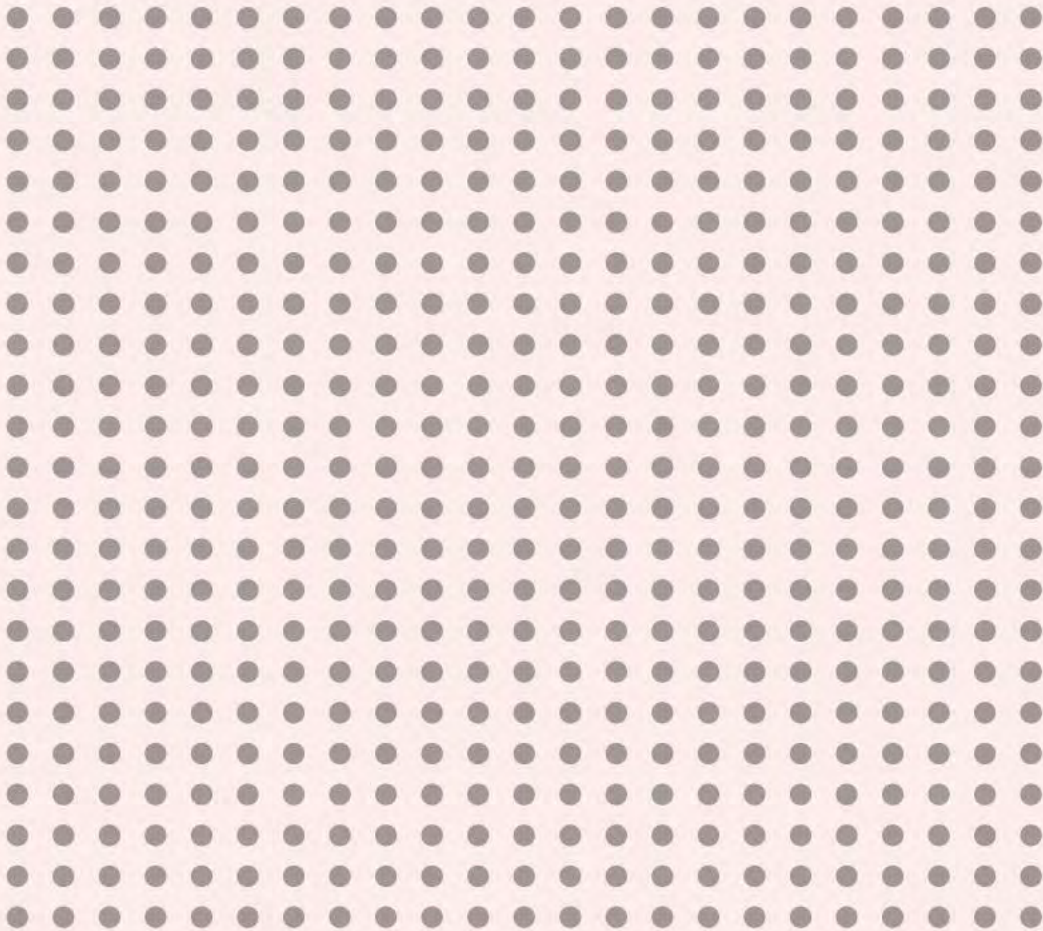
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• Accounting updates



New Charities SORP

Charities that are companies, or have over £500,000 of income, or more than £3.2m of assets, must apply the Charities Statement of Recommended Practice (“SORP”) when preparing statutory year end financial statements.

The current version of the SORP applies to accounting periods commencing on or after 1 January 2019; it reflects changes in UK accounting standards up to that point, as well as charity specific disclosures and presentation requirements and guidance.

A full version of the existing SORP is available at <https://www.charitySORP.org/download-a-full-sorp/>.

As with all accounting requirements, the SORP is subject to periodic review and as it is based on UK accounting standards (UK Generally Accepted Accounting Practice or “UK GAAP”) it applies the principles within Financial Reporting Standard 102 (“FRS 102”), and adds specific additional presentational points and guidance as deemed appropriate for charities in the UK and Republic of Ireland.

Following the recommendations of a SORP “Governance Review”, which reported in June 2019, the joint SORP-making body made up of the Charity Commission for England and Wales, OSCR, the Charity Commission for Northern Ireland, and the Republic of Ireland Charities Regulator, appointed a new Charities SORP Committee. 36 recommendations were also made with regard to development of the new SORP.

Various groups were established to look at different aspects of charity accounting, and comprised representation from the following stakeholders:

- Charity trustees
- Smaller charities and independent examiners
- Professional and technical
- Larger charities
- Major funders and donors and government and public bodies, and
- Academics and regulators and proxies for the public interest.

A draft of the new SORP was published at the end of March and the public consultation ended on 20 June. The final charity SORP was published at <https://www.charitySORP.org/download-a-full-sorp/> on 31 October, and is effective for accounting periods commencing on or after 1 January 2026. For most charities then, it will first be applicable to their 31 December 2026 year ends.

“SORP 2026” (as it is officially called) runs to over 300 pages, compared to the 200 pages that comprised the previous SORP “second edition” from 2019 which was a “tweaked” version of the 2015 SORP.

Along with the new SORP, the joint SORP making body has also produced a very handy “summary of key changes” at <https://www.charitySORP.org/documents/d/guest/summary-of-changes-sorp-2026-pdf> ; rather than having to delve through the entire document in detail you can focus initially on the chapters (or “modules” as they are called) with “significant” changes. Nine of the twenty-nine modules in the SORP are noted as having these greater levels of change from the 2019 SORP.

Headline changes we already had an inkling of previously (mainly because they bring in features of the UK general “Financial Reporting Standard 102 (“FRS102”) that was finalised last year as detailed later in this document) include:

- Amendments to how certain income is accounted for in charities, and enhanced guidance
- Accounting for leases as lessee – capitalisation of leases that previously were expensed, including a new separate module 10B
- Tighter rules and more guidance on heritage asset recognition

Other changes include:

- An extra threshold (“tier”) where larger charities will have to disclose additional information
- Additional trustees’ report disclosure requirements
- Flexibility in headings within Statement of Financial Activities for smaller charities
- Relocation of guidance on provisions and funding commitments to a new separate module 10A
- Related party disclosures extended to former related parties
- Revisions to balance sheet presentation in line with FRS102
- Relaxation of requirements to prepare cash flow statements
- Presentational aspects of social investments

CT provided more in-depth detail of the changes in a webinar in May, and have been discussing implications of the draft proposals with our clients as part of current audit and independent examination work over the summer. Now that the 2026 SORP is finalised, we intend to provide more focussed guidance and insight to our clients later this year and in the New Year.

There is a lot to look at and think about, but we look forward working with you to implement the final SORP requirements in good time for the end of 2026.

If you have any queries please do not hesitate to contact your usual CT contact.

FRS 102 development

Although the Charity SORP sets out specific charity accounting requirements, it is based on Financial Reporting Standard 102, the key recognition and measurement aspects of which must continue to be complied with. In some cases, the SORP may not provide clarity on an aspect of accounting, and it may be necessary to refer back to FRS 102 itself for guidance. For both these reasons, it is important to have one eye on developments of FRS 102.

The Financial Reporting Council (“FRC”) commenced in March 2021 the next periodic (normally triennial) review of FRS 102 (and other UK and Ireland accounting standards). The revised FRS 102 was finally published on 27 March 2024, with an effective date for most amendments of 1 January 2026, albeit early adoption is permitted.

The revised standard continues the gradual assimilation with International Financial Reporting Standards (“IFRS”), and some of the key proposed changes are set out below:

A new income (revenue) recognition model is introduced based upon IFRS 15 and the following 5 step recognition process:

1. Identification of a contract
2. Identification of promises
3. Allocation of a transaction price
4. Matching of the transaction price to the promises
5. Recognition of revenue based on fulfilment of promises

Perhaps the most significant change relates to IFRS 16 Leases, which requires more leases to be recognised as an asset and a liability than previously.

In most cases FRS102 will now remove the distinction between an operating lease and a finance lease in the financial statements of lessees. Apart from short term leases (a short-term lease is a lease that, at the date of commencement, has a term of 12 months or less) and those for “low-value assets”, most leases will be recognised on the balance sheet as a “right of use” asset and an associated liability will also be shown at the inception of the lease.

Entities will now be much more likely to recognise ‘off balance sheet’ leases, of which property leases are a common example.

Certain “encouraged” disclosures in FRS 102 section 1A (the reduced disclosure options) will become mandatory, including those related to:

- Being a “public benefit entity” where relevant
- Going concern
- Dividends paid or payable

Additional disclosures relating to the following:

- Leasing
- Revenue recognition
- More on provisions and
- Contingent liabilities
- Limited deferred tax disclosures
- Share based payments

Other aspects that are relevant to charities and therefore have implications for the next Charity SORP include:

- Clarification of recognition policies for legacy income
- Heritage assets changes
- Disclosure of unrecognised volunteer services

Audit regulations

Recent years have seen the introduction of enhancements to existing audit regulations, and some of the key ones are set out below:

Going concern

The impact of the global pandemic meant that it is critical that going concern issues are dealt with properly in the auditor's report, and the standards now require auditors to go into more detail and cover specific points in the following areas; understanding what the charity does and how it operates, evaluation of management's own assessment of going concern, a more explicit 'stand-back' requirement, with the need to consider corroborative and contradictory evidence when drawing their conclusions, and clearer requirements for what should be retained within documentation on audit files regarding work performed.

Accounting estimates

Almost all financial statements will contain accounting estimates, examples being depreciation, impairment, provisions for liabilities, fair values, and employee retirement benefits. Auditors must now spend more time obtaining audit evidence from events occurring up to the date of the auditor's report, testing how management made the accounting estimate, and developing an auditor's own estimate or range. They are also required to evaluate the audit evidence obtained to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or if they are misstated. This includes an evaluation of both corroborative and contradictory audit evidence. Charities subject to audit should therefore expect more questions and queries in these areas than previously.

Audit reports and fraud

Auditors are now required to explain in the auditor's report to what extent the audit was considered capable of detecting irregularities, including fraud, and this has led to not insignificant additional content in reports to meet this requirement. When the auditors are preparing their explanation for inclusion in the auditor's report, they must consider the various risks that have been identified, and there may therefore be different levels of explanation. Among other matters, they will need to take into account and document in more detail results of enquiries of management and other staff charged with governance, review of minutes, results of audit testing on journal entries and controls, and reviews of presentations/disclosures and regulatory compliance.

Scottish charity audit thresholds

In other recent news, and not related to the Charity SORP, a consultation on increasing the Scottish Charity audit income threshold took place in early 2025. Raising the limit from the current £500,000 was supported by the majority of respondents, and the Scottish Government has now confirmed that the threshold will be doubled to £1m.

The timetable for implementation is currently unclear, although we understand this may be likely to coincide with the implementation date of the new SORP i.e for periods ending 31 December 2026 and later.

England and Wales charity audit thresholds

In England and Wales, the Department of Culture, Media and Sport has recently been consulting on changes to audit and accounting thresholds in that jurisdiction to reduce costs and administrative effort for smaller charities. Following the consultation, they have announced the following changes to come into effect on 30 September 2026, and apply to accounting years that end on or after 30 September 2026.

Requirement	Current threshold	Revised threshold (September 2026)
Mandatory independent examination of accounts	Income > £25,000	Income > £40,000
Independent examination to be performed by qualified examiner	Income > £250,000	Income > £500,000
Use of receipts and payments accounts (if not a charitable company)	Income < £250,000	Income < £500,000
Audit of accounts	Income > £1,000,000 OR Assets > £3,260,000	Income > £1,500,000 OR Assets > £5,000,000
Group accounts preparation	Income > £1,000,000	Income > £1,500,000

The outcome of this, while good news for reduced regulatory costs south of the Scotland/England border, is that there will continue to be a significant discrepancy in the level of external scrutiny required for similar charities in each jurisdiction.

Additional charitable company reporting requirements

For charities that are companies limited by guarantee, additional company reporting was brought in for all companies from 1 January 2019 needs to be taken into account where relevant. These required additional disclosure to be made in annual reports or trustees reports.

For those that would be deemed “large” under the Companies Act (2 of the 3 of; total income more than £36m [existing limit], balance sheet total more than £18m [existing limit], more than 250 staff) more detail about directors’ responsibilities to the company must be disclosed, along with information on how the company engages with its suppliers and customers.

For charitable companies with more than 250 staff, that are not “large”, they must include details of how they engage with employees and their interests.

Further information on this is set out at:

<https://www.charityscorp.org/documents/23956307/23964541/information-sheet-3-the-companies-misc-reporting-regs-2018.pdf/7d14959c-d5dc-bbe9-61a6-b073d019a42c?t=1641929958579>

It is important to note however, as set out later in this document, the size thresholds are increasing for periods commencing on or after 6 April 2025. At the same time, certain of the requirements for additional Director’s Report content will also be relaxed.

It should be noted that the above is not related to Gender Pay Gap Reporting requirements which apply to any organisation with more than 250 employees.

Other charitable company financial statement reporting obligations arise from 2018 regulations that require “large” (see above for definition) unquoted companies to report their UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport fuel, as well as an “intensity ratio” and information relating to energy efficiency action, through their annual trustees’ or directors’ report.

Further information on this is set out at:

<https://www.charityscorp.org/documents/496625/516892/sorp-information-sheet-5-sept-2020.pdf/c70faead-3b95-c317-608e-cdbb8f6f40a1?t=1641929686703>

Environmental sustainability reporting

Environmental, social, and governance reporting (“ESG”) continues to be of increasing focus for statutory financial reporting worldwide, and in particular within the UK.

Quoted UK companies and Public Interest Entities (“PIEs”) with over 500 employees are already required to report on environmental matters within their financial statements, as well as covering issues such as employee interests, community and human rights issues.

Large companies, quoted companies, and large LLPs are also required to comply with streamlined carbon and energy reporting requirements (“SECR”), with the associated disclosures for companies requiring to be included in the directors’ report. These apply equally to charitable companies that are “large” (total income over £36m at present, plus asset and employee number thresholds) in the context of Companies Act thresholds.

Information that is currently required to be reported under SECR includes:

- UK energy use (to include as a minimum purchased electricity, gas and transport)
- Associated greenhouse gas (GHG) emissions.
- At least one “intensity ratio” (defining your emissions data in relation to an appropriate business metric).
- Previous year’s figures for energy use and GHG emissions (except in the first year).
- Information about energy efficiency action taken in the organisation’s financial year.
- Methodologies used in calculation of disclosures.

“Offshore undertakings” (i.e. if your activities consist wholly or mainly of certain offshore activities as must also disclose your emissions and energy use for the UK and the offshore area.

Exemptions do exist for entities with energy use below 40 MWh per year.

As with most financial reporting, requirements initially impacting large commercial entities gradually filter down to smaller organisations and this will in time affect charities of all sizes to some degree; what might previously have been voluntarily disclosed in multiple different ways is now being replaced with a harmonised mandated approach.

Key stakeholders within the voluntary sector often see the way a charity carries out its objectives to be as important as the objectives themselves; the impacts on the environment and society of charitable activities will be high up the list of priorities and there will be expectations around transparency.

While the EU has its own standards in this area, in the UK there are plans to create UK Sustainability Disclosure Standards (“UK SDS”). These will require corporate disclosures on sustainability related risks and opportunities. These are to be based on IFRS Sustainability Disclosure Standards issued by the

International Sustainability Standards Board ("IFRS SDS") as set out in the UK 2023 Green Finance Strategy. It is likely that in addition to core content, they will also include specific climate-related risk management disclosures and reporting metrics such as qualitative disclosures regarding the risks and opportunities of lower-carbon transition plans, scenario analysis, and quantitative data measuring the entity's greenhouse gas emissions. It is expected that they will be mandatory for listed companies, but it remains unclear as to the extent to which they will be required also of private companies at this stage.

The existing 2019 Charity SORP does not specifically mention sustainability, but that's not to say it cannot be included as additional disclosure in the trustees' annual report ("TAR"); for larger charities the requirement to disclose principal risks and uncertainties may lead to environmental considerations needing to be referred to. In the financial section, environmental or ethical restrictions that form part of the charity's investment policy must be noted. There is also the requirement to disclose both positive and negative significant factors within/outwith the charity's control that affect its ability to achieve its objectives. There are, therefore, some existing opportunities to cover environmental reporting, albeit no specific requirement. As noted earlier in this document however, sustainability reporting under the new Charity SORP is now "encouraged" for smaller charities, and mandatory for larger ones.

UK Company size thresholds

The statutory financial statements of charitable companies are subject primarily to the Charity SORP in terms of financial reporting and the relevant charity law jurisdiction, with regard to whether an audit or independent examination is needed. Company size thresholds can however have implications for additional reporting and disclosure requirements over and above the SORP as highlighted above.

In March 2024 the UK Government announced proposed changes to the size thresholds for UK companies as part of plans to reduce the regulatory burden on UK business, and these have now been confirmed and will be effective for accounting periods beginning on or after 6 April 2025.

As before, two of the three key thresholds must be breached in two consecutive years in order to increase the “size” of a company.

The turnover or total income threshold for a small company increases from £10.2m to £15m, and the balance sheet total (fixed and current assets) increases from £5.1m to £7.5m.

The turnover or total income threshold for a medium company increases from £36m to £54m, and the balance sheet total (fixed and current assets) increases from £18m to £27m.

The third key threshold of employee numbers remains unchanged at 50 for small companies, and 250 for medium-sized.

There are commensurate changes in group thresholds and micro-entity thresholds, but the small entity (“micro”) reporting environment continues not to be available to charities.

Directors’ report changes

Additional regulatory changes relating to companies aim to reduce the burden for medium and larger entities with regard to non-financial reporting. These regulations also remove a number of obsolete or duplicate requirements from the Directors’ Report.

The following information will no longer require to be included in the Directors’ Report for Large and medium-sized entities:

- financial instruments;
- important events that have occurred since the end of the financial year;
- likely future developments;
- research and development;
- branches outside the UK;
- the employment of disabled people (this requirement is also being removed for small entities);
- engagement with employees; and
- engagement with customers and suppliers.

As before, however, specific Charity SORP requirements may overrule relaxations set out above.

Trustees' report writing

It is not unusual for the trustees' report or directors' report to be left to the end of the process as it is often perceived as time consuming and difficult, and so to help make this easier some pointers are set out below:

Start working on it early

There is no need to wait until the dust has settled on the financials. While these are important, they are a nuts-and-bolts representation of the charity's activities and achievements during the year; the substance of what the organisation is all about and how it has performed should, in most cases, be clear at any time of the year. This has the added benefit of goals, activities, and outcomes being fresh in the mind – it is generally easier to write about things soon after they have happened, especially if you have something positive to report!

Delegate specific areas of the report

Delegation is a key skill of effective management, so think about who else on the board or senior management team can help with different elements of the report, depending on their particular focus. This can also promote ownership of what is, after all, the report of the trustees plural. This delegation is something that many charities, in particular larger and more complex ones, frequently do, though it remains important for one person to review the overall report and ensure messages are consistent and that it hangs together.

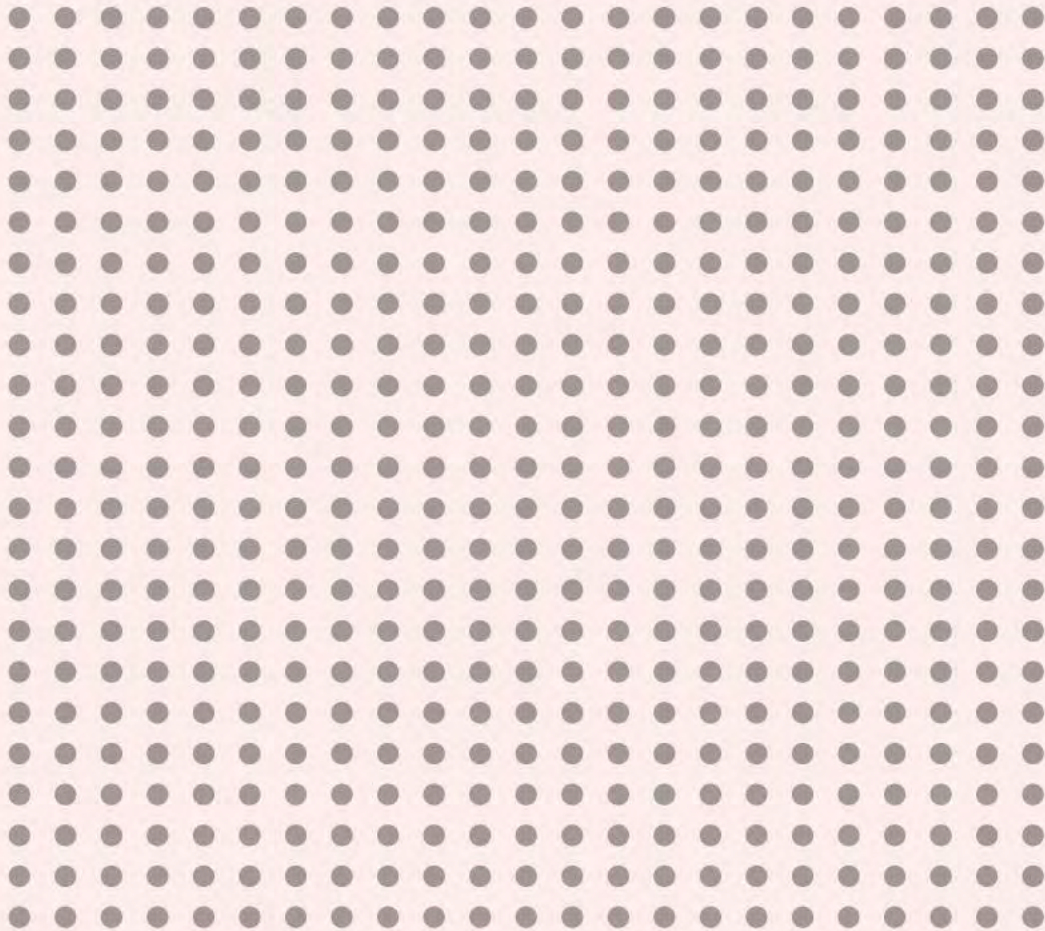
Look at how other charities draft their trustees' reports

While copying what others do word for word is not advisable, the voluntary sector has a much better record of working collaboratively with third parties than the commercial sector. Using examples of good practice from different areas can also be applied to drafting the trustees' report – and don't just look at direct peers. Consider both larger and smaller charities, as well as those working in completely different areas of charitable endeavour – there are some great and innovative ways of conveying information in narrative reports out there.

Not seeing the wood for the trees

A trap that some organisations can easily fall into and one that usually springs up in the activities and achievements part of the report. Problems can occur when trying to include too much detail. A long list of items in the style of a 'what I did on my holiday' exercise might fulfil a "does-what-it-says-on-the-tin" approach, but can detract from an understanding of the overall objectives of an organisation. It is important to stand back a little and think of reporting in a top-down approach: start with general objectives and then link each specific achievement and activity back to how they helped you work towards your strategy. Detailed examples can be a good way of highlighting the day-to-day actions of your strategy, but an overabundance can muddy the waters and risks reader fatigue: this is, after all, the 'fun' part of financial reporting.

• Financial management



Charity banking

As almost all charities will know, managing bank accounts has become increasingly challenging with difficulties frequently arising in areas such opening new accounts, changing signatories, closing accounts, and access to local branches.

The Charity Finance Group, which is a charitable membership organisation that represents and provides guidance to the sector in areas of finance, published guidance in July 2025 to help charities communicate more effectively with their banking providers, and further information is at https://cfg.org.uk/news/cfg_publishes_new_guide_to_help_charities_communicate_better_with_banks

This guide explains how to raise an issue or concern with your bank. It also details information on ‘know your client’ and ‘anti-money laundering’ requests, as well as providing helpful email templates.

Fraud risks and cyber threats

Fraud has become an increasing area of risk for the voluntary sector in recent years as criminals seek to expand their activities from the commercial sector and because charities can be viewed as “soft targets” with less robust controls in place. This was exacerbated by the pandemic and the move to home working for many, particularly those carrying out management, administration and finance activities. Not sitting next to colleagues to “sense check” requests or transactions, and applying alternative financial controls that may be at best unfamiliar, and at worst not as robust as previously, has not helped in this respect. With many charities continuing with full or hybrid working from home, these risks have not dissipated although training and awareness should be better managed now.

There continues to be a multitude of resources available to highlight the risks and enable appropriate mitigation steps to be taken, and we recommend to all our clients reviewing these on a regular basis to ensure that both new and existing staff are aware of the steps they should be taking and what to stay alert to.

The annual [Charity Fraud Awareness Week](#) (8-12 December in 2025) highlights the current risks the sector is facing, but also the resources available, and OSCR also provides guidance available from its website at https://www.oscr.org.uk/media/3167/v10_fraud-how-to-reduce-the-risks-in-your-charity.pdf which reminds trustees of their responsibilities in this area.

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Cybercrime is also increasing in the sector – surveys have shown that almost a quarter of charities experienced cyber attacks in recent years, and for larger charities it affected over half of them. There are resources available from the National Cyber Security Centre at <https://www.ncsc.gov.uk/section/advice-guidance/small-medium-sized-organisations>

OSCR have set up a Third Sector Cyber Resilience Working Group, made up of a range of people from across the voluntary sector. SCVO advice and guidance is available at <https://scvo.scot/support/digital/cyber-resilience>

Internal controls

We are often asked for advice on financial controls by our charity clients, whether in relation to new organisations or activities being set up for the first time, or to provide assurance on existing procedures. An excellent resource for understanding what types of controls charities should have in place is the “[CC8](#)” [guidance](#) produced by the Charity Commission, which also includes a detailed self assessment checklist.

While financial controls are considered as part of normal external audit work, there can be a benefit to undertaking a more in-depth review and we have investigated and reported on this for a number of clients. If you wish to discuss a detailed review of your financial processes, please get in touch with either steven.smillie@ct.me or euan.morrison@ct.me.

Reserves and financial sustainability

The financial impact of the COVID pandemic, and subsequently the war in Ukraine, inflation and energy price increases, and most recently national insurance increases, has put charity reserves into sharp focus. The perfect storm of reduced voluntary contributions, suspensions or restrictions of trading and traditional fundraising activities, and potential loss of contract income where projects had to be paused or could not be started may have eased in some areas, only to be replaced by funding costs, wage inflation and taxation increase. For those charities reliant on investment assets for income, this continues to give serious concern. While both grant giving and government funding found other ways to support the sector over the period of the pandemic, and the impact on investments was not as bad as some feared, the environment remains difficult. With payroll costs being the single biggest items of expenditure for most charities, wage inflation and taxation pressures are a challenge for the sector to meet. All of this emphasises the importance of having a clear reserves policy that is both appropriate to the organisations size and complexity, and is reviewed on a regular basis; a reserves policy should be closely linked to budgeting, forecasting, and financial sustainability review processes to identify the level and type of funds charities should hold to accommodate uncertainty over future income, unforeseen expenditure, planned commitments, gaps in operational cost funding, and beneficiary need changes.

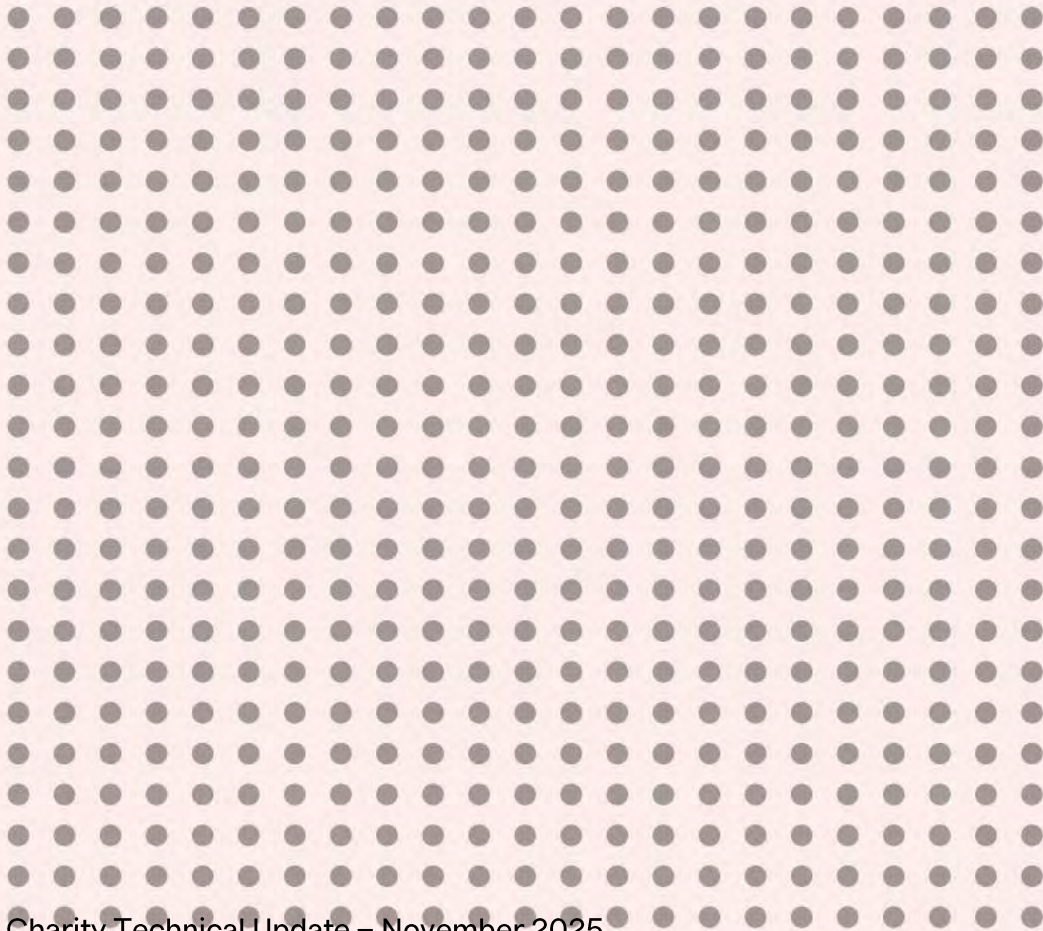
Further guidance is available from OSCR at https://www.oscr.org.uk/media/2681/v10-charity-reserves-factsheet_pdf.pdf and from the Charity Commission at <https://www.gov.uk/government/publications/charities-and-reserves-cc19>

A 2022 report on charity reserves was published by the Institute for Voluntary Action Research and the Scottish Funders' Forum and provided a useful source of information for charities seeking to understand their position better and options for strengthening their reserves management. The report highlighted considerable variation in how charities managed their reserves, as well as identifying some of the difficulties the sector found in addressing them, as well as making best use of opportunities. The report, which can be found at <https://www.ivar.org.uk/wp-content/uploads/2022/10/Thinking-about...-charity-reserves-IVAR-October-2022.pdf>.

The Charity Commission has recently released an interactive “financial health check” for charities to help provide guidance to trustees on what they should be considering at <https://charity-commission.involve.me/buildingfinancialresilience>. The Commissions list of related guidance for trustees on finance matters can be accessed at https://beingacharitytrustee.campaign.gov.uk/trustee-finance-toolkit/?_gl=1*et9eao*_ga*MjA1NzQ1NTYwMy4xNzUyMTQ0ODEz*_ga_S5RQ7FTGVR*czE3NjI1MDc1MTEkbzMOJGcxJHQxNzYyNTA3ODA4JGo2MCRsMCRoMA..

The 2026 Charity SORP increases mandatory disclosure on reserves within the Trustees' Report so this is an area for the sector to focus on improving on in the coming year.

• Charity law matters



Scottish charity law reform

As an update to the Charities and Trustee Investment (Scotland) Act 2005, the Charities (Regulation and Administration) (Scotland) Bill became law in 2023. This incorporated into law suggested improvements to the regulation of charities in Scotland, following proposals made by the Scottish Charity Regulator (OSCR).

Further details of the Charities (Regulation and Administration) (Scotland) Act 2023 are available [here](#) and the full legislation available at <https://www.legislation.gov.uk/asp/2023/5/contents>.

The changes are coming into force over a period of time, and those currently in place are set out below:

- OSCR now has the power to direct charities to take certain actions where changes or improvements are considered to be needed
- Interim trustees can now be appointed by OSCR to help charities to function where there is a lack of trustees - this will be used to positive effect
- Enquiries can now be made into former charities and former trustees which will allow more comprehensive investigation to be undertaken
- Changes to OSCR's powers to require charities and others to provide information
- OSCR now has the ability to remove charities that fail to submit accounts within the 9 month deadline and fail to engage with OSCR.
- OSCR must refuse an application to be registered as a charity from organisations that have no or a negligible connection with Scotland. (They will review a number of factors such as the location of the principal office, and whether they entity occupies premises or carries out activities in Scotland.)
- A publicly searchable record of individuals who have been permanently disqualified by the Courts from being a charity trustee ("Record of removed persons") is now available so that charities can carry out due diligence on prospective new trustees.

There are also several minor changes to make interactions between charities and OSCR easier; eg for changes to charity name, purposes in the constitution or dissolution that require consent from OSCR, these will no longer require 42 days notice to be provided to the Regulator.

The following provisions of the 2023 Act came into force in July 2025:

- Charities can now submit their charity trustee information through OSCR Online through one of their designated "charity users"
- Charities completing a new online annual return created on or after 30 June 2025, are now required to include charity trustee information as part of the submission.

Charities must submit the following details for each charity trustee:

- Full name
- Home address
- Email address (if no personal email, a generic one for the charity may be used)
- Telephone number
- Date of birth
- Date of appointment

These details will be retained by OSCR, but only the first and last names of the trustees will be published starting in early 2026.

Charities should inform all charity trustees about this change, and ensure you have the required charity trustee information. A charity's OSCR Online user (up to three can be set up per charity) should log in and input the information in the 'Manage charity trustees' section.

In addition to the above, ALL charity accounts will be published by OSCR from early 2026. It should be noted that these will also be "unredacted" insofar as names of individuals will no longer be "blacked out" by the Regulator. Some charities use names of individuals such as service users to describe activity and achievements during the year, and as these will now be visible on financial statements filed on the Charity Register, trustees may wish to confirm the individuals are in agreement with this.

OSCR now keeps a Record of Charity Mergers. From 30 June 2025, the details of charities that merge with another charity shall be registered within this Record, to help ensure that legacy funds left in wills for the original transferring charity are able to be passed onto the recipient charity. Further information is set out at <https://www.oscr.org.uk/managing-a-charity/making-changes-and-reorganising/record-of-mergers/>

Since 31 August 2025, new rules on the automatic disqualification of individuals from acting in Scottish charities have been in force as a result of the Charities (Regulation and Administration) (Scotland) Act 2023.

The automatic disqualification criteria (eg convicted of a dishonesty offence, removed by the Court as a trustee, disqualified as a company director) now apply to individuals undertaking a senior management function. These therefore no longer apply solely to charity trustees, and employees and volunteers undertaking senior management functions are also brought within this regardless of job title.

There are now additional criteria that automatically disqualify individuals from serving as a charity trustee or holding a senior management function in a charity. Among the changes, those convicted of terrorism-related offences or listed on the sex offenders register will now be automatically disqualified.

It is therefore very important that all charities understand who is undertaking a "senior management function" for them in order that they can confirm they are not automatically disqualified.

Separate to the Charities (Regulation and Administration) (Scotland) Act 2023, but of relevance to charities constituted as Trusts, is the Trusts and Succession (Scotland) Act 2024. This introduced a number of reforms to Scottish Succession Law and the management of Trusts (whether charitable or not) in Scotland. The Act aimed to modernise the law in relation to how Trusts are managed and administered, together with succession. Further details are available [here](#).

No more “Notifiable events”

Under this scheme Scottish charities were asked to formally report to OSCR events that “threaten to have a significant impact on the charity or its assets”. The types of issues to report included fraud, significant financial loss, incidents of abuse of beneficiaries, and lack of trustees.

OSCR’s had identified that there was confusion over outcomes and expectations in relation to how the scheme operated as well as the responsibilities of charity trustees and the Regulator itself in dealing with matters raised.

The notifiable events scheme was therefore replaced from April 2024 with the requirement to complete a “[raise a concern form](#)” online. Examples of issues to raise provided by OSCR include:

- A charity’s assets not being used for the objects of the charity as displayed on the charity’s entry on the Scottish Charity Register.
- Charity trustees are significantly breaching the requirements of their governing document.
- A person or organisation is inappropriately profiting from a charity.
- A charity trustee has a conflict of interest and this is not being properly managed
- If the charity has reported a matter to the police about criminal activity in the organisation.

OSCR is keen to emphasise that charity trustees should be fully aware of [their duties and responsibilities](#), and the need to try to address issues themselves directly. It is only if these cannot be satisfactorily resolved that a concern should be raised with OSCR, and the Regulator does not have the role of mediator. Certain matters do not fall within their remit, and these are set out at <https://www.oscr.org.uk/about-charities/raise-a-concern/> along with further examples about what should be raised.

Matters of material significance reporting to Charity Regulators

In 2017 the various UK charity regulators, which now include the Charity Commission for Northern Ireland, published revised guidance on the matters that auditors and independent examiners are required to report to the appropriate charity regulator. The amended guidance now included the requirement to report where an auditor or independent examiner issues a modified audit opinion, including an “emphasis of matter” or noting of a material uncertainty regarding going concern.

In addition, where an auditor or independent examiner identifies evidence suggesting that conflicts of interest have not been managed by the trustees in line with charity regulator guidance and/or related party transactions have not been fully disclosed as required by the Charity SORP. In Scotland this complements the notifiable events regime ensuring that both the charities themselves and the auditors and independent examiners are reporting to OSCR appropriately.

The guidance was last updated in April 2020, the main changes being:

- confirmation that difficulties in carrying out an audit or independent examination that are solely due to a national emergency need not be reported
- amendment to the guidance on the timing of reporting to reflect the different circumstances when a report should be made
- clarification that the guidance only applies to internal audit engagements in very limited circumstances

Further guidance is available at https://www.oscr.org.uk/media/3570/20190507_-_matters_of_material_significance_guidance_reissued.pdf

Charities Act 2022

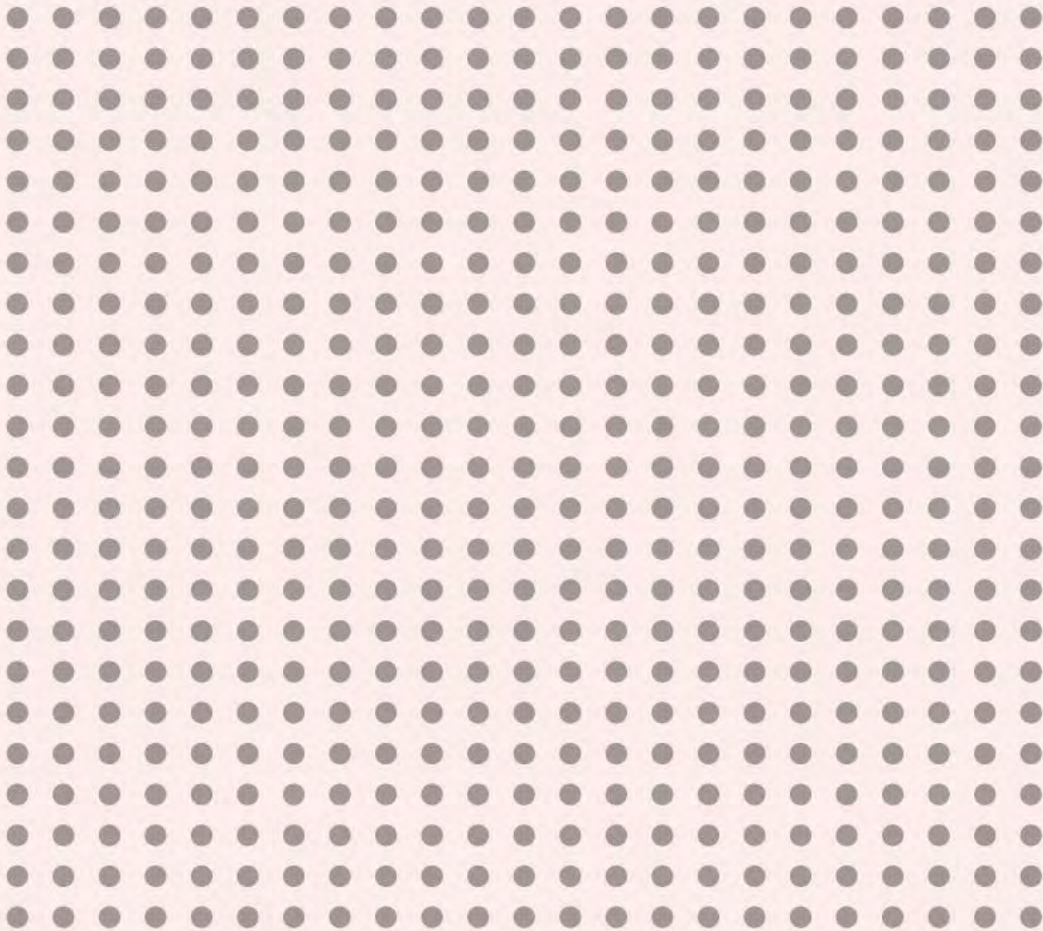
Applicable to charities in England and Wales, implementation of the Charities Act 2022 has been taking place in stages from October 2022 and was largely fully in place by the end of 2024.

The 2022 Act made amendments to the principal charity legislation in England and Wales, the Charities Act 2011. The key changes arising from this primary legislation included the following:

- It is now easier for charities to amend governing documents or Royal Charters more easily, although CCEW (Charity Commission for England and Wales) and Privy Council (for Royal Charter charities) will still need to approve in certain circumstances
- It is now easier for charities to take advice in connection with the disposal of land, with clearer rules on advice they need to take
- Greater flexibility is provided for charities to use permanent endowment funds, including the ability to borrow up to 25% of the value of these fund without reverting to the CCEW for approval
- Charities have greater flexibility in buying goods from trustees without CCEW permission. Applicable in certain circumstances, this applies even if not set out in the charity's constitution
- A degree of relaxation of rules on seeking approval for making ex-gratia payments is now available
- Greater powers exist for the CCEW in respect of names used by charities
- Measures to make incorporations and mergers easier
- The rules on failed fundraising appeals have been simplified, including the ability to spend smaller donations on similar charitable purposes without having to obtain the permission of the original donor

More detailed information is available from the CCEW at <https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities>

• Regulatory matters



Companies House Director information requirements

For trustees of charitable companies, who are also therefore company directors under Company Law, names, address and dates of birth have been required to be submitted to Companies House for some time. Much of this information is publicly available on public record so they will be used to OSCR changes.

There is, however, a new requirement for company directors (these requirements also apply to “Persons with Significant Control”) in respect of the verifying their identity. This will therefore be an additional administrative burden for charitable companies, and unlike many small private companies, charities that are companies limited by guarantee often have several or more trustees/directors.

The main reason for this change is to reduce the risk of fraud which is a significant problem, and should be largely welcomed despite the additional cost of compliance.

The verification can be done in a number of ways:

- **Online**
Go on to <https://www.gov.uk/guidance/verify-your-identity-for-companies-house> with certain types of your photo ID and follow the simple process
- **At a Post Office**
Check <https://www.gov.uk/guidance/verify-your-identity-for-companies-house> to see if this is available, enter details of your photo ID on GOV.UK and then visit the branch with your ID so they can scan it and photograph it
- **Using an Authorised Corporate Service Provider (ACSP)**
Known as “Companies House authorised agents” ACSPs can verify your identity. They will need you to provide documents from an approved list as evidence of your identity, and can charge a fee for this.

Once “verified” you will receive sight of a code from Companies House online that will be needed for certain types of filing, and it is important to keep a note of this.

Current directors will need to provide this code when the company files its Confirmation Statement from 18 November 2025. If you are appointed a director after 18 November 2025, you will need the code as part of your appointment.

While not currently mandatory, due to the work involved in preparing for this we are recommending clients verify voluntarily as soon as they can.

Directors that fail to verify will not be able to make filings, start new companies, may have to pay fines, and in due course, will be committing an offence if they still act as director.



Companies House filing changes

From 1 April 2027, Companies House will require all company accounts to be filed using commercial XBRL software, as part of its ongoing efforts to modernise and digitise its services. This will primarily affect clients who produce their own accounts on Microsoft Word including charities, we will be able to support these clients either by producing the accounts on our Companies House compliant software or we can convert our clients word accounts to XBRL format which we may already do as part of the corporation tax return.

The current web and paper filing options for accounts will be discontinued. However, these routes will still be available for other statutory filings.

Changes to filing requirements for small and micro-entities will also take effect on the same date:

- Micro-entities must file both a balance sheet and a profit and loss account.
- Small companies must file a balance sheet, profit and loss account, directors' report, and auditor's report (unless exempt).
- Abridged accounts will no longer be accepted.

Additionally, any company claiming an audit exemption must include a new statement from its directors on the balance sheet. This statement must specify the exemption being claimed and confirm the company's eligibility.

Companies House will also introduce a new restriction on changing accounting reference periods. Companies will only be allowed to shorten their accounting period once every five years, unless they provide a valid business reason.

Fundraising regulation – a reminder

In the UK, charity fundraising is self-regulated (the charity sector itself sets the standards) and is not formally overseen by any statutory body, although OSCR and the Charity Commission both have a high-level role and do regulate certain aspects of public fundraising for their respective charities.

Scottish charities

The [Scottish Fundraising Adjudication Panel](#) (previously the “Scottish Fundraising Standards Panel”) was set up to oversee enhanced self-regulation of fundraising in Scotland and complaints related to charities registered with OSCR. The Panel oversees fundraising standards in Scotland and in addition, deals with complaints made against Scottish charities. The initial approach must be made by the complainer to the charity, but if unresolved it can be escalated to the Panel.

English, Welsh, and Northern Ireland charities

For charities registered with the Charity Commission for England and Wales, and the Charity Commission for Northern Ireland, the [Fundraising Regulator](#) is the independent regulator of charitable fundraising. Its role requires it to:

- set and promote standards for fundraising practice;
- investigate cases where fundraising practices have led to significant public concern;
- adjudicate complaints from the public where these cannot be resolved by the charities themselves;
- operate a fundraising preference service to enable individuals to manage their contact with charities; and
- recommend best practice guidance and take proportionate action where poor fundraising guidance is judged to have taken place.

Charities registered with OSCR and the Charity Commission

Where charities are registered in Scotland and England, Wales, or Northern Ireland, then where OSCR is the lead regulator the complaint will be dealt with by the Panel but where the respective Charity Commission is the lead regulator, it will be dealt with by the Fundraising Regulator.

Fundraising standards – apply across the UK

The Code of Fundraising Practice outlines the standards expected of all charitable fundraising organisations across the UK, and can be found on the [Fundraising Regulator's](#) website. It is important that all fundraising charities are familiar with and apply the principles of the Code as these are the standards that the charity will be measured against should a complaint arise.

Register of Persons with a Controlled Interest in Land (“RCI”)

This new public register was introduced from 1 April 2024, and will be managed by the Registers of Scotland (RoS). The aim of the new register is to enhance transparency of land ownership in Scotland by making publicly available more detail on who can significantly influence or control the owner or tenant’s decisions about land.

It will include information on:

- the land or property itself
- names of the owner or tenants
- any person who has a controlling interest over the land.

The concept of a “recorded person” has been introduced and they are defined as the owner of the land, or a tenant with a lease of more than 20 years.

While these individuals’ names are normally already on public records such as in the Land Register of Scotland, where another person or entity has “significant control or influence” over decisions made in relation to the land or property they are designated as “associates” and an entry must be made on the register for them.

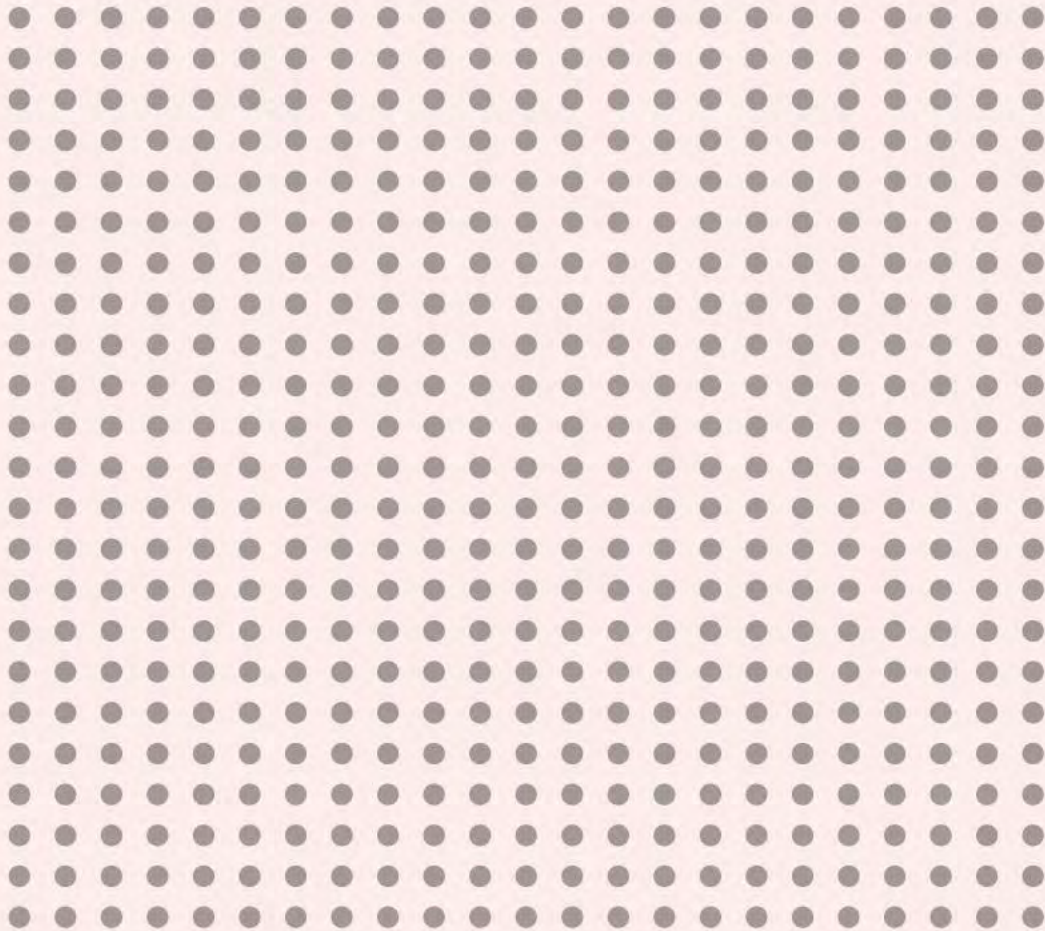
Charities constituted as a Scottish Charitable Incorporated Organisation (SCIO), a cross border Charitable Incorporated Organisation (CIO) or a company, are exempt because the property will be held in the name of the SCIO, CIO or company and the required information is already publicly available elsewhere.

For charities that are unincorporated associations or trusts, land or property will normally be held on the charity’s behalf by a committee or trustees. In these cases registration may be required. The Registers of Scotland has prepared helpful guidance on land held by Trusts and Unincorporated Associations and when registration is required at <https://kb.ros.gov.uk/rci/categories-of-ownership-or-tenancy>

To confirm if you do need to register on the RCI, the Registers of Scotland has created a useful self-assessment tool to check at <https://rci.ros.gov.uk/who-needs-to-register>

More information is available at <https://kb.ros.gov.uk/rci>

• Direct tax for charities



Common Reporting Standard

CRS is an international regime to improve tax transparency by facilitating the exchange of information between participating jurisdictions, and charities are not exempt from this reporting requirement. CRS will apply to Charitable Companies and Charitable Trusts who are deemed to be 'financial institutions'. An entity will be a 'financial institution' where it meets two tests:

1. its financial assets are managed, in whole or part, by an investment manager (or other financial institution) who has discretionary management over some or all of the assets; and
2. at least 50% of its total income derives from financial assets. This test is applied to a cumulative three year period, ending 31 December in the year preceding the year in which its status as a 'financial institution' is being determined.

Financial assets include shares & securities, commodities, swaps, insurance or annuity contracts, and interests in partnerships. Financial assets do not include direct interests in real property or cash.

If your Charity falls within the above definition of a 'financial institution', you must identify all your Account Holders and perform specific due diligence procedures on each of them in order to establish where they are tax resident. This due diligence information requires to be maintained for 6 years, irrespective of whether that Account Holder is a reportable account for that period.

Where the Account Holder is tax resident in a reportable jurisdiction then the account is a reportable account. If the charity has no reportable Account Holders then there is no report required to HMRC; nil returns are not required.

Account Holders will vary depending on whether you are a Charitable Company or a Charitable Trust. Account Holders for Charitable Companies are any debt or equity interests in the company. This excludes any trade creditors of the Charitable Company which do not relate to the lending of money. HMRC do not consider that members of companies limited by guarantee or under Royal Charter or SCIOs hold an equity interest in the company.

Account Holders for Charitable Trusts (including unincorporated associations) include:

- Beneficiaries, including recipients of grants
- Settlers
- Those with effective control of the Charity
- Lenders to the Charity

If your charity has Reportable Accounts you must perform specific due diligence procedures on each Reportable Person and disclose certain information to HMRC. This due diligence information requires to be maintained for 6 years, irrespective of whether the account is reportable for that period. Specified information regarding these Reportable Accounts must then be reported to HMRC for the calendar year to

31 December, by the following 31 May. The charity is also required to notify the Reportable Persons in advance of this and there are deadlines for this notification.

If you would like to know more about CRS and how it could impact your charity, please get in touch with our experts who will be happy to assist you.

Small trading exemption

There are various exemptions allowed for charities that remove their income from tax, most common are the primary purpose exemption and investment income exemption. However, it is also relatively common for a charity to undertake some level of non-charitable trading. In this case the exemption that would often apply to that income is the small trading exemption.

Small trade exemption

In the UK, the small trading exemption is a provision that allows registered charities to carry out small-scale trading activities without incurring tax liabilities and filing annual tax returns. Under this exemption, registered charities can carry out non-charitable trading activities with an annual turnover of up to £80,000 without being liable for tax. The turnover threshold does depend on the charity's overall income, as shown below.

Total income of the charity	Maximum permitted turnover
Under £32,000	£8,000
£32,000 to £320,000	25% of charity's total income
Over £320,000	£80,000

The £80,000 limit is a maximum limit which would apply to the aggregate turnover of all taxable trades within a charity.

Should a charity's non-charitable income exceed the £80,000 limit in any given year, there will be a loss of the tax exemption on the profits generated from the trading activities. As such, the entire trading profits would be subject to tax and an annual tax return would have to be submitted to HMRC.

Reasonable expectation

There is a reasonable expectation test that can be applied, where, based on forecasts, budgets etc a charity could not have reasonably expected to breach the threshold, and it therefore can continue to apply. HMRC would expect to see some evidence to support the reasonable expectation.

Trading subsidiaries

Where a trade is growing, and the charity expects to breach the threshold, then it may be time to consider a trading subsidiary. This is a common structure where a charity sets up a private limited company, in which it owns all the shares, and undertakes non-charitable trading on the charity's behalf. Careful consideration is required on many aspects of establishing a trading subsidiary - the allocation of shared costs, the VAT implications of the new company and the board members, to name a few.

Creative industries tax reliefs

A number of tax reliefs are available to organisations operating in certain creative sectors, many of which have charitable status. While these reliefs are not necessarily exclusive to charities, they are of relevance to many of our clients and details are set out below.

Theatre Tax Relief

This has been available to businesses within the scope of corporation tax, including charities, from 1 September 2014. To qualify for relief, businesses must carry on qualifying theatrical productions where at least 75% of performances are open to either paying members of the public, or for educational purposes. Relief will be in the form of an additional deduction for corporation tax purposes that can be surrendered for a payable tax credit should the business make a loss. The additional deduction will be calculated, in the main, at 80% of expenditure directly involved in producing and closing the production.

Orchestra Tax Relief

This creative industry tax relief has been available from 1 April 2016 to businesses that fall within the charge to UK corporation tax, including charities. To qualify for the relief, a business must be engaged in the production of live orchestral performances. In general, these include concerts performed by at least 12 instrumentalists, playing mainly instruments which are not electronically or directly amplified, that are the primary focus of the concert. Relief will be in the form of an additional deduction for corporation tax purposes that can be surrendered for a payable tax credit should the business make a loss. The additional deduction will be calculated, in the main, at 80% of expenditure directly involved in producing the concert and tax credits will be payable at the rates noted in the table below, subject to the relevant conditions being satisfied.

Museums and Galleries Tax Relief

This creative industry tax relief has been available from 1 April 2017 to charities, trading subsidiaries of charities, or subsidiary companies under the control of local authorities who fall within the charge to corporation tax. Commercial organisations that run museums or galleries won't be eligible. The relief will take the form of an additional deduction for corporation tax purposes, amounting to 80% of expenditure incurred on the creative and set up costs of exhibitions. Any losses can be surrendered for a payable tax credit, at the rates shown in the table below, subject to maximum of £80,000/ £100,000 for touring/non-touring exhibitions. The relief had been set to end in April 2026 but has now been made permanent.

Tax credits will be payable at the following rates, subject to relevant conditions being satisfied:

	Rate to 31 March 2025	Tax repayment on £10K of costs	Rate from 1 April 2025*	Tax repayment on £10K of costs
TTR: non-touring	45%	3,600	40%	3,200
TTR: touring	50%	4,000	45%	3,600
OTR	50%	4,000	45%	3,600
MGTR: non-touring	45%	3,600	40%	3,200
MGTR: touring	50%	4,000	45%	3,600

The supplementary pages of the corporation tax return, providing further information on the creative industry claims, have been delayed and will not be mandated until April 2026. However, the additional information form submitted through the government gateway continues to be mandatory.

Issues with loans to trading subsidiaries

Where a trading subsidiary has been created one of the key issues is how it will be funded given the likelihood of start-up costs to be incurred as they build up trade and early losses. Poor trading performance by established subsidiaries can also lead to the need for financial support from the parent, and this of course became more common when the coronavirus pandemic restricted many trading activities.

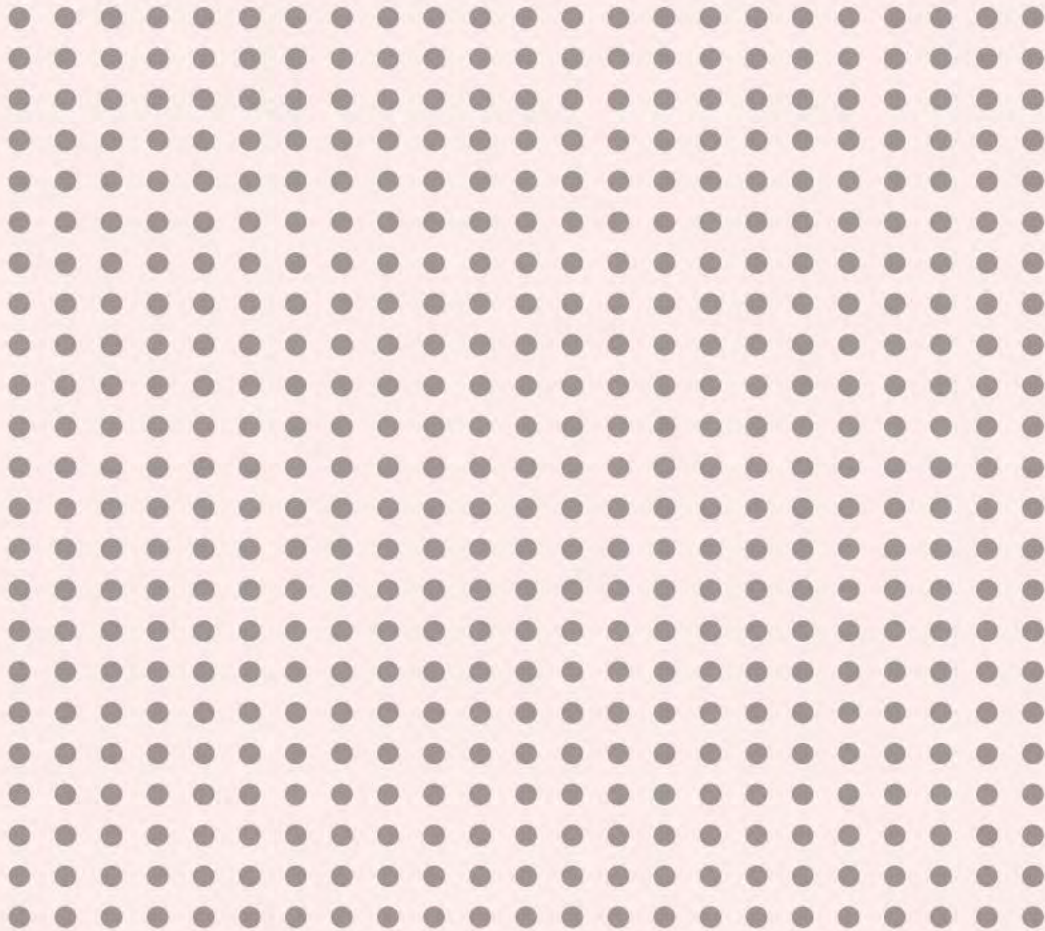
As a loan to subsidiary in this way is regarded as an investment by the parent, it needs to be justified for tax purposes otherwise it could be regarded as non-charitable expenditure. In order for loans to be exempt from tax and a qualifying charitable loan, HMRC would be looking for the following to be in place:

- a. a commercial rate of interest;
- b. a formal written agreement;
- c. appropriate security for the loan, if possible;
- d. reasonable repayment terms; and
- e. physical repayments of the loan, in line with the written loan agreement.

In addition, there should be a formal business plan supporting the commercial case for the subsidiary and the loan repayments.

Often the subsidiary is unlikely to have any assets of note over which to grant security, in which case HMRC would take a broad view of the whole situation on how the Charity benefits from the arrangement. This is a complex area, and we would recommend contacting us for further advice before entering into loans of this nature.

• VAT for charities



VAT – why it’s an issue for charities

Unlike general direct tax exemptions for charities, there is no exemption from VAT, and indeed many of our charity clients are VAT registered. As with the commercial sector, if a charity provides goods or services in the UK (“supplies”) it must register for VAT if its turnover from those supplies exceeds £90,000 per annum. The point at which registration is required is complex and professional advice should be sought to review and confirm. Failure to register can have financial implications not only of interest and penalties, but also costs of analysing historic liabilities and revising systems and procedures to accommodate the additional administration.

Charities may also voluntarily choose to register for VAT where the nature of what they do leads to more input VAT being recovered than is suffered, but this can only be done where taxable supplies are made “in the furtherance of a business”.

It is important to assess in detail whether voluntary registration is both possible, and beneficial over the long term. A formal review by our specialist VAT team can provide assurance both on the need to register for VAT, and whether requirements are being complied with, as well as guidance on maximising recovery where permitted.

Input VAT recoveries – partial exemption vs business / non-business?

VAT registered entities carrying out “business” activities may not always recover 100% of the input VAT they suffer - this may need to be restricted based on the proportion of exempt supplies they make out of the total exempt and standard or zero-rated supplies they make – “partial exemption”. This involves monthly or quarterly calculations during the year, which need recalculated at the end of 12 months and an overall adjustment made, which can be a complicated process.

Prior to considering partial exemption restrictions however, for certain organisations the amount of input VAT to be recovered in the first place may be reduced where “non-business” activities take place, as input VAT can only be recovered where it relates to a “business” activity. This is of particular significance to the charity sector due to the nature of the work undertaken, and also the large amount of grant funding received.

When is a non-business calculation required? In summary:

- If you have activities you charge for – these are business activities and you have to determine if they are subject to VAT or are perhaps exempt.
- If you have activities that are free of charge, perhaps funded by grants or donations, then these are known as non-business activities and restriction calculations are required.

The rules, method of calculation, and relationship between these two concepts (partial exemption and non-business) are complex and we would always recommend that they are fully understood. Failure to perform and apply calculations correctly can lead both to substantial liability for overclaimed VAT, as well as underclaims that could be better used for charitable purposes. These subjects are the types of issues that can be reviewed by our VAT team as a discrete exercise, providing assurance to both management and trustees that the charity “has got it right”.

For more information on this and to discuss a review in more detail please do not hesitate to contact our VAT team at vat@ct.me.

Grants vs contracts

Understanding the difference between grants and contracts is crucial for charities, non-profits, and anyone dealing with VAT.

Whether funding is a “grant” or a “contract” drives both the VAT you must charge on the income and how much input tax you can recover on related costs. If the payment is a freely given grant with nothing supplied in return, it is outside the scope of VAT and no output tax is due. However, VAT incurred on related costs may be irrecoverable (or only partly recoverable) because those costs support a non-business or outside-the-scope activity. If, instead, the payment is consideration under a contract for goods or services, the recipient is making a supply within the scope of VAT. That triggers output VAT (unless an exemption or zero rating applies) and generally opens the door to input tax recovery on related costs, subject to normal rules.

Getting this wrong can mean under-declared output tax or lost input tax. HMRC expects you to apply the basic VAT tests to the actual arrangements, not the label. Two transactions that look similar on the surface can have very different VAT outcomes depending on who benefits and what obligations are created.

The fundamental question is whether there is:

- a supply,
- consideration for that supply, and
- a direct link between them.

If any element is missing, the payment is not consideration for VAT purposes. A grant that is freely given, with no direct quid pro quo, is outside the scope. If the funder receives something specific in return (deliverables, services, IP, or targeted benefits to persons specified by the funder), the payment is likely to be consideration for a supply.

It is extremely important to correctly understand how funding should be treated from a VAT perspective as this can impact both output and input VAT. If you wish to explore funding streams in more detail, please contact our VAT team at vat@ct.me.

Charity VAT reliefs and concessions

Where charities are unable to recover any or all of the input VAT suffered, there are some specific reliefs and concessions that can be available to the sector as follows:

Reduced Rate VAT @ 5% rather than the usual 20%

VAT on supplies to the charity of fuel and power if residential accommodation, charitable “non-business” use, or “small scale use”

Zero rate of VAT applied

Advertising services, the construction or purchase of new charitable buildings, certain aids for disabled persons, and charity funded equipment for medical or veterinary use.

As with all VAT reliefs the rules are not always as straightforward as they may seem, and will not apply in every case. They can, however, offer a very valuable boost to charitable funds; it is also important to plan ahead for these as they cannot necessarily be applied for retrospectively. Our VAT team has extensive experience of guiding clients through the rules to ensure the maximum benefit can be obtained, so please do not hesitate to get in touch with our specialists to discuss these further.

Extension of Energy Saving Materials VAT Relief

The scope of the VAT zero rate relief for energy saving materials has been extended with effect from 1 February 2024 to incorporate water source heat pumps, batteries for storing energy converted from electricity and smart diverters. The relief has also been extended to include buildings intended for use solely for a relevant charitable purpose.

• Extension to Energy Saving Materials (“ESMs”)

The zero-rate VAT relief on installation of ESMs covers the installation of ESM items such as:

- controls for central heating and hot water systems
- draught stripping
- insulation
- solar panels
- wind & water turbines
- ground source heat pumps
- air source heat pumps
- micro combined heat and power units
- wood fuelled boilers

From 1 February 2024, the following additional materials have been included in the relief:

- water source heat pumps
- batteries for storing energy converted from electricity
- smart diverters

In addition, from 1 February 2024, the zero rate will apply to supplies of groundworks, or dredging a body of water, in order to install pipework or other equipment necessary for the operation of a ground or water source heat pump installed in (or in the curtilage of) residential accommodation or buildings intended for use solely for a relevant charitable purpose.

- **Extension to charitable buildings**

The relief for ESMs applies to installations in residential accommodation.

From 1 February 2024, the relief has been extended to include buildings intended for use solely for a relevant charitable purpose.

Use for a relevant charitable purpose (“RCP”) means use by a charity as a village hall or similar recreational facilities for a local community, and/or a building used for non-business purposes by a charity.

- **Timeframe**

This extended VAT zero rate for ESMs is temporary and is set to expire on March 31, 2027. At this point, installations within the scope of the relief, and installations within charitable buildings, will revert to the VAT reduced rate of 5%. While the Government has not indicated that it will make the zero-rate relief permanent or extended it beyond March 31, 2027, the position will be kept under review.

Listed places of worship scheme changes

The Listed Places of Worship scheme gives grants towards VAT paid on repairs and renovations to the nation’s listed sites of worship across the UK. The scheme gives grants towards VAT paid on repairs and renovations to the UK’s listed sites of worship, such as works to the foundations, masonry and monuments integral to the buildings.

The Department for Culture, Media & Sport has announced that the Grant Scheme will be extended for the 2025/26 financial year, providing £23million so that thousands of historical buildings, including churches, synagogues, mosques and temples, can carry out restoration work.

The Department states that the extension of the scheme recognises that listed places of worship represent an important part of UK heritage, and provide spaces for communities to come together.

There is however a new addition to the scheme, in that a cap has been introduced of £25,000 that an organisation can claim during the year. This can still be spread across multiple claims. Claimants will be able to receive a maximum of £25,000 from the scheme. The Department has stated that based on previous scheme data 94% of claims were under this £25,000 cap amount however this may affect larger refurbishment projects which could create financial difficulties for repair and restoration programmes.

Listed places of worship of any size or faith within the UK can apply to the scheme for support with repairs and renovations until the end of March 2026 up to the set cap.

Removal of Form VAT652

HMRC has confirmed that businesses can no longer use form VAT652 to correct errors in their VAT returns. Instead, all VAT error corrections must now be made either online or in writing marking a significant shift away from paper-based error reporting.

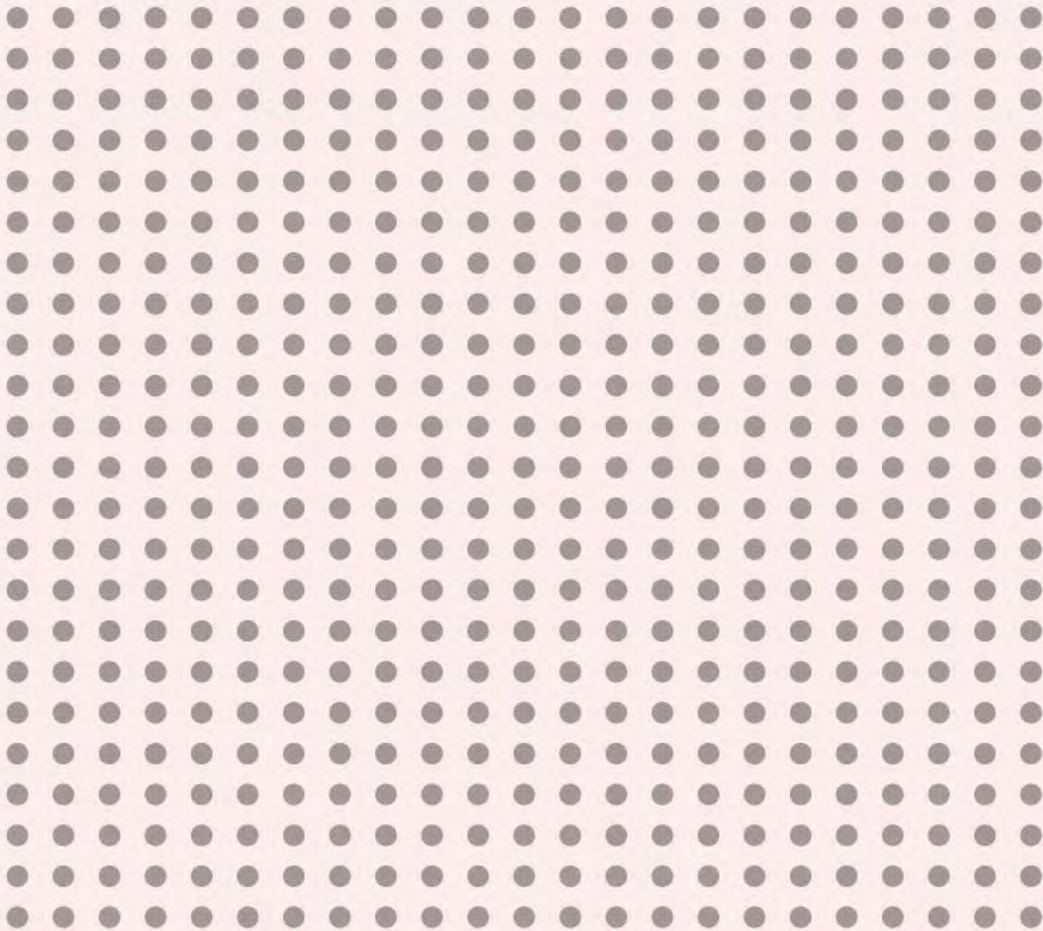
This change reflects HMRC's wider move toward digital transformation and improved efficiency in VAT compliance processes.

Form **VAT652**, known as the *VAT Error Correction Notice*, was the paper-based method by which VAT-registered businesses notify HMRC of errors in past VAT returns. The form has traditionally been used when errors exceed certain thresholds (or fixed monetary limits), or when taxpayers are required to separately notify HMRC rather than simply amending a later return.

Even though Form VAT652 has been withdrawn, the rules for when you must separately notify HMRC of a VAT error remain unchanged. There are two key tests:

- **Monetary Threshold: £10,000 Rule** - If the net value of the errors is £10,000 or less, you can usually correct them in your next VAT Return.
- **Upper Threshold: Between £10,000 and £50,000 (Additional Test)** - If the net value of the error is more than £10,000, you can still correct it on your VAT return only if it is also less than 1% of your box 6 figure (total sales excluding VAT) for that return.

• Contact us



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●

If you would like further information please contact us by phone on 0131 558 5800, or post at 61 Dublin Street, Edinburgh, EH3 6NL. Alternatively, please get in touch with your regular CT contact or another member of our team.

Accounting, Audit and Regulatory



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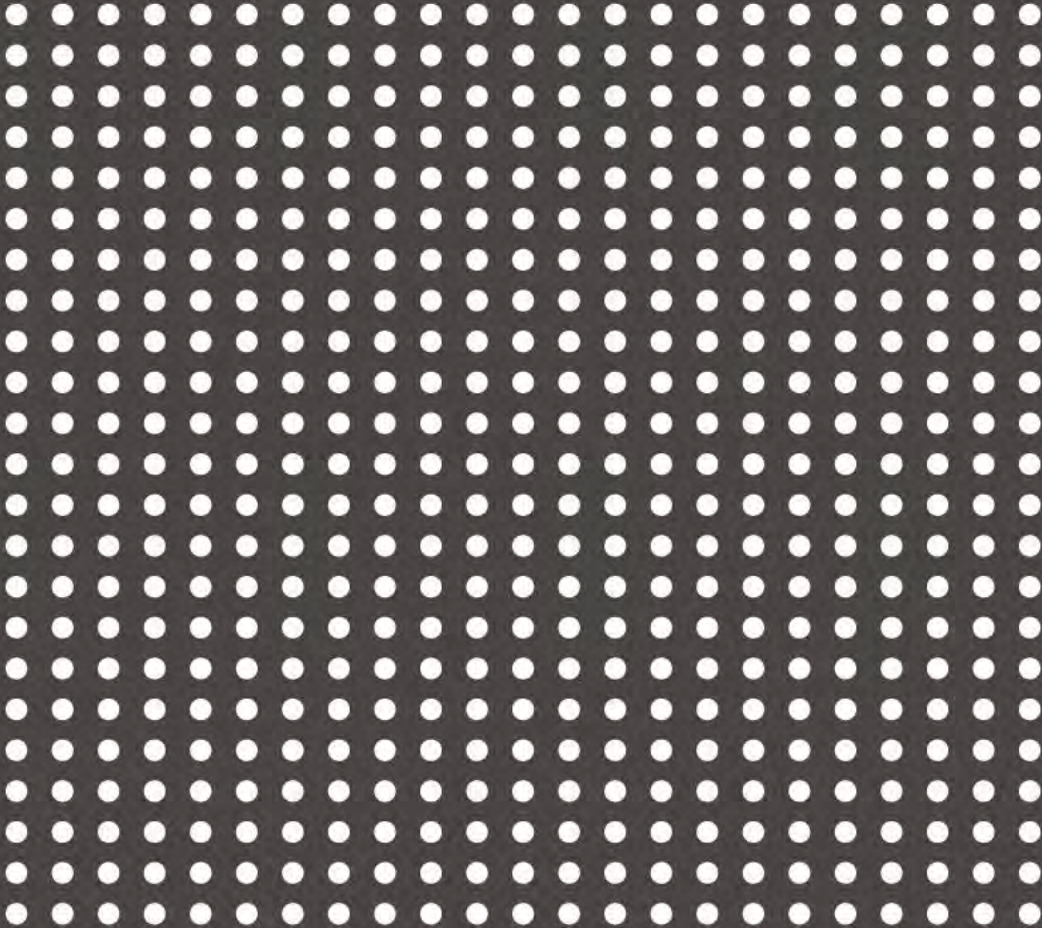


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CT ● Accountants
● Advisers



Audit letter of representation

CT Audit Limited
61 Dublin Street
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EH3 6NL

Dear Sirs

Colleges Scotland **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2025**

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the charitable company's financial statements for the year ended 31 July 2025. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as directors as set out in the terms of your engagement letter dated 24 March 2025, under the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the charitable company have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the charitable company, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with The Office of the Scottish Charity Regulator.
4. The financial statements are free of material misstatements, including omissions.
5. The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

Internal control and fraud

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
7. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.
8. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

9. The charitable company has satisfactory title to all assets and there are no liens or encumbrances on the charitable company's assets, except for those that are disclosed in the notes to the financial statements.
10. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
11. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

12. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

Loans and arrangements

13. The charitable company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

14. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

Laws and regulations

15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

16. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with legislative and accounting standards requirements.

Subsequent events

17. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

18. We believe that the charitable company’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the charitable company’s needs. We also confirm our plans for future action(s) required to enable the charitable company to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the charitable company’s ability to continue as a going concern need to be made in the financial statements.

Grants and donations

19. All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Restricted grants and donations are as follows / listed overleaf:

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....
Signed on behalf of the board of directors

[Date]

Annual Governance Statement

Paper 5.4

FOISA Status	Non-Disclosable
Lead	Secretary to the Board

Summary:

This paper outlines the 2024/25 Annual Governance Statement.

The document was considered by the Audit Committee at its meeting on Tuesday 9 December 2025 and is now presented to the Board of Trustees.

Recommendations:

The Board of Trustees is asked to note the Annual Governance Statement.

Colleges Scotland
January 2026

**Colleges Scotland Audit Committee
2024/2025 Annual Governance Statement**

Non-Disclosable

1. Introduction

The Colleges Scotland Audit Committee presents its Annual Governance Statement in respect of the period 1st August 2024 to 31st July 2025.

2. Committee Membership

The board members which served on the Audit and Risk Assurance Committee during 2024/25 are noted below:

Board Member	Organisation	Date of Appointment	Date of Termination
Ronnie Smith (Chair)	The Lanarkshire Board	13 January 2022	27 March 2025
Liz Connolly (Vice Chair)	West College Scotland	10 June 2020	27 March 2025
Fiona McQueen	Ayrshire College	9 June 2022	27 March 2025
Ray McCowan	Borders College	9 June 2022	27 March 2025
Janie McCusker	Glasgow Colleges' Regional Board	24 January 2024	27 March 2025
Stuart Porteous	N/A – Co-opted Member	8 December 2023	27 March 2025

On 27 March 2025, the Colleges Scotland Board approved a revised governance structure, replacing the Audit and Risk Committee with an Audit Committee.

The Trustee members who will serve on the new Audit Committee are noted below:

Trustee Member	Organisation	Date of Appointment	Date of Termination
Pete Smith (Chair)	Borders College	9 December 2025	
Dave Anderson	N/A – Independent Trustee	9 December 2025	
Waiyin Hatton	West College Scotland	9 December 2025	
Liz Walker	N/A – Co-opted Member	9 December 2025	

3. Committee Meetings

The Audit and Risk Assurance Committee met on two occasions during financial year 2024/25. Dates are noted below:

- Wednesday 11 December 2024 (*quorate*)
- Tuesday 10 June 2025 (*met in an advisory capacity only*)

Meetings were attended by members of the executive team and the external auditors as required.

Trustee members Waiyin Hatton, Pete Smith, and Gavin Donoghue attended the 10 June 2025 meeting to provide governance oversight during discussions on the external audit.

4. External Audit – Year End 31st July 2025

Financial Statements

CT Audit presented its Audit Summary and Findings Report for the Year Ended 31st July 2025 to the new Audit Committee on Tuesday 9 December 2025.

In relation to the Colleges Scotland Financial Statements for the Year Ended 31st July 2025, CT are satisfied with the results of the external audit and, following approval of the Financial Statements by the Trustees and conclusion of any final matters arising, we intend to issue an unqualified opinion.

Opinion on Financial Statements

In our opinion, the Financial Statements:

- give a true and fair view of the state of the charitable company's affairs as at 31st July 2025, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on Which we are Required to Report by Exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept adequate and sufficient accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a strategic report.

5. Conclusion

The Audit Committee believes that Colleges Scotland has effective systems and processes in place regarding risk management, governance and financial control.

It is the Audit Committee's opinion that the Financial Statements for the year ended 31st July 2025 present a true and fair view of the state of affairs of Colleges Scotland.

Accordingly, the Audit Committee recommends that the Board of Trustees approve the Financial Statements for the year ended 31st July 2025.

Signed: 

Pete Smith, Chair, Audit Committee

Date: Tuesday 9 December 2025

Non-Disclosable

Colleges Scotland Management Accounts to 30th November 2025 and F1 Forecast

Paper 6.1

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper presents the Management Accounts position as at 30th November 2025 (four months) for Colleges Scotland against the F1 Forecast, along with commentary on the variances.

The following items are included in this paper:

- High Level Commentary
- Income and Expenditure Reports to 30th November 2025 against F1 Forecast (**Appendix 1**)
- Balance Sheet as at 30th November 2025 (**Appendix 2**)
- F1 Forecast (**Appendix 3**)

Recommendation:

The Board of Trustees is asked to note the financial information provided.

Colleges Scotland
January 2026

Outturn for the Year to 30th November 2025

Income

Income was in line with the F1 Forecast.

Expenditure

Overall expenditure was £1.2k less than the F1 Forecast.
There were no overspends exceeding £1k noted in the period.
There were no underspends exceeding £1k noted in the period.

Please note:

These figures are against the F1 Forecast.

Non-Disclosable

Appendix 1 – Colleges Scotland Income and Expenditure Reports to 30th November 2025

<u>Profit & Loss by Department (Advanced Budget and Variance)</u>						
Month 4, November	Year: 2025/2026					
Month 4, November						
Department 1 - Colleges Scotland	<u>YTD</u>	<u>YTD</u>		<u>25/26</u>		
	<u>Actual</u>	<u>Budget</u>		<u>Budget</u>		
			<u>Variance</u>			
Income						
Subscriptions	297,555	297,555	-	892,664		
Bank Interest	1,457	1,457	-	5,057		
Other Income	9,996	9,996	-	30,996		
		309,008	309,008	-		928,717
Staffing Costs						
Core Staffing	224,201	224,201	-	706,948		
Holiday Pay	-	-	-	-		
Other Staffing	-	-	-	11,400		
		224,201	224,201	-		718,348
Other Costs						
Staff Support Costs	5,560	5,589	29	24,865		
Office Facilities	23,522	23,809	287	82,923		
Professional Fees	3,943	4,359	416	13,052		
Printing	-	-	-	2,000		
Reference Materials	496	496	-	1,633		
Consumables	1,909	1,942	33	7,261		
Computer Consumables	4,267	4,252	(15)	16,741		
Communications	944	944	-	9,194		
Room Hire & Hospitality	323	646	323	7,479		
External Travel & Subsistence	-	-	-	500		
Miscellaneous Other	47	44	(3)	44		
Development & Commissions	1,536	1,536	-	4,965		
Bank Charges & Interest	422	533	111	1,493		
Dilapidations	1,148	1,148	-	3,442		
Depreciation	5,898	5,899	1	20,070		
		50,015	51,197	1,182		195,662
Gross Profit / (Loss):		34,792	33,610	1,182		14,707
Support & Governance						
SLA Costs	3,336	3,430	94	10,857		
Governance	2,388	2,388	-	7,164		
		5,724	5,818	94		18,021
Total Expenditure		279,940	281,216	1,276		932,031
Net Profit / (Loss):		29,068	27,792	1,276		(3,314)

Appendix 2 – Balance Sheet as at 30th November 2025

Balance Sheet as at 30th November 2025		
	2024-2025	2025-2026
	30th November 2024	30th November 2025
Fixed Assets		
Office Equipment	26,216.55	17,284.71
Furniture and Fittings	35,300.10	27,598.26
	61,516.65	44,882.97
Current Assets		
Trade Debtors	388.00	200.00
Prepayments & Accrued Income	27,199.03	44,216.32
Lease Deposit	36,000.00	36,000.00
Other Debtors	29.99	0.00
Staff Expenses and Credit Card	(5,098.97)	(2,304.54)
Bank Accounts	1,304,820.90	1,299,303.59
	1,363,338.95	1,377,415.37
Current Liabilities		
Trade Creditors	13,557.39	14,841.24
PAYE	24,627.54	24,027.75
Accruals and deferred income	658,699.37	655,588.64
Pension	24,789.95	26,133.16
	721,674.25	720,590.79
Current Assets less Current Liabilities:	641,664.70	656,824.58
Total Assets less Current Liabilities:	703,181.35	701,707.55
Long Term Liabilities		
Dilapidations Provision	53,784.00	60,672.00
Pension Fund	0.00	0.00
	53,784.00	60,672.00
Total Assets less Total Liabilities:	649,397.35	641,035.55
Capital & Reserves		
General Funds b/fwd	670,051.43	492,104.03
P & L Account	(20,654.08)	148,931.52
Pension Reserve	0.00	0.00
	649,397.35	641,035.55

Appendix 3 – F1 Forecast

Appendix - CS F1 Forecast		Year: 2025/2026			
Profit & Loss Account					
Department 1 - Colleges Scotland		25/26	25/26		
	Budget	F1 Forecast		Variance	
Income					
Subscriptions	892,664	892,664		-	
Bank Interest	6,735	5,057		(1,678)	
Other Income	57,000	30,996		(26,004)	
			956,399	928,717	(27,682)
Staffing Costs					
Core Staffing	712,226	706,948		5,278	
Holiday Pay	-	-		-	
Other Staffing	12,600	11,400		1,200	
			724,826	718,348	6,478
Other Costs					
Staff Support Costs	27,722	24,865		2,857	
Office Facilities	84,569	82,923		1,646	
Professional Fees	12,767	13,052		(285)	
Printing	1,500	2,000		(500)	
Reference Materials	1,701	1,633		68	
Consumables	7,565	7,261		304	
Computer Consumables	14,437	16,741		(2,304)	
Communications	9,200	9,194		6	
Room Hire & Hospitality	20,875	7,479		13,396	
External Travel & Subsistence	500	500		-	
Miscellaneous Other	-	44		(44)	
Development & Commissions	5,198	4,965		233	
Bank Charges & Interest	1,440	1,493		(53)	
Dilapidations	3,441	3,442		(1)	
Depreciation	22,354	20,070		2,284	
			213,269	195,662	17,607
Gross Profit / (Loss):			18,304	14,707	(3,597)
Support & Governance					
SLA Costs	11,140	10,857		283	
Governance	7,164	7,164		-	
			18,304	18,021	283
Total Expenditure			956,399	932,031	24,368
Net Profit / (Loss):			-	(3,314)	(3,314)

College Employers Scotland Management Accounts to 30th November 2025 and F1 Forecast

Paper 6.2

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper presents the Management Accounts position as at 30th November 2025 (four months) for College Employers Scotland against F1 Forecast, along with commentary on the variances.

The following items are included in this paper:

- High Level Commentary
- Income and Expenditure Reports to 30th November 2025 against F1 Forecast (**Appendix 1**)
- F1 Forecast (**Appendix 2**)

Recommendation:

The Board of Trustees is asked to note the financial information provided.

Colleges Scotland
January 2026

Outturn for the Year to 30th November 2025

Income

Income was in line with the F1 Forecast.

Expenditure

Expenditure was £693 less than the F1 Forecast.

There were no overspends exceeding £1k noted in the period.

There were no underspends exceeding £1k noted in the period.

Please note:

These figures are against the F1 Forecast of £996,000 agreed with SFC via a Letter of Grant on 9 June 2025 for Academic Year 2025/26.

Non-Disclosable

Appendix 1 – College Employers Scotland Income and Expenditure Reports to 30th November 2025.

Profit & Loss by Department (Advanced Budget and Variance)							
Month 4, November							
Month 4, November							
Department 2 - College Employers Scotland	<u>YTD</u>		<u>YTD</u>		<u>YTD</u>	<u>25/26</u>	
	<u>Actual</u>		<u>Budget</u>		<u>Variance</u>	<u>Budget</u>	
Income							
EA Grant Income	332,000		332,000		-	996,000	
Facilities Time	-		-		-	-	
Other Income	-		-		-	-	
		332,000		332,000		-	996,000
Staffing Costs							
Core Staffing	151,908		151,908		-	554,940	
Holiday Pay	-		-		-	-	
Other Staffing	1,350		1,350		-	54,000	
		153,258		153,258		-	608,940
Other Costs							
Facility Time Costs	-		-		-	65,000	
Staff Support Costs	12,668		12,940		272	38,260	
Office Facilities	23,522		23,809		287	82,923	
Professional Fees	5,484		5,484		-	70,548	
Printing	3		3		-	53	
Reference Materials	577		577		-	1,704	
Consumables	1,889		1,955		66	6,863	
Computer Consumables	4,586		4,570		(16)	23,909	
Communications	244		244		-	855	
Room Hire & Hospitality	1,014		1,017		3	3,917	
External Travel & Subsistence	-		-		-	300	
Miscellaneous Other	18		-		(18)	-	
Development & Commissions	1,968		1,968		-	6,630	
Job Evaluation Software	-		-		-	-	
Bank Charges & Interest	34		39		5	223	
Dilapidations	1,148		1,148		-	3,442	
Depreciation	-		-		-	-	
		53,155		53,754		599	304,627
Gross Profit / (Loss):		125,587		124,988		599	82,433
Support & Governance							
SLA Costs	3,336		3,430		94	10,857	
Governance	2,388		2,388		-	7,164	
		5,724		5,818		94	18,021
Total Expenditure		212,137		212,830		693	931,588
Net Profit / (Loss):		119,863		119,170		693	64,412

Appendix 2 – College Employers Scotland F1 Forecast

Appendix - CES F1 Forecast						
Profit & Loss Account						
Department 2 - College Employers Scotland	25/26		25/26			
	Actual		F1 Forecast		Variance	
Income						
EA Grant Income	996,000		996,000		-	
Facilities Time	-		-		-	
Other Income	-		-		-	
		996,000		996,000		-
Staffing Costs						
Core Staffing	633,030		554,940		78,090	
Holiday Pay	-		-		-	
Other Staffing	51,828		54,000		(2,172)	
		684,858		608,940		75,918
Other Costs						
Facility Time Costs	65,000		65,000		-	
Staff Support Costs	27,725		38,260		(10,535)	
Office Facilities	84,569		82,923		1,646	
Professional Fees	73,222		70,548		2,674	
Printing	50		53		(3)	
Reference Materials	1,809		1,704		105	
Consumables	7,215		6,863		352	
Computer Consumables	16,922		23,909		(6,987)	
Communications	855		855		-	
Room Hire & Hospitality	5,000		3,917		1,083	
External Travel & Subsistence	300		300		-	
Miscellaneous Other	-		-		-	
Development & Commissions	6,494		6,630		(136)	
Job Evaluation Software	-		-		-	
Bank Charges & Interest	236		223		13	
Dilapidations	3,441		3,442		(1)	
Depreciation	-		-		-	
		292,838		304,627		(11,789)
Gross Profit / (Loss):						
		18,304		82,433		64,129
Support & Governance						
SLA Costs	11,140		10,857		283	
Governance	7,164		7,164		-	
		18,304		18,021		283
Total Expenditure						
		996,000		931,588		64,412
Net Profit / (Loss):						
		-		64,412		64,412

Annual Pension Report

Paper 6.3

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper provides an annual review and update to the Board of Trustees on the pension schemes operated by Colleges Scotland.

Responsibility for scrutinising the organisation's annual pension report sits with the Board of Trustees.

The Board of Trustees may choose to make any relevant recommendations on the basis of their scrutiny.

The Executive Team is of the view that no specific actions are required at this time.

Recommendations:

The Board of Trustees is asked to note the content of the paper including the contribution levels going forward.

Colleges Scotland
January 2026

Annual Pension Report

Introduction

Colleges Scotland operates both a defined benefits Local Government Pension Scheme (LGPS) through Falkirk Council Pension Fund and a defined contributions scheme through Aegon.

Currently, the pension membership across the entire organisation is as follows:

	LGPS	Aegon	Total
Colleges Scotland	5	7	12
College Employers Scotland	4*	4	8
Total	9	11	20

* CES would normally only have 3 enrolled in the LGPS but due to the handover period between an outgoing employee and the new postholder who is already in post then we have a duplication until 6th February.

The paper provides an update to Board of Trustees on the latest position with the LGPS.

Falkirk Council Pension Fund

In sections 3 to 7 in the latest report *Actuarial Valuation as at 31 July 2025 for Accounting Purposes* (outlined in **Annex 1**) it sets out the approach taken, data used and the key considerations and assumptions used by Hymans Robertson in preparation of the Local Government Pension Scheme assessment for the year.

The Hymans Robertson supplemental report *Colleges Scotland 31 July 2025 Asset Ceiling Considerations* (outlined in **Annex 2**) sets out contribution rates until 31 March 2027, and other key considerations.

Key points for committee members to note are:

- The **Primary Rate** (employer's future service contribution rate i.e. the rate required to meet the cost of future accrual of benefit, expressed as a percentage of pay) will maintain at a level of 29.9% until March 2027.
- The **Secondary Rate** (to allow for deficit recovery) is raising slightly year on year, from £52k in the 2024/25, to £54k in the current year, rising then slightly to £55k next year in 2026/27.

Recommendations

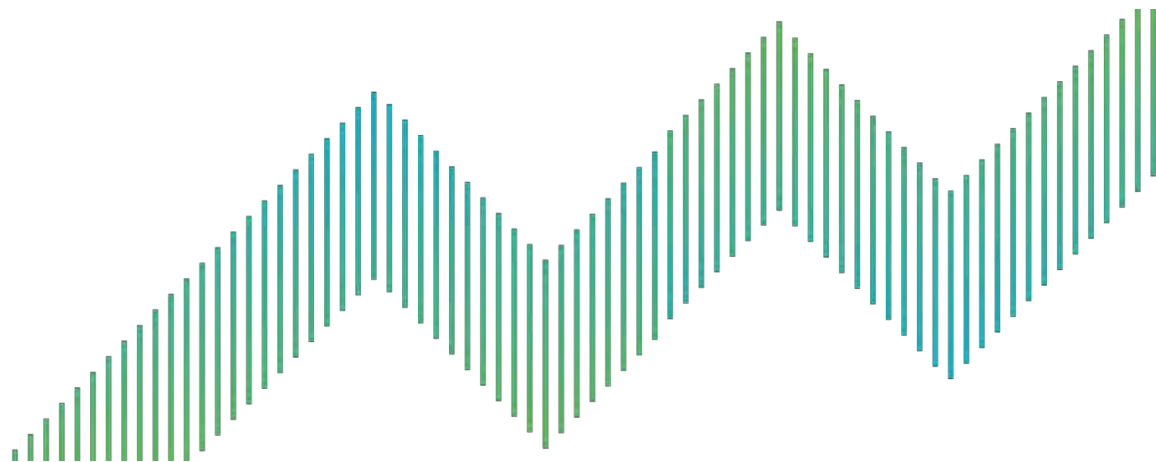
The Board of Trustees is asked to note the content of the paper including the contribution levels going forward.

Colleges Scotland
January 2026

Actuarial Valuation as at 31 July 2025 for Accounting Purposes

Covering report to accompany the Results Schedule

August 2025



Contents



Actuarial Valuation as at
31 July 2025 for Accounting Purposes

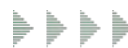
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Covering report to accompany the Results Schedule

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Appendix – Glossary of technical terms

Introduction and how to contact us



Scope and Purpose

1. Hymans Robertson have been instructed by the Employer to undertake pension expense calculations to comply with the Accounting Standard stated in the accompanying Results Schedule for the period ending 31 July 2025 ("the Accounting Date").
2. The purpose of this covering report is to help the Employer and its auditor understand the methodology, data and assumptions used in preparing the Results Schedule.
3. The Employer participates in the Fund named in the Results Schedule ("the Fund") which is part of the Local Government Pension Scheme ("the LGPS").
4. The information set out in the Results Schedule and this report should be included in a disclosure note in the Employer's report and accounts.

Further assistance and how to contact us

5. The Employer can request a supplementary paper and/or slide deck with accompanying script to help explain the key balance sheet movements, assist with audit questions and enable results to be easily presented to committees/directors.
6. The Accounting Standard restricts (by way of an 'asset ceiling') the amount of accounting surplus that the Employer may be able to disclose at 31 July 2025 (or at a prior accounting date). A complex mix of Fund and employer specific factors need to be considered to determine an asset ceiling and there is no single and/or correct approach to follow for any given type of LGPS employer. The adopted approach is ultimately an employer decision to make for its own accounts, noting that auditors will want to see clearly set out rationale for the approach taken by an employer. To assist, we offer the Employer a comprehensive asset ceiling calculation, considerations, and commentary paper which can be produced as at 31 July 2025 (or as at a prior accounting date).
7. Where an asset ceiling adjustment applied at 31 July 2024, there are follow-on amendments required within the 2024/25 Results Schedule P&L and OCI. The Employer can manually calculate and adjust for these individual items within their own accounts or may have instructed us in advance to capture fully within the 2024/25 Results Schedule.
8. We recommend that the Employer and its auditor consider this report in full before raising any queries about the assumptions or approach we have used, particularly the sections on data and regulatory and legal developments.
9. Please contact us with any questions not already answered in this report or the Results Schedule. It may be most efficient to arrange a three-way call (employer, auditor and actuary) to address queries.

To arrange a call with our accounting specialists or to request any additional services or calculations (eg related to asset ceilings) please contact us on LGPSCentralAccountingTeam@hymans.co.uk

Results Commentary



The below commentary is for a typical LGPS employer, adopting our standard assumptions, and reporting at 31 July 2024 last year and 31 July 2025 this year.

Results commentary – Assets

1. In the period to the Accounting Date, individual LGPS Fund investment performance % returns have typically been lower than assumed (compared to last year's accounting discount rate assumption). A lower than assumed investment return will lead to a negative 'Return on assets excluding amounts included in net interest' figure in the Results Schedule. Note, given the increased market volatility, investment performance could vary significantly between LGPS funds this year and even within LGPS funds where employers are invested in different investment strategies.

Results commentary – Obligations

2. The remeasurements in the obligations rollforward are split into three separate parts to differentiate between the following:



Change in financial assumptions – The discount rate has increased compared to last year and this places a lower value on the obligations. CPI inflation expectations have remained broadly consistent with last year or have reduced slightly, which will have a neutral impact or lead to a further small reduction in the value of the obligations.



Change in demographic assumptions - using a more up-to-date longevity improvement assumption at the Accounting Date (see section 5.9), typically leads to a small loss on the obligations. Note the baseline longevity and all other demographic assumptions will be consistent with the 2024 accounting disclosures (eg based on the 2022 or 2023 funding valuation assumptions).



The 'Other experience' item captures any adjustments made to the rollforward approach to allow for actual experience over the period. This item is a combination of 2 factors:

- There is a gain (reduction in obligations) from applying the actual Pensions Increase Order for April 2025 of 1.7%, noting this is lower than the expected CPI assumption. Please note the monetary £ impact of this gain is set out in a separate line under the balance sheet in Section 3 of the Employer's Results Schedule.
- After subtracting the above Pensions Increase Order monetary impact, the remainder of the 'Other experience' item will be in relation to unfunded obligations experience (only in cases where the Employer has historically granted such unfunded benefits and allows for these under the Accounting Standard). The unfunded obligations are commonly valued annually using updated individual membership data which lead to typically small experience items if there have been greater or fewer deaths than expected over the period.

Results commentary – Profit & Loss account

10. The charge to Profit & Loss (P&L) shown in the Results Schedule is based on financial conditions at the start of the year (i.e. assumptions as at last year's accounting date). The Current Service Cost should be broadly in line with the projections made in last year's Results Schedule. Note, where this year's payroll is significantly higher or lower than that assumed in last year's projection, the Current Service Cost will then be higher or lower than the projection.
11. The projected service cost charge to the P&L for next year is likely to be lower than this year, because of the higher net discount rate at the Accounting Date noted above.

Results commentary – Asset ceiling adjustments

12. The Accounting Standard restricts (by way of an 'asset ceiling') the amount of accounting surplus that the Employer may be able to disclose at its accounting year end. Further, and under IAS19 only, an additional liability may also need to be recognised.
13. Where an asset ceiling adjustment was applied by the Employer at 31 July 2024, the Employer will have instructed us to either start their 2024/25 disclosures from the unadjusted or adjusted position (ie before or after the asset ceiling adjustment was applied to the closing 31 July 2024 net asset/liability).
14. Where the Employer has instructed us to adjust the 2024/25 opening position for the effect of the asset ceiling:
 - the 2024/25 Results Schedule includes additional calculations for the impact of the effect of the asset ceiling on the 2024/25 P&L and OCI.
 - if the Employer has instructed us on their asset ceiling adjustment at 31 July 2025, this will have been incorporated within the 2024/25 closing position.
 - if we are yet to receive final notification of any 31 July 2025 asset ceiling restriction amount, the 2024/25 Results Schedule will note that a final version should be produced at a later date once the Employer has made a decision (eg following discussion with its auditor).
15. Where the Employer has not instructed us to adjust the 2024/25 opening position for the effect of the asset ceiling (eg the Employer is doing adjustments manually within its own accounts or did not apply an asset ceiling):
 - the 2024/25 Results Schedule will show the gross accounting positions at opening and closing, before any potential asset ceiling adjustments were applied.
 - no additional calculations have been performed for the impact of the effect of any asset ceiling at 31 July 2024 on the 2024/25 P&L and OCI.
16. See Section 1.6 and 1.7 for some further assistance we can provide on this topic or alternatively contact LGPSCentralAccountingTeam@hymans.co.uk with any questions.

Results commentary – post balance sheet events

17. Due to ongoing market volatility, markets conditions (on which the accounting assumptions are based) and asset values may have changed materially since the 31 July 2025 reporting date. When the financial statements are being finalised by the Employer, additional narrative and/or estimated monetary £ impacts may be required as a disclosure note. We will monitor the markets over the coming months and write out to employers to offer assistance on this emerging issue. If you have any questions on this topic, please get in touch with LGPSCentralAccountingTeam@hymans.co.uk.

Auditor information – What approach has been taken?



A funding valuation is carried out every three years for the Fund and all its employers, whereas an accounting valuation is carried out every year.

Key differences between funding and accounting valuations

1. The purpose of the funding valuation is to assess the ongoing financial position of the Fund and to determine each participating employer's cash contribution rates, certified for a three-year period. The aim of the funding valuation is to ensure that each employer's share of the Fund's assets alongside future expected investment returns and contributions will be sufficient to meet future benefit payments from the Fund.
2. The purpose of an employer's accounting valuation under the Accounting Standard is to facilitate consistent comparison of pension positions between employers. An accounting valuation has no effect on the cash contributions that will be certified for an employer.
3. The funding valuation is carried out using a method and assumptions customised for each LGPS fund and agreed between the Administering Authority and the Fund Actuary, in consultation with the Fund's employers. An accounting valuation is carried out using a much more standardised method; most of the assumptions are prescribed by the Accounting Standard but are ultimately the responsibility of each employer (see Section 5 on Assumptions for more details).
4. Importantly, the method and assumptions underlying the funding and accounting calculations are different, so accounting calculations can produce significantly different results from the funding valuation calculations.

Unless otherwise instructed by the Employer and stated in the Results Schedule, below is a description of the approach taken for the accounting disclosure calculations.

Accounting Valuation Methodology

5. We have used the projected unit credit method of valuation as required under the Accounting Standard.
6. We have projected forward the results of the latest funding valuation to the Accounting Date using approximate rollforward methods. We allow for changes in financial and demographic assumptions, benefit accrual, actual pension increases and estimated cashflows over the period. We also allow for bulk transfers, business combinations, settlements etc as shown in the Results Schedule.
7. We cannot assess the accuracy of rollforward estimates without performing another full valuation using updated membership data, which is generally not possible in the time available. The rollforward estimated obligations will not therefore reflect differences in demographic experience from that assumed (eg member deaths), the impact of differences between aggregate changes in salaries or changes for specific individuals (eg individual member transfers in/out of an Employer).
8. We also do not allow for any changes in the overall profile of the membership since the latest funding valuation date but, for most employers, we believe the effect is likely to be immaterial in actuarial terms.
9. To calculate the Employer's asset share at the Accounting Date, we have rolled forward the Employer's assets calculated at the latest funding valuation allowing for investment returns, Employer and employee contributions paid in, and estimated benefits paid out by the Fund.
10. To calculate the Employer's obligations at the Accounting Date, we have rolled forward the value of the Employer's obligations calculated at the latest funding valuation allowing for the financial assumptions required under the Accounting Standard. We include estimated benefit accrual for current employees and estimated benefits paid out to the Employer's former employees.

11. We use contribution information provided by the Administering Authority (or the Employer) to allow for changes in the Employer's pensionable payroll when we calculate the Current Service Cost.
12. We have made no allowance for early retirements on grounds of redundancy or efficiency other than those summarised in the Results Schedule. We have, however, made an allowance for some premature retirements on grounds of ill-health (as these allowances were made within the funding valuation).
13. Expenses (expressed as a percentage of pensionable payroll) are allowed for within the Current Service Cost and stated under the main Balance Sheet table in the Results Schedule. This assumption is updated at each funding valuation.
14. For employers who joined the Fund recently and are receiving a first-time accounting report:



The Results Schedule relates to the period from date of joining to the Accounting Date.



The initial asset allocation used for accounting purposes will be based on final membership data at the date of joining. This may differ from any initial asset allocation previously quoted, if based on estimated transferring membership data or estimated financial market conditions.



The obligation value reported in the Results Schedule will differ from the past service liability in any previous actuarial reports related to the Employer's opening funding position due to the different assumptions adopted for each type of valuation.

Auditor information – What data has been used?



Our standard data sources and checks are described below. In the Results Schedule we have stated any Employer requested departures from the standard approach.

Data sources

1. Our calculations are based on the following data provided by the Administering Authority (and summarised in the Results Schedule):



member data as at the latest funding valuation date – see Section 4.5 below;



employer and employee contributions for the accounting period (estimated where necessary);



actual Fund investment performance returns (quarterly or monthly) up to the latest available date;



latest available whole fund asset information split into major asset class categories, to derive estimated Fund investment performance returns (quarterly or monthly) where necessary;



any new early retirements (where data is available) on unreduced pensions which are not anticipated in the normal employer service cost (eg non-ill-health retirements); and



individual pensioner member data in respect of unfunded LGPS and Teachers' pensions.

2. Our calculations are based on projected benefit payment data from the latest funding valuation date – see Section 4.10 below.

Data checks

3. We check that the data provided is complete, consistent with the previous year and fit for the purpose of the accounting valuation. However, these reasonable checks are necessarily limited by the scope of the information provided and by time constraints.
4. The Employer is ultimately responsible for the accuracy of the data shown in the Employer's accounts.

Underlying membership

5. We have used the latest funding valuation for the Employer as the starting position for the accounting figures. This is either the latest triennial valuation or the opening position at the date the Employer joined the Fund, if later.
6. The Employer should discuss with its Auditors any significant membership changes since the latest funding valuation. If necessary, we can investigate the potential effect on the balance sheet and P&L account or carry out a full valuation of updated membership data at the Accounting Date.

Assets and investment returns

7. Details of the investment return on the Fund over the accounting period is set out in Section 1 of the Results Schedule.
8. For Funds with multiple investment strategies, we use the investment return of the individual investment strategy in which the Fund has invested the Employer's assets. If the Employer has changed investment strategy over the year, this will be reflected in the return shown in Section 1 of the Results Schedule.
9. We show the Employer's fair value of plan assets as an approximate proportion of the Whole Fund's assets, for information only. This proportion figure is not used to calculate the Employer's assets (see Section 3.9 above) and is not expected to remain constant from year to year.

Benefits paid

10. To maintain consistency of the closing obligations with the starting point of the rollforward calculations, we estimate the benefit payments based on the projected cashflows we calculated at the latest funding valuation.
11. The benefit payment we estimate includes benefits expected to be paid to members who were already pensioners at the funding valuation, as well as to members who were active/deferred at the funding valuation based on when they are expected to retire.
12. If deemed to be materially different, an employer can instruct us instead to incorporate actual benefits paid figures. Note, this leads to inconsistency in the value of assets and obligations in the rollforward calculation. However, the net position is unaffected.

Additional comments on data

13. In the Results Schedule we have set out any specific comments on the data provided for the Employer. This will include any material uncertainty in the data, and any limitations on the results where we had to make assumptions in respect of incomplete or unreliable data.

Auditor information – Which assumptions have been used and how have they been derived?

The Employer is ultimately responsible for the financial and demographic accounting assumptions adopted for its accounts, based on actuarial advice.

Below we describe our standard assumptions and how we derive them. In the Results Schedule we have stated any Employer-requested departures from the standard approach.

The Accounting Standard requires ‘best estimate’ assumptions. We interpret this to mean there should be an equal chance of actual experience being better or worse than the assumptions proposed.

Derivation of financial assumptions

Discount rate

1. The Accounting Standard states that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. The currency and term of the high-quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

Corporate bond yield curve

2. Updated Government bond yield curves are available on a daily basis from the Bank of England so we can easily identify a spot yield on Government bonds at any duration and at any date. However, a similarly accessible yield curve for corporate bonds is not so readily available.

To set the discount rate, we construct a “Hymans Robertson” corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index. The complex construction details of the yield curve are beyond the scope of this report, but we can provide further details if necessary.

Weighted average duration

3. The discount rate should reflect the ‘term’ of the benefit obligation. We interpret ‘term’ to be the weighted average duration of the benefit obligation.

We calculate the weighted average duration for each employer and set assumptions based on employer duration category as below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

Retail Price Inflation (RPI)

4. We use a market implied inflation curve over a range of maturities, derived from yields available on fixed interest and index linked government bonds to be consistent with the derivation of the discount rate. For each duration category we derive a cashflow weighted single RPI rate from this market implied inflation curve.

Our RPI assumption allows for an Inflation Risk Premium (IRP) of 0bps (basis points) pre-2030 and a post-2030 IRP of 30bps, giving an average IRP of 25bps over short, medium and long durations.

Consumer Price Inflation (CPI) – Pension Increases

5. We set the pension increases assumption in line with our default Consumer Prices Index (CPI) assumption. As a deep market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices.

Our CPI assumption allows for a wedge of 100bps pre-2030 and a wedge of 10bps post-2030 relative to RPI. The former reflects differences between RPI and CPI and the latter reflects differences between CPI and CPIH. The resulting average RPI/CPI gap is 0.35% over short durations and 0.30% over medium durations and 0.25% over long durations.

The above gives a CPI assumption of 2.70% p.a. over short, medium, and long durations.

We have then adjusted the CPI assumption to reflect 9 months of observed CPI experience from September 2024 to May 2025 of 3.50%. Following adjustment, our final standard CPI assumption is 2.80% p.a. over short durations and 2.75% over medium and long durations.

Salary Increases

6. We set our standard assumption for salary growth relative to CPI, using the same methodology as the Fund's most recent funding valuation. See the Fund's formal valuation report for further details on the salary growth assumption.

Proposed financial assumptions for the Accounting Date

7. We use financial assumptions from the beginning of the accounting period (as set out in Section 2 of the Results Schedule) to calculate the service cost and net interest components of the pension expense.

We propose the following standard assumptions at the Accounting Date.

Accounting Date – 31 July 2025	Weighted Average Duration At Most Recent Valuation		
	Short % p.a.	Medium % p.a.	Long % p.a.
Discount Rate	5.75%	5.80%	5.85%
Retail Price Inflation (RPI)	3.05%	3.00%	2.95%
Consumer Price Inflation (CPI) – Pension Increase Rate*	2.80%	2.75%	2.75%

*Adjusted for observed CPI experience since September 2024.

Demographic assumptions

Longevity

8. We use baseline longevity assumptions consistent with the assumptions used at the latest funding valuation.
9. We use future longevity improvements assumptions in line with the latest Continuous Mortality Investigation (CMI) results, namely the CMI 2024 model, with no fitted overlay, half-life of 1.0, initial adjustment of 0.25%, standard smoothing (Sk7) and a long-term rate of improvement of 1.5% p.a. for both males and females.
10. The CMI 2024 model contains significant structural changes compared to previous results. Further detail on the parameters used is available upon request.

Other demographic assumptions

11. We use other demographic assumptions (eg commutation, withdrawal, ill-health early retirements etc) which are the same as those used for the latest funding valuation. These are best estimate assumptions. Further details of these assumptions are set out in the Fund's formal valuation report.

Reasonableness of assumptions

12. There is a range of actuarial assumptions which are acceptable under the requirements of the Accounting Standard. We consider that the assumptions above are within the acceptable range.
13. Where the Employer has requested different assumptions, we have shown these in the Results Schedule and noted whether these fall outside our standard acceptable range.

Risks and uncertainties in relation to the assumptions

14. We have adopted assumptions which are in effect projections of future investment returns and demographic experience many years into the future. There is inevitably a great deal of uncertainty in what constitutes 'best estimate' with such projections.
15. It is important to note that the Accounting Standard requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the Fund's actual investment strategy. As such, the figures in the Results Schedule are not likely to reflect the actual cost of providing the benefits. Similarly, the Results Schedule is not used in any way to calculate or certify employer cash contributions.

Sensitivity to assumptions

16. We have included details of the effect on the obligations of changes to the key assumptions in the Sensitivity Analysis section of the Results Schedule.
17. The net discount rate is the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment. Changes in market conditions that affect the net discount rate can have a significant effect on the value of the obligations reported.



A reduction in the net discount rate will increase the assessed value of obligations, as a higher value is placed on benefits paid in the future.



A rise in the net discount rate will have an opposite effect of similar magnitude.

Auditor information – Legal and regulatory uncertainty



We describe the approach we have taken to allow for relevant legal judgements and regulatory uncertainty. In the Results Schedule we have stated any Employer-requested departures from the standard approach.

Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)

1. We have made no additional allowance within the accounting balance sheet for this June 2023 legal judgement. We have taken this approach because at the time of writing:

- the ruling only applies to the above-named private sector pension scheme
- the legal judgement was appealed (however the Court of Appeal dismissed this in July 2024 and the original ruling stands)
- it is unknown whether Section 37 certificates exist for all prior amendments made to the public service schemes (including the LGPS)
- it is unknown whether there would be any potential remedy required to the public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be
- DWP were asked by pension bodies to look at pragmatic solutions where schemes are unable to evidence historic section 37 confirmation (e.g. to introduce legislation that would allow retrospective section 37 certificates to be produced now to validate historic changes)
- the government responded on 5 June 2025 that it will introduce legislation to deal with issues arising from the June 2023 legal judgement
- the government notes that the “legislation will give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards” and that “scheme obligations will otherwise be unaffected”

GMP equalisation / indexation treatment (Lloyds’ ruling)

2. We allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The Employer’s funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation has already been included in the accounting disclosure.

GMP equalisation – historical transfers (Further Lloyd’s ruling)

3. This further ruling is unlikely to have a significant impact on the pension obligations of a typical employer, and the historic individual member data we would need to assess the impact is not readily available. As a result, we have not made any allowance for this within our calculations at the Accounting Date.

McCloud/Sargeant treatment

4. We allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Employer’s funding valuation results are used as the starting point for the accounting rollforward calculations and therefore an allowance is included in the accounting disclosure.

Goodwin treatment

5. We have previously carried out some approximate analysis across our LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain but we estimate the potential impact of this to be very small for a typical Fund (c0.1% of obligations). We therefore do not believe it is necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

Other court cases

6. We are also aware of the following court cases, which may also impact LGPS benefits in the future:

- Walker;
- O'Brien;

It is our understanding these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, we have not made any allowance for the potential remedies to these judgements.

Local Government Devolution (England only)

7. In December 2024, the UK Government published the English Devolution White Paper, outlining significant proposals aimed at expanding the powers of regional mayors, reorganising local government structures, and providing financial incentives to support local economies.
8. No allowance has been made for the potential impact to the Employer of these proposals within this Results Schedule. Any implications will be assessed and incorporated in future valuations and financial statements as more details become available.

Auditor information – IAS19 Amendments and Other considerations



IAS19 Amendments (not applicable to employers who report under FRS102)

1. On 7 February 2018, the IASB issued changes to the IAS19 standard for plan amendments, curtailments and settlements (“special events”). This potentially affects any IAS19 employers with events such as bulk transfers (eg academy conversions or outsourcings) or redundancies over the year. CIPFA incorporated this amendment into their guidance from 2020/21. Where applicable, we will give details of these events in an Appendix to the Results Schedule.
2. In the absence of any instruction, we have measured significance based on 5% of active membership being affected by an event or the event being more than 2% of an employer’s obligations. If an alternative measure of significance were to apply, and/or if we were instructed to treat one or more event as material for these purposes, changes may be required to our calculations and disclosures; however, the closing balance sheet position would remain unchanged.
3. Where all events are deemed not to be significant, we have not remeasured the Profit and Loss account in the Results Schedule.
4. Where any event(s) are deemed to be significant, we will have issued details of the events to the Employer and followed their instructions on how to produce the Results Schedule.

Other considerations

Past service costs (including curtailments)

5. Past service costs can arise from the Employer awarding discretionary benefits eg added years augmentation or deciding to allow LGPS employees to retire on unreduced benefits.
6. We have set out details of any such retirements (and any Past Service Costs) in the Results Schedule. These represent the difference between an active member reserve and the actual early retirement reserve, both calculated at the time of early retirement based on the Accounting Date assumptions.

Settlements

7. Our calculations do not take account of any obligations being settled at a cost materially different to the Accounting Standard reserve during the period, other than as set out in the Results Schedule.

Bulk transfers

8. Our calculations do not take account of any bulk transfers (in or out) since the Employer’s previous Accounting Standard valuation (or following the date of joining for employers receiving a first time Accounting Standard valuation) other than as set out in the Results Schedule. Where a bulk transfer has been allowed for, this will be detailed in an Appendix to the Results Schedule.

Auditor information – Professional qualifications of signing actuaries ▶▶▶▶

Professional qualifications

1. All signing actuaries preparing accounting disclosures for Hymans Robertson will either be a Fellow of the IFoA (FFA or FIA) or an Associate of the IFoA (AFA or AIA). Some actuaries may also adopt chartered status and may also have the additional C.Act post-nominal.
2. The Actuary preparing the Results Schedule will have a minimum of three years' experience in their relevant field of work. This will qualify the Actuary to sign out the Results Schedule in compliance with their professional obligations to the IFoA.
3. Details of the named signing Actuary and their relevant qualification can be found on page 1 of the Results Schedule.

Independence from Employer

4. All signing Actuaries who produce a Results Schedule for an Employer have no financial dependence on the Employer, other than in a professional capacity via Hymans Robertson's appointment by the Employer.

Peer review process

5. Our approach to preparing Accounting Standard disclosures for employers in LGPS funds has been developed over many years by a number of experienced actuaries and has been subject to rigorous peer review at each stage. The Results Schedule for the Employer was prepared using this approach and has been checked before being reviewed and signed off by the signing actuary noted in the Results Schedule.

Pensions administration internal controls

6. Hymans Robertson, as actuaries to the LGPS Funds we advise, have no involvement in the day-to-day administration functions of said Funds. As a result, we make no reference to the internal controls for pension administration services (AAF 01/06 and ISAE 3402) when producing our LGPS accounting reports.

Reliances and limitations

Reliances and limitations

1. We have provided this report (including the accompanying Results Schedule) to the Employer solely for the purpose of complying with the Accounting Standard for the period ending the Accounting Date. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. Importantly, however, a copy of this report should be passed to the Employer's auditor to be used solely for the purpose of their audit.
2. We accept no liability to any third party unless we have expressly accepted such liability in writing.
3. The accounting Net Asset/Liability can vary significantly over short periods of time so the Results Schedule should not be taken as being applicable at any date other than the Accounting Date.
4. The figures presented in this report are not relevant for calculations undertaken for funding purposes, for reporting under any accounting standard other than named in the Results Schedule, for bulk transfers or for other statutory purposes under LGPS Regulations.
5. The data with which we have been provided with and relied upon for this exercise is summarised in Section 4 and set out in the Results Schedule.
6. The projected pension expense calculations shown in the Results Schedule may be used for the purpose of any interim financial reporting for the next accounting year. However, subsequent adjustments may be necessary to take account of certain events which are set out below the projected pension expense calculations in the Results Schedule.
7. This report and the Results Schedule deal principally with pension benefits provided via the LGPS. However, the Accounting Standard may require the disclosure of any additional obligations, for example, those in respect of compensatory added years pensions ("Unfunded Benefits"). We have only valued such additional obligations, which would not be covered in the formal LGPS funding valuation, to the extent that they have been notified to us and are summarised in the Results Schedule.
8. We have not been notified by the auditor to the Employer of the materiality limits which apply to the Employer and we have therefore prepared these figures using methods which are as accurate as is feasible using the data made available to us and the timescale within which the report is required.
9. These figures are prepared in accordance with our understanding of the latest version of the Accounting Standard.
10. This report does not constitute an audit opinion in relation to the Fund.
11. This report and the Employer's Results Schedule comprise the totality of our advice on the standard assumptions and comply with Technical Actuarial Standard 100.

Hymans Robertson LLP (HR) has relied upon or used third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst reasonable efforts have been made to ensure the accuracy of such estimates or data, these estimates are not guaranteed, and HR is not liable for any loss arising from their use.

This report does not constitute legal or tax advice. Hymans Robertson LLP (HR) is not qualified to provide such advice, which should be sought independently.



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Appendix – Glossary of technical terms



	Actuarial gains/losses (Remeasurements)	<p>Over a reporting period, these consist of:</p> <ul style="list-style-type: none"> – experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred (eg known investment returns, actual pension increase orders, reflection of any funding valuation which has taken place since the last report etc); and – the effects of changes in actuarial assumptions (split between financial and demographic)
	Current service cost	<p>The increase in the present value of the defined benefit obligation resulting from employee service in the current period. This is based on the employer's "service cost" rate which accounts for the cost to the employer of benefits accruing over the period calculated on the financial assumptions at the beginning of the accounting period.</p> <p>This could differ significantly from what the employer is currently paying in cash contributions based on the certified rates from the latest funding valuation.</p>
	Inflation Risk Premium	<p>A margin to compensate (or a premium paid by) investors against future uncertainty relating to inflation.</p>
	Net Asset / Liability	<p>The present value of the defined benefit obligation less the fair value of the plan assets.</p>
	Past service cost	<p>The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).</p>
	Present value of defined benefit obligation (present value of funded and unfunded obligations)	<p>The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.</p>
	Total net interest	<p>The change during the period in the net defined benefit liability that arises from the passage of time. This includes allowance for interest on the current service cost.</p>
	Weighted average duration	<p>The weighted average time until payment of all expected future discounted cashflows, determined based on membership as at the most recent actuarial valuation. The shorter the duration, the more 'mature' the employer.</p>

Colleges Scotland

31 July 2025 asset ceiling considerations

Purpose and scope

This paper has been commissioned by and is addressed to Colleges Scotland (the Employer), who participate in the Local Government Pension Scheme (LGPS) as an employer within the Falkirk Council Pension Fund (the Fund). Its purpose is to provide the Employer with asset ceiling calculations for its 31 July 2025 year end LGPS disclosures, using specific methodology requested by the Employer.

This paper relies on, and should be read in conjunction with, the Employer's 31 July 2025 FRS102 Results Schedule, the accompanying Accounting Covering Report and the Fund's 2023 Funding Valuation Report. Note the Employer's contribution rate may have been recertified since the most recent funding valuation. All references to contribution rates throughout this paper are in respect of the most recent certified rates.

Background

Under the Employer's accounting standard, a net asset restriction (or additional liability) may apply. The chosen accounting treatment is ultimately a decision for the Employer for its own accounts, noting that there is no definitive single or correct approach. The accounting standard(s) set out high level principles which are open to interpretation regarding methodology and dependent on employer-level factors.

At the time of writing this paper, and following discussions with key LGPS audit practitioners, we understand the below approach may be an acceptable methodology for an LGPS employer open to new entrants.

Note the asset ceiling methodology/calculations set out in this paper may be different to those adopted by the Employer for prior year end(s) as LGPS practitioner views have continued to evolve.

What do the accounting standards say?

IAS19 (Paragraph 8)

"The surplus is the present value of the defined benefit obligation less the fair value of plan assets."

"The net defined benefit asset is the surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling."

"The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan."

IFRIC 14 then sets out details on the key judgements to apply when determining the extent to which an IAS19 surplus can be recognised.

IFRIC 14 IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

There are three key areas to consider under IFRIC 14:

- *"Availability of a refund or reduction in future contributions"*
- *"The effect of a minimum funding requirement on the economic benefit as a reduction in future contributions"*
- *"When a minimum funding requirement may give rise to a liability"*

IFRIC 14 asks employers to analyse any minimum funding requirement contributions split between future service and past service elements.

IFRIC 14 requires an additional liability to be recognised where agreed past service contributions would give rise to a future surplus and not be available after they are paid (as a refund or reduction in future contributions). Note that it is possible that an additional liability may need to be recognised even where there is an IAS19 deficit.

FRS 102 (Paragraph 28.22)

“If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.”

FRS 102 contains technical issue guidance on whether an entity should have regard to the principles of ‘**IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**’ in interpreting its requirement to measure any net asset. The calculations and methodology in this paper assumes the principles of IFRIC 14 are followed.

FRS 102 (section 28) explicitly states that no additional liability is to be recognised as a result of agreed past service contributions.

Methodology

The economic benefit available as a refund

The methodology assumes that the Employer has no unconditional right to a refund from the Fund and therefore there is no economic benefit available as a refund.

To receive any refund, the employer would need to end its ongoing participation in the fund. Any exit credit due (ie a refund of funding surplus on cessation) would be determined in line with the LGPS regulations, the fund’s own funding strategy statement (which each fund drafts and amends itself) and the fund’s own cessation policy, which may include discretionary elements. Further, please note that certain employers are expected to participate in the LGPS indefinitely (eg local authorities, scheduled bodies).

The Employer and its auditors may wish to investigate this economic benefit route further, considering its own individual circumstances when determining the extent to which any accounting surplus can be recognised. For example, by assessing its pension position on the Fund’s ongoing and/or low risk funding valuation assumptions.

The economic benefit available as a contribution reduction

The methodology assumes that economic benefit is available to the Employer as a reduction in future contributions.

The effect of a minimum funding requirement on the economic benefit available as a reduction in future contributions

IFRIC 14 notes that *“Minimum funding requirements exist in many countries to improve the security of the post-employment benefit promise made to members of an employee benefit plan. Such requirements normally stipulate a minimum amount or level of contributions that must be made to a plan over a given future period. Therefore, a minimum funding requirement may limit the ability of the entity to reduce future contributions.”*

The methodology considers future service contributions as a minimum funding requirement. We understand there is broad consensus among LGPS practitioners and various external documents (eg CIPFA ‘Bulletin 15 - Reporting of pensions surpluses and IFRIC 14’, PwC’s ‘Review of IAS19 reporting at 31 March 2025 for National Audit Office, Audit Scotland and Audit Wales’) support this.

Agreed past service contributions which may give rise to an additional liability

The methodology considers agreed past service contributions as a minimum funding requirement and there is broad consensus among LGPS practitioners to support this.

Under IAS19, agreed past service contributions (if positive) are added to the net asset/liability and then compared with the asset ceiling to determine if there is an additional liability to recognise.

Under FRS102, no additional liability can be recognised as a result of agreed positive past service contributions.

Asset ceiling calculation (economic benefit available as a reduction in future contributions)

The asset ceiling is calculated as follows:

- A. Present value of future service costs
less
 B. Present value of future service contributions.

For A:

- Present value calculated over the expected life of the employer (ie an indefinite period for an LGPS employer open to new entrants).
- Future service cost calculated using the 31 July 2025 FRS102 assumptions (ie the Employer's projected 2025/26 service cost from the 31 July 2025 FRS102 Results Schedule)

For B:

- Present value calculated over same period as A above.
- Future service contributions are assumed to be equal to the funding valuation primary rate (ie the Employer's primary rate from the 31 March 2023 funding valuation Rates and Adjustments Certificate).
- The primary rate is adjusted downwards by any negative funding valuation secondary rate (which may include a combination of a monetary amount and/or percentage of pay) for the remainder of the funding valuation time horizon period.
- Any negative funding valuation secondary rate is assumed to continue in payment at the final certified rate of the most recent funding valuation Rates and Adjustments Certificate for the Employer's funding valuation time horizon.
- The primary rate is not remeasured using market conditions (on FRS102 or funding valuation assumptions) as at the accounting year end date.

The economic benefit available as a reduction in future contributions cannot be negative (eg where B is greater than A, the economic benefit available as a reduction in future contributions is £0).

Additional liability calculation (from agreed past service contributions)

To determine if an additional liability might apply, we calculate the present value of agreed past service contributions calculated over the Employer's remaining funding valuation time horizon. Where:

- Past service contributions are assumed to be equal to the Employer's funding valuation secondary rate.
- Past service contributions are assumed to continue in payment at the final certified rate of the most recent funding valuation Rates and Adjustments Certificate for the Employer's remaining funding valuation time horizon. Secondary rates certified as a monetary amount (rather than expressed as a percentage of payroll) are assumed to remain at the same fixed £ amount for all future years.

Employer information

Appendix 1 sets out the Employer information used in the asset ceiling / additional liability calculation. This is a combination of figures from the Employer's Results Schedule and information from the latest funding valuation.

Asset ceiling / additional liability calculations

Appendix 2 sets out the calculation worked examples for the Employer, alongside an adjusted balance sheet position.

In line with now established LGPS practitioner views, the asset ceiling calculations do not take account of the Employer's unfunded benefits (compensatory added years / CAYs). The asset ceiling calculation is to restrict the amount of net asset (relative to funding obligations) the Employer can disclose.

Use of an alternative calculation methodology or approach

As noted on page 1, there is no definitive single or correct approach. As examples only, a non-exhaustive list of possible calculation methodology variations (which could give rise to materially different asset ceiling or additional liability results) include:

- Present value of future service costs and/or contributions calculated over a different future time period (eg perpetuity, future working lifetime, contract length, known end date of participation in the LGPS) because of an employer's interpretation of its expected life in the plan and whether it is open or closed to new entrants (or open to new entrants but not actively admitting).
- Different view taken on the split of Employer contributions which are considered to be future service or past service elements.
- Past service contributions (positive or negative) being allowed for over a different time horizon period.
- Fixed monetary amount past service contributions to increase in line with a salary or CPI assumption in the future
- Different past service contributions being allowed for after the end of the current Rates and Adjustments Certificate
- Future service and/or past service contributions not being considered as minimum funding requirements in the LGPS

Next steps

Following receipt of the paper:

1. we strongly recommend the Employer discusses this complex topic with its auditor before deciding on a net asset restriction with its own accounts. Ultimately, the Employer's auditor must be comfortable with the approach taken to sign off the accounts.
2. if the Employer has a known, fixed end date when it will definitively end its participation in the Fund, the approach taken may change (i.e. the refund route) or the time periods used in the reduction in future contributions route may need revisited as the result could be materially different.
3. the Employer and its auditor may wish to arrange a call with one of our specialist LGPS accounting actuaries for further assistance.
4. on request, we can produce a further 2024/25 results schedule to reflect the Employer's final decision regarding its 31 July 2025 asset ceiling adjustment.

Professional notes

This paper proportionately complies with Technical Actuarial Standard TAS 100.

Reliances and limitations

This paper has been prepared for the Employer for the purpose described above. It has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent; however, it can be shared with the Employer's auditor. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Hymans Robertson LLP (HR) has relied upon or used third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst reasonable efforts have been made to ensure the accuracy of such estimates or data, these estimates are not guaranteed, and HR is not liable for any loss arising from their use.

This report does not constitute legal or tax advice. Hymans Robertson LLP (HR) is not qualified to provide such advice, which should be sought independently.

Adrian Loughlin FFA C.Act

21 August 2025

For and on behalf of Hymans Robertson LLP

Appendix 1 – Employer Information

Below is a summary of the Employer's figures which may be used in the calculations when determining the economic accounting benefit:

31 July 2025 accounting Results Schedule information

Assets	£4,233,000
Funded Obligations	£3,034,000
Net Asset / (Liability) - unadjusted	£1,199,000
Discount rate assumption	5.80% p.a.
Salary increase rate assumption	3.25% p.a.
2025/26 projected service cost %	13.4% p.a.
2025/26 projected pensionable payroll	£555,000
2025/26 projected service cost £	£74,000

Projected employer contributions

Future service element (primary rate % x projected pensionable payroll)	£166,000
---	----------

Where there are agreed negative secondary rates, the primary rate is adjusted downwards by the Year 3 negative secondary rate (in % of pay terms)

31 March 2023 funding valuation information

Funding 'time horizon'	Open or closed to new entrants	Future working lifetime (FWL)
11 years	Open	12 years

The remaining funding time horizon at 31 July 2025 is 9.7 years.

The certified contribution rates for the Employer are as follows:

Year ending 31 March	Primary Rate (%)	Secondary Rate (% and/or £)	Total Rate (% and/or £)
2025	29.9%	£52,000	29.9% plus £52,000
2026	29.9%	£54,000	29.9% plus £54,000
2027	29.9%	£55,000	29.9% plus £55,000

Appendix 2 – Asset ceiling worked example

The asset ceiling calculation is to restrict the amount of net asset (relative to funding obligations) that the Employer can disclose.

The worked example balance sheets below are based on the closing net position (excluding unfundeds) shown in the Employer's 31 July 2025 Results Schedule. Where the Employer has unfunded obligations, these would be added to the final net position once any asset ceiling/additional liability adjustments have been applied.

The underlying calculations use exact figures before rounding takes place to report the results. For consistency with the Employer's Results Schedule, all monetary amounts are shown rounded to the nearest thousand and annuity figures are shown to 1 decimal place.

Worked example – annuity calculations



To calculate a present value of a future set of cash flows, we calculate an annuity based on the above 31 July 2025 discount rate and salary increase assumptions. The results on the different future periods are as follows:

Period	Perpetuity	Remaining funding 'time horizon' for % of pay secondary rates	Remaining funding 'time horizon' for £ monetary amount secondary rates*
Annuity	40.5	8.6	7.4

*If the Employer's past service contributions include a fixed monetary £ amount element, the remaining funding time horizon annuity is calculated using the discount rate only (as we assume the monetary amount does not increase in line with the salary increase assumption in the future).

Asset ceiling calculation (economic benefit available as a reduction in future contributions)

The asset ceiling is calculated as:

- A. present value of future service cost
less
- B. present value of future service contributions
- 
- A. annuity (in perpetuity) x 2025/26 future service cost
less
- B. annuity (in perpetuity) x future service element employer contribution
- 
- A. $40.5 * £74,000 = £2,997,000$
less
- B. $40.5 * £166,000 = £6,723,000$
equals
-£3,726,000

As B is greater than A, the economic benefit available as a reduction in future contributions is floored at £0. The asset ceiling is therefore £0.

Agreed past service contributions (which may give rise to an additional liability)

The present value of agreed past service contributions is calculated using the secondary rate % of pay and/or £ monetary amount multiplied by the corresponding annuities for each element.

As the Employer reports under FRS102, C is £0.

Adjusted balance sheet

Any agreed past service contributions (C) have been committed to be paid to the Fund and are added to the unadjusted Net Asset / (Liability) position.

This new net position (D) is then compared against the asset ceiling to determine if there is an adjustment required to the Net Asset / (Liability) position.

	£
Net Asset / (Liability) - unadjusted	1,199,000
<hr/>	
Expected net asset once agreed past service contributions are paid (D)	1,199,000
Asset ceiling	0
<hr/>	
Effect of the asset ceiling	(1,199,000)
<hr/>	
Net Asset/(Liability)	0

The asset ceiling of £0 is the maximum possible Net Asset that would be able to be disclosed. As the asset ceiling is less than (D), there is an adjustment of (£1,199,000) to apply which restricts the Net Asset position.



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Financial Regulations and Procedures Manual

Paper 6.4

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper presents the updated Financial Regulations and Procedures Manual.

The main amendments to the manual are as follows:

- Updated to reflect the governance changes e.g. 'Board' changed to 'Board of Trustees'.
- Examples of templates have been removed.
- Previously each section had one table for Responsibilities and one table for Procedures. These have been merged into one table.
- The Finance Authority Matrix has been updated with the sign off limits increased for Directors from £10k to £25k, and for Corporate and Governance Manager, Business Services Manager and Digital, ICT and Communications Officer from £1k to £5k to help streamline processes by reducing unnecessary approval steps.

Change to the finance operations:

- Internal move to two Forecasts per year instead of three which will align with the Board of Trustees cycle of business.

Recommendations:

The Board of Trustees is asked to review and approve the updated Financial Regulations and Procedures Manual.

Financial Regulations and Procedures Manual

January 2026

Document Control Information

Approved by the Board of Trustees:
Date of Next Review:

January 2026
January 2028

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Introduction and Background

The Board of Trustees is responsible for these procedures. The Chief Executive Officer (CEO) should be contacted in the first instance for further information.

All staff are responsible for ensuring compliance with these procedures. If staff are unsure or require further clarification on any aspect of these procedures, they should speak to the Finance Team.

Any updates to the manual will be highlighted to staff through staff updates and/or email. A full review will be undertaken every two years by the Executive Team.

Colleges Scotland comprises both Cost Centre 1 (Colleges Scotland – Policy, Corporate, Communications and Public Affairs) and Cost Centre 2 (College Employers Scotland). Cost Centre 1 is funded by membership subscriptions from colleges paid to the organisation on an annual basis. Cost Centre 2 receives income from the Scottish Funding Council (SFC) to support the implementation of National Bargaining across the college sector and a proportion is for corporate service support.

The funding (restricted) for the College Employers Scotland will be accounted for separately within Colleges Scotland to ring-fence funding and costs associated with National Bargaining including, but not limited to:

- separate bank account
- clear authorisation processes for sign off
- separate budget cost centre and nominal codes
- separate profile by year and month
- separate management accounts and forecasting with commentary.

The operational detail and accountability are woven throughout this manual and applies to both Cost Centres, with an added layer of governance directly linked to the College Employers Scotland to ensure endorsement by the Governing Body of College Employers Scotland (CES) is sought at appropriate junctures.

Each Cost Centre is overseen by a Director, with the CEO overseeing the entire organisation. The policies and procedures in this manual apply equally to both Cost Centres.

Please read and understand these procedures as it is your responsibility to comply with them.

For the purposes of this manual:

Board of Trustees	Governing body of the organisation which is responsible for this procedure.
Audit Committee	Committee of the Board of Trustees responsible for monitoring the adequacy of the organisation's corporate governance and control systems.
Chief Executive Officer (CEO)	Accountable Officer for the organisation.
Executive Team	CEO, Director of Strategic Policy and Corporate Governance and Director of College Employers Scotland.

Senior Leadership Team (SLT)	CEO, Director of Strategic Policy and Corporate Governance, Director of College Employers Scotland, and Head of Communications and Public Affairs.
Other Budget Holders	Corporate and Governance Manager, Business Services Manager and Digital, ICT and Communications Officer.
Finance Team	Finance Officer and Corporate and Governance Officer.
Finance Service Provider	Supplier contracted under the SLA agreement.

1. Planning, Budgeting and Accounts

1.1 Planning Cycle

The financial year runs from 1st August to 31st July and applies to both Cost Centres – Cost Centre 1 (Colleges Scotland) and Cost Centre 2 (College Employers Scotland).

The budget and corporate plans for each Cost Centre must be in place before the end of the financial year proceeding the year to which they relate.

The Finance Team co-ordinates the planning cycle in conjunction with the Finance Service Provider.

1.2 Budget Setting

When	Who	What
Mar	Finance Team	<ul style="list-style-type: none"> Set up meetings with Other Budget Holders to discuss budget plans. Set up meetings with SLT to discuss budget plans.
April	Executive Team	<ul style="list-style-type: none"> Agree the draft budgets.
	Finance Team	<ul style="list-style-type: none"> Send the agreed draft budget to the Finance Service Provider.
May	Finance Team	<ul style="list-style-type: none"> Review final draft budget and prepare commentary including budget assumptions.
	Executive Team	<ul style="list-style-type: none"> Review and agree final draft budgets, including commentary.
	CEO	<ul style="list-style-type: none"> Sign off draft budgets, assumptions and commentary.
	Governing Body of CES	<ul style="list-style-type: none"> Approve CES budget, assumptions and commentary.
June	Board of Trustees	<ul style="list-style-type: none"> Approve budgets, assumptions and commentary for both Cost Centres.

1.3 Monitoring Financial Performance (Management Accounts and Forecasts)

Review of financial performance against agreed budgets.

Management Accounts including Balance Sheet

Who	What
Finance Service Provider	<ul style="list-style-type: none"> In accordance with the agreed Finance Timetable, the draft Management Accounts will be prepared by the Finance Service Provider.
Finance Team	<ul style="list-style-type: none"> The Finance Team will then collate commentary on the variances over or under £1k in addition to those that are significant in nature, these will be included in the variance analysis for inclusion in the Management Accounts. A Finance meeting will take place between the Finance Service Provider and relevant CS/CES staff quarterly and include the Management Accounts.
Directors	<ul style="list-style-type: none"> Directors, in conjunction with the Head of Communications and Public Affairs/ Other Budget Holders and Finance Team should investigate any material variances and provide advice on necessary corrective action to the CEO.
Executive Team	<ul style="list-style-type: none"> Sign off the CS and CES Management Accounts.
CEO/Director of CES	<ul style="list-style-type: none"> The CEO/Director of CES will present the finalised CES Management Accounts to the Governing Body of CES to monitor actual performance against budget.
CEO	<ul style="list-style-type: none"> CEO to present the finalised CS and CES Management Accounts to the Board of Trustees to monitor actual performance against budget.

Forecasts

Who	What
Finance Service Provider	<ul style="list-style-type: none"> In accordance with the agreed Finance Timetable, the Finance Service Provider will prepare forecast templates to include the year to date actual.
Finance Team	<ul style="list-style-type: none"> The Finance Team will meet with relevant CS/CES staff to feed in all relevant financial updates on activity within their area into the forecasts. The Finance Team will collate this information and produce revised forecasts for the year-end to be signed off by the Executive.
Executive Team	<ul style="list-style-type: none"> Any remedial action required should be set into motion as soon as possible. Executive to sign off revised forecasts.
CEO/Director of CES	<ul style="list-style-type: none"> The CEO/Director of CES will present the finalised CES Forecast to the Governing Body of CES.
CEO	<ul style="list-style-type: none"> The CEO will present the finalised CS/CES Forecasts to the Board of Trustees.

1.4 External Audit/Financial Statements for the Year End

Process and timeline for undertaking the external audit and producing the Financial Statements for the Year End is outlined below.

When	Who	What
Jun	Audit Committee	<ul style="list-style-type: none"> To agree the External Audit Plan and present to the Board of Trustees to endorse.
	Board of Trustees	<ul style="list-style-type: none"> To endorse the External Audit Plan.
Aug	Finance Team/Finance Service Provider/Relevant Staff	<ul style="list-style-type: none"> Meet to discuss taking forward the activity in the External Audit Plan.
Sep	Auditors/Finance Team/Finance Service Provider/Relevant Staff	<ul style="list-style-type: none"> Complete compliance work and planning procedures. Client upload of audit information.
Oct	Auditors/Finance Team/Finance Service Provider/Relevant Staff	<ul style="list-style-type: none"> Carry out Audit Fieldwork.
Nov	Auditors/Finance Team/Finance Service Provider/Executive Team Member	<ul style="list-style-type: none"> Close of Audit meeting to discuss audit findings.
Dec	Audit Committee	<ul style="list-style-type: none"> Review and recommend the Financial Statements for the Year End and Audit Summary Findings Report to the Board of Trustees for approval. Agree the Letter of Representation and recommend to the Board of Trustees for approval and signing.
Jan	Board of Trustees	<ul style="list-style-type: none"> Approve the Financial Statements for the Year End and Audit Summary Findings Report. Approve and sign the Letter of Representation.
Mar	Company Members	<ul style="list-style-type: none"> The Financial Statements for the Year End will be adopted at the Annual General Meeting.
	Chair of the Board of Trustees/CEO	<ul style="list-style-type: none"> Sign off Financial Statements for the Year End.
Apr	Corporate and Governance Manager	<ul style="list-style-type: none"> Submit Financial Statements to Companies House. Submit Financial Statements to OSCR.

1.5 Capital

Guidelines are outlined below for capitalising expenditures and assets for financial reporting purposes.

- **Capitalisation Threshold:** The capitalisation threshold for fixed asset expenditure is £1,000. Any expenditure below this amount will be expensed.
- **Capitalised Assets:** Tangible assets such as equipment are capitalised if they have a useful life of more than one year.
- **Depreciation:** Capitalised assets will be depreciated over their estimated useful lives, following the applicable accounting standards.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Any impairment is recognised in the Statement of Financial Activities (SoFA) as part of the year end financial statements.

While it is envisaged that Colleges Scotland (Cost Centre 1) will capitalise assets, it is envisaged where appropriate, College Employers Scotland (Cost Centre 2) will contribute to the cost.

2. Income

2.1 Colleges Scotland Membership Subscriptions

Membership Subscriptions form the core source of funding for Colleges Scotland (Cost Centre 1) and are collected on an annual basis. The membership subscription year runs from 1st August to 31st July.

The membership subscriptions model aims to achieve the following objectives:

- to maintain the income base for the organisation whilst reflecting the sector position
- to be seen to be equitable among colleges
- to reflect size of college/region
- to minimise any large change in subscriptions between years.

Membership subscriptions are invoiced at the beginning of the financial year and are paid by:

- in the case of a single college region, the college
- in the case of a multi-college region/regional strategic body (provided it has been granted 'fundable status' by SFC).

Subscription and Budget Approval Process

When	Who	What
Mar	Board of Trustees	<ul style="list-style-type: none"> • Discuss membership subscriptions for the following year.
Mar/Apr	Executive Team/Finance Team	<ul style="list-style-type: none"> • Prepare draft subscription model.
May	Executive Team	<ul style="list-style-type: none"> • Signs off draft subscription model.
Jun	Board of Trustees	<ul style="list-style-type: none"> • Agree subscription model.
Jul	Finance Team	<ul style="list-style-type: none"> • Prepares annual subscription invoices. • Issues individual emails to 'Company Members' with annual subscription invoices with 30-day payment terms.
Aug	Finance Team	<ul style="list-style-type: none"> • Chase payment of subscription invoices and provide updates to the Executive Team.
	Company Members	<ul style="list-style-type: none"> • If paid by the deadline, company members are eligible to access Colleges Scotland services and benefits.
Oct	CEO	<ul style="list-style-type: none"> • Provides an update to the Board of Trustees on payment of annual subscription invoices and discusses any issues.

2.2 College Employers Scotland Funding

Colleges Employers Scotland (Cost Centre 2) is financed through separate funding provided by the Scottish Funding Council (SFC) to support the implementation of National Bargaining across the college sector. The funding year runs from 1st August to 31st July.

The profile is submitted to SFC by the Director of CES following approval by CES in November.

The Finance Team will check the bank statements to ensure that the funds have been received in accordance with the payment profile. The Finance Team will notify the Director of CES and the Business Services Manager of any issues.

2.3 Sales Invoices

Who	What
All Staff	<ul style="list-style-type: none"> Complete the Sales Invoice Request Form or Excel Table for multiple requests e.g. membership subscriptions, facilities time, external room hire. The completed form should be authorised by the appropriate person based on the Finance Authority Matrix and passed to the Finance Team.
Finance Team	<ul style="list-style-type: none"> Sends the Sales Invoice Request Forms to the Finance Service Provider.
Finance Service Provider	<ul style="list-style-type: none"> Raises the invoice and forward to the Finance Team for issuing.
Finance Team	<ul style="list-style-type: none"> Keeps a record of those who have paid and those outstanding and keep the relevant staff up to date.
Finance Team/Finance Service Provider	<ul style="list-style-type: none"> Checks money is received in accordance with the organisation's payment terms and notifies the Executive Team of any issues.

2.4 Bank Reconciliation

Monthly bank reconciliation is carried out by the Finance Service Provider and issues raised with the Finance Team.

2.5 Credit Control

The following procedures should be followed in pursuing and monitoring outstanding debt, including legal action and the provision, where necessary, for writing off such debt.

Who	What
Finance Service Provider	<ul style="list-style-type: none"> Produces an Aged Debtors report monthly.
Finance Team	<ul style="list-style-type: none"> Reviews monthly Debtors reports and follows up on outstanding debt over 30 days old. Notifies the Executive Team of any issues.
CEO	<ul style="list-style-type: none"> Decide to pass the outstanding debt to the organisation's solicitors for further pursuit dependant on the value of the debt, and/or authorise the write-off of irrecoverable debt up to the value of £50k. Present reports to the Board of Trustees and/or the Governing Body of CES if appropriate.

2.6 Banking Functions and Treasury Management

Banking Functions

The organisation currently operates both current and investment bank accounts for the Colleges Scotland (Cost Centre 1). The organisation currently operates a separate single current account for the College Employers Scotland (Cost Centre 2).

The provider of these accounts should initially be determined by means of a tendering exercise under the auspices of the Board of Trustees. Re-tendering of banking services should be considered every five years to ensure best value is maintained. The tender should include details of various accounts available to the organisations with basic account charges, along with details of interest rates on investment, overdraft and borrowing.

Treasury Management

Under the Memorandum and Articles of Association, Colleges Scotland has the power to invest in any way the Board of Trustees see fit.

Colleges Scotland defines its treasury management activity as the management of the organisation borrowing, investments and cash flows, including its banking and the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The core principle the organisation will follow when investing money is the preservation of the capital and reserves value and to produce the highest return.

Having regard to the operational liquidity requirements, the Board of Trustees operate a policy of keeping funds required in the short to medium term in a non-interest-bearing bank account, whilst funds not so required are held in an interest-bearing bank account. Restricted funds for College Employers Scotland (Cost Centre 2) are held in a separate non-interest-bearing bank account.

A Treasury Management Policy sets out the objectives of the organisation's treasury management activities, as approved by the Board of Trustees. The policy will be reviewed on a periodic basis. No changes will be made to the policy without approval by the Board of Trustees.

Who	What
Finance Team	<ul style="list-style-type: none"> Review the cash flow weekly to ensure adequate funds are available in the current account to pay suppliers. Produce Cash Flow Projections report and issue to CEO/Director of Policy and Corporate Services for review. If required, Colleges Scotland Internal Bank Transfer Request form sent to CEO/Director of Policy and Corporate Services to authorise internal transfer between bank accounts.
CEO/Director of Policy and Corporate Services	<ul style="list-style-type: none"> Review Cash Flow Projections report. Authorise Colleges Scotland Internal Bank Transfer Request form to authorise internal transfer between bank accounts.
Finance Service Provider	<ul style="list-style-type: none"> Transfers funds as per the authorised Colleges Scotland Internal Bank Transfer Request form.
Board of Trustees	<ul style="list-style-type: none"> Review the treasury management function and satisfy itself that sufficient cash resources exist for the continuation of operations. Review and approve the Treasury Management Policy.

3. Expenditure

3.1 Authority to Incur Expenditure

The following procedures set out the levels of authority to incur expenditure i.e. the level at which no further approval is required.

Finance Authority Matrix

Who	What
Chair	<ul style="list-style-type: none"> Authority to incur expenditure above £50,000 on behalf of the Board of Trustees, followed up with a Board of Trustees minute to verify. (Cost Centre 1, Cost Centre 2)
CEO	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £50,000. (Cost Centre 1, Cost Centre 2) Authority to appoint or terminate, permanent and temporary staff. (Cost Centre 1, Cost Centre 2)
Director of Strategic Policy and Corporate Governance	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £25,000 (excluding staffing). (Cost Centre 1)
Director of College Employers Scotland	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £25,000 (excluding staffing). (Cost Centre 2)
Head of Communications and Public Affairs	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £10,000 (excluding staffing). (Cost Centre 1)
Corporate and Governance Manager/ Digital, ICT and Communications Officer	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £5,000 (excluding staffing). (Cost Centre 1)
Business Services Manager	<ul style="list-style-type: none"> Authority to incur expenditure up to a maximum of £5,000 (excluding staffing). (Cost Centre 2)

Director of Strategic Policy and Corporate Governance/Director of College Employers Scotland would deputise in CEO's absence **(excluding staffing)**.

Only the CEO has the authority to approve the appointment or termination and associated expenditure of permanent and temporary staff for both cost centres.

CEO to be made aware of any approvals made by the Director of Strategic Policy and Corporate Governance/Director of College Employers Scotland on their behalf and for these to be reviewed and signed off on their return for completeness.

3.2 Purchasing Goods

The following procedures should be used to purchase goods.

Who	What
All Staff	<ul style="list-style-type: none"> • Source the best price and quality of goods. • Obtain supporting evidence/quote then seek approval from the appropriate member of staff (see Finance Authority Matrix) in writing (e.g. email) before purchasing any goods. • It is the responsibility of the individual ordering the goods to check timely deliveries and receipt of goods. • Forward proof of delivery to Finance Team.
Authorised Signatories	<ul style="list-style-type: none"> • Before approving the purchase of any goods ensure there is supporting evidence/quote provided and budget available.

3.3 Payment of Suppliers (Invoices, Credit Notes, Credit Cards)

Invoices and Credit Notes

Who	What
All Staff	<ul style="list-style-type: none"> • Seek approval prior to purchasing goods in writing (e.g. email) according to the Finance Authority Matrix. • Forward all documentation to Finance Team.
Finance Team	<ul style="list-style-type: none"> • When an invoice/credit note is received a Finance Purchase Requisition Form/Credit Note Requisition Form should be completed and arrange for authorisation from relevant member of staff. • Prepare invoice payment run using the information from the Finance Purchase Requisition Forms/Credit Note Requisition Forms. • Once approved, the Invoice Payment Run will be sent to the Finance Service Provider to process payment.
CEO	<ul style="list-style-type: none"> • Sign off invoice payment runs. • Authorise set up of Direct Debits if no other method of payment is available. • Authorise New Supplier Forms/Credit Applications.
Finance Service Provider	<ul style="list-style-type: none"> • Highlight issues that may affect ability to make purchase payments. • Populate accounts system. • Pay monthly BACS runs following approval.

Note: if an invoice is not available, please provide supporting documentation e.g. confirmation of additional pension contribution agreed.

Credit Cards

Business Credit Cards are issued to the following members of staff for paying for travel and substance expenses and company purchases:

- CEO (£2,000 monthly limit)
- Director of Strategic Policy and Corporate Governance (£1,000 monthly limit)
- Director of College Employers Scotland (£1,000 monthly limit)

- Head of Communications and Public Affairs (£1,000 monthly limit)
- Business Services Manager (£2,000 monthly limit)
- Corporate and Governance Manager (£4,000 monthly limit)

The allocation of credit cards and the monthly limits can be amended with approval from the CEO.

Permission must be sought from the card holder before making any purchases.

Note: the use of company credit cards is specifically disallowed for cash advances, personal expenditure and personal fuel (except business car hire).

Credit Card Reconciliation Process

Who	What
All Staff	<ul style="list-style-type: none"> • Send credit card receipts and description to Finance Team.
Finance Team	<ul style="list-style-type: none"> • At the end of the month, upon receiving the credit card statement, carry out a reconciliation of the spend. • Arranges approval by the card holder. • Once approved the Credit Card Reconciliation will be sent to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> • Signs off the Credit Card Reconciliation.
Finance Service Provider	<ul style="list-style-type: none"> • Populate accounts system.

Note: The Finance Team will send the CEO's credit card expenditure to the Chair of the Board of Trustees for approval.

3.4 Expenses

Staff should familiarise themselves with the Travel and Subsistence Policy. Wherever possible, travel and subsistence should be booked in advance and arrangements made to charge the organisation directly.

Internal (Staff)

Who	What
All Staff	<ul style="list-style-type: none"> • Complete the Internal Expense Claim Form and provide receipts/evidence. • Send to Line Manager and/or Director for approval.
Finance Team	<ul style="list-style-type: none"> • Produce the Expenses Payment Run. • Once approved the Expenses Payment Run will be sent to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> • Sign off Expenses Payment Run.
Finance Service Provider	<ul style="list-style-type: none"> • Populate the accounts system.

Note: The Finance Team will send the CEO's expenses to the Chair of the Board of Trustees for approval.

Secondees

Who	What
Secondees	<ul style="list-style-type: none"> Complete the Secondment Expense Claim Form and provide receipts/evidence. Send to Line Manager and/or Director for approval.
Finance Team	<ul style="list-style-type: none"> Produce the Expenses Payment Run. Once approved the Expenses Payment Run will be sent to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> Sign off Expenses Payment Run.
Finance Service Provider	<ul style="list-style-type: none"> Populate the accounts system.

External (Board of Trustees Members/Consultants/Speakers)

Who	What
Board of Trustees Members/Consultants/Speakers	<ul style="list-style-type: none"> Complete the External Expense Claim Form and provide receipts/evidence. Send to Finance to be processed.
Finance Team	<ul style="list-style-type: none"> Send to CEO/project contact for approval. Produce the Expenses Payment Run. Once approved the Expenses Payment Run will be sent to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> Sign off Expenses Payment Run.
Finance Service Provider	<ul style="list-style-type: none"> Populate the accounts system.

3.5 Salaries (including Month End Payments)

The following procedures should be used to ensure accurate payment of staff salaries on or before the 28th day of each month and payment of expenses in line with the Finance Timetable.

Who	What
CEO/Directors	<ul style="list-style-type: none"> To inform the Business Services Manager of any adjustments required to normal salaries payments, (e.g. appointments, resignations/terminations, secondments, changes in remuneration, change of name/address, bonus payments or any other information necessary to maintain records of service, pensions, income tax, social security requirements, etc.).
Finance Service Provider	<ul style="list-style-type: none"> Sends monthly payroll input file to the Business Services Manager. Sends Payroll Reports to the Business Services Manager. Process payroll via BACs once approved Payroll Authorisation form is received. Once received the approved Payroll Authorisation form, pay the payroll by BACs. Reconcile the payroll to the Management Accounts.
Business Services Manager	<ul style="list-style-type: none"> Makes any adjustments to the payroll input file. Returns payroll input file by the 18th of each month to Finance Service Provider.

Who	What
	<ul style="list-style-type: none"> Review Payroll Reports before passing to CEO for approval. Send the approved Payroll Authorisation Form to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> Reviews the Payroll Reports before signing off payroll, using the Payroll Authorisation Form.
Finance Team	<ul style="list-style-type: none"> Checks the payroll reconciliation in the Management Accounts.

Note: No advances on salary will be given.

Month End Payments

Who	What
Finance Service Provider	<ul style="list-style-type: none"> Provides BACs Authorisation form with HMRC, and pension payments to be made.
Finance Team	<ul style="list-style-type: none"> Check figures and arrange for CEO to approve. Once approved the BACs Authorisation form will be returned to the Finance Service Provider.
CEO	<ul style="list-style-type: none"> Signs off the BACs Authorisation form.
Finance Service Provider	<ul style="list-style-type: none"> Makes payments to HMRC and relevant pension providers.

3.6 Month End Transfers

Each month invoices, expenses, salaries, credit cards, direct debits, petty cash and any other relevant expenditure are paid from the Colleges Scotland bank account and the money that CES is due, is transferred from CES to the Colleges Scotland bank account.

Who	What
Finance Service Provider	<ul style="list-style-type: none"> Sends over Month End Transfer file.
Finance Team	<ul style="list-style-type: none"> Checks figures and arranges for Business Services Manager and CEO to approve. Once approved the Month End Transfer file will be returned to the Finance Service Provider.
Business Services Manager	<ul style="list-style-type: none"> Checks figures for CES and approves.
CEO	<ul style="list-style-type: none"> Signs off the Month End Transfer file.
Finance Service Provider	<ul style="list-style-type: none"> Transfers money from CES to the Colleges Scotland bank account.

3.7 Contracting the Services of External Suppliers and Consultants

The following procedures should be used to contract the services of external suppliers and consultants.

External Suppliers and Consultants <£10,000

Who	What
All Staff	<ul style="list-style-type: none"> • Completes Request for Consultancy Services form.
Director/CEO	<ul style="list-style-type: none"> • Directors approve Request for Consultancy Services form and CEO authorises.
Finance Team/ Business Services Manager	<ul style="list-style-type: none"> • Draft Consultancy Contract and Cover Letter. • Complete IR35 online and ask Consultant to do the same. • Arrange for CEO and a witness to sign, and the Consultant and their witness to sign.
Consultant	<ul style="list-style-type: none"> • Invoices must be submitted in line with the terms set out in the consultancy contract and reference the contract number.
Finance Team	<ul style="list-style-type: none"> • On receipt of the consultant's invoice the details of the claim will be checked against the contract and noted on invoice that there is a valid contract on file to support the invoice. • The invoice will be processed using the Finance Purchase Requisition Form and passed to the relevant person for approval and then processed through the invoice payment run.

Other Contractors and Consultants >£10,000

In general, contracting arrangements are advisable where a single item is expected to cost in excess of £10,000 or where any failure on the contractor's part could cause significant problems for the organisation and therefore should be tendered.

Invitations to tender should normally be issued to a minimum of three suppliers. The tender should be sent out with a deadline for submission. All tenders should then be opened and examined by at least two responsible members of staff and the most suitable submission selected. It may be possible to use an APUC framework agreement which will avoid the requirement to go through a public tendering process.

If three suppliers cannot be identified, or there is a justifiable business case to contract directly with a single supplier without tendering, a Sole Supplier Approval Form should be completed.

All contracts including Consultancy Contracts must be authorised by the CEO and include a delivery and payment schedule and provision for retention where applicable. The delivery schedule will be monitored by the project lead and Finance Team.

Under the Procurement Reform (Scotland) Act 2014 and once in force the Procurement Regulations 2024, any goods and services to be contracted totalling £50k (excluding VAT) for any one type of service, over a rolling four-year period (e.g. a maximum £12.5k per annum for four years) is classed as a regulated procurement and the organisation must comply with public procurement regulations when tendering for these contracts. This applies whether the £50k limit will definitely be breached, or whether there is a reasonable expectation of being breached over the four-year period. Any member of the organisation's staff planning to contract a supplier at a level likely to breach this limit should contact the CEO immediately.

3.8 Appointment of Legal Services and External Auditors

Appointment of Professional Legal Services

The contract and retention of legal services should be undertaken through a tendering process by the Executive Team. Contracts should be reviewed at least every three to five years to ensure good quality of service and value for money.

Appointment of External Auditors

The Audit Committee is responsible for reviewing and advising the Board of Trustees and the Accountable Officer/CEO on the appointment of external auditors.

The appointment of external auditors should be undertaken through a tendering process by the Executive Team and reviewed at least every three years with the Board of Trustees to ensure good quality of service and value for money.

The tender brief for the contract should reflect that the appointment is *“for three years, renewable annually by the Colleges Scotland Audit Committee.”*

Renewal would be dependent on satisfactory performance during the previous year’s audit. Colleges Scotland will also have an option to extend the contract by up to a further three years, again at the discretion of the Audit Committee based on satisfactory performance”.

3.9 Petty Cash

Who	What
All Staff	<ul style="list-style-type: none"> Request petty cash in advance for small expenses e.g. milk from the Finance Team. Receipts and any change should be passed to the Finance Team immediately following the purchase of the goods.
Finance Team	<ul style="list-style-type: none"> Record the petty cash taken and copy of receipt saved. Carry out a physical reconciliation of the petty cash monthly and arrange for it to be signed by the Corporate and Governance Manager before sending to the Finance Service Provider.
Corporate and Governance Manager	<ul style="list-style-type: none"> Check and sign off the monthly petty cash reconciliation.

Finance Team will ensure that there are adequate funds in the petty cash.

3.10 Recovery or Payment of Value Added Tax

Colleges Scotland is currently not registered with HMRC for VAT.

Treasury Management Policy

Paper 6.5

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper seeks approval from the Board of Trustees following a review of the Treasury Management Policy.

The Treasury Management Policy was approved by the Colleges Scotland Board in October 2024 and is subject to periodic review in line with the cycle of business previously agreed by the Board of Trustees.

The introduction of the Treasury Management Policy was as a result of recommendations following the annual Audit for 2022/23. Since introduction of this policy, Colleges Scotland has proactively utilised higher interest accounts to enable increased income from interest payments.

This has resulted in the following:

- Interest received 2023/24 - £1,724.08
- Interest received 2024/25 - £4,692.49

Recommendations:

The Board of Trustees is asked to agree the updated Treasury Management Policy.

Colleges Scotland
January 2026



Treasury Management Policy

January 2026

Document Control Information

Reviewed by the Finance and General Purposes Committee: ~~October 2024~~
Approved by the Board of Management Trustees: ~~October~~
2024 January 2026
Date of Next Review: October 2028~~5~~

1. Introduction

The Board (who are Trustees for the purposes of charity law) and the Executive Team are responsible for ensuring the implementation of the Treasury Management Policy and reviewing its effectiveness.

This document sets out the objectives of the organisation's treasury management activities, as approved by the Board.

The Treasury Management Policy will be reviewed on a periodic basis. No changes will be made to the policy without approval by the Board.

Colleges Scotland defines its treasury management activity as the management of the organisation borrowing, investments and cash flows, including its banking and the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

The core principle the organisation will follow when investing money is the preservation of the capital and reserves value and to produce the highest return.

No treasury management activity is without risk and therefore defining the level of acceptable risk is essential.

The Chief Executive is responsible for this policy and should be contacted in the first instance.

2. About Colleges Scotland

Colleges Scotland is the membership organisation for colleges across the country.

College Employers Scotland (CES) was formed under the auspices and authority of Colleges Scotland and is the forum through which the employers support the continued delivery and implementation of the Scottish Government's policy of National Bargaining. Colleges Scotland is funded by the Scottish Funding Council (SFC) via a Letter of Grant to fund the work of CES and employs all associated staff.

3. Risk Management

Colleges Scotland adopts a conservative approach, prioritising low-risk techniques as part of its treasury management activities. This includes investments in bank/building society savings accounts, savings bonds, and savings platforms.

The organisation recognises the risk that fluctuations in interest rates can create unexpected or unbudgeted financial burdens. To manage the risk, the organisation will adhere to its Treasury Management Policy and Reserves Policy, ensuring that net interest cost or revenues are contained i.e. keeping net interest costs or revenues within a manageable or acceptable range. This approach will be aligned with the organisation's reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

The Executive Team will monitor all arrangements for the identification, management and control of treasury management risk and will report to the Finance and General Purposes Committee and the Board as appropriate.

4. Cash Management/Banking Arrangements

All income for Colleges Scotland will be deposited into its main bank account unless otherwise approved by the Chief Executive.

Colleges Scotland recognises the importance of ensuring effective control over its bank accounts. Monthly cash flow statements as part of the Monthly Management Accounts are prepared to ensure sufficient liquidity for operational needs. Forecasts will be reviewed quarterly with the Executive Team, ~~Finance and General Purposes Committee~~ and ~~the Board of Trustees~~ and adjusted as necessary to reflect changes in income and expenditure.

Colleges Scotland retains multiple bank accounts, each requiring dual authorisation for transactions. This ensures that no single individual has control over the organisation's funds, reducing the risk of fraud.

A minimum cash reserve will be maintained to cover several months of operating expenses. This reserve will be reviewed annually to ensure it remains adequate. This policy will be aligned with the Colleges Scotland Reserves Policy to ensure consistency and comprehensive financial management.

5. Performance Measurement

Colleges Scotland is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in this policy. Accordingly, the treasury management function will be the subject of examination for other potential improvements. This will be carried out as follows:

- **Monitoring** – interest levels will be monitored monthly by the Executive Team through the monthly Management Accounts.
- **Reporting** – treasury management information will be clearly reported in the annual Financial Statements, providing transparency and accountability to company members and stakeholders.

6. Accounting and Audit Arrangements

Colleges Scotland will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements currently in force. It will also ensure that its auditors and any other bodies charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

Colleges Scotland
~~October 2024~~ January 2026

Risk Register

Paper 7.1

FOISA Status	Non-Disclosable
Lead	Senior Leadership Team

Summary:

The Board of Trustees is asked to consider the latest risk register for the organisation, for discussion at the meeting on Thursday 22 January 2026.

Recommendations:

The Board of Trustees is asked to:

- consider the completeness and appropriateness of the risk register and that it accurately reflects the risk appetite of the organisation
- approve the risk register

Colleges Scotland
January 2026

Risk Register

Introduction

To provide reassurance to the Board of Trustees that Colleges Scotland continues to embed the risk appetite within the activities, limits and reporting of the organisation, the Senior Leadership Team (SLT) has reviewed and updated the risk register (outlined **Annex 1**) and presents to the Trustees for consideration.

Updates

Updates, where appropriate, have been provided on key activity. These are highlighted in red for ease of reference.

The SLT would also recommend that no change to any Net Risk Score is required.

Recommendations

The Board of Trustees is asked to:

- consider the completeness and appropriateness of the risk register and that it accurately reflects the risk appetite of the organisation
- approve the risk register

Colleges Scotland
January 2026

RISK REGISTER SCALE

Annex 1

PROBABILITY	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
	IMPACT					

Likelihood	The probability that the risk and its associated impacts could occur
1	Risk is unlikely to occur
2	Risk may occasionally occur
3	Risk is likely to occur
4	Risk may often occur
5	Risk could easily, or does, occur

Impact	Impact the risk would have on the business	
1	No significant impact on the business	£10,000 or less
2	Has a small impact on the business	£10,001 - £100,000
3	Has limited impact on the business	£100,001 - £300,000
4	Has a large impact on the business	£300,000 - £1 million
5	Has a serious impact on the business	£1 million - £4 million

Overview:

Strategic Risks						
Strategic Aim	Risk	Description	Board Risk Appetite	Gross Risk	Net Risk	Net Risk Movement
Aim 5	001	Members give notice to leave Colleges Scotland	Low / Medium	Medium Risk	Medium Risk	→
Aim 2	003	Lack of awareness of sector issues which could cause reputational damage to both the sector and the sector organisation	Low / Medium	Medium Risk	Medium Risk	→
Aim 1	004	Failure of ongoing effective working relationship with trade unions as key stakeholders that impacts the reputation of Colleges Scotland	Low / Medium	Medium Risk	Medium Risk	→
Aim 1, 2, 3, 4, 5	010	Risk to the organisation and sector in light of the outcomes of key sector Reviews (SFC, Hayward, Withers, Purpose and Principles). Uncertainty for the tertiary and skills sector given the potential implication/risks that may result in the findings and recommendations from these Reviews	Medium / High	Medium Risk	Low Risk	→
Aim 1, 2, 3, 4, 5	011	Failure to properly manage and implement National Job Evaluation	Low / Medium	High Risk	Medium Risk	→
Aim 1, 2, 3, 4, 5	012	Failure to disperse Job Evaluation monies (approx. £80 million) and the money is not being retained by Scottish Government for this purpose	Low / Medium	High Risk	Medium Risk	→
Financial Risks						
Strategic Aim	Risk	Description	Board Risk Appetite	Gross Risk	Net Risk	Net Risk Movement
Aim 5	002	Membership subscriptions paid late	Low / Medium	Medium Risk	Low Risk	→
Aim 3	007	College Employers Scotland Funding from SFC diminished or not continued	Low / Medium	Medium Risk	Medium Risk	→
Aim 5	009	Failure to properly manage the future financial sustainability of the organisation	Low / Medium	Medium Risk	Medium Risk	→
Aim 5	013	Ability to carry out key corporate functions (finance, HR, ICT, governance) if significant numbers of staff leave or are ill at the same time, as well as maintain an effective working relationship with external providers for finance and HR services.	Low / Medium	Medium Risk	Medium Risk	→
Operational Risks						
Strategic Aim	Risk	Description	Board Risk Appetite	Gross Risk	Net Risk	Net Risk Movement
Aim 5	005	Difficulty in retaining and recruiting staff	Low / Medium	Medium Risk	Medium Risk	→
Aim 6	006	Risk of cyberattack to Colleges Scotland data and information and 'physical' risk to Colleges Scotland as a whole	Low	Medium Risk	Medium Risk	→
Aim 5	008	Dependency on key personnel and succession planning	Low / Medium	Medium Risk	Low Risk	→

Risk Register:

STRATEGY	RISKS				EVALUATION OF RISK				MANAGEMENT OF RISK						
	Risk ID	Risk Owner	Board Risk Appetite	Risk Description	Likelihood	Impact	Gross Risk Score	Gross Risk Trend	Mitigating Actions	Responsibility for Mitigating Action	Likelihood	Impact	Net Risk Score	Net Risk Trend	Quarterly Update
Colleges Scotland Strategic Aims	001	Board	Low / Medium	Members give notice to leave Colleges Scotland	5	3	15	→	<ul style="list-style-type: none"> Effective Trustees Communication strategy including regular communications and activity updates Executive engagement Chief Executive and Directors operating effectively and building the appropriate relationships with key stakeholders Delivering to agreed workplans and monitoring strategic objectives Obtain member evidence through member feedback Clarity on notice period to members Sector document on colleges as anchor institutions for economic growth launched in November 2024 Effective engagement with Budget process and manifesto work 	Trustees and Executive	3	3	9	→	<ul style="list-style-type: none"> Colleges Scotland has an up-to-date Strategic Plan 2022-26 with Strategy Trackers. Chairs and Principals endorsed Manifesto and Draft Budget documents Member 1-1 meetings Attendance and offer to address individual college boards continues Members Benefits booklet and subscription invoices issued in July 2025 as agreed by the Board in June 2025 Colleges Scotland Annual Report to issued in September 2025 Future of UHI colleges status and structures uncertain that may impact CS Notice to resign membership received from Glasgow Clyde College and West Lothian College - engagement continues with these colleges. Agreed new committee structure and to look at establishing different income streams for CS other than room hire. To look at implementing a new subscription model for 2026/27 with greater emphasis on member benefits
				002	Board	Low / Medium	Membership subscriptions paid late	2	3	6	→	<ul style="list-style-type: none"> Trustees and committee awareness of costs and subscriptions Regular CS activity updates with CS board and members Regular budget monitoring All subscriptions due to be sent in early July dated for 1 August 	Audit Committee and Executive	1	3
Aim 2: Raise the profile and enhance the reputation of Scotland's Colleges Sector.	003	Board	Low / Medium	Lack of awareness of sector issues which could cause reputational damage to both the sector and the sector organisation	4	4	16	→	<ul style="list-style-type: none"> Strong Trustees and executive leadership Sector engagement Agreed protocols for communication Clear lines of communication Relationship management/single point of contact Monitor strategic objectives CEO sends weekly CS/CES update each Friday // CS representatives invited to all key sector meetings 	Executive	3	4	12	→	<ul style="list-style-type: none"> Low levels of CS discretionary funds available which are not enough resource to deliver members' expectation. Key sector groups currently meet on a regular basis to discuss sector issues and liaise with key stakeholders to determine the way forward in each instance (e.g. Scottish Government, SFC, MAWG, CPG, Trade Unions and Management Side, Executive, SDS, CS Trustees) All chairs and principals endorsed Manifesto and Draft Budget documents College Principals' Group (CPG) restructured, with CS involved in the technical sub groups Regular engagement with College Chairs' Group Continued strategic engagement and dialogue with Scottish Government and SFC Publication of Daily Monitoring Report, monthly Lines to Take, monthly Policy Updates, annual Key Facts and annual CS report Improved relationship with SFC and have published clear ToR for Tripartite Alignment Group with sector input CEO visiting a number of colleges in-person Policy team continuing engagement visits to colleges
Aim 1: Lead and influence policy	004	Board	Low / Medium	Failure of ongoing effective working relationship with trade unions as key stakeholders that impacts the reputation of Colleges Scotland	4	3	12	→	<ul style="list-style-type: none"> Clear lines and branding separation between CES (NB) / CS (Policy & Comms) activity Memorandum of Authority between CES and CS board Hold engagement mtgs for key activity Invite TU bodies to key sector engagement events along with other key stakeholders. 	Trustees and Executive	2	3	6	→	<ul style="list-style-type: none"> Positive relationship between CES Team and EIS National Officer and staff side joint secretary, Sarah Collins, and still working closely with EIS Assistant Secretary Trade union representatives have met and know new permanent CEO Positive progress on new NRPA, three-year support staff pay offer and Job Evaluation Joint CS/TU statement on racism TU reps invited to CS Annual Parliamentary Reception CPG seeking to set up new Strategic Partnership Forum New Permanent Director of CES appointed
Aim 2: Raise the profile and enhance the reputation of Scotland's Colleges Sector.				005	Board	Low / Medium	Difficulty in retaining and recruiting staff	4	2	8	→	<ul style="list-style-type: none"> Effective Trustees Clear priorities Executive engagement Performance management system Specific tailored support for individuals inc. CPD opportunities Specialist recruitment companies A clearly defined set of organisation values and behaviours Benefits package including hybrid working Clearer linkage to VIM and seen delivering for the colleges Staff Pulse Survey now undertaken on regular basis and Employee survey undertaken on annual basis 	Trustees and Executive	3	2
Aim 5: Be an improving organisation providing value for money for our members.	006	Board	Low	Risk of cyberattack to Colleges Scotland data and information and 'physical' risk to Colleges Scotland as a whole	4	4	16	→	<ul style="list-style-type: none"> Service provider has safeguarding protocols, policies and procedures in place Keep awareness high and regular technology updates 	Executive	3	3	9	→	<ul style="list-style-type: none"> Colleges Scotland is a Cyber Essentials approved organisation, which is a UK government information assurance scheme that is operated by the National Cyber Security Centre, that encourages organisations to adopt good practice in information security Received a reduction in premium in insurance because of having Cyber Essentials. Colleges Scotland has Cyber Risk Insurance in place (limit of indemnity £500k) and cover for business interruption Colleges Scotland has a contract in place with RazorBlue for Managed IT Support Service, including proactive and on-going administration and maintenance of the installed systems and services and an agreed response times for critical incidents Colleges Scotland has a Business Continuity Plan and ICT Disaster Recovery Plan that is reviewed every year by the new Trustees All staff are required to undertake mandatory iHasco Online Training in Cyber Security Awareness. Organisation undertaken Joomla upgrades to websites to increase the security of the admin panel process
Aim 3: Advocate for the delivery of increased sector resource.	007	Board	Low / Medium	College Employers Scotland Funding from SFC diminished or not continued	4	4	16	→	<ul style="list-style-type: none"> Ensure timely submission of business case beyond the current funding period Conduct quarterly meetings with SFC to keep them updated on developments in this area 	Chief Executive and Director of CES	3	3	9	→	<ul style="list-style-type: none"> SFC has confirmed funding arrangements for 2025/26 in June 2025 but are seeking a subscription model in 2026/27 CES discussed SFC suggestion at most recent meeting but has not received formal paper from SFC to date No suggestion from SFC of reduced funding levels.

STRATEGY	RISKS				EVALUATION OF RISK				MANAGEMENT OF RISK						
	Colleges Scotland Strategic Aims	Risk ID	Risk Owner	Board Risk Appetite	Risk Description	Likelihood	Impact	Gross Risk Score	Gross Risk Trend	Mitigating Actions	Responsibility for Mitigating Action	Likely-hood	Impact	Net Risk Score	Net Risk Trend
Aim 5: Be an improving organisation providing value for money for our members.	008	Board	Low / Medium	Dependency on key personnel and succession planning	3	4	12	→	Succession planning	Trustees and Chief Executive	2	2	4	→	<ul style="list-style-type: none"> Key roles are well documented within job descriptions and embedded within the organisation's operational plan, team workplans and the performance management system, to assist if key personnel move on or are ill Workforce development and succession plan to be reviewed by new-permanent CEO following agreement of governance changes. New CES Director recruited
									Clear job descriptions for staff						
									Operational Plans reviewed at full team meetings						
Aim 5: Be an improving organisation providing value for money for our members.	009	Board	Low / Medium	Failure to properly manage the future financial sustainability of the organisation	4	4	16	→	CS governance structure reviewed early 2025	Trustees and Executive	4	4	16	→	<ul style="list-style-type: none"> 2025/26 Budget agreed at June Trustees meeting along with a subscription model, with bi-annual re-forecasting in place. The Executive maintains the 5 year forward forecast Pay award to staff continues the move away from following the outcomes of National Bargaining to ensure sustainability of the organisation Work being done to further reduce costs in non staff areas e.g. mobiles, electricity, IT ESP has confirmed continuation of sub tenancy arrangements to same time period of CS World Skills indicated they wish to continue arrangements Seeking to establish additional income streams related to the building New Treasury management procedures generating an increasing income amount
									Executive have developed a 5 year forecast which plans for sustainability // Executive setting a balanced budget for 2025/26						
Aim 1, 2, 3, 4, 5	010	Board	Medium / High	Risk to the organisation and sector in light of the outcomes of key sector Reviews (SFC, Hayward, Withers, Purpose and Principles). Uncertainty for the tertiary and skills sector given the potential implication/risks that may result in the disbandment	2	3	6	→	Work with sector leaders through relevant activity - CS Board, College Chairs' Group, College Principals' Group, TIU Conventions and working groups. Strategic Dialogue with SFC/Scottish Government	Trustees and Executive	1	2	2	→	<ul style="list-style-type: none"> Regular strategic dialogue meetings and communications with Scottish Government The CS board has agreed sector positions on the recommendations from the Reviews The outputs from TIU Conventions supported work on development of Withers Review response and the endorsed Manifesto and Draft Budget documents Provision of proactive suggestions to Scottish Government on a Colleges First approach Continued dialogue at Ministerial and officials levels
Aim 1, 2, 3, 4, 5	011	Board	Low / Medium	Failure to properly manage and implement National Job Evaluation	5	5	25	→	Regular strategic dialogue with Scottish Government and SFC	Chair of CES, Director of CES and Colleges Scotland Senior Leadership Team	3	5	15	→	<ul style="list-style-type: none"> Since June, employers have worked to plot out a project plan in conjunction with TUs using Microsoft Project Office, but progress to date has been slower than anticipated due to periods of annual leave SFC continue to be kept in the loop on progress with CES seeking meetings with SFC and SG officials Targetted discussions with UNISON and Unite began in November 2024, in light of new UNISON internal governance arrangements and continue to bear fruit February 2025 - TUs agreed to joint comms making clear that Job Evaluation was not the same as Pay Harmonisation across the sector March 2025 - Job Evaluation discussed at NJNC side table CES Agreed new way forward with TUs in April 2025 TUs held consultative ballots with members in May 2025 where they agreed a new way forward with employers GMB is not supportive of this new approach Approach discussed at CES at last meeting
									Regular reporting, and discussion, of status and next steps at CES Executive and CES, including budgets and updated timescales. Expertise of HR Strategic Group and FD Network also used, as required						
									CS Board kept updated on progress due to accountability, and potential reputational risk.						
									Regular reporting, and approval, of status and next steps of project at CES Executive and CES, including budgets and updated timescales. Keep CS Board briefed on developments in this area						
Aim 1, 2, 3, 4, 5	012	Board	Low / Medium	Failure to disperse Job Evaluation monies (approx. £80 million) and the money is not being retained by Scottish Government for this purpose	5	5	25	→	CES Team with responsibility to progress National Job Evaluation	Chair of CES, Chief Executive and Director of CES	3	5	15	→	<ul style="list-style-type: none"> CES discussed this area of work at its last meeting. SG has publicly accepted the balance sheet liability for JE project, and this has been confirmed in latest Audit Scotland report. CEO continues to raise with SFC and SG on regular basis, and was discussed with new FE Minister at first meeting.
									Regular reporting, and discussion, on the status of the National Job Evaluation monies at the CES Executive and CES						
									Regular dialogue with SG, SFC regarding monies and extended timescales for the disbursement						
Aim 5: Be an improving organisation providing value for money for our members.	013	Board	Low / Medium	Ability to carry out key corporate functions (finance, HR, ICT, governance) if significant numbers of staff leave or are ill at the same time, as well as maintain an effective working relationship with external providers for finance and HR services.	3	5	15	→	All processes and procedures are up to date Processes and procedures are stored centrally Sector support brought in if required	Executive	2	5	10	→	<ul style="list-style-type: none"> Key roles are documented within job descriptions and embedded within the organisation's operational plan, team workplans and the performance management system, to assist if key personnel move on or are ill. Some key services undertaken by external suppliers, in order to provide resilience to the organisation. Recruitment of Corporate and Governance Manager complete Review and prioritise resource within the organisation including use of consultants Use the sector for advice and guidance, and support if needed. Requests to be made through the principals' and chairs' groups.

Strategy Trackers Update

Paper 7.2

FOISA Status	Non-Disclosable
Lead	Senior Leadership Team

Summary:

This paper presents the board with an updated Strategy Trackers document. The Strategic Trackers provide reassurance to the Board of Trustees on progress towards the Strategic Aims of Colleges Scotland.

Colleges Scotland will work with the sector to develop an updated Strategic Plan for the organisation, as the current one ends in 2026. Following agreement on the new Strategic Aims going forward, appropriate Strategic Trackers will be developed. As part of this work, the Executive Team will undertake a review of how and when appropriate information is provided to the Board of Trustees.

Recommendation:

The Board of Trustees is asked to:

- note the updated trackers and proposed future work
- raise any points for discussion

Colleges Scotland
January 2026

Strategy Trackers Update

Introduction

The paper provides an update on the activity relating to the Strategy Trackers.

Key Activity on Strategic Aims

Prioritisation

The Senior Leadership Team used the following criteria to determine prioritisation of the various actions against each strategic aim:

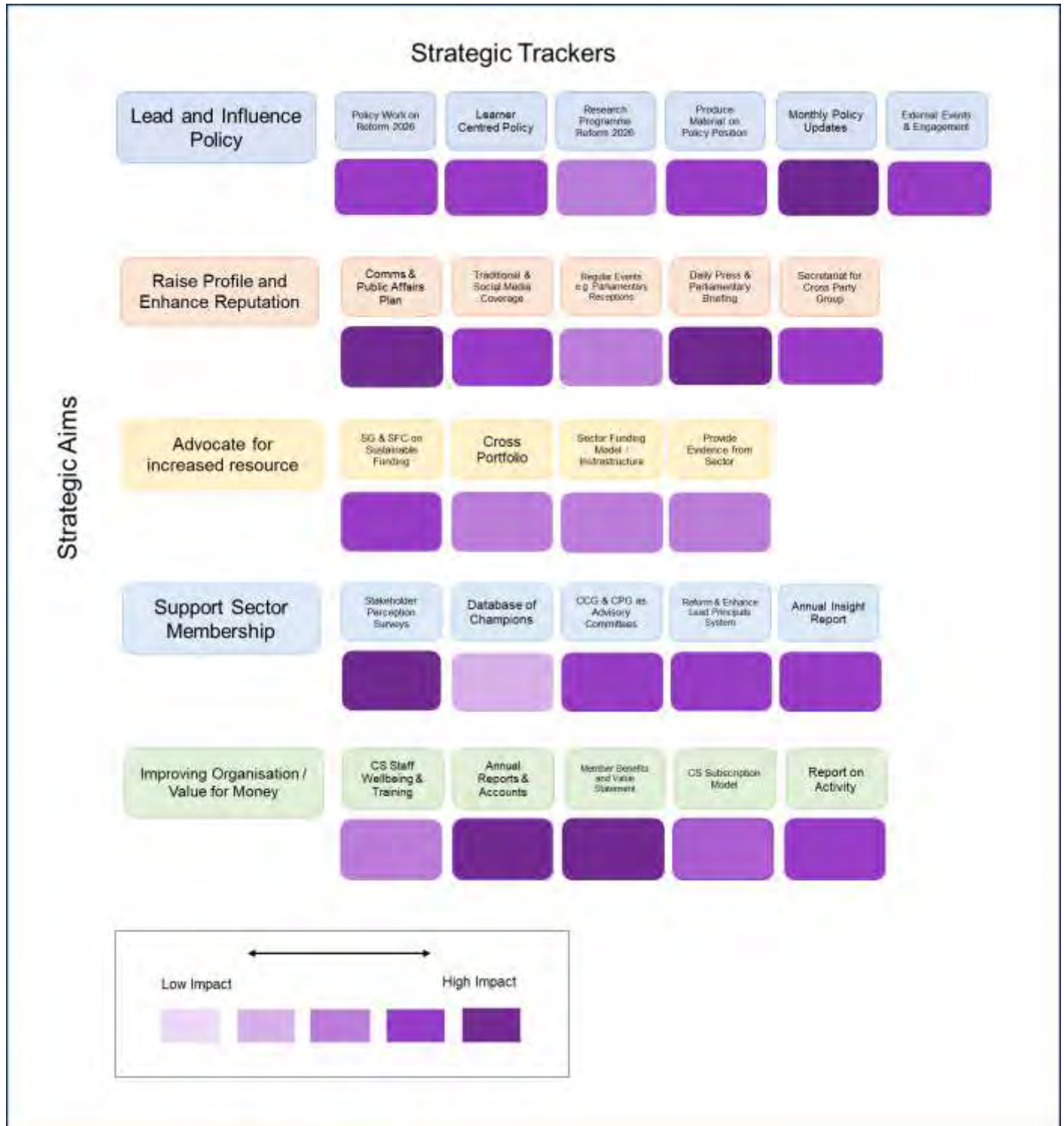
- Impact
- Visibility of Colleges Scotland in the wider landscape
- Changes in requirements of our members
- Available resource
- Political imperative gained through our ongoing dialogue and relationships
- Wider operational understanding of the sequencing of activity.

Impact

The Impact Infographic at the start of the Strategy Trackers update shows the level of impact achieved for each tracker for each Strategic Aim. The impact is measured against the following criteria, which cross refer to the desired outcomes of the *Communications and Public Affairs Plan*:

Impact Criteria	Examples of Demonstrating Impact
Raise awareness	<ul style="list-style-type: none"> • Raise the profile of colleges • Provide high quality, accessible information
Change attitudes	<ul style="list-style-type: none"> • Gain investment • Advocate for policy change
Motivate action	<ul style="list-style-type: none"> • See positive progress for the college sector • See movement in outcomes desired by colleges • Increased stakeholder engagement and work with partners

Impact Infographic



Summary

Strategic Aim	Key Activity and Achievements
<p>Strategic Aim 1 – Lead and Influence policy</p>	<ul style="list-style-type: none"> • Built on Think the Unthinkable and Reform to 2026 workstreams, to inform and generate Draft Budget and Manifesto approaches • Sustained dialogue with leaders and education spokespersons from all political parties represented in the Scottish Parliament. • Held quarterly strategic dialogue meetings with Scotland Office Ministers on college role in delivering UK Government policy. • Securing and delivering additional sector funding to implement an Offshore Wind Skills Programme and Care Skills Partnership initiative. • Continued funding for the Active Campus Network Project. • Colleges Scotland engaged with the SQA Transition Board. • Sustained engagement with Audit Scotland to inform the development of their <i>Scotland’s Colleges 2025</i> Report. • Further development of the “colleges first” approach to areas such as Skills Led regions and Modern Apprenticeship delivery, developing evidence base of college capacity and delivery. • Colleges Scotland and college representatives have inputted into a series of working groups related to a wide range of policy issues, e.g. Student Mental Health Action Plan Delivery Group, Careers Collaborative, Joint Articulation Group, Graduate Apprenticeship Enhancement Group, Gender Based Violence, Tertiary Quality Enhancement Framework. • Responded to appropriate consultations on behalf of the college sector. • Provided written evidence to the UK Covid-19 Public Inquiry. • Provided written and verbal evidence to various Scottish Parliament Committees. • Increased awareness and offered support to colleges, leading to an increase in successful Scottish Educational Exchange Programme grants.
<p>Strategic Aim 2 – Raise the Profile and Enhance the Reputation of Scotland's Colleges Sector</p>	<ul style="list-style-type: none"> • Promotion of the Colleges Scotland Draft Budget Submission and Manifesto document. • Development of media stories on policy issues and the strategic narrative on college funding. • Political engagement on a wide range of issues including the Budget and Manifesto. • Develop news stories aligned to the impact of colleges including economic productivity, climate emergency and impact on poverty. • Regular editorial activity • Development of stakeholder events.

<p>Strategic Aim 3 – Advocate for the Delivery of Increased Sector Resource</p>	<ul style="list-style-type: none"> • Draft Budget Submission for 2025/26 submitted to Scottish Government and SFC. • Infrastructure – worked with SFC and college sector on the baseline element of the <i>College Infrastructure Strategy</i>, and development of the Investment Plan. • Participation in Tripartite Alignment Group. • Apprenticeships – contributed to development of new funding arrangements. • Development of cross portfolio skills needs and potential funding. • Continued advocacy with Scottish Ministers, officials, other stakeholders and political parties. • Work on changes to the funding approach.
<p>Strategic Aim 4 – Be an Enabler, Supporter and Connector of the Sector Membership, both Internally and Externally</p>	<ul style="list-style-type: none"> • Attended graduation ceremonies and other events hosted by individual colleges • Provided presentations to individual college boards. • Visits by CEO, Directors and Colleges Scotland staff to member colleges to meet with senior leadership teams.
<p>Strategic Aim 5 – Be an Improving Organisation providing Value for Money for our Members</p>	<ul style="list-style-type: none"> • Establishment of an Employee Engagement Group. • Cyber Essential approved organisation (acquired annually). • Mandatory annual iHasco Online Training including Cyber Security and Sexual Harassment Awareness. • External audit and year end accounts completed.

Colleges Scotland
January 2026

Governance Framework

Paper 7.3

FOISA Status	Non-Disclosable
Lead	Executive

Summary:

This paper outlines the Colleges Scotland Governance Framework and is presented to the Board of Trustees for consideration and agreement prior to publishing it on the Colleges Scotland website.

Amendments have been proposed to the current document, both to update the Governance Framework in relation to the new Colleges Scotland governance structure, and based on legal advice received from Thorntons Law, sought as part of an effort to streamline the various guidance and information documents for members of the Board of Trustees.

Recommendations:

The Board of Trustees is asked to approve the Governance Framework.

Colleges Scotland
January 2026

Governance Framework

January 2026 ~~June 2024~~

Document Control Information

~~Reviewed by the Finance & General Purposes Committee: June 2024~~
~~Approved by the Board of Trustees Management: January 2026~~
~~June 2024 (updated version)~~
Date of Next Review: January 2027
~~June 2025~~

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Introduction

Corporate governance:

- is the way in which organisations are directed and controlled within a legislative framework
- defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation
- determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set
- provides the means of achieving those ends and monitoring performance.

Colleges Scotland is legally constituted as a Company Limited by Guarantee, registered in Scotland, No: 143210. It is also a Scottish Charity, No: SC023848. Its Memorandum and Articles of Association set out its objects, powers, constitution and other fundamental aspects of its governance, and its Members, as Company Directors and Charity Trustees, must comply with the Companies Act 2006 and the Charity and Trustees Investment (Scotland) Act 2005.

Colleges Scotland must comply with a range of other legislation, and associated regulation, including the Freedom of Information (Scotland) Act 2002, the [General Data Protection Regulation \(2016\)](#), [Data Protection Act 2018](#) and the [General Data Protection Regulation \("GDPR"\) and the Data Protection, Privacy and Electronic Communications \(Amendments etc\) \(EU Exit\) Regulations 2019 \(collectively the "Data Protection Legislation"\)](#), effective from May 2018, and the Equality Act 2010.

The Board of Trustees of Colleges Scotland has chosen to adopt the [a Code of Conduct based on the Model Code of Conduct](#) that is in place in the college sector to ensure that its conduct is consistent with the Ethical Standards in Public Life etc (Scotland) Act 2000.

The Board of Trustees has also chosen to develop its own Governance Framework (the Framework) which draws on the UK Code on Corporate Governance and the Code of Good Governance for Scotland's Colleges in setting out key principles and supporting provisions for effective governance.

The Framework is not a rigid set of rules.- It sets out what the Board of Trustees considers to be good practice in the conduct of its duties.- It is recognised that, from time to time, situations may arise which justify non-compliance with this Framework if good governance can be achieved by other means. -The Board of Trustees should carefully consider such departures from this Framework and explain properly the reasons for such non-compliance. -Such reasons should be recorded in minutes of the meeting at which the route of non-compliance was decided.- In providing an explanation, the Board of Trustees should aim to illustrate how its actual practice is consistent with the principle to which the particular provision relates and contributes to good governance. This Framework will be reviewed by the Board of Trustees on an annual basis and updates documented by a reissue of the Framework to all members of the Board of Trustees.

1. Leadership

1.1 The Board of Trustees

Main Principles

Colleges Scotland should be headed by an effective Board of Trustees, which is collectively responsible for the success of Colleges Scotland.

Supporting Provisions

Role of the Board of Trustees

The Board of Trustees is collectively responsible for the success of Colleges Scotland. Its key responsibilities are to:

- provide leadership within a framework of prudent and effective controls which enables risk to be assessed and managed
- set strategy and structure
- ensure that the necessary financial and human resources are in place for Colleges Scotland to meet its objectives
- review management performance
- ensure, in so far as it can, that arrangements are in place to attract, motivate and retain the best quality personnel
- set Colleges Scotland values and standards
- ensure that Colleges Scotland operates in a way that is consistent with its charitable purposes and Code of Conduct, which includes the registration and declaration of interests.

Specific responsibilities reserved for the Board of Trustees are set out in the Scheme of Delegation at **Appendix A**.

1.2 Decision Taking

Main Principles

All Board of Trustees members must take decisions objectively in the interests of Colleges Scotland and in pursuance of its charitable objects.

As part of their role as members of the Board of Trustees, members should constructively challenge and help develop proposals on strategy. Board of Trustees members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Supporting Provisions

- A scheme of delegated decision making is set out in Appendix A
- Board of Trustees members are collectively responsible and accountable for all Board of Trustees decisions. The principle of collective responsibility requires that Trustees should be able to express their views frankly within a meeting of the Board of Trustees in the expectation that they can argue freely in private while maintaining a united front in public once decisions have been reached. This in turn requires that the privacy of opinions expressed and advice offered within Board meetings should be maintained.

- The Board of Trustees should meet sufficiently regularly to discharge its duties effectively.
- The Board of Trustees may delegate such of its functions as it determines to committees of the Board of Trustees and others as set out the Articles of Association of Colleges Scotland.
- The Board of Trustees should keep a record of all meetings of the Board of Trustees and its committees and individual attendance by members at each.
- Where a Board of Trustees member has concerns which cannot be resolved about the running of Colleges Scotland or a proposed action, and feel that they cannot continue as a member of the Board of Trustees they should, as part of their resignation, they should ensure that their concerns are recorded in the Board of Trustees minutes. On resignation, a Board of Trustees member should provide a written statement to the Chair, for circulation to the rest of the Board of Trustees, setting out those if they have any such concerns.
- The procedural rules for conduct of Board of Trustees business are set out in Appendix B to this Framework.
- Other than the Chair and the Chief Executive Officer, members of the Board of Trustees shall not speak publicly or make any verbal or written representation to government or other stakeholders without the prior consent of the Chair or the Chief Executive Officer.

1.3 Division of Responsibilities: Chair, Chief Executive Officer and Secretary to the Board of Trustees

Main Principle

There should be a clear division of responsibilities at the head of Colleges Scotland between the running of the Board of Trustees and the executive responsibility for the running of Colleges Scotland day to day operations.- No one individual should have unfettered powers of decision, except where an individual has specific delegated authority as per the Scheme of Delegated Decision Making in Appendix A-

Supporting Provisions

1.3.1 Role of the Chair

The Chair is responsible for leadership of the Board of Trustees, ensuring its effectiveness on all aspects of its role. Responsibilities include:

- setting the Board of Trustees agenda, ensuring Board of Trustees members receive accurate, timely and clear information, of a quality to enable them to discharge their duties
- ensuring that sufficient time is allowed for discussion of all agenda items, in particular strategic issues
- promoting a culture of openness and debate and constructive challenge by facilitating the effective contribution of Board of Trustees members and ensuring constructive relations between Board of Trustees members and management and staff
- taking the lead in addressing ensuring arrangements are in place for the development and training needs of individual Board of Trustees members to ensure that they have the skills and knowledge to fulfil their role on the Board of Trustees and any Board of Trustees committee
- ensuring effective communication with members and stakeholders
- ensuring the performance of the Board of Trustees as a whole and its committees is evaluated annually
- evaluating annually the performance of each Board of Trustees member in their role as a Board of Trustees Member

- ~~line manage the Chief Executive Officer overseeing the Board of Trustees' collective responsibility for the accountability and performance of the Chief Executive Officer~~
- evaluating and appraising annually the performance of the Chief Executive Officer
- providing input to the Board of Trustees in relation to the policy for the remuneration of the Chief Executive Officer and ~~other staff~~ **Executive Directors**
- holding meetings with the Board of Trustees members without management or the ~~sSecretary to the bBoard~~ **company secretary** present
- being available to the Chief Executive Officer to ~~advise~~ **consult** on matters relating to strategy and operations; and
- in conjunction with the Chief Executive Officer, representing Colleges Scotland to government, stakeholders and the community while normally keeping the Board of Trustees updated on pertinent matters, as well as seeking representation or nominations from the wider Board of Trustees.

1.3.2 Role of the Chief Executive Officer

The Chief Executive Officer is responsible for running the day-to-day operations of Colleges Scotland and the management and leadership of staff. The Chief Executive Officer acts with the delegated authority of the Board of Trustees. Responsibilities include:

- ~~exercising the delegated decision making set out in Appendix A~~
- developing and implementing Colleges Scotland's Strategic Plan, as determined by the Board of Trustees, ensuring that strategic and operational objectives set by the Board of Trustees are achieved
- reviewing the operational performance and strategic direction of Colleges Scotland and reporting to the Board of Trustees on a timely basis
- informing the Board of Trustees of all relevant factors and developments that may impact on Colleges Scotland and the Board of Trustees activities
- recommending to the Board of Trustees an annual budget
- allocating and controlling resources within an approved budget
- ensuring a sustainable financial future for Colleges Scotland
- being accountable to the members of Colleges Scotland ~~- through the Board of Trustees~~ **- through the Board of Trustees** - for proper use of public funds including the review of operational performance and strategic direction
- managing Colleges Scotland's risk management programme including all compliance issues and the environmental and health and safety performance of Colleges Scotland
- ensuring effective and robust policies and procedures (including financial policies and procedures) are in place and are regularly reviewed
- approving major contracts in accordance with authority levels delegated
- maintaining open and effective communication through agreed representation channels for staff

1.3.3 Role of the Secretary to the Board

The Secretary to the Board has responsibility for guiding the Board of Trustees in the execution of its tasks ~~including its committee(s) and the Governing Body of College Employers Scotland. On Board of Trustees governance matters, the Secretary to the Board reports directly to the Chair of the Board of Trustees. All Board of Trustees members should have access to the advice and services of the Secretary to the Board.~~ Responsibilities include:

- advising the Board of Trustees, through the Chair, on the proper exercise of its powers within Colleges Scotland's legal and regulatory framework
- ensuring the smooth running of the Board of Trustees and ~~the Board of Trustees~~ its committees by helping set agendas, and preparing and presenting papers to the Board of Trustees and, where applicable, to ~~Board of Trustees~~ the committees ~~(where a committee may have separate secretariat support this shall be set out in the committee's terms of reference)~~
- ensuring good information flows within the Board of Trustees and its committees and between the Chief Executive Officer, Company Directors and Board of Trustees members
- advising on and ensuring that the Board of Trustees adheres to approved policy and procedures
- ~~acting as a primary point of contact and source of advice and guidance for, in particular Board of Trustees members in relation to Colleges Scotland~~
- keeping under close review all legislative, regulatory and governance developments that might affect Colleges Scotland's operations and ensuring that the SLT management of Colleges Scotland and Board of Trustees is briefed on these
- facilitating the induction of new Board of Trustees members into Colleges Scotland and their roles and responsibilities and assisting in the ongoing training and development of Board of Trustees members

1.4 Information

Main Principle

The Board of Trustees should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Supporting Provisions

- 1.4.1 Management has an obligation to provide relevant information in an appropriate form, but Board of Trustees members should seek clarification or amplification where necessary.
- 1.4.2 Information and data that are important to the Board of Trustees or committee's understanding of the business and any agenda items will be distributed to members before the meeting, with sufficient time to allow members to give such materials appropriate attention. In exceptional circumstances where the subject matter is judged by the Chair of the Board of Trustees or committee Chair to be too sensitive, information may be withheld from circulation prior to the meeting and brought to the meeting for consideration.

2. Board of Trustees Composition

2.1 Composition of the Board of Trustees

Main Principle

The Board of Trustees and its committees should have the appropriate balance of skills, experience, independence and knowledge of Colleges Scotland to enable them to discharge their respective duties and responsibilities effectively.

Supporting Provisions

- 2.1.1 The Board of Trustees should be of sufficient size, within limitations set out in the Articles of Association, that the requirements of Colleges Scotland can be met and that changes to the Board of Trustees composition and that of its committees can be managed without undue disruption.
- 2.1.2 The Board of Trustees shall consist of up to ~~eighteen~~ten Board of Trustees appointed (or deemed appointed) as follows:
- 2.1.3 The Chair of the College Principals' Group shall be a Board of Trustees Member.
- 2.1.4 One other person who is a College Principal shall be a Board of Trustees Member (nominated in accordance with such rules of appointment and processes as the Board of Trustees may prescribe from time to time to effect such appointment).
- 2.1.5 The Chair of the College Chairs' Group shall be a Board of Trustees Member.
- 2.1.6 One person who is a College Chair shall be a Board of Trustees Member (nominated in accordance with such rules of appointment and processes as the Board of Trustees may prescribe from time to time to effect such appointment.
- 2.1.7 The Chief Executive Officer appointed under Article 71 shall be a Board of Trustees Member
- 2.1.8 Up to four independent individuals (not being employed by any Company Member, Associate Member or college assigned to any RSB) shall be a Board of Trustees Member
- 2.1.9 One individual shall be appointed as a Board of Trustees Member and as Chair of the Board of Trustees, in accordance with such rules of appointment and processes as the Board of Trustees may prescribe from time to time to effect such appointment

2.2 Appointments to the Board of Trustees

Main Principle

Appointments to the Board of Trustees must be made in accordance with the Articles of Association.

Supporting Provisions

- 2.2.1 The Board of Trustees should retain oversight of membership and ~~tenure terms of office – as set out in Article 50 of Colleges Scotland's Articles of Association -~~ and satisfy itself that plans are in place for orderly succession in relation to appointments to the Board of Trustees.
- 2.2.2 The letter of appointment of Board of Trustees members should set out the expected time commitment. Board of Trustees members should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the Board of Trustees before appointment, with a broad indication of the time involved and the Board of Trustees should be informed of subsequent changes.

3. Performance

3.1 Induction, Professional Development and Appraisal

Main Principle

All Board of Trustees members should receive an induction on joining the Board of Trustees and should regularly update and refresh their skills and knowledge.

Supporting Provisions

- 3.1.1 The Chair of the Board of Trustees should ensure that new members receive a full, formal and tailored induction on joining the Board of Trustees.
- 3.1.2 The Chair should ensure that the Board of Trustees members continually update their skills and knowledge and familiarity with Colleges Scotland to fulfil their role both on the Board of Trustees and on committees.
- 3.1.3 The Chair should regularly review and agree training and development needs with the Board of Trustees and discuss individual needs and aspirations at annual evaluation meetings with members.
- 3.1.4 The Chief Executive Officer should ensure that the necessary resources are available to Board of Trustees Members to develop their knowledge of the organisation, including access to relevant publications and reports, and the advice of the Chief Executive Officer and Executive Directors.
- 3.1.5 ~~The Board Secretary should have a role in planning and implementing induction and development arrangements, including the identification of training and development opportunities. The Secretary to the Board should facilitate the induction of new Board of Trustees members into Colleges Scotland and their roles and responsibilities, and assist in the ongoing training and development of Board of Trustees members.~~

3.2 Performance Evaluation

Main Principles

The Board of Trustees should undertake a formal annual evaluation of compliance with the provisions of this document, its own performance, that of its committees, individual Board of Trustees members, the Chair of the Board of Trustees and committee chairs.

Individual evaluation should aim to show whether each Board of Trustees member continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board of Trustees and committee meetings and any other duties). The Chair should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board of Trustees.

Supporting Provisions

- 3.2.1 Evaluation should be carried out at least ~~annually~~ every two years and every four ~~three~~ years by an external facilitator.
- 3.2.2 A report should be produced on the outcome of the evaluation of the Board of Trustees and committees with action points being given deadlines for completion.
- 3.2.3 The Board of Trustees should agree a process for evaluating the effectiveness of the Board of Trustees Chair and committee chairs. ~~The evaluation of the Board of Trustees Chair should normally be led by the Vice Chair.~~

- 3.2.4 The Board of Trustees should consider engaging an external assessor to support the review of its effectiveness every three years in accordance with required good governance practice elsewhere in the sector.

4. Remuneration

4.1 The Level and Make-up of Remuneration

Main Principle

~~The Board of Trustees has responsibility for setting remuneration for the Chief Executive Officer and other staff. Remuneration includes pension rights and any compensation payments. Levels of remuneration should be set fairly to commensurate with the duties, responsibilities, skills and experience of the post, sufficient to attract and retain. Board of Trustees members (with the exception of the Chief Executive Officer who is paid for their role as Chief Executive Officer) shall not be remunerated for performing the office of Board of Trustees member but shall be entitled to reasonable out of pocket expenses on basis of an expenses policy determined by the Board of Trustees from time to time. Levels of remuneration should be set fairly to commensurate with the duties, responsibilities, skills and experience of the post, sufficient to attract and retain.~~

Supporting Provisions

- 4.1.1 Comparisons should be sought but used with caution.
- 4.1.2 Performance-related elements of remuneration should be stretching and designed to promote the long-term success of Colleges Scotland.
- 4.1.3 Those responsible for making decisions on remuneration should be sensitive to pay and employment conditions elsewhere in the organisation and in the sector especially when determining annual salary increases.

4.2 Procedure

Main Principle

There should be a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration package of the Chief Executive Officer and other staff ~~Directors~~. The Chief Executive Officer and other staff ~~Directors~~ should not be involved in deciding their own remuneration.

Supporting Provisions

- ~~4.2.1 Board of Trustees members (with the exception of the Chief Executive Officer who is paid for their role as Chief Executive Officer) shall not be remunerated for performing the office of Board of Trustees member but shall be entitled to reasonable out of pocket expenses on basis of an expenses policy determined by the Board of Trustees from time to time.~~
- ~~4.2.2 The Board of Trustees has responsibility for setting remuneration for the Chief Executive Officer and the Directors other staff. Remuneration includes pension rights and any compensation payments.~~

~~4.2.3~~ 4.2.1 The Board of Trustees should have a formal procedure in place for the setting of the remuneration of the Chief Executive Officer and other staff ~~Directors~~ with appropriate delegation to the Remuneration Committee.

5. Accountability and Audit

5.1 Financial and Business Reporting

Main Principle

The Board of Trustees should present a balanced and understandable assessment of Colleges Scotland's position and prospects.

Supporting Provisions

- 5.1.1 The Board of Trustees responsibility to present a balanced and understandable assessment extends to public reports and reports to regulators (particularly the Office of the Scottish Charity Regulator (OSCR)) as well as to information required to be presented by statutory requirements.
- 5.1.2 The Board of Trustees should explain in the accounts its responsibility for preparing the accounts and there should be a statement by the auditors about their reporting responsibilities.
- 5.1.3 In causing the financial statements to be prepared, the Board of Trustees shall ensure that:
- suitable accounting policies are selected and applied consistently
 - judgements and estimates are made that are reasonable and prudent
 - accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
 - the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that Colleges Scotland will continue in operation.
- 5.1.4 The Board of Trustees shall:
- have access to up to date, robust and reliable financial information to enable it to discharge its role in ensuring Colleges Scotland operates on a financially sustainable basis
 - ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
 - safeguard the assets of Colleges Scotland and hence to take reasonable steps to prevent and detect fraud
 - ensure reasonable steps have been taken to secure the economical, efficient and effective management of Colleges Scotland's resources and expenditure
 - ensure sound corporate governance and the proper conduct of the organisation's operations

5.2 Risk Management and Internal control

Main Principle

The Board of Trustees is responsible for determining the nature and extent of the **significant** risks it is willing to take in achieving its strategic objectives. The Board of Trustees should maintain sound risk management and internal controls systems.

Supporting Provision

5.2.1 The Board of Trustees should, at least annually, conduct a review of the effectiveness of Colleges Scotland's risk management and internal control systems. The review should cover all material controls, including financial, operational and compliance controls.

~~5.2.15.2.2~~ The Board of Trustees is responsible for compiling, maintaining and regularly reviewing a risk register identifying the key strategic risks for Colleges Scotland and how these are appropriately managed and mitigated. The risk register should be kept under review to ensure the Board of Trustees has assurance that Colleges Scotland has in place appropriate risk management and mitigation measures against all material operational and organisational risks.

5.3 Audit Committee and Auditors

Main Principle

The Board of Trustees should establish formal and transparent arrangements for considering how they should apply the risk management and internal control principles and for maintaining an appropriate relationship with Colleges Scotland's auditors.

Supporting Provisions

5.3.1 The Board of Trustees should establish an audit ~~and risk assurance~~ committee of at least ~~four~~ three members. Membership will include at least one independent individual from the Board of Trustees and other persons independent from Colleges Scotland direct employees, who will be co-opted by the Trustees for an agreed period of time. The Board of Trustees should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience.

5.3.2 No one other than the committee chair and members is entitled to be present at a meeting of the Audit Committee, but others may attend at the invitation of the committee.

5.3.3 Neither the Board of Trustees Chair nor Chief Executive Officer may be a member of the Audit Committee although they may be invited to attend meetings.

5.3.4 The main role and responsibilities of the Audit Committee should be set out in written terms of reference and should include:

- to monitor the integrity of the financial statements of Colleges Scotland and reviewing significant financial reporting judgements contained in them
- ~~to review Colleges Scotland's internal financial controls and to review internal control and risk management systems~~
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements

5.3.5 The Audit Committee should review arrangements by which staff of Colleges Scotland may, in confidence, raise concerns about possible improprieties in

financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

5.4 Conflicts of Interest

Main Principle

The Board of Trustees must ensure that all 'registerable interests' held by Board of Trustees members are recorded and kept up-to-date.

Supporting Provisions

5.4.1 A Board of Trustees member has a registerable interest where they receive remuneration by virtue of being:

- o employed;
- o self-employed;
- o the holder of an office;
- o a director of an undertaking;
- o a partner in a firm; or
- o undertaking a trade, profession or vocation or any other work.

5.4.2 The amount of remuneration does not require to be registered.

5.4.3 Registration of a pension is not required.

5.4.4 Board of Trustees members should register any land or buildings whereby a member of the public acting reasonably might consider any interests in land and buildings could potentially affect their responsibilities to the Board of Trustees or could influence their actions or decision-making as a member of the Board of Trustees.

5.4.5 Non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of the Board of Trustees such as membership or holding office in public bodies, clubs, societies and organisations such as trades unions and voluntary organisations may also require to be registered if they could be viewed as relevant to the work of the Board of Trustees.

The Board of Trustees shall review this Scheme of Delegation on an annual basis and may expand or restrict the delegated authority as it deems appropriate.

1. Reserved Matters

The following matters shall be reserved to the Board of Trustees:

- 1.1 setting the strategy of Colleges Scotland
- 1.2 approving an annual budget
- 1.3 approving year-end financial statements
- 1.4 identification of the principal business risks: the compiling, maintaining and regularly reviewing of a risk register; and the setting the organisation's risk appetite
- 1.5 determining the annual cost of Members' subscriptions to Colleges Scotland
- 1.6 reviewing regularly operational performance and updated forecasts for the current year
- 1.7 retaining primary responsibility for the approval of borrowing, granting securities, guarantees or indemnities, major capital expenditure, major contracts and financing arrangements
- 1.8 acquisition, disposal or lease of heritable property
- ~~1.9 reviewing at least annually pension fund arrangements~~
- ~~1.10 reviewing at least annually risk management programmes~~
- 1.11 the appointment and removal of Board of Trustees Members (including the appointment of Chair ~~and Vice Chair~~) as set out in the Articles of Association
- 1.12 the appointment and terms and conditions of the Chief Executive Officer
- ~~1.13 the appointment and terms and conditions of the Board Secretary~~
- ~~1.14 any disciplinary action against, or the removal of, the Chief Executive Officer or Board Secretary~~
- 1.15 succession planning relating to committee and representation in other fora
- 1.16 establishing and reviewing committees and appointments thereto
- ~~1.17 ensuring compliance with company and charity law, and where appropriate with other legislation including information, equality and ethical standards legislation~~
- 1.18 review and approval of the Governance Framework, Procedural Rules and Scheme of Delegation.

2. Delegation to Committees

4.141.9 In accordance with the Articles of Association, the Board of Trustees may establish committees and delegate authority to them as it considers appropriate.

4.121.10 All committees act under the authority of the Board of Trustees and have terms of reference approved by the Board of Trustees.

4.131.11 Except where authorised by its terms of reference, or through a distinct decision of the Board of Trustees to delegate authority in a particular matter recorded in the minutes of the Board of Trustees, the role of a committee is to oversee activity in an area of the Board of Trustees operation as set out in its remit, and to bring matters to the attention of, and make recommendations to, the Board of Trustees in that area.

4.141.12 Matters considered and decisions taken by a committee shall be reported to the next meeting of the Board of Trustees following the committee meeting, normally through the presentation of minutes by the Committee Chair.

~~As per the terms of reference, the Finance and General Purposes Committee has delegated decision-making authority to provide oversight, scrutiny and assurance to the Board of Trustees on all significant operational performance issues, resource matters, including financial planning, performance and financial stewardship, and on people-related matters.~~

3. Delegation to the Chair

4.151.13 The Chair of the Board of Trustees may generally represent the views of the Board of Trustees and speak on its behalf.

4.161.14 The Board of Trustees may delegate authority to the Chair to take decisions and act on its behalf in a particular matter.

4.171.15 From time to time, it may be necessary for the Chair to take urgent action on behalf of the Board of Trustees without prior approval. In such instances, the Chair shall report their action to the Board of Trustees at the earliest appropriate opportunity.

4.181.16 The Chair has specific delegated authority to:

~~4.18.1~~ Sign the annual financial statements on behalf of the Board of Trustees ~~further to Board of Trustees approval.~~

~~4.18.21.16.1~~

~~4.18.31.16.2~~ Monitor and review the performance of individual Board of Trustees Members at least annually.

~~4.18.41.16.3~~ Monitor and review the performance of the Chief Executive Officer ~~on behalf of the Board of Trustees~~ at least annually.

~~4.18.5~~ ~~Monitor and review the performance of the Board Secretary at least annually.~~

~~4.18.61.16.4~~ Initiate, ~~further to a decision by the Board of Trustees~~, any disciplinary action against the Chief Executive Officer ~~or Board Secretary~~.

~~4.18.71.16.5~~ Ensure appropriate induction and development arrangements are in place for Members of the Board of Trustees.

4. Delegation to the Chief Executive Officer

The Chief Executive Officer reports to the Board of Trustees and is accountable to the Board of Trustees for their actions and shall therefore act at all times in a way that is in the best interests of the Board of Trustees and Colleges Scotland.

The Board of Trustees recognises the need to empower the Chief Executive Officer so that they can effectively discharge the responsibilities given to that role.

The Board of Trustees therefore delegates to the Chief Executive Officer authority to act on its behalf in relation to operational matters in order to discharge the responsibilities of the role of Chief Executive Officer, as follows, notwithstanding restrictions set out under item 4.2 below.

4.191.17 The Chief Executive Officer shall have delegated authority for:

4.19.11.17.1 The management of the corporate affairs, finances and human resources of the organisation.

4.19.21.17.2 Implementation of Board of Trustees strategy including risk management strategy.

4.19.31.17.3 Taking such measures as may be required in emergencies, subject to advising the Chair where possible and homologation by the appropriate committee or Board of Trustees as soon as possible thereafter, on any items for which approval of the committee or the Board of Trustees would normally be necessary.

4.19.41.17.4 Provision of information and representing the views of Colleges Scotland to the Scottish Government, other stakeholders, and publicly.

4.19.51.17.5 Taking out membership of and attending meeting of outside bodies where it is in the interests of Colleges Scotland to do so.

4.19.61.17.6 Authorising the issue of press releases and publication of documents on behalf of Colleges Scotland.

4.19.71.17.7 Determining the organisational structure, appointments and remuneration of staff except where specific provisions apply ~~to all directors~~.

4.19.81.17.8 Opening bank accounts and making any necessary alterations to arrangements for the authorisation of payments within approved parameters.

4.19.91.17.9 Approval of expenditure with a per item value of up to £50,000, as per the Financial Regulations and Procedures Manual.

4.201.18 The following conditions shall apply to the delegation of authority to the Chief Executive Officer.

4.20.41.18.1 The Chief Executive Officer shall have no authority in relation to any matter reserved to the Board of Trustees, the Chair or the Secretary to the Board by virtue of this Scheme of Delegation or to any matter reserved to a committee of the Board of Trustees under the remit of such committee.

4.20.21.18.2 Any action must be consistent with the Board of Trustees strategy and objectives or any policy set by the Board of Trustees.

4.20.31.18.3 Any action must be consistent with the budget approved by the Board of Trustees.

~~4.20.41.18.4~~ All expenditure (including the entry into contracts and capital expenditure) with a per item value in excess of £50,000 must be approved by the Board of Trustees or a committee of the Board of Trustees with authority so to approve, as per the Financial Regulations and Procedures Manual.

~~4.20.51.18.5~~ Disposal of assets (with a value in excess of £5,000) must be approved by the Board of Trustees or a committee of the Board of Trustees with authority so to approve.

~~4.20.61.18.6~~ The commencement or settlement of any litigation or claim with a value in excess of £5,000 must be approved by the Board of Trustees or a committee of the Board of Trustees with authority so to approve.

~~4.20.71.18.7~~ Any action must be consistent with the charitable purposes of Colleges Scotland.

~~4.20.81.18.8~~ Any action which has financial, reputational, strategic or operational risk for the Board of Trustees or Colleges Scotland or may otherwise be considered potentially contentious must be brought to the attention of and, if necessary, receive the approval of the Board of Trustees or a committee with relevant delegated authority.

5. Delegation to the Secretary to the Board of Trustees

The ~~Board Secretary~~ Secretary to the Board shall have delegated authority for:

~~4.211.19~~ ~~The administration of appointments procedures including the receipt of applications and communication of Board of Trustees decisions to applicants.~~

~~4.221.20~~ Maintaining and publishing a register of Board of Trustees Members' interests.

~~4.231.21~~ Administration, circulation, retention and publication as appropriate of the records of all Board of Trustees and committee business.

Appendix B - Procedural Rules

The proceedings of the Board of Trustees and its committees must be consistent with the detailed provisions of the Articles of Association which should remain the ultimate point of reference in matters of procedure in conjunction with any overriding legal and regulatory requirements. The following is a practical guide to the conduct of meetings and the distribution and recording of Board of Trustees information.

1. Chair

- 1.1 The Chair shall be responsible for the general conduct of the meetings and shall, among other things:
 - a) preserve order and ensure that every member of the Board of Trustees has a fair hearing
 - b) decide on all matters of order, competency and relevancy
 - c) determine all questions of procedure in reference to which no express provision is made in legislation, in the Articles of Association or under these Procedural Rules.
- 1.2 The ruling of the Chair on all matters within their jurisdiction as Chair is final.
- 1.3 In the case of an equality of votes the Chair shall not have the casting vote.

2. Conduct

- 2.1 At meetings of the Board of Trustees:
 - a) the Chair, or in their absence, some other Trustee nominated by the Board of Trustees shall preside as chair of the meeting~~the Vice-Chair, shall take the Chair; in the absence of the Chair and Vice-Chair, the members present shall appoint one of their number to be Chair for the meeting~~
 - b) every member of the Board of Trustees shall address the Chair
 - c) the Chair shall be heard without interruption
 - d) if any member of the Board of Trustees disregards the authority of the Chair, or is guilty of obstructive or offensive conduct, a motion may be moved and seconded to suspend the member for the remainder of the meeting; the motion shall be put without discussion and, if carried, such member shall then immediately leave the meeting
 - e) the Chair shall be entitled, in the event of any disorder arising, to adjourn the meeting to a time they may then or afterwards fix.

3. Meetings of the Board of Trustees

- 3.1 The Board of Trustees shall normally meet at least four times per year.

4. Notice of Board of Trustees Meetings

- 4.1 Notification to members of the time and place of the meeting, and the business proposed to be transacted at the meeting shall be given by being left at, or sent by post, to the address provided by the member of the Board of Trustees or by electronic communication to an email address provided by the member of the Board of Trustees

at least ~~fourteen clearseven~~ ~~three working~~ days before the meeting or, if the meeting is convened at shorter notice, then at the time it is convened.

5. Adjournment of Meeting

- 5.1 With the agreement of the meeting, the Board of Trustees may adjourn any meeting to such time as the Chair may then or afterwards fix.
- 5.2 When an adjourned meeting is resumed, proceedings shall commence at the point at which they were broken off at the adjournment.

6. Quorum

- 6.1 Article 62 of Colleges Scotland's Articles of Association state that the ~~The~~ quorum for the transaction of the business of the Board of Trustees may be fixed by the Board of Trustees Members and unless so fixed at any other number shall be ~~one~~ two thirds of all Board of Trustees Members, or if at the time the total number of Board of Trustees Members is not a multiple of three, the quorum shall be determined by dividing the number of Board of Trustees Members by three and rounding up to the nearest whole number.
- 6.2 Participation through video-conferencing shall be counted for the purpose of quorum.
- 6.3 If a quorum is not present after half an hour, the Chair shall adjourn the meeting as a formal meeting of the Board of Trustees; the Chair shall have the power to decide, however, to take such items on the agenda that may require discussion on an advisory basis only, subject to a vote taken by the next quorate meeting by the Board of Trustees.
- 6.4 The proceedings of the Board of Trustees shall not be invalidated by reason of any vacancy among the members, or any defect in the appointment of any member.

7. Order of Business

- 7.1 The order of business will be determined at the start of the meeting but generally will follow the format contained in the agenda accompanying the notice calling the meeting.

An exceptional item of business not appearing on the agenda for the meeting may be considered at the end of the meeting provided that the Chair of the meeting is of the opinion that it is relevant and; competent ~~and urgent~~.

8. Decision by Correspondence

- 8.1 A resolution in writing consented to and signed by a majority of Board of Trustees members entitled to receive notice of a meeting shall be as valid as if it had been passed at a meeting of the Board of Trustees. Consent and signature may be evidenced by electronic mail as well as in letter form.

9. Conflicts of Interest

- 9.1 Members should be familiar with the content of and comply with the terms of the Code of Conduct for the members of the Board of Trustees and complete a Register of Interests form. Any change in a member's circumstances should be notified to the Secretary to the Board of Trustees and entered into the Register of Interests within one month of the change.

- 9.2 Where, whether before or during any meeting of the Board of Trustees or any Board of Trustees Committee, any member of the Board of Trustees or of such Board of Trustees Committee becomes aware that they or any person connected with them has a material interest in or relating to any matter to be or being considered by the Board of Trustees or, as the case may be, the Board of Trustees Committee, they shall declare such interest and withdraw from the meeting during such consideration and shall not vote on any question relating to the matter.
- 9.3 Notwithstanding sub-paragraph 9.2 above, where in relation to any member of the Board of Trustees or of a Board of Trustees Committee mentioned in sub-paragraph 9.4 below any matter referred to in that sub-paragraph is to be considered by any meeting of the Board of Trustees or any Board of Trustees Committee, they shall, unless invited to remain by resolution of the other members of the Board of Trustees present, withdraw from the meeting during such consideration and shall not vote on any question relating to the matter.
- 9.4 The member of the Board of Trustees mentioned in sub-paragraph 9.3 above is the Chief Executive Officer in relation to their terms and conditions of employment, their suspension or dismissal or any other disciplinary measure relating to them and the appointment of their successor, or if otherwise determined appropriate by the Chair in relation to any particular matter-
- 9.5 Subject to sub-paragraph 9.4 above, nothing shall require the Chief Executive Officer to declare an interest or withdraw from consideration of any matter where their interest exists only by reason of their being the Chief Executive Officer.
- 9.6 Section 252(2) of the Companies Act 2006 (meaning of “connected person”) shall apply for the purpose of determining whether a person is connected with a member of the Board of Trustees or, as the case may be, a member of any Board of Trustees Committee as it applies for the purpose of determining whether a person is connected with a director of a company shall be construed as if they were references to a member of the Board of Trustees or, as the case may be, member of such Board of Trustees Committee.

10. Disclosure of Information

- 10.1 Board of Trustees ~~and committee~~ agendas and minutes shall be published on the Colleges Scotland's website within a reasonable timeframe.
- 10.2 The Board of Trustees may, from time-to-time, agree to withhold or redact papers, and minutes within the provisions of the Freedom of Information (Scotland) Act 2002 (FOI(S)A), on the grounds of commercial or other confidence or which relate to personnel issues of a confidential nature. Such decisions will be made on a case-by-case basis by a majority of voting members present and the papers noted as “non-disclosure”.
- 10.3 Any requests under FOI(S)A to individual Board of Trustees members, related to the role of Trustee, should be passed to the ~~company board secretary~~ Secretary to the Board for processing.

11. Approval of Minutes

- 11.1 At each Board of Trustees meeting the minutes of the previous meeting shall be submitted for approval.
- 11.2 After the minutes have been approved as a correct record of the meeting to which they relate, subject to or without amendment, they shall be signed by the Chair.

12. Voting

- 12.1 Voting shall be by a show of hands or by voice, unless one third of the members present and entitled to vote at the meeting signify their objection. The Board of Trustees will then require to decide whether the vote should be taken by ballot or by calling the roll, ~~or by noting the dissensions in the minutes.~~
- 12.2 Any member of the Board of Trustees or a Committee thereof who disagrees with a decision upon which the Board of Trustees or Committee has voted may require that their dissent be recorded in the minute of the relevant meeting.

13. Committees

- 13.1 The Board of Trustees shall appoint such Committees as it considers necessary.
- 13.2 The Procedural Rules of the Board of Trustees shall also be Procedural Rules of Board of Trustees Committees.

14. Suspension of Procedural Rules

- 14.1 Any one or more of these Procedural Rules may be suspended, except where such suspension might lead to an action contrary to law, so long as at least two thirds of the Board of Trustees members agree to do so.

Performance Review Outcomes for CEO

Paper 7.4

FOISA Status	Non-Disclosable
Lead	Secretary to the Board

Summary:

This paper outlines the Colleges Scotland CEO's performance review.

This review was conducted on behalf of the Board of Trustees by Trustee, Susan Elston.

Recommendations:

The Board of Trustees is asked to discuss and agree the CEO's performance review.

Colleges Scotland
January 2026

Background

The Colleges Scotland Chief Executive Officer (CEO), Gavin Donoghue took up post on 1 June 2025, having formerly been Director of College Employers Scotland (CES) since 11 April 2022. He replaced Interim CEO, Graeme Jackson, who had been in post since the departure of the former permanent CEO, Shona Struthers, on 20 September 2024.

Following the new CEO'S recruitment, it was agreed via email on 26 May 2025, and subsequently homologated at a meeting of Trustees on 11 June 2025, that Trustee, Waiyin Hatton, would assume the role of interim line manager for the new CEO.

At the Board meeting on 30 October 2025, it was agreed that Trustee, Susan Elston, would have delegated functions, on behalf of the Board and in the absence of a Chair, to monitor and review the performance of the CEO.

The Board agreed on 30 October 2025, for the Performance Review Outcomes for CEO item to be tabled at the January 2026 meeting, instead of October 2025, to allow the new Independent Trustees to be fully sighted.

Previous Year (June - July 2025)

The new CEO's appointment came at the end of the 2024/25 year and was a time of instability for the organisation, which included low staff morale and disquiet among member organisations regarding payment of their subscription to Colleges Scotland.

At the Board meeting on 26 June 2025, the new CEO outlined three initial priorities:

- providing support and reassurance to staff following a period of uncertainty
- working to alleviate immediate financial issues for the organisation, including subscription payments
- refocussing the organisation on its key role of sector advocacy

Since then, the following improvements have taken place:

- Staff morale (as measured by Friday Pulse) has increased by 13 percentage points between May 2025 and January 2026, peaking at 19 percentage point increase in June 2025.
- All Colleges Scotland members paid their subscriptions for 2025/26, including those "new" members following the disintegration of the Glasgow and Lanarkshire Regional Strategic Bodies (RSBs).
- The increased focus on advocacy work has been recognised and welcomed by sector leaders in the College Principals' Group and the College Chairs Group.

Current Year to Date (August – January 2026)

In consultation with Susan Elston, the new CEO drafted the attached objectives for 2025/26 (**Appendix 1**) for review and agreement by the Board.

An in-person performance discussion will be held between the new CEO, and Susan Elston, on Tuesday 20 January 2026 and a verbal update of this discussion will be provided to the Board on Thursday 22 January 2026.

The Board of Trustees is asked to discuss and agree the CEO's performance review.

2025-26 Performance Management System Form

Name	Gavin Donoghue	Objective setting date	09/01/2026
Post held	Chief Executive Officer	Mid-year Review date	10/03/26
Line Manager	Susan Elston, on behalf of Board of Trustees	Final Review date	

Before agreeing objectives, please confirm the Job Description/Person Spec is accurate by inserting the date it was last reviewed/updated	Yes
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CS Strategic Aims				
Aim 1	Aim 2	Aim 3	Aim 4	Aim 5
<i>Lead and influence policy</i>	<i>Raise the profile and enhance the reputation of Scotland's college sector</i>	<i>Advocate for the delivery of increased sector resource</i>	<i>Be an enabler, supporter and connector of the sector membership, both internally and externally</i>	<i>Be an improving organisation providing Value for Money for our members</i>
<p>Outcomes</p> <p>We will do this by:</p> <ul style="list-style-type: none"> • Deliver impactful policy work on the three key areas identified for the Reform to 2026 work: Funding and Infrastructure, Skills Led Regions and Workforce. • Successfully engage with learner centred policy areas. • Successfully deliver a research programme to support the Reform to 2026 sector priorities. • Produce material in support of college sector policy positions. • Provide a concise monthly Policy Update on key issues and other activities, exclusively for Colleges Scotland Members. 	<p>Outcomes</p> <p>We will do this by:</p> <ul style="list-style-type: none"> • A refreshed communications and public affairs plan is developed for the Board, aligned to this Strategy. • Volume of coverage across traditional coverage and social media is tracked and increased over time. • Colleges Scotland will hold regular events such as Parliamentary Receptions and Strategic Dialogues with external partners. • Provide a daily press and parliamentary briefing, exclusive to Members. • Hold the secretariat for a parliamentary Cross Party Group and regularly update the Board on those events, inviting 	<p>Outcomes</p> <p>We will do this by:</p> <ul style="list-style-type: none"> • Colleges Scotland will influence the Scottish Government and the SFC on sustainable funding policies, evidenced by high quality engagement with Ministers and officials. • Increase cross portfolio advocacy over time to support increased funding coming into the sector from non-Advanced Learning and Science directorates and other Cabinet portfolios. • Develop a funding model for the sector. • Establish funding mechanism for College Sector Infrastructure. • Provide evidence from the sector to appropriate networks, working groups 	<p>Outcomes</p> <p>We will do this by:</p> <ul style="list-style-type: none"> • Conduct external stakeholder perception survey of a) Colleges Scotland and b) the sector. • Develop an effective stakeholder database of college sector champions, who will work with external stakeholders on specific elements of the college sector story. New and more effective relationships are formed across the Stakeholder Map to tell the sector story. • Reform the Lead Principals system including a regular refresh point. Enhance the reputation and visibility of 	<p>Outcomes</p> <p>We will do this by:</p> <ul style="list-style-type: none"> • Nurture our staff and ensure their wellbeing, professional training, and improve staff retention at Colleges Scotland. • Live our Code of Conduct values with ways of working which are efficient, innovative and agile. • Publish an Annual Report. • Submit Annual Accounts as a charitable company limited by guarantee as required by OSCR. • Report annually to the Board on our reducing carbon footprint. • Develop and regularly update a Member Benefits and Value Statement articulating the distinct benefits of Membership.

<ul style="list-style-type: none"> Hold regular external events with Members and stakeholders on policy themes, including events such as Parliamentary Receptions and Strategic Dialogues with external partners. 	<p>Board members to be presenters where appropriate and with the agreement of the MSP chair.</p>	<p>and consultations where we can make the most impact, balanced against our resources. Regularly review the impact of this work on legislation and policies in the sector.</p>	<p>Lead Principals with media coverage and engagement opportunities with stakeholders. D Work with the Board to identify sector leaders who can work with Executives on specific policy issues.</p> <ul style="list-style-type: none"> Support regular meetings of the College Chairs' Group and College Principals' Group as an advisory committee to the Board. Provide the Board with an annual insight report into specific data sought from colleges on emerging issues and the impact gained from that data by Colleges Scotland. 	<ul style="list-style-type: none"> Carry out regular Member Benefit and Value satisfaction check-ins. Deliver a clear and transparent understanding of the Colleges Scotland subscription model for the future. Using these Strategy Trackers in a dashboard, report our activity, progress and business risks to the Board and publish our activity online to deliver stakeholder transparency and assure them of our activity. Deliver MoUs with CDN and College Employers Scotland that embed good governance arrangements, reduce duplication of effort and provide value for money for the sector.
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Objectives

Guidance: Objectives are a combination of work driven from annual plans/objectives, operational work, specific projects, and leadership tasks/objectives.

Note: You should have no more than 10 objectives.

Objective	Link to CES Strategic Aim/Operational Workplan	Start Date	Planned Finish Date	Actual Completion	
1.	Lead a highly-effective Colleges Scotland advocacy campaign to ensure an above flat-cash settlement for the college sector in the Scottish Government Draft Budget	Aim 3 (1); Aim 2	1/8/25	13/1/26	
2.	Advocate for and deliver additional cross-portfolio Scottish Government funding for colleges from areas outside of LLS department (Child poverty; economy, climate emergency, public service reform)	Aim 3 (2); Aim 2	1/8/25	31/7/26	
3.	Assist the sector engage effectively with the Scottish Government on a longer-term sector reform/transformation discussion	Aim 1 (1); Aim 2	1/09/25	31/7/26	
4.	Engage with UK Government to ensure colleges benefit from additional revenue money spent on skills, or capital investment, in reserved areas	Aim 3 (2); Aim 2	1/8/25	31/7/26	
5.	Lead engagement with senior political figures to ensure all main political parties have a pro-college message in party manifestos, and these reflect Colleges Scotland asks	Aim 1; Aim 2	1/8/25	7/5/26	
6.	Work with Board and sector to deliver a new organisational strategy that better supports the sectors needs	Aim 4/5	16/2/26	31/7/26	
7.	Develop the Staff team in light of the new organisational strategy, and complete organisational Values and Behaviours work	Aim 5	23/6/26	31/7/26	
8.	Ensure adequate funding for the organisation which matches its strategy and staffing requirements	Aim 5			
9.	Ensure sound management of organisational finances	Aim 5	1/8/25	31/	
Support/development required (please link to the objectives)					
IoD membership – this seems like the most cost effective way for me to undertake CPD relevant to my new role, as well and providing networking opportunities helpful to the organisation and the sector (£494 per year)					

End of section

Review Section

Guidance: This section should be completed at the mid-year review (March) and at the final year review (August/September).

Mid-year Review – member of staff to complete in March	
1.	What have been your main achievements during the past 12 months?
2.	Please describe the impact you have had in the performance of your role?
3.	What are your key strengths?
4.	What do you identify as your key areas for development?
5.	What do you really want to make a difference on? And how will you know you have achieved it?
Comments after the Mid-year Review	
Your Manager's comments	
Your comments	
Your feedback on what your Manager could do to help you achieve their aims	

End of section

Final Review – member of staff to complete in September			
1.	What have been your main achievements during the past 12 months?		
2.	Please describe the impact you have had in the performance of your role?		
3.	What are your key strengths?		
4.	What do you identify as your key areas for development?		
5.	What do you really want to make a difference on? And how will you know you have achieved it?		
Comments after the Final Review			
Your Manager's comments			
Your comments			
Your feedback on what your Manager could do to help you achieve their aims			
Line Manager signature		Date	
Member of staff signature		Date	

Form ends here...

Monthly Meetings

Date	Record of Discussion (if required)	Follow Up (if required)

Board of Trustees Code of Conduct

Paper 9.1

FOISA Status	Disclosable
Lead	Executive

Summary:

This paper sets out amendments to the current Code of Conduct for members of the Board of Trustees following the recent governance changes within Colleges Scotland.

As context, this Code of Conduct is based on a model Code of Conduct produced by the Ethical Standards Commissioner for Scotland. As part of this review of the Colleges Scotland Code of Conduct, our lawyers have suggested amendments, including the removal of sections that relate to parts of the Ethical Commissioner's Code that are not applicable to Colleges Scotland.

Recommendations:

The Board of Trustees is asked to approve the updated Code of Conduct. Once approved the Code will be published on the Colleges Scotland website.

Colleges Scotland
January 2026



Board of Directors Code of Conduct

January~~March~~ 2026~~2~~

Document Control Information

Reviewed by the Chairs' Committee:
Approved by the Board of Management:
Date of Next Review:

March 2022
March 2022
January~~March~~ 2026~~2~~



Introduction

This code is intended as a guide for ~~members of~~ the Board of ~~Directors~~Trustees, to indicate the standards of conduct expected of them, to enable them to understand their obligations and to assist them ~~both in~~ both carrying out their duties, and their relationship with the Board (of which they are a member) and the Scottish Funding Council. The Code ~~gives~~ takes cognisance ~~to of~~ the Code of Good Governance issued to the sector in ~~January~~ December 2025 where applicable. It is aimed at promoting effective and well-informed management. ~~Acceptance of appointment as a~~ Member of a BoardTrustee will be construed as acceptance of this Code.

~~As neither parent nor subsidiary company are~~ As Colleges Scotland is not listed as a devolved public body, directors are not legally obliged to comply with the key guidance of the model code of conduct published by the Standards Commission and outlined below. Whilst not intended to be a definitive or authoritative statement of the law it is intended to carry with it the broad thrust of these measures established under the Ethical Standards Framework in Public life etc. (Scotland) Act, 2000. ~~This Act sets up an ethical framework for members of public bodies, setting out their general principles and rules of conduct.~~

This Code applies to every committee, working party or other subsidiary body of the Board of Trustees to which members are appointed.

It should be noted however, that as a private company~~ies~~ limited by guarantee Colleges Scotland ~~is are~~ governed by the Companies Act 2006 and Board MembersTrustees must abide by this Act, and in particular the responsibilities given to the Directors within this legislation. ~~As a registered charity, Members must also abide by the Charity and Trustee Investments (Scotland) Act 2005. Due to the length and complexity of this legislation, it is not covered in this guide.~~

However, individual ~~Board members~~Trustees who act in accordance with the law, honestly, reasonably, in good faith and without negligence should not become personally liable for actions in execution or purported execution of his/her Board of Trustees function or duties. ~~Board members~~Trustees who want further advice should consult the ~~Company~~ Secretary to the Board of Trustees.

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SECTION 1: INTRODUCTION TO THE CODE OF CONDUCT

~~1.2 This Code has been issued by the Scottish Ministers, with the approval of the Scottish Parliament, as required by the Ethical Standards in Public Life etc. (Scotland) Act 2000 (the "Act").~~

Field Code Changed

1.1 This Code is based upon a model Code of Conduct which was issued by the Scottish Ministers, with the approval of the Scottish Parliament, as required by the Ethical Standards in Public Life etc. (Scotland) Act 2000 (the "Act").

Field Code Changed

1.2 The purpose of the Code is to set out the conduct expected of those who serve on the boards of public bodies in Scotland.

1.3 The Code has been developed in line with the nine key principles of public life in Scotland. The principles are listed in Section 2 and set out how the provisions of the Code should be interpreted and applied in practice.

Field Code Changed

~~Scottish Parliament, as required by the Ethical Standards in Public Life etc. (Scotland) Act 2000 (the "Act").~~

~~The purpose of the Code is to set out the conduct expected of those who serve on the boards of public bodies in Scotland.~~

~~1.1 The Code has been developed in line with the nine key principles of public life in Scotland. The principles are listed in Section 2 and set out how the provisions of the Code should be interpreted and applied in practice.~~

My Responsibilities

4.21.1 I understand that the public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties. I will always seek to meet those expectations by ensuring that I conduct myself in accordance with the Code.

4.31.2 I will comply with the substantive provisions of this Code, being sections 3 to 6 inclusive, in all situations and at all times where I am acting as a board member of my public body, have referred to myself as a board member or could objectively be considered to be acting as a board member.

4.41.3 I will comply with the substantive provisions of this Code, being sections 3 to 6 inclusive, in all my dealings with the public, employees and fellow board members, whether formal or informal.

4.51.4 I understand that it is my personal responsibility to be familiar with the provisions of this Code and that I must also comply with the law and my public body's rules, standing orders and regulations. I will also ensure that I am familiar with any guidance or advice notes issued by the Standards Commission for Scotland ("Standards Commission") and my public body, and endeavor to take part in any training offered on the Code.

4.61.5 I will not, at any time, advocate or encourage any action contrary to this Code.

4.71.6 I understand that no written information, whether in the Code itself or the associated Guidance or Advice Notes issued by the Standards Commission, can provide for all circumstances. If I am uncertain about how the Code applies, I will seek advice from the ~~Standards Officer of my public body~~ [Secretary to the Board](#), failing whom the Chair or Chief Executive of my public body. I note that I may also choose to seek external legal advice on how to interpret the provisions of the Code.

Enforcement

~~4.81.7~~ [Part 2 of the Act](#) sets out the provisions for dealing with alleged breaches of the Code, including the sanctions that can be applied if the Standards Commission finds that there has been a breach of the Code. More information on how complaints are dealt with and the sanctions available can be found at [Annex A](#).

SECTION 2: KEY PRINCIPLES OF THE MODEL CODE OF CONDUCT

- 2.1 The Code has been based on the following key principles of public life. I will behave in accordance with these principles and understand that they should be used for guidance and interpreting the provisions in the Code.
- 2.2 I note that a breach of one or more of the key principles does not in itself amount to a breach of the Code. I note that, for a breach of the Code to be found, there must also be a contravention of one or more of the provisions in sections 3 to 6 inclusive of the Code.

The key principles are:

Duty

I have a duty to uphold the law and act in accordance with the law and the public trust placed in me. I have a duty to act in the interests of the public body of which I am a member and in accordance with the core functions and duties of that body.

Selflessness

I have a duty to take decisions solely in terms of public interest. I must not act in order to gain financial or other material benefit for myself, family or friends.

Integrity

I must not place myself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence me in the performance of my duties.

Objectivity

I must make decisions solely on merit and in a way that is consistent with the functions of my public body when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and Stewardship

I am accountable to the public for my decisions and actions. I have a duty to consider issues on their merits, taking account of the views of others and I must ensure that my public body uses its resources prudently and in accordance with the law.

Openness

I have a duty to be as open as possible about my decisions and actions, giving reasons for my decisions and restricting information only when the wider public interest clearly demands.

Honesty

I have a duty to act honestly. I must declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

I have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of my public body and its members in conducting public business.

Respect

I must respect all other board members and all employees of my public body and the role they play, treating them with courtesy at all times. Similarly, I must respect members of the public when performing my duties as a board member.

SECTION 3: GENERAL CONDUCT

Respect and Courtesy

- 3.1 I will treat everyone with courtesy and respect. This includes in person, in , at meetings, when I am online and when I am using social media.
- 3.2 I will not discriminate unlawfully on the basis of race, age, sex, sexual orientation, gender reassignment, disability, religion or belief, marital status or pregnancy/maternity; I will advance equality of opportunity and seek to foster good relations between different people.
- 3.3 I will not engage in any conduct that could amount to bullying or harassment (which includes sexual harassment). I accept that such conduct is completely unacceptable and will be considered to be a breach of this Code.
- 3.4 I accept that disrespect, bullying and harassment can be:
- a) a one-off incident,
 - b) part of a cumulative course of conduct; or
 - c) a pattern of behaviour.
- 3.5 I understand that how, and in what context, I exhibit certain behaviours can be as important as what I communicate, given that disrespect, bullying and harassment can be physical, verbal and non-verbal conduct.
- 3.6 I accept that it is my responsibility to understand what constitutes bullying and harassment and I will utilise resources, including the Standards Commission's guidance and advice notes, my public body's policies and training material (where appropriate) to ensure that my knowledge and understanding is up to date.
- 3.7 Except where it is written into my role as Board member, and / or at the invitation of the Chief Executive, I will not become involved in operational management of my public body. I acknowledge and understand that operational management is the responsibility of the Chief Executive and Executive Team.
- 3.8 I will not undermine any individual employee or group of employees, or raise concerns about their performance, conduct or capability in public. I will raise any concerns I have on such matters in private with senior management as appropriate.
- 3.9 I will not take, or seek to take, unfair advantage of my position in my dealings with employees of my public body or bring any undue influence to bear on employees to take a certain action. I will not ask or direct employees to do something which I know, or should reasonably know, could compromise them or prevent them from undertaking their duties properly and appropriately.
- 3.10 I will respect and comply with rulings from the Chair during meetings of:
- a) my public body, its committees: and
 - b) any outside organisations that I have been appointed or nominated to by my public body or on which I represent my public body.
- 3.11 I will respect the principle of collective decision-making and corporate responsibility.

This means that once the Board has made a decision, I will support that decision, even if I did not agree with it or vote for it.

Remuneration, Allowances and Expenses

- 3.12 I will comply with the rules, and the policies of my public body, on the payment of remuneration, allowances and expenses.

Gifts and Hospitality

- 3.13 I understand that I may be offered gifts (including money raised via crowdfunding or sponsorship), hospitality, material benefits or services ("gift or hospitality") that may be reasonably regarded by a member of the public with knowledge of the relevant facts as placing me under an improper obligation or being capable of influencing my judgement.
- 3.14 I will never **ask for** or **seek** any gift or hospitality.
- 3.15 I will refuse any gift or hospitality, unless it is:
- a) a minor item or token of modest intrinsic value offered on an infrequent basis;
 - b) a gift being offered to my public body;
 - c) hospitality which would reasonably be associated with my duties as a board member; or
 - d) hospitality which has been approved in advance by my public body.
- 3.16 I will consider whether there could be a reasonable perception that any gift or hospitality received by a person or body connected to me could or would influence my judgement.
- 3.17 I will not allow the promise of money or other financial advantage to induce me to act improperly in my role as a board member. I accept that the money or advantage (including any gift or hospitality) does not have to be given to me directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.
- 3.18 I will never accept any gift or hospitality from any individual or applicant who is awaiting a decision from, or seeking to do business with, my public body.
- 3.19 If I consider that declining an offer of a gift would cause offence, I will accept it and hand it over to my public body at the earliest possible opportunity and ask for it to be registered.
- 3.20 I will promptly advise my public body's Standards Officer if I am offered (but refuse) any gift or hospitality of any significant value and / or if I am offered any gift or hospitality from the same source on a repeated basis, so that my public body can monitor this.
- 3.21 I will familiarise myself with the terms of the [Bribery Act 2010](#), which provides for offences of bribing another person and offences relating to being bribed.

Confidentiality

- 3.22 I will not disclose confidential information or information which should reasonably be regarded as being of a confidential or private nature, without the express consent of a person or body authorised to give such consent, or unless required to do so by law. I note that if I cannot obtain such express consent, I should assume it is not given.
- 3.23 I accept that confidential information can include discussions, documents, and information which is not yet public or never intended to be public, and information deemed confidential by statute.
- 3.24 I will only use confidential information to undertake my duties as a board member. I will not use it in any way for personal advantage or to discredit my public body (even if my personal view is that the information should be publicly available).
- 3.25 I note that these confidentiality requirements do not apply to protected whistleblowing disclosures made to the prescribed persons and bodies as identified in statute.

Use of Public Body Resources

- 3.26 I will only use my public body's resources, including employee assistance, facilities, stationery and IT equipment, for carrying out duties on behalf of the public body, in accordance with its relevant policies.
- 3.27 I will not use, or in any way enable others to use, my public body's resources:
- a) imprudently (without thinking about the implications or consequences);
 - b) unlawfully;
 - c) for any political activities or matters relating to these; or
 - d) improperly.

Dealing with my Public Body and Preferential Treatment

- 3.28 I will not use, or attempt to use, my position or influence as a board member to:
- a) improperly confer on or secure for myself, or others, an advantage;
 - b) avoid a disadvantage for myself, or create a disadvantage for others or
 - c) improperly seek preferential treatment or access for myself or others.
- 3.29 I will avoid any action which could lead members of the public to believe that preferential treatment or access is being sought.
- 3.30 I will advise employees of any connection, as defined at [Section 5](#), I may have to a matter, when seeking information or advice or responding to a request for information or advice from them.

Appointments to Outside Organisations

- 3.31 If I am appointed, or nominated by my public body, as a member of another body or organisation, I will abide by the rules of conduct and will act in the best interests of that body or organisation while acting as a member of it. I will also continue to observe the rules of this Code when carrying out the duties of that

body or organisation.

- 3.32 I accept that if I am a director or trustee (or equivalent) of a company or a charity, I will be responsible for identifying, and taking advice on, any conflicts of interest that may arise between the company or charity and my public body.

SECTION 4: REGISTRATION OF INTERESTS

- 4.1 The following paragraphs set out what I have to register when I am appointed and whenever my circumstances change. The register covers my current term of appointment.
- 4.2 I understand that ~~regulations made by the Scottish Ministers~~ [separate guidance from Colleges Scotland outlines](#) ~~describe~~ the detail and timescale for registering interests; including a requirement that a board member must register their registrable interests within one month of becoming a board member and register any changes to those interests within one month of those changes having occurred.
- 4.3 The interests which I am required to register are those set out in the following paragraphs. Other than as required by paragraph 4.23, I understand it is not necessary to register the interests of my spouse or cohabitee.

Category One: Remuneration

- 4.4 I will register any work for which I receive, or expect to receive, payment. I have a registrable interest where I receive remuneration by virtue of being:
- a) employed;
 - b) self-employed;
 - c) the holder of an office;
 - d) a director of an undertaking;
 - e) a partner in a firm;
 - f) appointed or nominated by my public body to another body; or
 - g) engaged in a trade, profession or vocation or any other work.
- 4.5 I understand that in relation to 4.4 above, the amount of remuneration does not require to be registered. I understand that any remuneration received as a board member of this specific public body does not have to be registered.
- 4.6 I understand that if a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under Category Two, "Other Roles".
- 4.7 I must register any allowances I receive in relation to membership of any organisation under Category One.
- 4.8 When registering employment as an employee, I must give the full

name of the employer, the nature of its business, and the nature of the post I hold in the organisation.

- 4.9 When registering remuneration from the categories listed in paragraph 4.4 (b) to (g) above, I must provide the full name and give details of the nature of the business, organisation, undertaking, partnership or other body, as appropriate. - I recognise that some other employments maybe incompatible with my role as board member of my public body in terms of paragraph [006.7](#) of this Code.
- 4.10 Where I otherwise undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and how often it is undertaken.
- 4.11 When registering a directorship, it is necessary to provide the registered name and registered number of the undertaking in which the directorship is held and provide information about the nature of its business.
- 4.12 I understand that registration of a pension is not required as this falls outside the scope of the category.

Category Two: Other Roles

- 4.13 I will register any unremunerated directorships where the body in question is a subsidiary or parent company of an undertaking in which I hold a remunerated directorship.
- 4.14 I will register the registered name and registered number of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which I am a director and from which I receive remuneration.

Category Three: Contracts

- 4.15 I have a registerable interest where I (or a firm in which I am a partner, or an undertaking in which I am a director or in which I have shares of a value as described in paragraph 4.19 below) have made a contract with my public body:
- a) under which goods or services are to be provided, or works are to be executed; and
 - b) which has not been fully discharged.
- 4.16 I will register a description of the contract, including its duration, but excluding the value.

Category Four: Election Expenses

~~4.17 If I have been elected to my public body, then I will register a description of, and statement of, any assistance towards election expenses relating to election to my public body.~~

Category ~~Five~~Four: Houses, Land and Buildings

~~4.184.17~~ I have a registrable interest where I own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of my public body.

~~4.194.18~~ I accept that, when deciding whether or not I need to register any interest I have in houses, land or buildings, the test to be applied is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as being so significant that it could potentially affect my responsibilities to my public body and to the public, or could influence my actions, speeches or decision- making.

Category ~~Six~~Five: Interest in Shares and Securities

~~4.204.19~~ I have a registrable interest where:

- a) I own or have an interest in more than 1% of the issued share capital of the company or other body; or
- b) Where, at the relevant date, the market value of any shares and securities (in any one specific company or body) that I own or have an interest in is greater than £25,000.

Category ~~Seven~~Six: Gifts and Hospitality

~~4.214.20~~ I understand the requirements of paragraphs 3.13 to 3.21 regarding gifts and hospitality. As I will not accept any gifts or hospitality, other than under the limited circumstances allowed, I understand there is no longer the need to register any.

Category ~~Eight~~Seven: Non-Financial Interests

~~4.224.21~~ I may also have other interests and I understand it is equally important that relevant interests such as membership or holding office in other public bodies, companies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described. In this context, I understand non- financial interests are those which members of the public with knowledge of the relevant facts might reasonably think could influence my actions, speeches, votes or decision-making in my public body (this includes its committees and memberships of other organisations to which I have been appointed or nominated by my public

body).

Category ~~Nine~~Eight: Close Family Members

~~4.234.22~~ I will register the interests of any close family member who has transactions with my public body or is likely to have transactions or do business with it.

SECTION 5: DECLARATION OF INTERESTS

Stage 1: Connection

5.1 For each particular matter I am involved in as a board member, I will first consider whether I have a connection to that matter.

5.2 I understand that a connection is any link between the matter being considered and me, or a person or body I am associated with. This could be a family relationship or a social or professional contact.

5.3 A connection includes anything that I have registered as an interest.

~~5.4~~ A connection does not include being a member of a body to which I have been appointed or nominated by my public body as a representative of my public body, unless:

~~The matter being considered by my public body is quasi-judicial or regulatory;
or
I have a personal conflict by reason of my actions, my connections or my legal obligations.~~

Stage 2: Interest

~~5.55.4~~ I understand my connection is an interest that requires to be declared where the objective test is met – that is where a member of the public with knowledge of the relevant facts would reasonably regard my connection to a particular matter as being ~~so significant that it would be considered as being~~ ~~to-relevant to~~ influence the discussion or decision-making.

Stage 3: Participation

~~5.65.5~~ I will declare my interest as early as possible in meetings. I will not remain in the meeting nor participate in any way in those parts of meetings where I have declared an interest.

~~5.75.6~~ I will consider whether it is appropriate for transparency reasons to state publicly where I have a connection, which I do not consider amounts to an interest.

Commented [TLLP1]: From a charity law point of view, we would view the bar as being lower than this. The word "significant" suggests that an interest needs to be of a certain magnitude to be an issue, whereas good practice from a charity perspective would encourage trustees to err on the side of caution and declare potential conflicts where there is any degree of materiality or risk of a perception that a decision was made for any motivation other than it being in the charity's best interests.

~~5.8 I note that I can apply to the Standards Commission and ask it to grant a dispensation to allow me to take part in the discussion and decision making on a matter where I would otherwise have to declare an interest and withdraw (as a result of having a connection to the matter that would fall within the objective test). I note that such an application must be made in advance of any meetings where the dispensation is sought and that I cannot take part in any discussion or decision making on the matter in question unless, and until, the application is granted.~~

~~5.105.7~~ I note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than the public interest. I will not accept a role or appointment if doing so means I will have to declare interests frequently at meetings in respect of my role as a board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of my existing personal involvement or affiliations, I will not accept the appointment or nomination.

SECTION 6: LOBBYING AND ACCESS

~~I understand that a wide range of people will seek access to me as a board member and will try to lobby me, including individuals, organisations and companies. I must distinguish between:~~

~~any role I have in dealing with enquiries from the public;
any community engagement where I am working with individuals and organisations to encourage their participation and involvement, and;
lobbying, which is where I am approached by any individual or organisation who is seeking to influence me for financial gain or advantage, particularly those who are seeking to do business with my public body (for example contracts/procurement).~~

~~In deciding whether, and if so how, to respond to such lobbying, I will always have regard to the objective test, which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard my conduct as being likely to influence my, or my public body's, decision-making role.~~

~~I will not, in relation to contact with any person or organisation that lobbies, do anything which contravenes this Code or any other relevant rule of my public body or any statutory provision.~~

~~I will not, in relation to contact with any person or organisation that lobbies, act in any way which could bring discredit upon my public body.~~

~~If I have concerns about the approach or methods used by any person or organisation in their contacts with me, I will seek the guidance of the Chair, Chief Executive or Standards Officer of my public body.~~

~~The public must be assured that no person or organisation will gain better access to, or treatment by, me as a result of employing a company or individual to lobby on a fee basis on their behalf. I will not, therefore, offer~~

~~or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which I accord any other person or organisation who lobbies or approaches me. I will ensure that those lobbying on a fee basis on behalf of clients are not given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming.~~

~~Before taking any action as a result of being lobbied, I will seek to satisfy myself about the identity of the person or organisation that is lobbying and the motive for lobbying. I understand I may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that I understand the basis on which I am being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code and the Lobbying (Scotland) Act 2016.~~

~~I will not accept any paid work:~~

~~which would involve me lobbying on behalf of any person or organisation or any clients of a person or organisation:~~

~~to provide services as a strategist, adviser or consultant, for example, advising on how to influence my public body and its members. This does not prohibit me from being remunerated for activity which may arise because of, or relate to, membership of my public body, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.~~

ANNEX A: BREACHES OF THE CODE

Introduction

~~The Ethical Standards in Public Life etc. (Scotland) Act 2000 (“the Act”) provided for a framework to encourage and, where necessary, enforce high ethical standards in public life.~~

~~The Act provided for the introduction of new codes of conduct for local authority councillors and members of relevant public bodies, imposing on councils and relevant public bodies a duty to help their members comply with the relevant code.~~

~~The Act and the subsequent Scottish Parliamentary Commissions and Commissioners etc. Act 2010 established the Standards Commission for Scotland (“Standards Commission”) and the post of Commissioner for Ethical Standards in Public Life in Scotland (“ESC”).~~

~~The Standards Commission and ESC are separate and independent, each with distinct functions. Complaints of breaches of a public body’s Code of Conduct are investigated by the ESC and adjudicated upon by the Standards Commission.~~

~~The first Model Code of Conduct came into force in 2002. The Code has since been reviewed and re-issued in 2014. The 2021 Code has been issued by the Scottish Ministers following consultation, and with the approval of the Scottish Parliament, as required by the Act.~~

Investigation of Complaints

~~The ESC is responsible for investigating complaints about members of devolved public bodies. It is not, however, mandatory to report a complaint about a potential breach of the Code to the ESC. It may be more appropriate in some circumstances for attempts to be made to resolve the matter informally at a local level.~~

~~On conclusion of the investigation, the ESC will send a report to the Standards Commission.~~

Hearings

~~On receipt of a report from the ESC, the Standards Commission can choose to:~~

- ~~Do nothing;~~
- ~~Direct the ESC to carry out further investigations; or~~
- ~~Hold a Hearing.~~

~~Hearings are held (usually in public) to determine whether the member concerned has breached their public body’s Code of Conduct. The Hearing Panel comprises of three members of the Standards Commission. The ESC will present evidence and/or make submissions at the Hearing about the investigation and any conclusions as to whether the member has contravened the Code. The member is entitled to attend or be represented at the Hearing and can also present evidence and make submissions. Both parties can call witnesses. Once it has heard all the evidence and submissions, the Hearing Panel will make a determination about whether or not it is satisfied, on the balance of probabilities, that there has been a contravention of~~

the Code by the member. If the Hearing Panel decides that a member has breached their public body's Code, it is obliged to impose a sanction.

Sanctions

The sanctions that can be imposed following a finding of a breach of the Code are as follows:

Censure: A censure is a formal record of the Standards Commission's severe and public disapproval of the member concerned.

Suspension: This can be a full or partial suspension (for up to one year). A full suspension means that the member is suspended from attending all meetings of the public body. Partial suspension means that the member is suspended from attending some of the meetings of the public body. The Commission can direct that any remuneration or allowance the member receives as a result of their membership of the public body be reduced or not paid during a period of suspension.

Disqualification: Disqualification means that the member is removed from membership of the body and disqualified (for a period not exceeding five years), from membership of the body. Where a member is also a member of another devolved public body (as defined in the Act), the Commission may also remove or disqualify that person in respect of that membership. Full details of the sanctions are set out in section 19 of the Act.

Interim Suspensions

Section 21 of the Act provides the Standards Commission with the power to impose an interim suspension on a member on receipt of an interim report from the ESC about an ongoing investigation. In making a decision about whether or not to impose an interim suspension, a Panel comprising of three Members of the Standards Commission will review the interim report and any representations received from the member and will consider whether it is satisfied:

That the further conduct of the ESC's investigation is likely to be prejudiced if such an action is not taken (for example if there are concerns that the member may try to interfere with evidence or witnesses); or

That it is otherwise in the public interest to take such a measure. A policy outlining how the Standards Commission makes any decision under Section 21 and the procedures it will follow in doing so, should any such a report be received from the ESC can be found [here](#).

The decision to impose an interim suspension is not, and should not be seen as, a finding on the merits of any complaint or the validity of any allegations against a member of a devolved public body, nor should it be viewed as a disciplinary measure.

ANNEX BA: DEFINITIONS

“Bullying” is inappropriate and unwelcome behaviour which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated or insulted.

“Chair” includes Board Convener or any other individual discharging a similar function to that of a Chair or Convener under alternative decision-making structures.

“Code” is the code of conduct for members of your devolved public body, which is based on the Model Code of Conduct for members of devolved public bodies in Scotland.

“Cohabitee” includes any person who is living with you in a relationship similar to that of a partner, civil partner, or spouse.

“Confidential Information” includes:

- any information passed on to the public body by a Government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public;
- information of which the law prohibits disclosure (under statute or by the order of a Court);
- any legal advice provided to the public body; or
- any other information which would reasonably be considered a breach of confidence should it be made public.

“Election expenses” means expenses incurred, whether before, during or after the election, on account of, or in respect of, the conduct or management of the election.

“Employee” includes individuals employed:

- directly by the public body;
- as contractors by the public body, or
- by a contractor to work on the public body’s premises.

“Gifts” a gift can include any item or service received free of charge, or which may be offered or promised at a discounted rate or on terms not available to the general public. Gifts include benefits such as relief from indebtedness, loan concessions, or provision of property, services or facilities at a cost below that generally charged to members of the public. It can also include gifts received directly or gifts received by any company in which the recipient holds a controlling interest in, or by a partnership of which the recipient is a partner.

“Harassment” is any unwelcome behaviour or conduct which makes someone feel offended, humiliated, intimidated, frightened and / or uncomfortable. Harassment can be experienced directly or indirectly and can occur as an isolated incident or as a course of persistent behaviour.

“Hospitality” includes the offer or promise of food, drink, accommodation, entertainment or the opportunity to attend any cultural or sporting event on terms not available to the general public.

“Relevant Date” Where a board member had an interest in shares at the date on which the member was appointed as a member, the relevant date is – (a) that date; and (b) the 5th April immediately following that date and in each succeeding year, where the interest is retained on that 5th April.

“Public body” means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000, as amended.

“Remuneration” includes any salary, wage, share of profits, fee, other monetary benefit or benefit in kind.

“Securities” a security is a certificate or other financial instrument that has monetary value and can be traded. Securities includes equity and debt securities, such as stocks bonds and debentures.

“Undertaking” means:

- a) a body corporate or partnership; or
- b) an unincorporated association carrying on a trade or business, with or without a view to a profit.

Recruitment of Chair

Paper 10.1

FOISA Status	Non-Disclosable
Lead	Secretary to the Board

Summary:

This paper outlines reflections on the previous recruitment of the Chair of Colleges Scotland, and proposes next steps.

Recommendations:

The Board of Trustees is asked to discuss and agree the suggested next steps for the recruitment of Chair of Colleges Scotland.

Colleges Scotland
January 2026

Background

Following the appointment of Colleges Scotland's new Chief Executive Officer (CEO) on 1 June 2025, the existing Trustees and staff team sought to recruit new Independent Trustees and Chair of Colleges Scotland.

Interviews for recruitment for the Independent Trustees and Chair began in September 2025, with interviews held for the Chair on 22 October 2025 and the Independent Trustees on 24 October 2025.

The Board was updated on 30 October 2025 that following the interviews, and careful consideration by the interview panels, it was recommended that Dave Anderson, Linda Johnston and Yekemi Otaru be appointed as Independent Trustees, and this was agreed at the Board meeting on 30 October 2025.

The Board also noted that no candidate had been successful at interview for the role of Chair of Colleges Scotland and, therefore, agreed that Susan Elston would take on certain delegated tasks on behalf of the Board, in lieu of a Chair.

There was further discussion by the Board on exploring whether offering remuneration for the Chair role could broaden the applicant pool, and any potential associated risks, with a detailed discussion on this proposal to take place at the next meeting on 22 January 2026.

Reflections on previous Chair recruitment

Timing

The recruitment process for the Independent Trustees and Chair began simultaneously in September 2025, with interviews held in the same week in late October. In hindsight, this concurrent recruitment process for Independent Trustees and Chair, over a two-month time period, did not allow for the organisation to suitably focus on the promotion of the Chair role, in particular, which resulted in a small number of applicants and, therefore, candidates being taken forward to interview.

Capacity

The recruitment process also took place while Colleges Scotland did not have a permanent Director of College Employers Scotland (CES), due to the appointment of the previous Director to the CEO position on 1 June 2025, or a Corporate and Governance Manager, due to the exit of the staff member who formerly held this position on 28 February 2025.

Despite the best endeavours of the staff team and existing Trustees, the lack of staff capacity due to the vacancies of these positions, and the ongoing recruitment for them, put significant strain on the capacity of the staff team to conduct the recruitment for the Chair and Trustee roles.

Reputation

The college sector has suffered chronic underfunding from government since 2021/22, which has resulted in several colleges publicly facing financial challenges. Similarly, in mid-2025 Colleges Scotland, as an organisation, was suffering low staff morale and members who were reconsidering their subscription payments.

Taken together, the role of Chair of Colleges Scotland, may not have looked appealing to outside applicants at the time of recruitment in mid-2025. However, given the recent positive result in the

Scottish Government draft Budget on 13 January 2026, the position of Chair of Colleges Scotland could look more attractive in early 2026.

Remuneration of Chairs

Since The Board meeting on 30 October 2025, the staff team have reviewed the arrangements of a selection of similar agencies and charities to see if remuneration of a Chair, or Convener, is common practice and, if so, the costs associated with it. These are outlined below:

Organisation	Charity (Y/N)	Chair Remuneration (Y/N)	Framework	Daily rate	Number of days per year	Maximum Overall Annual Cost
Advanced Procurement for Universities and Colleges (APUC)	N	N	-	-	-	There are 3 non-sector Directors who between them seem to receive £9,900 but none are the Chair
Citizens Advice Scotland	Y	N	-	-	-	-
College Development Network (CDN)	N	Y	Public sector pay policy, Annex A, Chairs and Members Daily Fee Framework 2025-26 (gross Daily Fees)	£260	24	£6,240
Joint Information Systems Committee (JISC)	Y	Y	Agreed by their Remuneration Committee	-	-	£15,000 (This remuneration is paid for additional roles undertaken on behalf of Jisc and not in their capacity as a trustee.)
Prosper (formerly the SCDI)	N	N	-	-	-	-
Scottish Chambers of Commerce	N	N	-	-	-	-
Scottish Renewables	N	N	-	-	-	-
Universities Scotland	Y	N	-	-	-	-

Following the reforecast, the current Budget position of Colleges Scotland is to finish in a deficit position of £3.3k for 2025/26. There is, therefore, not currently any financial provision to remunerate the Chair in this year.

Discussion

Given the reflections on the previous process, provided above, it is suggested that the following remedial actions are taken for the next iteration of the recruitment process:

- **Timing**
 - Extend the timescales for recruitment and appointment from the previous two-month period to five months (more detail below).
 - This will allow time for a review of the previous Job Description and Role Profile, an extended four-week recruitment campaign window, and an update to the next Board meeting ahead of recruitment closing.
- **Capacity**
 - The new Corporate and Governance Manager, in post since 5 January 2026, to provide additional guidance and resource to CEO and Trustees on the recruitment process.
 - No other planned recruitment to take place during this timeframe, to allow for adequate capacity within the staff team.
- **Reputation**
 - Holding the recruitment for Chair after the recent positive result in the Scottish Government draft Budget on 13 January 2026, and Scottish Parliament manifesto launch, should provide a positive platform on which to engage with any potential candidates for the role of Chair.
- **Remuneration of Chair**
 - It is not recommended that the Chair of Colleges Scotland becomes a remunerated position, for several reasons:
 - As laid out above, it would be an uncommon position for Colleges Scotland to take in comparison with other similar organisations – although it is recognised it is undertaken by some other organisations in, and around, the college sector.
 - To afford a remunerated position, Colleges Scotland would likely need to make cuts in other budget areas, run a larger deficit, or seek to raise additional income, which has proven difficult in the past.
 - Colleges Scotland is funded, for policy and advocacy work, by member subscriptions and there may be member disquiet about the use of subscription funding to pay for a remunerated Chair position.

Following the remedial actions, outlined above, the Board of Trustees are, therefore, asked to discuss and agree the following suggested next steps for the recruitment of a Chair:

Timescale	Action	Responsible	Other information
Late January 2026	Review Job Description and Profile of Chair	Corporate and Governance Manager	With involvement of Trustees
27 February 2026	Launch recruitment for new Chair of Colleges Scotland	CEO/Director of Strategic Policy/ Corporate and Governance Manager/	With involvement of Trustees. After coverage of Scottish Parliament Manifesto launch on 23 February

March 2026	Recruitment campaign live	CEO/Director of Strategic Policy/ Corporate and Governance Manager/	Staff, Trustees and sector contacts asked to promote through social channels and networks
26 March 2026	Update Board on recruitment and review progress	CEO/Trustees	Trustees could decide to extend deadline if advised not had number/caliber of suitable candidates.
27 March 2026	Closing date for recruitment	CEO/Director of Strategic Policy/ Corporate and Governance Manager/	
Mid/Late April 2026	Interviews for new Chair of Colleges Scotland	CEO/Trustees	With involvement of Trustees
Early/mid May 2026	Announce appointment of new Chair of Colleges Scotland	CEO	With involvement of Trustees
25 June 2026	Homologate Interview Panel decision at Board meeting	Trustees	

Recommendations:

The Board of Trustees is asked to discuss and agree the suggested next steps for the recruitment of Chair of Colleges Scotland.