

Colleges Scotland Annual General Meeting

Thursday 26 March 2026 (1230-1330)

Colleges Scotland, Argyll Court, Castle Business Park, Stirling, FK9 4TY

Agenda

| <i>Time</i> | <i>Item</i> | <i>Lead</i> | <i>Paper</i> |
|------------------------|--|-------------|--------------|
| 1230 | 1. Welcome and Apologies | SE | Verbal |
| 1232 | 2. Authorised Representatives/Proxies | SE | Verbal |
| For Approval | | | |
| 1235 | 3. Minutes of the Previous AGM and Matters Arising <ul style="list-style-type: none"> Thursday 27 March 2025 | SE | Paper 3.1 |
| 1238 | 4. Adoption of the Annual Report and Accounts | SE | Paper 4.1 |
| 1245 | 5. Appointment of External Auditors <ul style="list-style-type: none"> CT Audit are appointed as external auditors for the company | SE | Verbal |
| For Information | | | |
| 1245 | 6. Consideration of proposed amendments to the Articles of Association | GD | Verbal |
| 1300 | 7. Consideration of a proposed new subscription model for Members 2026-27 | GD | Verbal |
| 1320 | 8. Any Other Competent Business | SE | Verbal |
| 1325 | 9. Date of Next Meeting <ul style="list-style-type: none"> March 2027 (TBC) | SE | Verbal |

**DRAFT Minute of Colleges Scotland Board Annual General Meeting
Thursday 27 March 2025, Argyll Court, Castle Business Park, Stirling, FK9 4TY**

| Present | | |
|---|---|---|
| Waiyin Hatton (WH) (Chair) West College Scotland | Sue Cook (SC) West Lothian College | Laurie O'Donnell (LO) Dundee & Angus College |
| Abhishek Agarwal (AA) Forth Valley College | Ray McCowan (RM)* Borders College | David Watt (DW) Fife College |
| Angus Campbell (AC) University of Highlands & Islands | Janie McCusker (JM) Glasgow Colleges Regional Board | |
| In Attendance | | |
| Joanna Campbell (JC) Dumfries & Galloway College | Audrey Cumberford (ACu) Edinburgh College | Graeme Jackson (GJ) Colleges Scotland |
| Liz Connolly (LC) West College Scotland | Gavin Donoghue (GD) College Employers Scotland | Karen Tracey (KT) Colleges Scotland |
| Angela Cox (ACo)* Ayrshire College | Robbie Frances (RF)* Thorntons Law LLP | Andy Witty (AW) Colleges Scotland |
| Apologies | | |
| Margaret Cook (MC) UHI Perth | Angus MacInnes (AM) Sabhal Mòr Ostaig UHI | Ronnie Smith (RS) The Lanarkshire Board |
| Susan Elston (SE) North East Scotland College | Fiona McQueen (FM) Ayrshire College | Caroline Stewart (CS) Dumfries & Galloway College |
| Linda Hanna (LH) SRUC | Nora Senior (NS) Edinburgh College | |
| Gary Husband (GH) Newbattle Abbey College | Derek Smeall (DS) Glasgow Kelvin College | |

* via video conferencing

1. Welcome and Apologies

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

2. Authorised Representatives/Proxies

2.1. The chair reported for the purpose of the meeting each Company Member is represented by their appointed Regional Chair.

2.2. The chair noted the following appointments for an authorised representative at the meeting were received:

- Joanna Campbell appointed as the authorised representative on behalf of Dumfries and Galloway College
- Angela Cox appointed as the authorised representative on behalf of Ayrshire College
- Audrey Cumberford appointed as the authorised representative on behalf of Edinburgh College
- Waiyin Hatton appointed as the authorised representative on behalf of North East Scotland College

2.3. The chair noted for the purpose of the meeting that 12 of the 13 Company Members were represented, meeting the minimum quorum requirements for the meeting to proceed.

3. Minutes of Previous Annual General Meeting and Matters Arising

3.1. The members noted Paper 3.1 and agreed the minutes from the previous AGM on Thursday 21 March 2024 as an accurate record of the meeting.

4. Adoption of the Annual Report and Accounts

4.1. LO proposed the accounts for the year ended 31st July 2024 be adopted by the members and DW seconded this proposal.

4.2. **Members passed the resolution to adopt the Annual Report and Accounts for the Year Ended 31st July 2024.**

5. Adopt Changes to the Articles of Association

5.1. The members noted Paper 5.1 which set out the key changes to the Articles of Association.

5.2. AA proposed the Articles of Association be amended in line with the new governance arrangements agreed by the Colleges Scotland Board at its meeting on Thursday 30 January 2025 and DW seconded this proposal.

5.3. **Members unanimously agreed to adopt the changes to the Articles of Association.**

6. Appointment of External Auditors

6.1. **Members noted that CT Audit Limited had been appointed as external auditors to Colleges Scotland and will audit the Financial Statements for the Year Ended 31st July 2025.**

7. AOCB

7.1. There was no other competent business raised.

8. Date of Next Meeting

8.1. The members noted the date of the next AGM is to be confirmed (envisaged March 2026).

Signed _____

Date _____

Colleges Scotland Financial Statements for the Year Ended 31 July 2025

Scottish Charity Number: SC023848
Registered in Scotland Number: SC143210

Contents

| | |
|---|----|
| <u>Report of the Directors</u> | 1 |
| <u>Independent Auditor's Report to the Directors and Members of Colleges Scotland</u> | 15 |
| <u>Statement of Financial Activities (SOFA)</u> | 19 |
| <u>Balance Sheet</u> | 20 |
| <u>Statement of Cash Flows</u> | 21 |
| <u>Notes to the Financial Statements</u> | 22 |

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 documentsMember 1-1 meetingsAttendance and offer to address individual college boards continues |

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| | <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 |

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| <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

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|-------------------------------------|--|
| 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

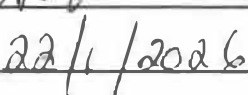
Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware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

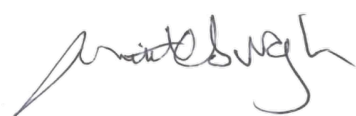
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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: 27 January 2026

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 |
| | | <u>852</u> | <u>1,139</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 13 | (352) | (489) |
| NET CURRENT ASSETS | | | |
| | | <u>500</u> | <u>650</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 551 | 719 |
| Provisions | 14 | (58) | (51) |
| NET ASSETS | | | |
| | 18 | <u>493</u> | <u>668</u> |
| FUNDS | | | |
| Restricted funds | 17 | 75 | 155 |
| Unrestricted funds : | | | |
| General funds | 17 | 418 | 513 |
| TOTAL CHARITY FUNDS | | | |
| | 18 | <u>493</u> | <u>668</u> |

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


 Chief Executive Officer
Gavin Donoghue


 Trustee
Susan Elston

DATE: 25/1/26

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 |
| Unrestricted | | |
| Subscriptions | 893 | 893 |
| Contracts and support services | 29 | 29 |
| Other Income | - | 2 |
| | <u>922</u> | <u>924</u> |
| Restricted | | |
| 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.