

City of Glasgow College

2024/25 Annual Audit Report



Prepared for City of Glasgow College and the Auditor General for Scotland
December 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2 The annual report and accounts were submitted for audit in line with the agreed timetable.

Wider scope and Best Value audit

- 3 The College reported an operating deficit of £2.3 million and an adjusted operation surplus of £0.1 million for the year to 31 July 2025.
- 4 The College has appropriate financial arrangements in place with controls generally operating as expected.
- 5 The 2025/26 budget forecasts a deficit for the fifth successive year.
- 6 The College has a five-year financial plan covering the period to 2029/30 outlining how services will be delivered longer term but it's cash balance has dropped below target.
- 7 The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress.
- 8 Governance arrangements remain appropriate but changed after the year-end to reflect the change in regional status.
- 9 The College has clear arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements.
- 10 The College has effective and appropriate high-level arrangements in place to help it achieve Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of City of Glasgow College's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to City of Glasgow College, hereafter referred to as 'the College' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
 - An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
 - An opinion on the audited part of the Remuneration and Staff Report.
 - Conclusions on the College's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - Reporting on the College's arrangements for securing Best Value.
 - Provision of this Annual Audit Report.

Appointed auditor and independence

4. Mark Laird, of Audit Scotland, has been appointed as external auditor of the College for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Mark Laird and the audit team are independent of the College in accordance with relevant ethical requirements, including the

Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the College, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the auditor and the College, with a summary outlined below.

Auditor's responsibilities

6. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on the College's arrangements in place for the wider scope areas and Best Value.

7. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the College from its responsibilities outlined below.

The College's responsibilities

8. The College has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for the College that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

9. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the College, the Audit and Assurance Committee and the Board. Details of national and performance audit reports published over the last year which may be relevant to the College can be seen in [Appendix 2](#).

Acknowledgements

10. We would like to thank the College and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit of the annual report and accounts

Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

The annual report and accounts were submitted for audit in line with the agreed timetable.

Audit opinions on the annual report and accounts are unmodified

11. The College annual report and accounts were approved by the Board on 10 December 2025 and signed by the appointed auditor on 11 December 2025. The Independent Auditor's Report is included in the College's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



The audit has been delivered in accordance with the agreed timetable

12. The unaudited annual report and accounts and all working papers were received on 6 October 2025 in accordance with the agreed audit timetable.

The audit fee is unchanged from the level reported at planning

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £68,430. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality was reviewed on receipt of the unaudited annual report and accounts

14. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the

decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

15. Materiality levels for the audit of the College were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. No changes were required to the materiality levels outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels

Materiality	
Materiality – set at 2% of gross expenditure	£1.9 million
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£1.2 million
Reporting threshold – set at 5% of materiality.	£95,000

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the College is the Audit and Assurance Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and include:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>1. Staff expenses policy</p> <p>Although our review of staff expenses did not identify any specific inappropriate expenditure, review of the staff expenses policy has identified weaknesses. The policy lacks clarity around spending limits, with guidance presented as optional rather than mandatory. This creates scope for inconsistent application and the potential for inappropriate or excessive spend. Additionally, certain categories of expenditure are not explicitly addressed, leaving room for interpretation. As a result, the College may not be consistently achieving best value in how staff expenses are managed.</p>	<p>The College should review the staff expenses policy to ensure all claims are reasonable, necessary, and aligned with the College's financial priorities.</p> <p>The policy should clearly define allowable expenses, including examples of what can and cannot be reimbursed. This would reduce ambiguity and support consistent decision-making, ensuring best value is being achieved.</p> <p>Recommendation 1 (Appendix 1, action plan)</p>

Source: Audit Scotland

19. In line with the Accounts Direction, the College includes a provision on its Balance Sheet concerning the job evaluation exercise which has been ongoing since 2018 as part of national bargaining discussions. During the 2024/25 financial year, an additional £0.9 million was provided for, increasing the total provision to £6.5 million at year-end.

20. Recent discussions with College Employers Scotland confirmed that while progress with the exercise has accelerated in recent months, a significant amount of work remains outstanding. No detailed information on potential financial implications is currently available, and the exercise has not progressed to a stage that impacts the 2024/25 annual report and accounts.

21. Formal agreement and funding for the next phase of the exercise are still pending. It is anticipated that colleges will be asked to review their identified posts against job descriptions provided by College Employers Scotland. Once this stage is complete, individual colleges may be able to reassess their provisions; however, this is not expected to occur within the next twelve months.

22. Updates on the progress of the exercise are available via the [National Joint Negotiating Committee website](#). Audit Scotland will continue to engage with College Employers Scotland to monitor developments.

Qualitative aspects of accounting practices

23. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the College's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

24. The appropriateness of accounting policies adopted by the College was assessed as part of the audit. These were considered to be appropriate to the circumstances of the College, and there were no significant departures from the accounting policies set out in the Accounts Direction for Scotland's Colleges 2024/25, the 2019 Statement of Recommended Practice: Accounting for Further and Higher education (SORP) and the Government Financial Reporting Manual (FRoM).

Accounting estimates

25. Accounting estimates are used in the College's financial statements, including the valuation of land and buildings assets and the valuation of the pension asset / liability. Audit work considered the process the College has in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

26. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 3](#).

Disclosures in the financial statements

27. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as the valuation of the pension liability.

No significant misstatements were identified during the audit process

28. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material.

29. No audit adjustments were required to the financial statements greater than the reporting threshold of £95,000.

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Significant risks of material misstatement		
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The journal authorisation control was operating effectively. • Management is not aware of inappropriate or unusual activity. • Detailed testing of journal entries and unusual transactions did not identify any errors. • There were no significant transactions outside of the normal course of business. • No issues identified with the controls in place for identifying and disclosing related party transactions. • Satisfied that changes to accounting estimates were based on a change in information provided to the College. • Substantive testing of income and expenditure confirmed that transactions were accounted for in the correct financial year and no errors were identified. • No errors were identified in the accruals and prepayments testing.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Estimation in the valuation of land and buildings</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations.</p>	<p>these for evidence of management bias.</p> <p>The audit team will:</p> <ul style="list-style-type: none"> • Review the information provided by the College to the external valuer to assess for completeness. • Review detailed working papers to support asset reviews and impairments. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the valuation process and management's involvement in this to assess if appropriate oversight has occurred. • Critically assess the approach the college has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Critically assess the adequacy of the college's disclosures regarding the assumptions in relation to the valuation of land and buildings. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The information provided by the College to the valuer was appropriate. • The College carried out an impairment review and shared the results with the valuer. • The valuer was appropriately qualified and objective. • An understanding of the valuation process was obtained at a meeting with the valuer. • The valuer was independent of the College and that management appropriately considered the advice provided. • The disclosures in the accounts were consistent with supporting material, including the valuers report.
<p>Estimation in the valuation of the pension asset / liability</p> <p>The actuarial valuation depends on a range of financial and demographic estimations about the future. The subjectivity around these estimates gives rise to a</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Consider the accuracy and completeness of information provided to the actuary. • Evaluate the professional competence of the actuary. • Consider the appropriateness of 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The College provided the actuary with relevant and accurate information. • The actuary was appropriately qualified and objective. We also used the work of an auditor's expert to support this assessment.

Risk of material misstatement	Planned audit response	Outcome of audit work
significant risk of material misstatement.	<p>assumptions used by the actuary.</p> <ul style="list-style-type: none"> Consider the reasonableness of actuarial estimates on material elements of the valuation. 	<ul style="list-style-type: none"> We attended a meeting between the College and the actuary to confirm that management appropriately considered the advice provided and offered challenge where necessary. Disclosures were consistent with supporting records, including advice from the actuary.

Source: Audit Scotland

Prior year recommendations are being progressed

31. The College has made good progress in implementing the agreed prior year audit recommendations. For actions not fully implemented, revised responses and timescales have been agreed with the College and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

32. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

33. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of the arrangements the College has in place for each is reported in this chapter.

Financial Management

Conclusion

The College reported an operating deficit of £2.3 million and an adjusted operation surplus of £0.1 million for the year to 31 July 2025.

The College has appropriate financial arrangements in place with controls generally operating as expected.

The College reported an operating deficit of £2.3 million and an adjusted operation surplus of £0.1 million against an initial budgeted deficit of £0.5 million

34. The College reports its financial performance over the academic year to 31 July. It must meet the resource expenditure limits set by the Scottish Government Lifelong Learning Directorate through the Scottish Funding Council. These require the college to break even at 31 July against its agreed budget.

35. As shown in [Exhibit 4](#), the College reported an operating deficit for the year to 31 July 2025 of £2.3 million (£0.8 million deficit in 2023/24) in its

Statement of Comprehensive Income (SoCI). This represents an increase of £1.5 million since 2023/24.

Exhibit 4

Financial performance in 2024/25

Financial performance	2024/25 (£m)	2023/24 (£m)	Difference (£m)
Income	93.4	92.4	1.0
Expenditure	(95.7)	(93.2)	(2.5)
Surplus/(Deficit)	(2.3)	(0.8)	(1.5)

Source: City of Glasgow College annual report and accounts 2024/25

36. The 2024/25 financial statements direction from the Scottish Funding Council (SFC) requires the disclosure of an adjusted operating position. This is intended to reflect the underlying operating performance after allowing for material one-off or non-cash items (e.g. depreciation, pension adjustments, exceptional income or expenditure).

37. The College's adjusted operating position in 2024/25 was a surplus of £0.1 million, see [Exhibit 5](#). The adjusted surplus represents 0.1% of total income. The College had originally forecast a deficit of £0.5 million. This more favourable outcome has been mainly due to an increase in SFC grants, a reduction in Faculties and Directorate expenditure and a reduction in employers contribution rates, as outlined in [Exhibit 6](#).

Exhibit 5

Adjusted operating position in 2024/25

Adjusted operating position	2024/25 (£m)	2023/24 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(2.3)	(0.8)	(1.5)
Depreciation (net of deferred capital grant release)	6.0	5.7	0.3
Non-cash pension adjustments	1.8		1.8
Payments to early retirement provision		0.2	(0.2)
Cost of middle-management job evaluation not matched by revenue	0.9	0.9	-

Non-Government grants	(0.3)		(0.3)
Exceptional income			
NPD income applied to reduce NPD balance sheet debt	(6.0)	(5.9)	(0.1)
Adjusted Operating Surplus/Deficit	0.1	0.1	-

Source: City of Glasgow College Annual Report and Accounts 2024/25

Nine employees left the College in 2024/25 through the voluntary severance scheme, which has been extended to 31 July 2028

38. The voluntary severance (VS) scheme resulted in nine employees leaving during 2024/25 at a total cost of £0.3 million. This is projected to achieve annual savings of £0.6 million.

39. The College committed to no compulsory redundancies in 2024/25, however this commitment has not been extended into future years. Having a VS scheme available mitigates against any prospect of compulsory redundancies. In addition, work is underway to manage vacancies of £1.4 million and temporary fixed term contracts of £1 million.

40. While there has been significant organisational change at the College in recent years, the projected financial position remains extremely challenging with continued cost increases and real term cuts in core funding from the SFC. These pressures mean the College will require further staff cost savings in 2025/26. As a result, the VS scheme has been extended to 31 July 2028.

41. As colleges are funded through achievement of credit targets (based on hours of learning activity), the College will need to carefully manage its redundancies to ensure credit targets can be achieved. The College is reviewing the curriculum, course delivery, teaching hours and staffing structure to mitigate the impact of future projected financial deficits.

Budget processes were appropriate and are well established

42. Both the Finance Committee and the Board of Management regularly inspect management information and review forecasts to understand the current projected outturn.

43. The initial 2024/25 budget was presented to the Board in June 2024 setting out an underlying deficit position of £0.5 million. In March 2025, the forecast deficit had reduced to £0.3 million and in June 2025 this had reduced further to £0.1 million.

44. The main variances resulting in the overall surplus of £0.1 million at 31 July 2025 are included at [Exhibit 6](#).

Exhibit 6

Summary of significant variances against budget

Area	£m	Reasons for variance
Favourable		
Increase of SFC maintenance grant	0.2	Increase of SFC maintenance grant used to cover NPD costs
Increase of SFC national insurance grant	0.2	Used to partially cover the additional national insurance cost of £0.4 million
Increase of other SFC grants	0.4	Relates to monies received for the Scottish Teachers' Superannuation Scheme which were £0.2 million more than budgeted, as well as income relating to other projects such as supporting mental health, counselling and the Young Person's Guarantee funding
College Foundation	0.4	Used to fund capital projects to enhance the student experience and develop the City Attributes program
Reduced Strathclyde Pension Fund contribution	0.6	Pension costs saved due to agreed reduction in employers contribution rate
Expenditure decreased	0.8	Faculties and Directorates collaborated with Finance to review expenditure monthly to reduce costs and obtain value for money
Adverse		
SFC Deferred Grant reduction	0.3	This was matched with a reduction in depreciation of the same amount
Tuition fees reduction	0.6	Relates to a reduction in higher education and commercial fees.
Other income reduction	0.4	Relates to income from catering and the Nautical Faculty

Area	£m	Reasons for variance
Increase of staff costs	0.1	Due to the increased national insurance costs and exceptional costs relating to VS, offset by staff savings from vacancies not recruited plus savings generated by VS

Source: City of Glasgow College 2024/25 Financial Forecast Updates

45. We observed that senior management and members receive regular and accurate financial information on the financial position. The College has appropriate budget setting and monitoring arrangements and has demonstrated good practice through their continued revision of financial outturn based on emerging information.

Current levels of capital funding do not meet capital and maintenance needs

46. In 2024/25, the capital and maintenance grant funding of the College was £1.4 million, which is significantly below the £3 - 5 million required per annum, and as such, a phased and prioritised approach to allocation is used.

47. The failure to secure adequate capital investment remains a high-rated risk on the College's strategic risk register. There is a risk that the College may be unable to replace essential equipment as it reaches the end of its useful life, due to a persistent and substantial capital funding gap. To mitigate this risk, the College has developed a capital asset replacement plan and continues to phase and prioritise capital expenditure accordingly.

48. The indicative SFC funding allocation for 2025/26 indicates a cash flat settlement capital grant of £1.4 million. To meet capital expenditure requirements, management has assumed funding of £0.6 million from the Foundation. It is anticipated that the College will drawdown the remaining £1.4 million balance from the Foundation over the next three years.

49. In light of the ongoing funding constraints, the College intends to review future capital plans with a focus on prioritising business-critical investment and phasing projects over an extended timeframe.

Our review of internal control arrangements in 2024/25 found that these were appropriate but we identified some areas for improvement

50. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit,

which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

51. From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we identified some internal control weaknesses. In particular there was no payroll employee validation exercise carried-out in 2024/25. As part of our final accounts audit we substantively tested staff costs and did not identify any errors in our sample.

52. Audit work has been undertaken to provide an audit opinion on the annual report and accounts, and in response to additional responsibilities set out in the Code of Audit Practice. The control deficiencies reported here are limited to those we identified while completing audit work for these purposes.

53. The College has adequate arrangements in place to prevent and detect fraud or other irregularities.

National Fraud Initiative

54. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

55. The College enrolled and submitted 2024/25 payroll and creditor datasets to identify duplicate creditor payments, undeclared interests (through matching of payroll to creditors and to Companies House), and instances where staff may have jobs with other public sector bodies. We will report on the results of this exercise as part of our 2025/26 Annual Audit Report.

Financial Sustainability

Conclusion

The 2025/26 budget forecasts a deficit for the fifth successive year.

The College has a five-year financial plan covering the period to 2029/30 outlining how services will be delivered longer term but it's cash balance has dropped below target.

The SFC Report on *Financial Sustainability of Colleges in Scotland 2022/23 to 2027/28* outlines the financial implication on the college sector in Scotland

56. The SFC Report on [Financial Sustainability of Colleges in Scotland 2022/23 to 2027/28](#) was issued in September 2025. The report highlighted that many colleges are at risk of becoming unsustainable, with 9 colleges reporting an adjusted operating deficit in 2023/24 compared to 21 colleges in 2022/23. A total of 17 colleges (68%) expect to report adjusted

operating deficits in 2024/25, increasing to 22 colleges (92%) in 2025/26 before reducing to 21 colleges (88%) in 2026/27 and 20 colleges (83%) in 2027/28.

57. Significant staff reductions of 667 FTEs are projected over the forecast period (6.6% of FTE staff employed in the sector). Staff reductions are expected to be achieved through a combination of vacancy management, voluntary severance schemes and compulsory redundancy. Colleges have highlighted this could compromise their ability to deliver a range of high quality and diverse education services during a period of fundamental restructuring.

58. The sector reported an aggregate cash balance of £130.5 million at the end of 2023/24 but cash reserves are forecast to deteriorate to £35.1 million by the end of 2025/26 and a negative position of £46.2 million by the end of 2027/28. There is an imminent risk of some colleges becoming insolvent by the end of 2025/26. While no college reported a cash deficit at the end of 2023/24, four colleges are forecasting a cash deficit by the end 2025/26, increasing to 12 colleges by the end of 2027/28.

The College's medium-term position looks increasingly challenging

59. Audit Scotland's, [Scotland's Colleges 2025](#) report, reinforces the financial challenges facing the sector, highlighting there has been a 20% real terms reduction in college funding between 2021/22 and 2025/26.

60. In light of this risk, we reviewed the College's 2025/26 budget and financial plans, including the medium to long-term. We also considered the measures the College has taken and has planned to respond to these significant challenges.

The 2025/26 budget forecasts a deficit for the fifth successive year

61. The 2025/26 budget was agreed in June 2025 at a deficit of £0.2 million and a projected year-end cash balance of £3.9 million. The budget forecasts a deficit for the fifth successive year. This reflects the ongoing financial pressures, despite a projected £2.3 million increase in income. Rising staff and property costs continue to outpace income growth, with staff costs alone increasing by £2.5 million year-on-year.

62. To mitigate the deficit, the budget includes £1.5 million in staff savings and £0.3 million in non-staff efficiencies. These are based on planned vacancy management, fixed-term contract reductions, and potential voluntary severance. While the savings are clearly identified, delivery will depend on effective implementation and uptake.

63. The budget also anticipates growth in tuition fee income and commercial activity, though international income is expected to decline. Overall, the financial position remains challenging, and achieving a break-

even outcome will require close monitoring and robust execution of savings plans.

The College has a five-year financial projection covering academic years 2025/26 to 2029/30

64. The College has developed a five-year financial projection from 2025/26 to 2029/30 which incorporates key assumptions, dependencies and sensitivities potentially impacting the College's long-term financial sustainability. The projection is updated annually and assumptions appear reasonable, but should be kept under review in light of changes in the wider economy.

65. The projection presents a scenario planning approach taking into account a 'do nothing' approach steady with inflation; and a steady income growth of commercial income through new business and efficiencies through staff and non-staff costs scenario.

66. As part of the forecast, the College monitors its cash position. While the cash position is currently relatively healthy, the forecast shows that may change in the coming years.

67. [Exhibit 7](#) shows a projected underlying deficit for 2025/26, with an underlying surplus being achieved by 2026/27, and beyond, if income growth and efficiencies can be realised. The College made budgetary improvements in a phased manner which were required to reduce the projected deficit for 2024/25. Pay awards for support staff have been settled until 31 August 2025 and lecturing staff until 31 August 2026.

Exhibit 7

Projected underlying operating positions

Underlying operating surplus / (deficit)	2025/26 £'million	2026/27 £'million	2027/28 £'million	2028/29 £'million	2029/30 £'million
'Do nothing'	(0.172)	(3.777)	(5.515)	(5.739)	(5.967)
Income growth and efficiencies	(0.172)	0.031	0.213	0.138	0.063

Source: City of Glasgow College Financial Projection Five-Year View

68. The five-year financial projection includes staff efficiencies of £1.5 million in 2025/26, £3.3 million in 2026/27 and £1.0 million in 2027/28, as well as operating expenses efficiencies of £0.25 million in 2025/26, 2026/27 and 2027/28. For 2025/26, operating expenses efficiencies have

been fully identified, however departments are being asked to identify staff efficiencies in order to achieve the target of £1.5 million – this is ongoing. See prior year recommendation 1 ([Appendix 1](#)).

Cash balance has dropped below target, with further reductions forecast over the next three years

69. A college's cash balance conveys the level of working capital available to meet operating costs. A key measurement is the number of days cash is held. Colleges should set a target number of days cash which reflects normal income and expenditure patterns.

70. At 31 July 2025, the College held a cash balance of £5.3 million. The underlying cash balance represented 20 cash days in hand and was 5 less than the target of 25 days. The College forecasts that its cash balance will be £3.9 million in 2025/26, £3.9 million in 2026/27 and £4.1 million in 2027/28.

71. These figures indicate that the College is operating below its target cash reserve level, which may limit flexibility in managing short-term financial pressures. Continued monitoring will be important to ensure sustainability as forecast balances remain tight over the coming years.

Recommendation 2

The College should take steps to improve liquidity levels, as cash reserves remain below target and are forecast to remain constrained. Strengthening financial planning and regularly monitoring cash flow projections will support timely decisions and long-term sustainability.

Vision, Leadership and Governance

Conclusion

The College has a clear vision and strategy with appropriate arrangements in place to monitor progress.

Governance arrangements remain appropriate but changed after the year-end to reflect the change in regional status.

The College has a clear vision and strategy with appropriate arrangements in place to monitor progress

72. The College has a strategic plan which covers the period from 2021-2030. This sets out the strategic priorities and supporting strategies. All documents are available on the College website.

73. Progress is measured and tracked through the College's Balanced Scorecard. These annually outline progress against strategic priorities, as per the strategic plan. It provides an update using a RAG (red, amber, green) status style of reporting as well as giving more detail behind each priority. This allows members to challenge and scrutinise progress made against the objectives. The Board review the Balanced Scorecard as part of its annual Strategic Planning Day, making any relevant recommendations.

74. It is evident that the College has a clear vision supported by effective monitoring.

Governance arrangements continued to operate effectively

75. The College's governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

76. Papers and minutes for Board and appropriate committee meetings, including financial and performance information are made available on the College's website.

77. Our observations at Audit and Assurance Committee meetings, in particular, throughout the year have found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

Governance arrangements changed after the year-end to reflect the change in regional status

78. The Glasgow Colleges' Regional Board (GCRB) was the regional strategic body for the Glasgow region. GCRB was granted 'fundable body' status on 1 April 2018 and thereafter the College was funded directly by GCRB.

79. On 30 July 2025 GCRB was dissolved with City of Glasgow College transitioning from an assigned college to a regional college on that date. Consequently, the Scottish Government appointed a regional chair in August 2025 for a period of 4 years.

80. The change in regional arrangements has been managed well by the College and there has been no significant impact from this transition.

The College has reviewed controls following a breach of the SFC Financial Memorandum

81. During 2024/25, Internal Audit undertook an independent review of a reported breach of the SFC Financial Memorandum. The review assessed compliance with the Financial Memorandum and the Scottish Public Finance Manual, identified the root cause of the breach and evaluated control weaknesses. The review also recommended actions to strengthen

the control environment and provide assurances to the GCRB that measures are in place to prevent recurrence.

82. The review concluded that the breach resulted from a keying error in calculations for a voluntary severance agreement. This error was caused by human input and unrestricted access to a master spreadsheet lacking appropriate protections. Recommendations were agreed to address these weaknesses, and the Audit and Assurance Committee was advised that implementation should enable the College to provide the assurances required by the SFC. This has been reflected in the Governance Statement.

83. As part of our external audit, we considered Internal Audit's findings and tested a sample of exit packages for 2024/25. No further issues were identified, and we are satisfied that controls are in place to mitigate this risk.

Board self-evaluation highlights strong governance and engagement, with areas identified for further development

84. The Board of Management 2024/25 Self-Evaluation Report was produced in line with the Code of Good Governance for Scotland's Colleges and went to the October 2025 meeting. It provides a structured review of the Board's effectiveness, highlighting strengths and areas for development. The findings inform the Board Development Plan and are shared with the Scottish Funding Council and Scottish Government.

85. The Board recorded its highest satisfaction levels to date, with strong performance across governance, leadership, and compliance. Over 70% of responses were rated green, with no red ratings. Strategic oversight was seen as effective, with clearer alignment to College priorities. However, members noted the need for more opportunities to shape long-term strategy.

86. Student engagement was a key strength, with active contributions from student members and high-quality input from the Students' Association. Improvements are needed to enhance strategic involvement and link discussions more clearly to student outcomes.

87. Governance structures and committee oversight were rated positively. Areas for development include improving understanding of Board responsibilities under the Code and as charity trustees.

88. Board recruitment and induction were well received, and development opportunities were valued. However, concerns were raised about dense agendas and papers, and the need to foster a more collegial culture.

89. Stakeholder engagement was strong, but the Board's ambassadorial role requires clearer definition. Improved reporting is recommended to better capture the impact of external engagement.

90. The above insights gathered from the self-evaluation exercise inform the ongoing work of the Board and contribute to the development of the Board Development Plan. In accordance with the Code of Good Governance for Scotland's Colleges, both the Self-Evaluation Report and the Board Development Plan are submitted to the SFC and the Scottish Government, and are published on the College's website.

Use of Resources to Improve Outcomes

Conclusion

The College has clear arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements.

The College has effective and appropriate high-level arrangements in place to help it achieve best value.

Duty of Best Value

91. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

92. Consideration of the arrangements the College has in place to secure Best Value has been carried out alongside the wider scope audit. The audit work performed found these were effective and appropriate. This judgement is evidenced by:

- the College having well established and effective governance arrangements in place, with the Best Value being a key aspect of those arrangements.
- the arrangements the College has in place around the four wider scope audit areas contribute to it being able to secure Best Value.
- progress the College is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

93. Management produced a formal Best Value document that was approved by the Senior Management Team on 21 August 2024 and the Finance Committee on 27 November 2024. This details the overall Operational Plan Key Strategic Priorities and how these link to the BV

characteristics. It also shows the performance measures hierarchy used to measure performance against the key strategic priorities.

Appropriate arrangements are in place to demonstrate commitment to fairness and equality

94. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit.

95. The College published its 2025 Equality Mainstreaming Report in October 2024. This sets out how it meets its obligation under the public sector equality duty and demonstrates how fairness and equality is embedded across its responsibilities as an employer and in the service it delivers.

96. The report highlights some key developments in this area:

- Enhanced representation of women, individuals from Black and Minority Ethnic (BME) backgrounds, and those under the age of 50 at Board level;
- Strengthened gender balance across recruitment processes
- Growth in the proportion of staff identifying as disabled and/or from BME communities;
- Achieved near gender parity in student enrolment, with increased diversity and a notable shift towards a more mature student demographic;
- Evidenced a strong commitment to Equality, Diversity and Inclusion (EDI) through a range of initiatives, including the EmilyTest Charter, LGBT+ Youth Scotland Gold Charter Awards, and the City Welcomes programme;
- Provided comprehensive support to students via learning support services such as needs assessments, in-class assistance, assistive technologies, coaching and mentoring, and study skills development;
- Promoted staff wellbeing through access to PAM Assist, a suite of wellbeing programmes and resources, and EDI training.

97. Our audit work found evidence of appropriate arrangements in place to demonstrate fairness and equality, both strategically and operationally.

The College has an appropriate performance management framework which is linked to its Strategic Plan

98. Securing the economical and effective management of the College's resources and expenditure is the responsibility of management. The

Financial Memorandum between the SFC and the College requires the college:

- to have a strategy for reviewing management's arrangements for achieving value for money
- as part of internal audit arrangements, to obtain a comprehensive appraisal of management's arrangements for achieving value for money.

99. The College's Strategic Plan details how it plans to achieve value for money. It identifies eight strategic priorities, under four themes, and five supporting strategies to deliver.

100. Annual monitoring reports submitted to the Board provide members with a balanced scorecard showing progress against each Key Performance Indicator (KPI) under the eight priorities using RAG status. The most recent report in November 2025 shows that 24 of the KPIs were rated green (18 last year), 7 amber (5 last year) and 2 were rated as red (6 last year). Three indicators did not have data available as this was not collected for the year.

101. Overall, this shows an improvement on the prior year performance. The College rated the scorecard as green, identifying that "the College remains on track with its adjusted growth position, noting the significant external challenges the College will continue to face, especially the contraction of the college sector".

102. In respect of the College's aim to be sector leading, they have rated this as amber, identifying that "when benchmarked with the sector and the region, the College is behind where it expects to be". This reflects the assessment that the College are behind the sector in relation to student satisfaction, student attainment and retention of learners. They are however high performing in areas such as volume of provision delivered, learner destinations, and the proportion of staff with a Teaching Qualification for Further Education (TQFE).

103. Much of this data is represented in the annual report and accounts, within the performance report section. The level of coverage varies and while some are presented in tabular form, others are presented in narrative. From review, the level of reporting appears reasonable and appropriate and provide readers with a sense of the College's overall performance.

Student attainment levels show improvement on the previous year

104. [Scotland's Colleges 2025](#) reported that the total number of students decreased by over 30,000 in 2023/24 from the previous year, which represents 12.4%. This is consistent with the reduction in the credit target at the College falling from 192,646 in 2021/22 to 157,800 in 2024/25.

105. Despite the funding constraints, student demand remains strong. The College received an increased amount of applications, in particular an increase in the number of first choice applications for the second year in a row from 24,235 to 25,359.

106. The number of students awarded places on courses in 2024/25 remained broadly consistent with the previous year, with 24,452 enrolments compared to 24,751 in 2023/24. In 2024/25, 59% of these places were funded by the SFC, which is notably lower than the sector average of 72% in 2023/24. This reflects the College's broader portfolio of commercial, international, and other non-SFC funded activity.

107. Student satisfaction rates nationally have remained high at over 90% for both full-time and part-time. Satisfaction levels at the College are consistent with this and have improved further in 2024/25. Learner satisfaction increased by 9% to 93%, the highest in 5 years, and positive destinations stand at 97%.

108. Another key performance metric for colleges is the educational attainment achieved by its students. In 2024/25, the College's attainment figures improved ([Exhibit 8](#)). Overall, the College is delivering service levels consistent with its strategic objectives.

Exhibit 8

Key performance indicators – trend analysis

KPI	2024/25	2023/24	2022/23	2021/22	2020/21
Full-time FE	94%	90%	86%	86%	80%
Full-time HE	91%	82%	83%	76%	74%
Part-time HE	87%	70%	84%	70%	74%
Part-time FE	96%	95%	94%	85%	84%

Source: City of Glasgow College annual report and accounts 2024/25

The College is working effectively with partners to meet stated outcomes and improvement objectives

109. Our outcomes for public audit note that tackling complex social and environmental challenges requires better collaboration across public bodies, with an increase in the pace and scale of reform needed across the Scottish public sector. While public bodies need to deal with immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs.

110. The College continues to demonstrate strong performance in meeting external quality standards and awarding body requirements. All

accreditations were successfully retained in 2024/25, including recertification from the Maritime Coastguard Agency and the British Standards Institute.

111. Feedback from external bodies such as the Scottish Funding Council, Quality Assurance Agency, and Scottish Qualifications Authority was positive, with no significant issues reported. The College's Self-Evaluation Action Plan was well received, and student engagement was highlighted as a particular strength.

112. The College also achieved recertification for Customer Service Excellence, with an increase in service areas rated as "compliance-plus." Work is ongoing to map all accreditations and ensure appropriate ownership and quality assurance across programmes.

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Staff expenses policy</p> <p>The staff expenses policy lacks clarity around spending limits, with guidance presented as optional rather than mandatory. This creates scope for inconsistent application and the potential for inappropriate spend. Additionally, certain categories of expenditure are not explicitly addressed, leaving room for interpretation.</p> <p><i>Risk - Best Value is not achieved in how staff expenses are managed.</i></p>	<p>The College should review the staff expenses policy to ensure all claims are reasonable, necessary, and aligned with the College's financial priorities.</p> <p>The policy should clearly define allowable expenses, including examples of what can and cannot be reimbursed. This would reduce ambiguity and support consistent decision-making, ensuring best value is being achieved.</p> <p>Exhibit 2, item 1</p>	<p>Accepted</p> <p>Management accepts this recommendation and acknowledges the importance of a clear and robust staff expenses policy to ensure transparency, consistency, and alignment with the College's financial priorities.</p> <p>A review of the current staff expenses policy will be undertaken as part of the wider implementation of a new HR system, which is currently in progress. This project provides a timely opportunity to modernise and streamline HR and payroll-related processes, including expense management.</p> <p>Policy was updated in April 2025, for full alignment with new system. This will be reviewed again once the system is implemented at the beginning of Academic Year 2026/27.</p> <p><i>Vice Principal - People and Corporate Support</i></p> <p><i>30 September 2026</i></p>
<p>2. Cash reserves below target level</p> <p>The College held a cash balance of £5.3 million at 31 July 2025, equivalent to 20</p>	<p>The College should take steps to improve liquidity levels, as cash reserves remain below target and are forecast to remain constrained. Strengthening</p>	<p>Accepted</p> <p>Cash Flow is closely monitored on a regular basis with returns made, as part of</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>cash days in hand, which is below its target of 25 days. Forecasts indicate that cash reserves will remain below target over the next three years, highlighting a risk to financial flexibility and resilience.</p> <p><i>Risk - Reduced cash reserves may limit the College's ability to respond to unforeseen financial pressures and impact operational sustainability.</i></p>	<p>financial planning and regularly monitoring cash flow projections will support timely decisions and long-term sustainability.</p> <p>Paragraph 71.</p>	<p>a sector requirement to the SFC.</p> <p><i>Chief Financial Officer</i></p> <p><i>Ongoing</i></p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Savings plans</p> <p>The current five-year financial projection does not fully detail how planned savings will be achieved.</p> <p><i>Risk – planned savings are unachievable, putting further pressure on financial sustainability.</i></p>	<p>Recommendation - Savings plans should be further developed to outline how planned efficiencies in the five-year financial projection will be achieved.</p> <p>Agreed action - Savings identified in 5 year plan will be further developed to identify specific areas where savings will be made.</p> <p><i>Chief Financial Officer</i></p> <p><i>May 2025</i></p>	<p>Work in progress</p> <p>As part of the budget and forecast review process, a 5% saving has been implemented across all faculty and directorates, and will be reviewed to its effectiveness on a regular basis.</p> <p><i>Chief Financial Officer</i></p> <p><i>Ongoing</i></p>
<p>2. Asset tagging</p> <p><i>Per 22/23 AAR - We identified through our testing of non-current assets that assets in the 'other equipment' category are not physically uniquely identified with a college asset tag. Only IT equipment is tagged.</i></p> <p><i>Risk – the completeness of the asset register cannot be</i></p>	<p>Recommendation - The college should consider tagging all equipment assets to ensure each can be uniquely identified.</p> <p>Revised 23/24 agreed action - The college has prioritised tagging high-cost assets (value above £1,000) as part of a structured 3-year plan. To date 86% of relevant assets have been tagged.</p>	<p>Implemented</p> <p>The College has completed the asset tagging process for all equipment assets valued above £1,000, in accordance with the agreed audit action. This represents a key step in improving the accuracy of the asset register and supporting more effective asset tracking and verification. The structured approach taken</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<i>confirmed as physical assets cannot be uniquely identified.</i>	<p>This initiative marks a significant step towards improving asset tracking and will be extended in 2025/26 to ensure broader coverage i.e. assets with a value above £500.</p> <p><i>Associate Director, Procurement & Asset Management December 2025</i></p>	<p>contributes to strengthening asset management controls and aligns with good practice in fixed asset governance.</p>

Appendix 2 – National reports

Report name	Date published
Scotland's colleges 2024	19 September 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Auditing climate change	7 January 2025
Additional support for learning	27 February 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Scotland's colleges 2025	2 October 2025

City of Glasgow College

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