

Audit scope

Scotland's colleges 2026

An overview of college sector performance in 2024/25

AUDITOR GENERAL 

Prepared by Audit Scotland
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Background

Scotland's colleges play a significant role in our post-school skills and education sector, offering a wide range of academic and vocational courses and pathways to employment, higher education, and apprenticeships. Colleges have a vital role in providing a skilled workforce that meets local and national demand, supporting Scotland's sustainable economic development.

Our [Scotland's colleges 2025](#) report highlighted the increasingly challenging landscape in which the college sector operates:

- a 20 per cent real terms reduction in funding over the last 5 years and colleges forecasting further deficits
- over seven per cent reduction in the sector workforce in 2023/24
- curriculum and estate rationalisation to make savings

Colleges are heavily reliant on public funding. Over 75 per cent of college income comes from the Scottish Government, distributed by the Scottish Funding Council (SFC). The remaining income is generated from tuition fees, commercial activity, and from research grants and sponsorship.

Identifying new income streams is one option available to colleges to help them remain financially sustainable but opportunities to do vary across the sector. And while colleges can benefit from income generating activity, this comes with a degree of risk that must be managed effectively.

We recommended in our [Scotland's colleges 2025](#) report that the Tripartite Alignment Group (consisting of the Scottish Government, the SFC and Colleges Scotland) set out plans for colleges to diversify income streams, outline the associated risks, and set out what enabling support the Scottish Government and the SFC will provide to colleges.

Why this audit is important

This report on Scotland's colleges will support scrutiny of the financial sustainability and overall performance of the sector and is particularly important during a time of significant challenges for colleges.

What this audit will look at

The audit aims to answer the following questions:

- What was the college sector financial outturn in 2024/25 and how financially sustainable are Scotland's colleges?
- How well did the college sector perform in 2024/25?
- How effective is increasing income generating activity as a means of supporting financial sustainability in the college sector?
- How well have stakeholders demonstrated effective leadership through implementation of Audit Scotland recommendations to address the systemic challenges facing Scotland's college sector?

[Post-school education and skills reform](#) is the subject of a separate audit and will not be considered in detail as part of this report.

How we will carry out this audit

We will review college sector performance in 2024/25 through:

- **Literature review and data analysis:** Reviewing audited 2024/25 annual accounts, annual audit reports and published research and financial data.
- **Stakeholder interviews:** Engaging with key stakeholders from the Scottish

Government, Scottish Funding Council, and Colleges Scotland.

- **College engagement:** to gather feedback directly from colleges.

What we want to happen as a result

This report will provide an independent overview of the financial health of the college sector and how colleges are performing.

Our spotlight on income generation will allow us to identify the scale of and approaches to income generation across the sector, highlight good practice and success where we see it, and outline challenges and risks faced by colleges so that lessons can be learned.

We will also assess progress made by the key stakeholders implementing recommendations set out in our previous reports published in 2024 and 2025. Where appropriate, we will make further recommendations to support the college sector to achieve its objectives.

Timetable

We plan to publish the report on behalf of the Auditor General for Scotland in September 2026.

Following publication, the Auditor General will present our findings to the Scottish Parliament's Public Audit Committee

Contact

If you have questions about this audit, please contact our communications team on media@audit-scotland.gov.uk.

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