News release

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Colleges' financial challenges increase

Scotland's colleges faced growing financial strain in 2024/25, with a rising number reliant on cash advances from the Scottish Funding Council.

Scotland's 19 incorporated colleges reported a collective £5.6 million deficit in 2024/25. Five colleges needed a cash advance from the SFC in the same year – three more than in 2023/24. And some colleges have needed advances to be rolled forward into the next financial year.

Despite an increase of over nine per cent in Scottish Government funding for colleges in 2026, overall funding remains seven per cent lower in real terms than in 2021. It is not clear if this year's uplift will help colleges reform. Meanwhile, the Scottish Government and its partners have been slow to progress reforms, including to how the sector is funded.

The sector has cut its workforce by 13 per cent since 2019 to reduce costs, and most colleges have limited ability to generate income. Student numbers continue to fall but the sector has proven resilient. The proportion of students successfully completing courses rose in 2024/25, and most students went on to further study, training or employment.

Stephen Boyle, Auditor General for Scotland, said:

'The financial pressure on Scotland's colleges is increasing, and their situation remains extremely challenging. Without urgent and successful reform of the sector, it's not clear if colleges can continue to deliver for students and employers.

'The recommendations I made in 2025 remain important, but they are still in the early stages of being addressed. The Scottish Government, Scottish Funding Council and colleges need to take action to implement them at pace.'

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Notes to Editor:

1. The Auditor General has made no new recommendations in his 2026 Colleges Briefing. Slow progress has been made on the eight recommendations from 2025 (see Appendix 1 of the report), many of which remain in the early stages of implementation.

2. The 2025 recommendations include calls for the Scottish Government to issue clear guidance on its expectations of colleges in relation to its public sector reform ambitions; and to identify ways to analyse the economic impact of reducing funding to the college sector.

3. The 2025 recommendations also call on the Scottish Funding Council to prepare a plan to identify how it will measure unmet demand for college courses.

4. In 2024/25 financial year, 282 staff took voluntary redundancy. There has been a 13 per cent decrease in the college workforce between 2019 and 2026. This compares to a 12 per cent increase in staffing across the devolved public sector in Scotland.

5. The Scottish Government allocated £721 million to the college sector in for 2026/27 - a 9.3 per cent increase from 2025/26 in cash terms.

6. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit.scot

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