

Address:
110 George Street
Edinburgh EH2 4LH

Telephone:
0845 146 1010

Website:
www.audit-scotland.gov.uk

Email:
info@audit-scotland.gov.uk

News release

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Scotland's college finances are sound but further savings needed

The finances of Scotland's colleges continue to be generally sound. However, funding for colleges continues to fall, and further savings will be needed from the current programme of college mergers.

An Audit Scotland report published today, *Scotland's colleges 2013*, provides an update on the sector's financial standing and reviews recent progress towards the structural reform of colleges. The reforms are aimed at helping colleges better meet local needs for further education and make savings through increased efficiency.

The report says that in 2011-12:

- There were 37 incorporated colleges with 258,000 students
- the sector's overall finances were generally sound, with a relatively small combined surplus of £2.2 million
- income fell by nine per cent, including a £56 million real terms cut in Scottish Funding Council (SFC) grants, the main income source. SFC funding will continue to drop over the next two years
- colleges cut total staff from 12,800 full-time equivalents to 11,600, with most reductions falling on teaching staff.

The sector is restructuring, creating 13 new regions and merging colleges to reduce the number to 21 by the end of 2013. The status of colleges is also changing; they will become public bodies in April 2014 and this may restrict their ability to build up financial surpluses.

Colleges have sustained the level of education they deliver and continued to meet their annual targets. However, a Scottish Government emphasis on full-time courses has led to a drop in the total number of students, and prioritising learning opportunities for young people may limit opportunities for people older than 24.

Auditor General for Scotland Caroline Gardner said:

"The finances of Scotland's colleges are generally sound. However, income has fallen significantly and this will continue for the foreseeable future. Colleges will have to manage these funding reductions and changes in structure and status while meeting local communities' demands for further education.

"The Scottish Government and Scottish Funding Council will need to assess and manage the impact of colleges becoming public bodies on their finances. They will also need to monitor the savings and other benefits from mergers, and the impact that prioritising younger students and full-time courses has on the opportunities for older people."

For further information contact Simon Ebbett Tel: 0131 625 1652 sebbett@audit-scotland.gov.uk

Notes to editors

1. This report is based on the audited accounts of colleges for 2011-12, the most recently completed college financial year. The college financial year differs from the standard financial year; it is the same as the academic year and runs from 1 August to 31 July. Audited accounts have to be laid in the Scottish Parliament by 30 April the following year (i.e.: the audited accounts for the 2011-12 year were published by the end of April 2013).

2. Colleges are now organised into 13 regions: Aberdeen & Aberdeenshire, Ayrshire, Borders, Central, Dumfries & Galloway, Edinburgh, Fife, Glasgow, The Highlands & Islands, Lanarkshire, Tayside, West; and West Lothian. Appendix 1 in the report details the colleges within each region.

3. There were 37 incorporated colleges in 2011-12. During the 2012 calendar year, Edinburgh's Telford College, Jewel & Esk College and Stevenson College merged to form Edinburgh College, and Barony College, Elmwood College and Oatridge College merged with the Scottish Agricultural College to form Scotland's Rural University College. At June 2013 there were 32 incorporated colleges.

4. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
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