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News release

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Colleges coped well with significant reforms but still face challenges

Scotland's colleges maintained sound finances and learning while undergoing significant reforms. The sector must now prepare to address future challenges as these changes continue to take effect, Audit Scotland reports today.

In *Scotland's Colleges 2015*, Audit Scotland states that reducing the number of incorporated colleges to 20 and creating 13 new college regions has had implications for funding, learning provision, and how colleges are managed and scrutinised.

Colleges' planning for mergers was generally good and carried out on time, with the changes to date having little negative impact on students. The report notes that the introduction of outcome agreements, the creation of regional bodies, and the reclassification of colleges as public bodies have increased their accountability and reduced autonomy.

However, while mergers have helped deliver savings through reducing staff costs, the Scottish Government and Scottish Funding Council (SFC) must specify how they will measure other expected benefits of reform, such as better employer engagement and less duplication in course provision. The report further states that the SFC needs to improve how it reports colleges' progress against outcomes, to support greater transparency and scrutiny of performance.

Reductions in staff costs were achieved mainly through voluntary severances, and auditors found weaknesses in how a small number of colleges had managed severance payments for senior staff.

Caroline Gardner, Auditor General for Scotland, said: "The last few years have placed significant demands on colleges in Scotland as they managed a complex programme of reform. Our report is intended to support them in learning from how these reforms were delivered and addressing areas that need to improve.

"In the main, colleges coped well with substantial changes to the way they work, maintaining sound finances and completing mergers on time, without negatively affecting students during the process.

"Many of the effects of the mergers are still taking place, however, and there are continuing challenges for the sector. It's important that the Scottish Government and the SFC work with colleges to measure and publicly report on whether the reforms have delivered all of the intended benefits."

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Notes to editors

1. The number of incorporated colleges in Scotland has reduced from 37 in 2011/12 to 20 in 2014/15. This figure relates to colleges incorporated under the Further and Higher Education (Scotland) Act 1992. There are a further six colleges not incorporated under the Act: Argyll College, Newbattle Abbey College, Orkney College, Sabhal Mòr Ostaig, Shetland College and West Highland College. Since October 2012, 25 colleges have merged to form nine colleges. There are a total of 10 colleges

formed through mergers, with City of Glasgow College forming in 2010. This report focuses on the nine more recent mergers. Three former further education colleges are now classed as part of the higher education sector. Barony College, Oatridge College and Elmwood College merged with the Scottish Agricultural College on 1 October 2012 to form SRUC (Scotland's Rural College).

2. College reforms have led to the creation of 13 college regions. Ten regions contain a single college, and the others contain more than one college. The governance structure for the college sector is shown at Exhibit 4 of *Scotland's Colleges 2015*. The board at each college continues to be responsible for the governance, financial management and operation of the college. In single college regions, the boards have been designated as regional college boards.

3. Scottish Government funding to colleges fell by 12.3 per cent in real terms between 2011/12 and 2013/14. The sector reported a deficit of £95.2 million in 2013-14 but adjusting for transfers to arm's-length foundations would result in an overall surplus of £3.8 million (just under one per cent of total income) in 2013-14. Between 2011-12 and 2012-13, colleges reduced their spending by around four per cent to £662.4 million. Colleges' total spending in 2013-14, a shorter period, was £582.8 million. Scottish Government funding is expected to decrease by over three per cent, in real terms, between 2013/14 and 2015/16.

4. The mergers, and a reduction in SFC funding of £26.1 million in real terms between 2011-12 and 2012-13, have led to reductions in spending, mainly recurring staff costs. These decreased by four per cent, from £421.2 million in 2011-12 to £404.2 million in 2012-13. Following a reduction in Fulltime equivalent (FTE) staff to around 11,300 in 2011-12, the number of FTE staff reduced to around 10,700 in 2012-13. In 2013-14, the number had decreased further, to around 10,250. Overall, this represents a 9.3 per cent reduction in FTE staff numbers since 2011-12.

5. In 2013-14, about 238,000 people (headcount), attended college, around 19,500 fewer than in 2011-12 (7.6 per cent). This is 36 per cent lower than in 2008-09 and reflects changes in Scottish Government policy. In August 2009, the SFC issued guidance to colleges to reduce the number of courses that did not lead to a recognised qualification or that lasted less than ten hours. 2 As a result, since 2008-09, the number of part-time students has fallen by 48 per cent. FTE numbers remained relatively stable between 2008-09 and 2011-12 due to slight increases in full-time students. In the past two years, there have been decreases in both part-time and full-time students (decreases of 10.4 per cent and 1.5 per cent respectively). This has resulted in a fall of approximately 3,000 FTE (2.5 per cent) between 2008-09 and 2013-14.

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-scotland.gov.uk

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