

Address:  
110 George Street  
Edinburgh  
EH2 4LH

Telephone:  
0131 477 1234  
Fax:  
0131 477 4567

Website:  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



## Press release

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### Improvement in financial position of colleges needs to be monitored

**There are signs that the majority of Scotland's 42 colleges of further education are on target to become financially secure by 2006, according to the latest overview of the further education sector by the Auditor General.**

An overall £14.1 million operating deficit in 2000/01 was turned into a surplus of £2.3 million for 2001/02. Twenty-four colleges – 19 of them with deficits the previous year – achieved surpluses. The number of colleges with operating deficits reduced from 34 to 18. Thirty-seven out of 42 will be in secure financial health by 2006. By then only one – Lews Castle College in Stornoway – is predicted to still be classed as “very weak” in terms of financial health.

“On the surface this is an improving picture,” said Robert Black, the Auditor General for Scotland. “The Scottish Executive has channelled substantial additional funds into further education. The Scottish Further Education Funding Council (SFEFC) needs to continue to ensure that colleges use these additional funds to meet their 2006 target for financial security.”

The reasons for the improved picture include an increase in central grant funding of £26 million, a rise in income from education contracts and tuition fees, the effects of restructuring at some colleges, and a one-off sum of £7 million for those colleges in most financial difficulty.

In the year to 31 July 2002 the colleges received income of £496 million, up £52 million from the previous year. This was largely due to a £40 million (13 per cent) increase in grant in aid from the Scottish Executive which totalled £342 million.

Despite additional funding however, three colleges – West Lothian, Kilmarnock and Lews Castle – had higher than forecast deficits. The Auditor General has also drawn attention to uncertainty over the continued operation of Lews Castle College, concern over financial recovery plans at Border College, and the fact that eight colleges depend on recurrent funding or bank overdrafts to meet operating costs.

Mr Black reports on measures proposed by Scottish Ministers for improving accountability and financial control in the FE sector, following recommendations from the Audit Committee.

The report also notes that previous proposals to merge colleges in Glasgow have changed, and that SFEFC is now working with all 10 Glasgow colleges to consider a new “hub and spoke” model for the provision of further education in the city. The five colleges in Edinburgh and the Lothians are also considering closer working.

**For further information please contact James Gillies or Katie Fleming on 0131 624 9971/0**

#### Notes

1. The Auditor General is responsible for securing the audit of the Scottish Executive and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.
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