

News release

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Testing times for colleges from challenging finances and targets

Scotland's colleges have seen improved attainment in the past year but face several financial challenges, and potential difficulties from a declining student population.

Audit Scotland's annual review of the college sector shows that its financial health is relatively stable, but has deteriorated. Overall income to colleges has reduced, the underlying deficit has increased to £8 million and colleges hold £11 million less cash than in 2014-15.

The Scottish Government's funding to colleges will increase in 2017/18, but the sector still has several financial challenges to address. In particular, Colleges Scotland has estimated that implementing national bargaining, to harmonise pay and conditions for all college employees, could cost around £80 million over three years.

Colleges still need to develop longer-term financial planning to support financial decision-making that takes account of both immediate and future cost pressures.

Student numbers decreased slightly in 2015-16 and when measured by full-time equivalent, the student population is its lowest level since 2006-07. Most of the reductions were in the 16-24 years old age group. As overall demand for college places is still not recorded at national level, it's not possible to say whether this decrease is due to a fall in demand.

Since 2012-13, the Scottish Government has set a national target for the college sector to deliver a specific volume of learning. The sector has exceeded this target every year and continued to do so in 2015-16, but its performance has declined since 2013-14.

The Scottish Government prioritises full-time courses for younger learners. The number of young people in Scotland is reducing and school leavers are increasingly entering employment or university. These factors are likely to make it harder for the sector to continue achieving the national target.

Student attainment improved in 2015-16. The percentage of full-time students successfully completing their course increased in 2015-16, and at least 83 per cent of students who achieve a qualification go on to a positive destination, such as further study or employment.

Caroline Gardner, Auditor General for Scotland, said: "There is a growing risk to colleges' ability to keep delivering what the Scottish Government requires from the sector, as a result of major financial challenges and a declining student population.

"Colleges need to plan ahead so their future budgets can withstand the impact of cost pressures. Demand for college courses and the effects of demographic shifts also need to be assessed so educational provision can be designed around these."

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Notes to editors

1. The volume of learning which colleges deliver can be measured in full-time equivalent (FTE) student places or in units of learning known as credits. Each credit broadly equates to 40 hours of

learning. Since 2012-13, the Scottish Government has set a national target for the college sector to deliver 116,269 FTE student places. The Scottish Funding Council set an equivalent target for 2014-15 and 2015-16 of 1,689,431 credits. The college sector exceeded this target and delivered 1,752,536 credits in 2015-16. This compares to 1,755,601 credits the previous year, a reduction of 0.17 per cent (Exhibit 1). The sector has exceeded the national target in every year since it was introduced.

2. The Office for National Statistics' Labour Market Statistics indicates that the number of young people (aged 16 to 19) in Scotland is reducing (Exhibit 1). Data is not readily comparable across all school leaver destinations, but Scottish Government data shows that more young people are going into work. Data from the Scottish Funding Council also shows that the number of Scottish-based people aged under 21 entering university has increased by seven per cent between 2011-12 and 2015-16, while the number of people aged under 20 entering college has decreased by four per cent.

3. Both full-time and part-time student numbers have decreased from 2014-15 to 2015-16. The number of full-time students has decreased by three per cent (2,266) since 2011-12, and has decreased by one per cent between 2014-15 and 2015-16. Part-time student numbers have decreased by 18 per cent (32,562) since 2011-12, and by eight per cent since 2014-15. The number of students aged between 16 and 24 years old fell by three per cent in 2015-16. The number of under-16, part-time learners increased by 18 per cent (Exhibit 3).

4. Attainment rates measure how many students successfully completed their course and gained the appropriate qualification. The rates improved for all Higher Education students and full-time Further Education students in colleges in 2015-16. The percentage of full-time FE students successfully completing their course decreased from 66 to 64 per cent in 2014-15, but increased back to 65 per cent in 2015-16. The picture is different for part-time FE students, where attainment decreased (for the second year in a row) by two percentage points to 73 per cent.

5. Total Scottish Government funding to the college sector will increase by five per cent in 2017/18, though the bulk of this increase relates to a capital project at a single college. Funding for running costs will increase by one per cent,

6. In Colleges Scotland's June 2016 spending review submission to the Scottish Government, it estimated the cost of implementing national bargaining to be £79.5 million (not adjusting for inflation) over a three year period. Following the latest rounds of negotiation, both the Scottish Government and the Scottish Funding Council have been working with Colleges Scotland to produce a final estimate of the cost of implementing national bargaining. This will be considered as part of the spending review.

7. 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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