

News release

For immediate release

Auditor General reports on finances at two colleges

Poor planning and over-optimism contributed to financial problems at New College Lanarkshire while Edinburgh College has made progress, says the Auditor General.

New College Lanarkshire received a £1.9m advance from the Scottish Funding Council (SFC) in July 2017 after suffering cash-flow problems.

The college attributed its issues to lower than expected fee income and higher than anticipated costs around national pay bargaining, pensions and national insurance.

Caroline Gardner's report says that the college's cash issues stemmed from:

- Setting an ambitious tuition fee income target of £6.1m but bringing in only £5.2m;
- Not planning effectively for £400,000-worth of staff pay increases that resulted from the reintroduction of national bargaining in the college sector.

New College Lanarkshire's underlying deficit in 2016/17 was £560,000. A plan to reduce cost pressures - a condition of the SFC advance - has yet to be finalised.

In the meantime, the college has taken steps to improve its financial reporting and reduce its estate and IT costs. The SFC has also agreed to provide the college with £1.1m for a voluntary redundancy scheme.

Ms Gardner said: "Colleges operate in narrow margins and relatively small changes in income or expenditure can push a college from a surplus into a deficit position.

"New College's financial problems were caused partly by overly optimistic assumptions around tuition fee income, and partly by poor financial planning around cost pressures such as national pay bargaining.

"The college is continuing to work with the SFC to stabilise its financial position and I will be keeping its position under review."

The Auditor General also published an update report on Edinburgh College.

She says it has made "good progress" - reducing its deficit from £7m to £2.5m, and exceeding its teaching and learning target for the first time since 2012's college merger.

She notes that Edinburgh's current Principal steps down in August 2018 and a new chair of the board was appointed in March.

Ms Gardner said: "It is imperative that the college now maintains momentum and continues to closely monitor its financial performance as it moves towards financial sustainability."

For further information contact Patrick McFall Tel: 0131 625 1663 pmcfall@audit-scotland.gov.uk or media@audit-scotland.gov.uk

Notes to editors:

1. New College Lanarkshire was established in November 2013 by the merger of Cumbernauld College and Motherwell College. Coatbridge College then joined in April 2014. There are now two colleges in the Lanarkshire region - New College Lanarkshire and South Lanarkshire College. Responsibility for ensuring both colleges provide high quality further education lies with Lanarkshire Regional Board.
2. In 2016/17 there were 17,147 students registered at New College Lanarkshire and it employed 1,007 staff. Income for 2016/17 was £54.2m.
3. Principal Annette Bruton, who has led Edinburgh College since May 2015, will step down on 31 August 2018. Professor Ian Diamond, who has been Principal of the University of Aberdeen for the last eight years, was appointed chair of the college's board in March.
4. The Auditor General has prepared the report on the 2016/17 accounts of New College Lanarkshire and Edinburgh College under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the Auditor General to bring to the Parliament and the public's attention matters of public interest related to the financial statements of public bodies.
5. Section 22 reports are submitted to Scottish Ministers for laying in the Parliament along with the accounts of the relevant body. While there are statutory deadlines for these reports, the actual timing of publication is determined by when the report is laid in the Scottish Parliament by Scottish Ministers.
6. The independent audit opinion on the 2016/17 accounts is unqualified. This means that they show a true and fair picture, follow accounting standards and the income and expenditure for the year is lawful.
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
 - 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
 - Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.