

News release

For immediate release: Friday, 21 April 2017

Three colleges facing financial challenges, Auditor General reports

The Auditor General for Scotland, Caroline Gardner, has reported to the Scottish Parliament on the financial sustainability of three colleges.

The following matters were reported in 2015/16 annual audits of Moray College, Lews Castle College and Edinburgh College, and are today highlighted in reports to the parliament:

Moray College

- Weak financial planning and management arrangements at the college, which is forecasting a funding gap of £472,000 in 2016/17 and shortfalls until 2019.
- The need for the college to urgently agree a recovery plan with the Scottish Funding Council (SFC). It is also important that the University of Highlands and Islands (UHI), which manages the region, ensures that the college can deliver on its priorities within the resources available.

Lews Castle College

- Financial risks to the college from its declining performance against student activity targets, leaving it open to financial penalties and funding reductions. The college only achieved 80.5 per cent of its target for 2015/16.
- Delays in appointing board members, which had a significant impact on governance arrangements and committee meetings.

Edinburgh College

- While overall it has improved its performance in some areas, the college's financial position remains challenging and continued progress depends on a number of factors, including a curriculum review and savings from a voluntary severance scheme.

Moray College received 72 per cent of its 2015/16 income from the SFC. Lews Castle College receives 66 per cent of its income from the SFC, which also provides 75 per cent of Edinburgh College's annual income.

Caroline Gardner said: "These colleges play an important role in their communities, delivering education for thousands of students every year and providing hundreds of jobs. They are also heavily reliant on public funding which can have major implications for how they manage their finances.

"Each college faces different issues but all need to take steps now to get on a firmer financial footing and strengthen their governance arrangements."

For more information contact Kirsty Gibbins on 0131 625 1658 or kgibbins@audit-scotland.gov.uk

Notes to editors

1. The auditors have given an unqualified opinion on the accounts of all three colleges for the year ended 31 July 2016. The Scottish Government laid these accounts before the Scottish Parliament on 21 April 2017. All three reports are available [here](#).

2. These reports have been made under section 22 of the Public Finance and Accountability (Scotland) Act 2000, which allows the Auditor General to draw the Scottish Parliament's attention to matters of concern arising from an audit of accounts. The Auditor General presents these reports to the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee. The committee will then decide what further steps it may wish to take.
3. This is the second year in a row that the Auditor General has reported on the financial sustainability of Edinburgh College. The March 2016 publication is available [here](#).
4. In 2015/16, Lews Castle College had 2,016 registered students and employed 111 full-time equivalent (FTE) members of staff. Moray College had 4,184 registered students and employed 249 FTE members of staff. Edinburgh College had 17,898 registered students and employed 1,164 FTE members of staff.
5. Colleges are organised into 13 college regions. Ten of the regions contain a single college, while three are multi-college regions (Glasgow, Highlands and Islands, and Lanarkshire). In each multi-college region, there is a regional strategic body which is responsible for planning and funding delivery of learning across the all of the colleges in the region. The regional body is also responsible for working with the Scottish Funding Council to determine and agree the priorities for the region.
6. Lews Castle College and Moray College are part of a multi-college region managed by the University of Highlands and Islands, which is responsible for planning and funding learning delivery across the colleges in its remit.
7. Audit Scotland will publish *Scotland's Colleges 2017* in June 2017. The audit scope is [here](#).
8. 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.