

## News release

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### **Colleges' financial health improves but challenges remain**

**A deal to harmonise staff pay at a cost of £50m a year will absorb projected savings from the reform of Scotland's colleges, says the Auditor General.**

Caroline Gardner's annual report on colleges says the sector reported a very small surplus in its underlying financial position in 2016/17, compared to the previous year's £8m deficit.

But the upturn masks wide variations between institutions, with several colleges facing significant financial challenges.

The report notes that:

- The sector estimates harmonisation of pay and conditions could add £50m a year to staff costs - absorbing projected savings from college reform;
- The college estate needs urgent and significant investment, with the sector facing an estimated £360m repairs bill;
- Differences in how colleges prepare their six-year financial forecasts mean they are neither comparable nor provide a reliable picture of the sector's sustainability;
- The sector exceeded its learning targets, delivering a greater proportion of credits to deprived, ethnic minority, disabled and care-experienced students;
- The attainment gap between students from well-off and poorer areas is widening.

The overview shows student numbers have increased by around four per cent as result of a jump in part-time learners and those under 16-years-old.

Good progress has been made in attracting female students to engineering courses, but key courses still have significant gender imbalances.

Varying degrees of success have also been achieved by the sector's three regional strategic bodies (RSBs), which were set up to make the sector more efficient.

In the Highlands and Islands, colleges are working in an increasingly joined up way. Longer-term leadership stability is required to increase the effectiveness of Glasgow's regional board. But the regional arrangement in Lanarkshire is not delivering any significant benefits.

Ms Gardner said: "The performance of Scotland's colleges has improved, although like all public bodies they continue to operate in a very challenging financial environment.

"Several factors pose a risk to colleges' financial sustainability, including the prospect of a bigger wage bill for support staff and the cost of maintaining buildings.

"There now needs to be clarity about how capital spend will be prioritised across the sector, and colleges need to work with the Scottish Funding Council to improve financial forecasting."

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**Notes to editors:**

1. The Auditor General reported on the financial challenges facing New College Lanarkshire and Edinburgh College in April 2018. Her overview report notes these, as well as difficulties at Ayrshire College, Lews Castle College, Moray College and North Highland College.
2. The underlying financial position of the sector shifted from an £8m deficit in 2015-16 to a surplus of £300,000 in 2016-17. Cash held by colleges also increased by 13 per cent in 2016-17.
3. The Scottish Government has indicated total funding to the college sector of £645 million in 2018-19, a real terms increase of 10.4 per cent on 2016-17. Most of this is to meet increased costs associated with national bargaining.
4. Excluding funding for Forth Valley College's new campus in Falkirk, the Scottish Government's capital allocation for colleges in 2018-19 is £27m. This is to cover the very high priority needs identified in the Scottish Funding Council estates' condition survey.
5. Female students made up 22 per cent of enrolments on college engineering courses in 2016/17 compared to 15 per cent the year before.
6. The three Regional Strategic Bodies (RSBs) are: The University of Highlands and Islands (UHI) Court; Glasgow Colleges Regional Board (GCRB); and Lanarkshire, which has seen South Lanarkshire College assigned to New College Lanarkshire.
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](http://www.audit-scotland.gov.uk)
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