Correspondence from the Public Audit Committee to the Scottish Government, dated 21 November 2013.

Dear Cabinet Secretary

AUDITOR GENERAL FOR SCOTLAND (AGS) REPORT “SCOTLAND’S COLLEGES 2013”

At its meeting on 20 November, the Committee considered evidence on the AGS report Scotland’s colleges 2013, received at its meeting on 6 November.

The AGS reports that under Office of National Statistics (ONS) reclassification, further education colleges will be classified as public sector bodies from April 2014 and treated as part of central government for financial budgeting and reporting purposes. This reclassification in October 2010 meant that from April 2012 further education colleges in Scotland have to operate within an annual budget which reflects their income and expenditure and their ability to generate and use future surpluses is constrained.

The UK Government, however, subsequently passed the Education Act 2011 which reclassified further education colleges in England as the Non-Profit Institutions Serving Households (NPISH) sector from 1 April 2012, therefore removing public control over further education colleges in England. As a consequence further education colleges will not require to operate within the same budgetary controls as set out above.

The Committee would therefore welcome clarification from the Scottish Government on the approach it has taken to the reclassification of Scottish colleges by the ONS and in particular why it has not sought to reclassify further education colleges in Scotland in a similar manner to those in England.

As the Committee takes evidence from the Scottish Government on this issue at its meeting on 4 December, I would be grateful for a response to this query by close on 27 November, in order to inform the papers for that Committee meeting.