Correspondence from the Public Audit Committee to the Scottish Funding Council, dated 8 November 2013.

At the Committee meeting on 6 November, the Scottish Funding Council agreed to provide additional written evidence on some matters raised by Committee members. Please find these issues set out below, along with some additional issues on which SFC’s views would be welcome. As discussed with Martin Fairburn, it would be helpful to have this information by 13 November 2013, in order to inform the papers for the Committee meeting on 20 November. Please do contact me if this deadline causes you any difficulty.

Reclassification as public bodies

Paragraphs 67-70 of the AGS report provides information on Scotland’s colleges’ reclassification as public sector bodies from April 2014 and highlights that the SFC has established a project board to help colleges plan for this. Members would welcome an update on progress toward reclassification including any key milestones between now and April 2014.

The Committee notes that the reclassification of colleges as public bodies means that they will be unable to carry over reserves and therefore “arms-length” trusts are intended to be established to address this. Members would welcome further information on:

- what anticipated levels of reserve will be transferred into individual College trusts and SFC’s umbrella trust;
- the extent to which Colleges’ current income and expenditure reserves (which totalled £214 million at the end of July 2012) will be transferred into these arms-length trusts over the financial year (2014/15).
- what will happen to remaining income and expenditure reserves outstanding at 2014/15 but which is not transferred to any trust.

1 Exhibit 3 of the AGS report entitled Scotland’s colleges 2013

College principals informed the Committee that due to the transfer of surpluses into arms-length trusts, colleges would therefore incur large deficits and would therefore appear as insolvent. At the Committee meeting the SFC agreed to provide clarification of this matter due to the technical nature of the information requested.

Merger costs

Paragraphs 41 to 45 of the AGS report provides information on the costs of mergers and highlights variations in the amounts the SFC expects individual colleges to contribute to merger costs. The Committee would welcome further information on the basis on which the SFC does/does not contribute to merger costs and the basis on which it expects colleges to contribute to these costs.

Paragraphs 49 - 51 of the AGS report outlines that the SFC estimated that savings from planned reforms would amount to £50 million by 2015-16, however it adds that the SFC will continue to refine estimates as the reforms progress. Further information would be welcome on:
any updated estimates of how much SFC expects savings to be and how it is monitoring the delivery of savings by colleges;
any updated estimates of how long the SFC expects it will take for savings to be delivered;
whether SFC have contributed to any ‘spend to save’ initiatives and if so, how much and in what year.

Severance payments

You offered to provide the Committee with the SFC’s guidance on severance payments. Members would also welcome some additional information on severance payments, including:

• whether the SFC records how much has been spent by individual colleges on severance payments;
• whether all such payments have been consistent with the guidelines issued by the SFC.

College course provision

The Committee received evidence from the college principals that there had been reductions in the number of students attending college courses, as well as in the range of provision provided, (such as evening classes). College principals suggested that a shift in emphasis towards full time education courses, has resulted in a reduced provision of education for older students (those over 24), those wishing to retrain or up-skill, or those who are already in full time employment. The Committee would welcome your comments on these views including:

• the change in student numbers for 2012/2013 compared with 2011/2012;
• any reduction in course provision (such as changes in evening class provision);
• the age and gender profile of student provision in 2011/12 and 2012/13; and an explanation of the reasons for any change (such as changes in course provision).

Should you have any questions or require any further clarification on information contained in this letter, please do not hesitate to contact me. The Scottish Government are due to give evidence to the Committee on 4 December 2013.

Yours sincerely