Response from the Scottish Government to Public Audit Committee, dated 13 May 2014

Dear Convener

Thank you for your e-mail of 12 March 2014 and for the copy of the Public Audit Committee’s 2nd Report 2014: Scotland’s Colleges 2013. The committee identified a number of points for clarification from SG – to which I have responded below.

Arms-Length Foundations (ALFs) (paras 42 & 43)

I note the Committee’s concerns on mitigating the effects on colleges of ONS reclassification, and, in particular, members’ wish for further clarification about how the Scottish Funding Council’s (SFC) framework for Arm’s Length Foundations will work.

The Scottish Government expects the SFC to fund colleges in line with the outcome agreements they negotiate: we do not, therefore, expect colleges to transfer significant amounts of public funds to ALFs. That said, I am satisfied the arrangements the SFC has established - which will operate within the framework of company and charity law - are robust, and that the operation of ALFs will safeguard college funds and overcome the practical difficulties caused by reclassification.

Given the clear alignment of the purposes of ALFs with those of the relevant colleges, and the legal duty of trustees to ensure those charitable purposes are fulfilled, we expect trustees will make available funds to colleges in a manner that is consistent with these purposes.

More generally though, the SFC is accountable for the public funds that it provides to colleges and for safeguarding these funds; I understand the Chief Executive of the Funding Council is writing separately to the Committee, in his role as Accountable Officer.

Additional Funding (paras 24 & 62)

The report notes that the Scottish Government provided further funding to colleges (including £6.6m for additional places in 13-14) over 2011-12 and 2014-15. The Committee sought clarification on the expected outcomes including effect on expected savings.

I can confirm the additional funding will partly offset the level of savings previously expected. However, there remains a need for continued efficiency and the SFC has therefore increased the level of activity it expects colleges to deliver. Taken
together, the SFC advises that over (academic years) 2012-13 and 2015-16, it expects colleges to achieve a real terms efficiency of £49m.

The additional £6.6m was allocated so that colleges have extra capacity to meet the needs of learners who may prefer part-time provision, including for older learners and women returners, an issue raised by the committee at my appearance on 4 December 2013. The SFC will monitor delivery through outcome agreements and annual statistics.

Commission for Developing Scotland’s Young Workforce (para 82)

I note the committee’s request, after publication of the Commission’s final report, for an update on the Scottish Government’s response to all recommendations and how it proposes to ensure colleges are properly funded to implement these recommendations.

The Government will respond in full to the report from the Commission once it has considered the final part of its work. However, the Committee will note we have already committed £12m this year (2014-15) to support early implementation of the recommendations from the interim report, reaffirming our pledge to support Scotland’s young people into employment and further enhancing existing youth employment measures. More generally, Ministers have made clear they remain committed to providing appropriate resources to implement Wood, and will ensure that the financial implications of doing so are taken forward as part of the 2015-16 draft budget.

College applications

Finally, the committee also requested information (para 80) on Education Scotland’s (ES) work on application processes. The ES report, which made a number of recommendations - for the Scottish Government, the Scottish Funding Council, colleges and ES itself - was published in February of this year. Specific activity currently underway includes improving data sharing across the sector and with key partners to improve young people’s progression to, through and beyond college. This, and other relevant activity will be monitored through ES reviews and the college outcome agreement process.

Please do not hesitate to contact me should you require any further information or clarification.

Yours sincerely

LESLIE EVANS