Thank you for providing evidence to the Committee at its meeting on 4 December 2013. The Official Report is available on the Committee’s webpage. During the session, you offered to come back to the Committee, in writing, on some of the issues raised. I have set these out below, along with any further questions the Committee had.

**ONS reclassification and cash surpluses**

Due to ONS reclassification of Scotland’s colleges, any surplus cash generated by colleges at year end from April 2014 will be treated as an underspend against the Scottish Government’s overall budget limit, therefore surpluses will no longer be automatically available for spending in subsequent years. The Committee notes that from April 2014, colleges will be able to transfer any reported cash surpluses to Arms-length Foundations (ALFs) set up to allow cash surpluses to spent in subsequent years.

The Committee would welcome further clarity on the extent to which all surplus cash would be eligible for transfer to the ALF. For example, could unspent funding from the SFC, surplus income created through commercial activities or through fundraising be transferred to ALFs? You also confirmed you would clarify whether surplus cash generated through higher education, or through further education would be treated differently. For example, could Colleges keep surpluses created through higher education courses, but be required to transfer surpluses created through further education courses to ALFs should they wish to access this funding in later years?

On the reporting of cash surpluses, you agreed to provide the Committee with clarification of the extent to which the source of surplus cash (such as surplus cash from SFC funding or from commercial activities) would be identified in financial records at year end.

**ALFs Articles of Association**

The Committee would welcome confirmation as to—

- whether the ALFs Articles of Association could be subject to change in future years and who would be legally able to make such a change.
- What other bodies would be consulted prior to any change being agreed?
- What external scrutiny would such a change be subject to, for example what role would the Office of the Scottish Charity Regulator (OSCR) have?
- Who is responsible for ensuring that ALFs operate within the terms of their Articles of Association and what penalties are there if an ALF is found to have operated outwith those terms?

You informed the Committee that it was a Ministerial decision to use ALFs as a solution to reclassification. The Committee would welcome confirmation as to whether the extent to which ALFs could change their articles of association after their creation was considered by Ministers prior to reaching a decision?

**Older and part-time learners**
You informed the Committee that the Scottish Government was providing extra funding for older learners and part-time students, due to the impact on these groups of the prioritisation of education for younger people. You agreed to provide the Committee with information on the outcomes expected to be realised as a result of this additional funding.

I would welcome a response to this letter by 15 January 2014. Should you have any further questions, please contact the Assistant Clerk, Jason Nairn, on the contact details provided above.

Yours sincerely

Hugh Henry
Convener