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Room T3.60
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Via email: papls.committee@parliament.scot

18 November 2016

Dear Mr Shevlin,

**Scottish Government Consolidated Accounts 2015-16:
Education and Lifelong Learning portfolio underspend**

Thank you for your letter of 15 November inviting me to give evidence to the committee on 8 December. I am happy to confirm my attendance. I will be accompanied by Liz Ditchburn, Director General Economy, Elinor Mitchell, Director, Agriculture, Food and Rural Communities, Nicola Richards, Director People and Anne Moises, Chief Information Officer.

At the evidence session on 10 November I offered to write with further information about the Education and Lifelong Learning (ELL) portfolio underspend and in particular about the Attainment Scotland Fund. I will write separately about other issues raised by the committee.

The accounts include an Analysis of Major Variances for each portfolio, explaining variances greater than £3m; the ELL section can be found on pages 68 and 69 of the accounts. Annex A provides a further level of analysis which is complementary to the narrative in the accounts, which I hope is helpful. There were two specific areas where we undertook to provide further explanation.

Attainment Scotland Fund

The Attainment Scotland Fund sits within Learning in the ELL budget. It should be noted that while we budget on an annual basis, this programme has always been conceived and committed to as a multi-year spend. The precise profile has and will be subject to development with actual year-on-year expenditure varying according to what is delivered on the ground as individual elements of the Programme are

agreed. The underspend will, therefore, not be lost to the Scottish Attainment Challenge. It has been re-profiled across future financial years. The fund was launched initially as a £100m programme over 4 years, and has now been expanded to £750m over the next 5 years. Total expenditure will match that commitment.

For financial year 2015-16, the Attainment Scotland Fund revised budget was £15 m. A total of £9m of these funds were spent. Of a £6m underspend £5.5m was in the Attainment Fund with a separate £0.5m in the Innovation Fund.

The first year of the programme was delivered to very tight timescales, with much of the planning taking place in-year. Challenge Authorities (the 7 local authorities with the highest concentrations of children and young people living in areas of deprivation which are receiving additional funding through the Scottish Attainment Challenge) were unable to use their full funding allocations. The main reason for this was difficulty in recruiting to planned staffing levels, but also delays in implementing wider aspects of their agreed plans. Activity across the Challenge Authorities increased through the year but it was toward the end of the financial year before some planned developments were delivered.

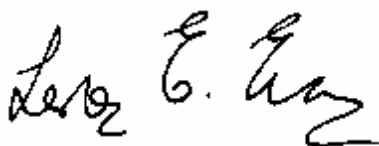
The Scottish Government is working closely with the authorities and schools to improve their financial forecasting and to ensure allocations are more realistic and deliverable to reduce the likelihood of underspend as the programme progresses.

£46m underspend re Scottish Further and Higher Education Funding Council

The £46m underspend reported in the accounts reflects the return of £50m which had accumulated in the Scottish Funding Council due to timing differences as a result of the mismatch between the Scottish Government accounting periods and the academic year. This was partly offset by a cash injection of £4m to address a short term cash flow issue that arose due to timing differences relating to ESF expenditure in the college sector.

It is important, in this context, to make clear that the Scottish Government has met all funding commitments made to the HE sector. In each academic year covered by this administration, the HE sector has been provided with its full budgeted allocation. There has therefore been no detriment to the sector as a result of the return of the re-profiled funds.

Yours sincerely,



LESLIE EVANS

Annex A
2015-16 UNDERSPEND – EDUCATION AND LIFELONG LEARNING

The 2015-16 underspend of £196 million is summarised below:

	2015-16 Cash Underspend £million	2015-16 Non-cash Underspend £million	2015-16 Total Underspend £million
Learning			
Schools Estate re-profiling into 2016-17	(19.4)	-	(19.4)
Attainment Fund	(5.5)	-	(5.5)
Technologies for Learning	(4.5)	-	(4.5)
Innovation Fund	(0.5)	-	(0.5)
Other	(0.1)	-	(0.1)
	(30.0)	-	(30.0)
Children & Families			
Early Years	(4.9)	-	(4.9)
Kinship Care Allowances	(4.0)	-	(4.0)
Disclosure Scotland	(2.9)	-	(2.9)
Other	(1.2)	-	(1.2)
	(13.0)	-	(13.0)
Higher Education Student Support			
Lower than anticipated write down of the carrying value of the Student Loan book (technical adjustment to ring-fenced budget – cannot be spent elsewhere)	-	(82.0)	(82.0)
Demand led budgets	(5.0)	-	(5.0)
	(5.0)	(82.0)	(87.0)
Scottish Higher and Further Education Funding Council			
Accumulated cash reserves release due to historical timing differences between financial and academic year-ends	(50.0)	-	(50.0)
Timing differences in receipt of European Structural Funds income	4.0	-	4.0
	(46.0)	-	(46.0)
Advanced Learning and Science			
Other	(1.0)	-	(1.0)
Annually Managed Expenditure			
Other	(1.0)	-	(1.0)
TOTAL RESOURCE	(96.0)	(82.0)	(178.0)
CAPITAL			
Student Loan AME advances lower than expected	(15.0)	-	(15.0)
Schools Estate re-profiling into 2016-17	(3.7)	-	(3.7)
Other	0.7	-	0.7
	(18.0)	-	(18.0)
TOTAL UNDERSPEND (RESOURCE AND CAPITAL)	(114.0)	(82.0)	(196.0)