

Arm's Length Foundations

What are Arm's Length Foundations?

Arm's Length Foundations (ALFs) are fully independent from colleges and are charitable organisations that must comply with the law. ALFs have independent trustees.

ALFs were set up in agreement between the Scottish Government, the Scottish Funding Council (SFC) and Colleges Scotland at the time when colleges were brought back into the public sector.

Why do we have ALFs?

Scottish Ministers now have considerably more direct control over college finances than ever before, and this in turn resulted in reclassification of colleges as public bodies by the Office for National Statistics (ONS). One consequence of this is that colleges can no longer hold any reserves.

These reserves had been built up over a large number of years, and were used by the colleges for strategic investment for the benefit of students, for example, by funding new buildings and equipment, and providing some additional student support funding.

If the ALFs had not been established then all this money would have been lost for good from the college sector and from the wider Scottish block grant. This potential situation was acknowledged by the Audit Scotland report on *Scotland's colleges 2015*¹.

What are the benefits of ALFs?

ALFs are fundamental to meet the resource needs of colleges and their students. Many of the current projects within the sector would simply not be possible without ALF funding and support.

Primarily, the ALFs exist to manage their funds in line with their charitable objectives. It is for individual colleges to put valid and robust business cases to their ALF when seeking money from them. ALFs seek to focus on strategic investment rather than operational issues. The money in ALFs is not recurrent funding, nor sustainable and therefore should not be used for paying any ongoing operational costs.

What about future plans?

There is now very little Scottish Government capital and strategic investment funds for the college sector, so ALF money enables capital investment to take place. To date, approximately £48m has been received by the colleges from various ALFs, following successful applications and presentation of business cases. This is almost half of all the money that has been donated to ALFs to date.

Colleges have future plans to make further applications and business cases for the remaining money in the ALFs, although this is dependent on the decisions of the ALFs independent trustees.

ALFs are also required to encourage industry to donate to the sector to assist with college developments, as without ALFs there is no mechanism in the college sector to do this.

¹ http://www.audit-scotland.gov.uk/docs/central/2015/nr_150402_scotlands_colleges.pdf

Case Study – what benefits has ALF funding brought?

City of Glasgow College – two brand new campuses bringing tangible benefits to students

Construction began on the new £228million campus in summer 2013, with the Riverside Campus building opening its doors in August 2015, and the City Campus building scheduled to be completed in summer 2016.

The current building project to provide new college campuses for City of Glasgow College has received essential funding from an ALF. Without this funding the building of new state-of-the-art student accommodation, commercial space, equipment and software systems could not be completed.

The new estate will allow City of Glasgow College to realise its educational vision and provide the learning community with fit for purpose facilities, utilised to maximise the learning opportunities for students.

The investment will deliver significant educational benefits, improve efficiency and effectiveness and create a sustainable estate that evidences the Scottish Government's commitment to regeneration, carbon reduction and importantly education.

Colleges Scotland
December 2015