

RESPONSE FROM THE SCOTTISH FUNDING COUNCIL TO THE PUBLIC AUDIT COMMITTEE, DATED 9 JUNE 2015

I am writing to set out the Council's response to your letter of 30 April 2015 to Angela Constance, Cabinet Secretary for Education and Lifelong Learning.

Remuneration Committees

The production of the Code of Good Governance was led by the sector through the Code of Governance Steering Group. The Code was then considered and endorsed by the Scottish Funding Council. The Code is set at the level of principles and does not cover detailed guidance on the operation of Remuneration Committees.

The Code of Governance Steering Group is currently developing supplementary guidance to accompany the code and the SFC will discuss with this Group how this work might support best practice in relation to Remuneration Committees.

SFC will shortly be issuing supplementary guidance to colleges on severance and this will include clear reference to the importance of a properly constituted Remuneration Committee. We believe that it is difficult to specify an optimum frequency for a Remuneration Committee to meet as this should be driven by the activities in the college which are relevant to the Committee's remit. We would therefore expect the Remuneration Committee to be particularly active during staff restructuring and/or in the event of individual severance packages being proposed. To a significant extent the severance approval process set out in the SPFM will set the agenda for Remuneration Committees and a key role for the SFC is to seek evidence that sound governance input and oversight is being applied.

Secretariat support for Board committees

Dedicated management and secretariat support for the College Board and Committees is important for ensuring good governance. Whilst the role of the Board Secretary in supporting Board members is documented in the Code of Good Governance for Scotland's colleges, designated management and secretariat support for committees generally is not.

SFC recognises the importance of effective support for college boards and committees and will raise this with the Code of Governance Steering Group to ensure its supplementary guidance addresses this issue.

Leadership

SFC agrees in principle that the Chair of the College Board should not be Chair of the Remuneration Committee. We will ask the Code of Governance Steering Group to reflect this in its supplementary guidance.

The role of SFC

It is important to acknowledge that the events at North Glasgow College occurred before ONS reclassification. Post ONS, through the requirements of the SPFM and a new FM (aligned to the SPFM), colleges now operate in a significantly more regulated environment. In terms of severance these regulations are detailed, explicit and closely monitored by SFC. These are significant preventative measures.

Actions in the event of non-compliance

We agree it would be helpful to take a fresh look at what needs to be done in the event of non-compliance and therefore it is reasonable to review the scope, impact and effectiveness of available sanctions and actions. In doing so we will consider the related, but distinct, roles of the Office of the Scottish Charity Regulator and the Commissioner for Ethical Standards in Public Life (Scotland) and, for those colleges registered as limited companies, the implication of Companies Law.

We believe it is important that the sanctions are ones that do not penalise the students at a college as a result of the actions of board members. For that reason we would have a presumption against simple financial penalties.

Support on severance arrangements related to merger

SFC will pick up on the lessons in relation to North Glasgow College and Audit Scotland's colleges 2015 report when providing support to future mergers. Of course, post-ONS, the guidance to colleges on severance is much more detailed and specific in terms of process and the requirement of SFC approvals.

Please let me know if you require any further information.

Yours sincerely

LAURENCE HOWELLS

CHIEF EXECUTIVE