

PUBLIC AUDIT COMMITTEE – SUPPLEMENTARY INFORMATION PROVIDED BY LORRAINE GUNN

Introduction

I am providing this written statement against a backdrop of claims that have been made by the Auditor General following the 2013-14 Audit of Coatbridge College by the external auditors Hendersson Logie on Governance of severance arrangements. It is considered by the Committee that I may have information to contribute and I have indicated my willingness to engage with the Committee and provide clarity on any aspects that I can.

I should point out at this stage that I held two roles at the College – I was employed by the Board of Management of Coatbridge College as their Director of Human Resources with direct line management responsibility to the Principal & Chief Executive on a day to day basis. I was also the Secretary to the Board of Management and thus responsible to the Chair and Board of Management.

I would also wish to put this statement into a historical context within Lanarkshire itself as I feel that has an overall bearing on the potential perceptions that appear to prevail at this time.

Context

Coatbridge College was one of many Scottish Colleges back in September 2011 that found itself at the heart of a regionalisation strategy set for it by the Scottish Government. Coatbridge College was now part of a Lanarkshire Region with three other Colleges (Cumbernauld, Motherwell & South Lanarkshire).

Within Lanarkshire itself, there was in my view a huge amount of uncertainty with a position on the way forward seeming to change on a frequent basis commencing with Federation, then a two-College merger between Cumbernauld and Motherwell to become what is now known as New College Lanarkshire. Coatbridge then joined the merger and then withdrew and then agreed to rejoin. I cannot comment too much on South Lanarkshire but understand that they have continually refused to merge and now have an assigned College status with New College Lanarkshire. I still do not fully comprehend why a part merger, rather than full merger, applies within Lanarkshire.

Suffice to say, it is my view that the differing strategies as described caused so much concern on a day to day basis, that I certainly found myself as a Director of HR responding on an almost daily basis to senior managers and staff who felt vulnerable and faced an uncertain future.

Senior Staff Severance Arrangement – Remuneration Committee of 28 January 2013

I do recall in January 2013 engaging with the Chair regarding the levels of staff uncertainty which had in my view escalated as a result of the sudden announcement at the start of the year of the merger between Cumbernauld and Motherwell Colleges. There was certainly speculation amongst my own senior colleagues and elsewhere within the College at the time that it would only be a matter of time before Coatbridge and South Lanarkshire would be joining and the Chair did ask me to convene an Extra-Ordinary meeting of the full Board to discuss the potential for merger on 16 January 2013.

With the likelihood of merger established in general, it was at this point I would contend that the question of severance arrangements came into the picture. The Chair was keen to ensure that the Board engaged with the senior team to reassure them in circumstances where their posts might eventually be at risk of redundancy – a risk that was considered highly probable as there would have been no question of funding two senior management teams i.e. one for NCL and sustaining the same posts from the joining Colleges (Coatbridge and South Lanarkshire). I was also conscious that the senior management team had differing contractual arrangements to staff by means of individually bargained employment contracts and he was therefore keen to ensure early advice that would seek to ensure everyone was treated fairly in accordance with their contractual rights. I therefore do recall at the time speaking to Paul Brown of Biggart & Baillie about the potential for merger who in the course of those discussions reassured me of the practice of engaging earlier with senior management level staff regarding potential arrangements to enable them ultimately to then focus wholeheartedly on the strategy for merger.

The Chair then asked me to convene a meeting of the Remuneration Committee on 28 January 2013 to enable him to discuss the position of the Principal and that of the rest of the senior team. In advance of that meeting, I did remind the Chair of the Funding Council's guidance on severance arrangements for senior staff. He asked me to source this for him in the first instance before making a phone call to Mark Batho, the then Chief Executive. In advance of that phone call, I had found it difficult to source the severance arrangements guidance but I was aware of its existence so continued in my pursuit to find it. I eventually found it on the archive part of the SFC website but the documentation was dated 2000. I explained to the Chair that I had not been able to find anything more recent but counselled that he may wish to raise this with Mark Batho direct to ensure the latest version of the guidance was available.

The Chair contacted me after his phone call to Mark Batho and relayed the substance of their conversation which in essence follows the copy email which I am aware you have been provided with as part of the SFC submission earlier in this process. The Chair did have the impression that Mark made it clear that it was for the College to make its own decisions and that the Funding Council could only provide guidance. I had made a point at the time of suggesting to John Gray that he may wish to validate whether any approvals had to be granted by the Funding Council and he said he was satisfied from his conversation with Mark that this was not the case.

I will make it clear at this point that I do not normally attend Remuneration Committee at all as the Committee previously would have been convened only in circumstances where there are decisions to be made regarding the terms and conditions of senior staff – an authority which is delegated to Remuneration Committee by the Board of Management and as a senior member of staff, it would have been a potential conflict of interest. The Committee would however ask for legitimate information from me as appropriate. In the case of this particular Remuneration Committee, the Chair had asked me to consider what senior staff severance arrangements had taken place in the sector to date (where this was available). I was also asked to provide a financial summary utilising the Edinburgh model which at that point in time seemed to be broadly similar to what was emerging in the sector (and incidentally was the same as the Lanarkshire Federation VS Scheme).

The Chair asked me to make myself available to potentially attend Remuneration Committee in an advisory capacity regarding the above. I was subsequently asked to join the meeting (Tom Keenan and Ralph Gunn (no relation to myself) were both on leave and thus did not attend). I cannot be certain how much discussion had taken place before I arrived although I do not recall it being any more than about 20mins from the start of their meeting. At the point at which I was called to attend, the Chair explained that I had been invited to provide advice that would support Committee members in their discussions which included:

- Summary of the conversation the Chair had had with Mark Batho and what he had said about the guidance on severance arrangements for senior staff.
- A discussion around the various VS Schemes that prevailed within the sector.
- Financial impact of the Edinburgh model utilising Coatbridge College senior staff data.
- The role of the Principal and what severance arrangement they would wish to make available in the event that John Doyle did not secure alternative employment as part of future merger arrangements. The Committee made it clear that they wished John Doyle to have additional monies (3 months) to recognise his key role in leading the College to merger.
- The senior team and the severance arrangement they agreed to make available in the event that they did not secure suitable alternative employment. What was agreed was consistent with both the Lanarkshire VS Scheme and Edinburgh model.
- An indication that they would wish the Edinburgh model to be remodelled as a Coatbridge College VS Scheme and presented at a future Board meeting with the recommendation from the Committee that this be extended to all staff.

In concluding their discussions, the Chair raised the question of affordability and said that he had had a discussion with the Director of Finance and Planning who had satisfied him that it was feasible to consider that the Funding Council would pay for one year as part of merger arrangements as had been the practice elsewhere in the sector and thus any potential financial scenario as discussed was affordable from College Reserves.

The Chair summarised what had been agreed by the Committee and asked me to utilise this as the basis for a minute. I can see from some of the discussions that there is comment regarding the timescales associated with the Remuneration Committee minutes but, for the record, it was the practice of the Secretary to the Board to make draft minutes available with the paperwork for forthcoming meetings in which they would be discussed and approved. I understood this to be custom and practice within the sector.

I can also confirm that Carole McCarthy, Remuneration Committee member had commented that it would be useful to see a copy of the Edinburgh model in more detail. I subsequently emailed this to Committee members and also made a copy available via their Board intranet. Interestingly, I have seen comments in the PAC transcripts that some of my Board colleagues claim they do not make reference to the Board intranet. I am extremely disappointed that any member of the Board would say this as their Board intranet was the key way in which all Board documentation was made accessible and available to them.

I led some years ago in the development and implementation of their self-evaluation strategy. A key aspect of that was about the development of the Board and ensuring that they had all the support materials they needed at their fingertips. Another key aspect was about supporting the Carbon Reduction strategy and I had identified how much saving would be made by not printing and posting packs of Board papers to members. It was agreed an alternative approach would be taken and access to papers thereafter was done electronically utilising IPADs with limited papers only being printed on a case by case basis where hard copy review was easier. As well as retaining all Board papers, the Board intranet also had sections on a themed basis with key College documents and links to external documents or websites to support members. The severance guidance from the Funding Council was put onto the intranet. They would also have had recourse to me for a copy which I would have been more than happy to supply but did not think it necessary to provide an email copy as it was already made available via the Board intranet.

Post-Remuneration Committee Confirmation of Severance Arrangements to Senior Staff

Post the Remuneration Committee on 28 January 2013, I drafted letters for the Principal and senior staff for the signature of the Chair of the Board that confirmed what severance arrangement would be in place in the event of an individual not securing alternative employment as part of impending merger arrangements. I have heard much in the way of speculation regarding the status of these letters, but I would stress that they were considered by the senior team to be “letters of comfort”. The team at that time were successful in their leadership and management efforts which I would contend is a matter of the public record – the many successful assessments, awards and accolades are testament to this. We had all hoped to be successful in securing alternative employment and were committed to a merger approach so did not consider the letter as an offer as such. It was the comfort and reassurance that this afforded which I would contend was more important to us at the time.

Merger Discussions in Lanarkshire

The focus, as we had all anticipated and hoped, then moved to the practicalities of moving towards merger and specifically Workstream discussions and what work needed to be done as part of the merger arrangements. Early disquiet was expressed in February 2013 at both the Merger Management Group and a subsequent Extra-Ordinary Board of Management meeting where perceptions around unfair representation on workstream groups was discussed – this related to the workstream leads where out of 7 workstreams, 4 were led by Motherwell staff, 3 by Cumbernauld staff and none by Coatbridge staff. This was ultimately followed by the Coatbridge College Board of Management withdrawing from the merger as it was at that point not considered to be a merger of equals. I do note that subsequent discussions between the Chairs did ultimately move this situation back to a merger situation again for Coatbridge (see notes below).

A Proposed Voluntary Severance Arrangement for Coatbridge College Staff

In accepting that Coatbridge would ultimately merge with New College Lanarkshire, the Principal presented a copy of the Lanarkshire VS Scheme to the full Board in spring 2013. This was brought to the table by the Principal as it had been discussed as part of the Lanarkshire Federation already. To remind the PAC, the Remuneration Committee had agreed this model for the senior team and the aspiration was to extend this now to all staff. It is my recollection that the Board were in agreement that they would wish staff to have the same VS arrangement.

Linda McTavish, Regional Lead and Roger Mullin, Scottish Government representative played a key role on and around July 2013 in Coatbridge College re-entering discussions regarding a potential merger. As a member of the senior management team and as the Secretary to the Board of Management, I was aware that the Chair and the Principal had met with them to discuss future terms for Coatbridge College rejoining the merger. It was at this point in time that I was made aware that part of the terms of rejoining included the role of Principal in a merged College not being changed and that Martin McGuire would continue as Principal for New College Lanarkshire.

John Doyle spoke to me around August 2013 as Director of HR and a colleague about his own position - I was clear that he considered his position in the circumstances to be untenable. As an HR professional, I held the view that his post was potentially at risk of redundancy as in a merged arrangement his post was likely to close as there would certainly not be scope for two Principals. John also had a perception himself that he articulated to me that it was preferable for him to leave

sooner rather than stay to a vesting day of 1 April 2014. He did show me Roger Mullin's email that referred to discussing his departure – I can see from recent correspondence that Roger Mullin has appeared to have distanced himself from any assertions but what was clear to me at the time is the impact that this intervention had on John Doyle. I am clear that John had wanted to stay just as much as any of us in the senior team and I could see how upsetting the realisation of this potentially not being possible was for him - not least when he had to stand up in front of staff in September 2013 and say that he would now be leaving, contrary to the assurances he had provided previously about being with the Coatbridge staff through to vesting day.

New College Lanarkshire Voluntary Severance Scheme

On 9 September 2013, Tom Keenan and Carole McCarthy of the Coatbridge Board of Management attended a Merger Committee meeting at which it was agreed to publish a joint 3-College VS Scheme. I am satisfied that my Board colleagues agreed to this approach in the full and certain knowledge of having approved severance arrangements at Coatbridge previously. Whilst Tom Keenan is right in saying that he did not attend the Remuneration Committee on 28 January 2013, he was aware that the meeting had been called and had tendered his apologies and I had an expectation that he would have had a brief either from the Chair or from a fellow Remuneration Committee member and certainly Carole McCarthy who attended the meeting with him.

Due Diligence

John Doyle had assured all of us in the senior team that he had discussed and made aware the severance arrangements for senior staff afforded by Remuneration Committee as part of discussions with Linda McTavish/Roger Mullin, John Kemp of the Funding Council and Martin McGuire as the Principal of New College Lanarkshire. The letters were certainly provided on at least two occasions as part of due diligence arrangements – they were sent to the auditors as part of the initial due diligence request and then were re-sent when Coatbridge rejoined. I made all such information available to Derek Banks, Director of Finance who led on ensuring that the due diligence information was made available.

I understand that the auditors in a Merger Management Group Meeting on 7 October 2013 presented the Due Diligence reports and highlighted the VS Scheme for Coatbridge College senior staff. I would contend again that this information was already known by a number of parties – not least the members of Remuneration Committee who had attended the meeting, and Martin McGuire, Principal of New College Lanarkshire. John Doyle had also told all of us in the senior team that he had engaged with Martin as early as the first joint workstream group meetings iterating his own and the senior team's commitment to work constructively towards merger. John also confirmed that he had told Martin about the severance arrangements as part of those discussions.

Challenge to Remuneration Committee Minutes of 28 January 2013

Following the Merger Management Group meeting, Tom Keenan, Chair of Audit Committee phoned me. It was a brief conversation (no more than about 5 mins) in which he asked if there were any minutes of the Remuneration Committee of 28 January 2013. I explained that as is the norm, I had not yet typed them up but would do so. He asked me to verify that there had been a discussion about senior staff severance arrangements. I reminded him that the meeting had been convened

for that purpose and he had tendered his apologies. He made no other comments, thanking me for my time.

As I had a sense from Tom that he was unsure about what had been agreed at Remuneration Committee on 28 January 2013, I typed up a draft minute emailing it to the Chair for initial approval. I then sent it to Remuneration Committee members to check for accuracy. Tom Keenan and Ralph Gunn abstained from comment as they had not attended the meeting. The level of accuracy was agreed initially by the Chair, Pauline Docherty, David Craig and Paul Gilliver. The minute was challenged for accuracy by Carole McCarthy. Paul subsequently emailed me to withdraw his previous comment and to say that he trusted the accuracy of Carole's notes and therefore agreed with her recollections. Paul at the time asked me to submit my notes. I explained that these would not be any use to him because they are in shorthand and none of them could read shorthand.

It is fair to say that I took great exception to the accuracy challenge. I have minuted Board meetings over the course of the years at Coatbridge College and members have benefitted greatly, I would contend, from my ability to accurately express a level of detail that provides them with a more than adequate audit trail of their discussions and where appropriate decisions. There have been adjustments made previously to minutes but generally these have not been material and have been no more than to enhance the clarity of something. This accuracy challenge was different in that I had perceived that Carole was inferring that I had recorded things incorrectly.

There then followed some actions by Tom Keenan which I felt undermined me in my role – rather than seeking information from me direct, I consider that he sought information indirectly and in my view covertly from a more junior colleague (upsetting her greatly in the process). In correspondence to them, he actively said he wished this information gathering process to not be shared with myself and I felt strongly at the time that I had a right to give a professional account of the situation as I knew it to be. This did not happen.

For clarity, I was more than happy to sit down with my Board colleagues and discuss any aspects to do with the accuracy of the minute or indeed any aspects of the severance arrangements for senior staff. However, the actions and behaviours of Tom in particular at the time, gave me cause to highlight to Remuneration Committee members my concerns in respect of their governance responsibilities and supporting behaviours. I expressed this in writing on 16 October 2013 to my Remuneration Committee colleagues fully expecting to have a professional dialogue thereafter that would address my concerns in more detail. To date, I have not been contacted in this regard by any of my Board colleagues. I have always had the fullest respect over the years for my Board colleagues and was greatly disappointed at their stewardship in the latter part of their handling of the College's merger arrangements with New College Lanarkshire.

I did not return to the College after I left on 16 October 2013 and therefore did not have any involvement in aspects relating to the senior staff severance arrangements other than correspondence I received regarding my own position. I did however have a conversation with John Doyle prior to my departure to put arrangements in place that I believed would protect the governance arrangements going forward. I proposed that the College's legal representative be considered as someone appropriate to provide secretariat support and I left with assurances from John that he would discuss this with the Chair on my behalf. I also suggested for the Chair, through John, to consider that Biggart & Baillie be commissioned to undertake a review of the governance arrangements appertaining to the senior staff severance arrangements – this they would present to the forthcoming Board in October. The purpose of this being to ultimately provide Tom and the wider Board with the assurances they required around the governance aspects. I understand this review did take place although I am not aware of the detail.

Conclusion

In respect of the Auditor General's allegation that John Gray and John Doyle in some way "colluded" regarding the severance arrangements, I find this inconceivable. In my view, both have always taken very seriously their governance and leadership roles and have supported me in ensuring that any such aspects are fulfilled on behalf of the Board.

What I would not want the Committee to now confuse is the clear difference between on the one hand collusion which would infer for me some level of conspiracy to deceive and the more logical in my view actions of an individual engaging legitimately with their line manager about impending change and the potential impact on them as an individual. John Doyle was unclear about his future which was no different to any other member of staff in Lanarkshire who had similar concerns. It was the role of Remuneration Committee to conclude how this might be addressed and where appropriate to establish an appropriate way forward. It was I would contend equally within the gift of Remuneration Committee to do nothing and wait to see what merger brought but they did not do that. But I support their actions in that they had the best of intentions in mind regarding the staff of Coatbridge College and had considered this against the backdrop of the funding available for it. Again, for the record, the letters were intended to give reassurance as to the arrangement that would be in place only in the event of an individual not securing alternative employment as part of the merger.

I would add that I can see that some Remuneration Committee members commented in one of the transcripts that John Gray had made a recommendation to the Committee on a severance arrangement for the Principal. That may have been the case although I cannot confirm this but it was certainly my recollection that the main thrust of dialogue was about sector practice and in particular the Edinburgh model which ultimately is what was agreed by the Remuneration Committee on 28 January 2013.

I did take issue with the behaviours of some Board members – this is outlined above and ostensibly refers to the actions of Tom Keenan but I think that the Merger Management Committee was not served well by a potential lack of guidance from Carole who did not make any mention that I can see of the senior staff severance arrangements whilst agreeing to a joint 3-College VS Scheme. As these matters have not been fully resolved between me and my Board, I have been left with the perception that the rejection of the accuracy of minutes was potentially a means of being able to justify their later actions in agreeing the joint Scheme. I share this aspect merely as my own personal view and without prejudice at this time - I did wish to resolve these issues directly with the Board but have not felt that I was afforded the opportunity to do so.

It was therefore with much regret that I initially stepped down in October 2013 as the Secretary to the Board and ultimately decided to leave employment at Coatbridge College as part of a formal offer that was made to me of Voluntary Severance consistent with that which was offered more generally in Lanarkshire. I was disappointed to leave my job and am troubled greatly by the assertions that have subsequently been made through this review. It was a very difficult time but I can only hope that this Committee will see that staff continued to operate with integrity and professionalism despite the number of challenges that presented themselves.

For the avoidance of doubt, I can confirm that I would be happy for what I have provided here to be made publicly available.

Lorraine Gunn
16 November 2015