

DRAFT MINUTES OF REMUNERATION COMMITTEE OF COATBRIDGE COLLEGE

HELD ON MONDAY 4th NOVEMBER 2013 AT 1.00PM

1. Attendance and apologies

Present: Tom Keenan (Chair)
Paul Gilliver
Pauline Docherty
Carole McCarthy
David Craig

Apologies: Paul Gunn

Attending: Martin McGuire (Principal New College Lanarkshire)
Paul Brown (Biggart Baillie)

Confidential Minute Taker: Douglas Robin

2. Declarations of Interest:

Tom advised that he had previously worked with Douglas who was minute taker for today's meeting.

3. Minutes of meeting of 23rd October 2013

The minutes were approved with amendments as detailed in the Remuneration Committee minute circulated on the 5th November.

4. Decisions of Remuneration Committee of 4th November 2013

Proposed Senior Management Interim Structure

1. The remuneration Committee approved an offer to the Acting Principal as detailed.
2. The Committee approved a realignment of duties to include the three Faculty Directors and Director of Finance and agreed an award of an additional 10% of salary to be implemented from 1st November for undertaking these duties until the 31st March 2014
3. The Committee agreed that the voluntary severance scheme be opened for senior staff, plus the former Principal's PA, and the Chair to discuss this matter with the Principal of New College Lanarkshire

5. Minute of 28th January 2013

The minute has been previously circulated.

6. Proposed Senior Management Interim Structure, Advice on Remuneration

Tom introduced Martin McGuire, Principal of New College Lanarkshire who had joined the meeting. Tom confirmed that there were matters of the public purse in setting salaries to ensure that the college continues to provide educational opportunities for students between November 1st 2013 and 31st March 2014. Tom confirmed there had been a number of mergers in the college sector and would welcome any background that Martin could offer to allow the Committee to form a view in relation to salary setting on an interim basis. This is detailed in Appendix 1.

7. Issues for Funding Council

Tom introduced his report and the letter, dated 22nd October, from the Funding Council to John Gray, the former Board Chair. Time was given to read the report and letter. The report is contained in Appendix 2

8. Legal advice from Paul Brown

Tom will circulate a redraft of the letter prepared by Paul of Biggart Baillie in reply to the Funding Council with specific conclusions on the aforementioned severance scheme, and draw a line under this issue. See appendix 3.

6. Other Issues

Tom queried if a draft letter for staff been produced on the question of the voluntary severance scheme by the college's lawyers. Again it should be short. The reference to point 6.1 from the January minutes may be a contractual entitlement.

David stated again that the Funding Council just want confirmation that the scheme has been dropped.

Pauline left the meeting at 2.55pm

Paul Brown, Biggart Baillie, joined the meeting at 3.05pm

7. Interim Structure

Margaret Rose joined the meeting at 4.04pm

Margaret Rose spoke to her report and there was some discussion about the optimum arrangements for the next five months,

- No depute
- Faculty Heads given other duties, e.g. health and safety to Derek in absence of Human Resources Director as detailed in her report, previously circulated.

Tom agreed with this approach. Margaret Rose left.

The meeting ended 4.10pm

Proposed Senior Management Interim Restructure, Advice on Remuneration

Martin outlined the interim structure he had devised when he was involved with the Adam Smith College in Fife. His Deputy Principal, Heather, acted up to Principal at Cumbernauld. The remuneration provided was £10,000, from £81,000 to £91,000, and the Acting Deputy received £8,000.

Recently, the merger with Motherwell was ongoing, it was necessary, therefore, for the Deputy Director to act up at Motherwell for a five week period, he also got £10,000. Martin confirmed he attended Board meetings at Cumbernauld during this time at Adam Smith College and that his contract provided for him to make a time commitment of three days a week to Cumbernauld to attend Board meetings and remain the Accounting Officer. He also spoke to Heather daily.

Tom mentioned that other colleges had required to make similar arrangements to Coatbridge, e.g. Langside and James Watt. The precise arrangements made were not known.

Martin was clear that someone should be appointed at Coatbridge as Acting Principal. Members agreed, the college must run until Vesting Day, and the seven on the Senior Management Team were reduced down to six. In addition, a senior member was potentially unlikely to return to work in the near future, which would have an impact on the performance of the college. There could be interviews or duties could be realigned, but timescales were very short. A report would be discussed later on a possible interim structure. Tom wanted to be fair to staff and asked what would be an appropriate percentage for the likely five month period leading up to merger? The difference between Deputy Principal and Faculty Director was £16,000. Martin confirmed that up to £8,000 would be fair in an acting up role. He emphasised that money wasn't raised at the time within Cumbernauld and Motherwell, the staff saw it as an opportunity to gain experience. A 10% uplift in salary for the three Faculty Heads and the Director of Finance in all circumstances was unanimously agreed as fair taking into account of the guidance received and the knowledge of the Members of the Committee.

Carole asked what would the advantage be of having Acting Principal and Deputy? Martin said the college needs someone now to ensure a transition to the new college. There is no Acting Principal at Cumbernauld or Motherwell, as they have reverted to their substantive salaries and will require to participate in the interview process. From next week posts will begin to be filled for New College Lanarkshire.

Carole agreed it would be sensible to share out the work in the interim. Martin confirmed the arrangements at Cumbernauld in the run up to merger as an Acting Principal, Deputy and two Assistants, Things can go wrong, no one within the college has a track record of successfully being a Principal. Martin stated that he wanted to support the college, there is only some four months to vesting day if the Deputy wanted to act up it would be to ensure the day to day running of the college, contribute to New College Lanarkshire future strategic direction, continue to run Coatbridge college, be the Accounting Officer, and assist and lead on the merger, including Funding Council visits. He suggested that this was a wider role than his Deputy performed at Cumbernauld, but could not justify a pay rise to match the former Principal's salary. The Chair should set targets etc. It would be a holding position for the next four/five months, with the Merger Committee across New College Lanarkshire making strategic decisions.

Appendix 1

In response to questions from the Committee Martin confirmed that the Government and the Funding Council are keen for the legal arrangements to be completed. Meantime work is ongoing on the integration of the corporate systems, e.g. IT and payroll.

Tom confirmed to Martin that there would be no special voluntary severance arrangements after today; from hereon they would be based on the Lanarkshire model. Martin stated that the voluntary severance scheme could be reopened, there appeared to be funding remaining from the original £4 million college merger fund, which should make this possible, alternatively, other funds could potentially be identified. There were six senior staff at Coatbridge who might be affected, but no guarantees could be given.

There was general discussion on how Coatbridge College would be impacted by the upcoming interviews and the opening up of the voluntary severance arrangements. Current staff could clearly apply. Voluntary severance opened for a five week period, but staff will not be able to apply for voluntary severance and attend an interview i.e. one or the other. Martin confirmed that the scheme might be opened up in future, but no guarantees could be given. Carole stated that this was unfortunate for our staff but accepted that it was a matter of timing.

Martin also mentioned the variation in salary preservation arrangements, some are one year, others five years. Tom commented that there would be Tupe implications but terms and conditions would ultimately be harmonised; it was thought that preservation at Coatbridge was for only a one year period and that information should be sought on this.

Tom felt all issues had been covered, and asked Martin to outline how he could assist Coatbridge College in the interim period. He advised that he would seek a presence following the Vice Principal interviews and that he would be delighted to attend Board and senior staff meetings.

Tom thanked Martin who left at 1.45pm. David joined the meeting at 1.50pm.

Actions thus far

I had discussed the proposed changes and salary offer to the management team I am content that they have been dealt with fairly. I had a long discussion with Margaret rose about her offer the discussion was fairly frank and but very professional. She is of the view that the previous board chair and principal had offered her the full salary difference on a number of occasions. I firmly believe this to be true though it is something that should not have been done. I asked Margaret rose to provide evidence of what occurred in relation to colleges in exactly the same situation as us such as James watt and Langside. I asked Derek to contact them they are very reticent to go on the record and declined to provide information on this. I also spoke with the regional lead Linda mctavish yesterday she advised that salaries within the sector are opaque and she looks forward to national pay scales. Linda seems to have contacts all over the place and she came back this afternoon with further details she confirmed that it was unrealistic for a college to pay a full amount however she indicated that it was around 50 percent maximum or around 21500 for us to follow previous practice I am personally uncomfortable with this amount. I would like to seek your views on whether I have any wriggle room. I would like this to be concluded I would appreciate your views.

We had also discussed clerking of committees and I had sought assistance from Martin I am now aware that the clerk at Cumbernauld is Margaret rose brother in law and that the clerk at Motherwell has other jobs and interests can you leave me to conclude on this issue.

One final point relates to the situation of a staff member I am seeking advice from this from Paul brown.

> Date: Wed, 6 Nov 2013 00:02:07 +0100

COATBRIDGE COLLEGE AND THE SCOTTISH FUNDING COUNCIL

1.0 Purpose

- 1.1 The purpose of this report is to set out for members some of the current issues facing the College and its relationship with the Scottish Funding Council and to seek support and guidance in determining an agreed way forward.

2.0 Background

- 2.1 Coatbridge College is currently subject to intense scrutiny from the Scottish Funding Council in respect of decisions relating to the severance payments to the former Principal and to the introduction of a separate severance arrangement for the senior staff of the College.
- 2.2 The financial memorandum sets out the formal arrangement which governs the relationship between the Scottish Funding Council and the College. In the event of issues arising the Scottish Funding Council will try to resolve these issues with the Principal and if they do not do so, with the Chair of the Board of Management. One further step available to them if they still have concerns is to address the Board.
- 2.3 The Chief Executive of the Scottish Funding Council chose to address the Board on the 23 October 2013; the only conclusion that can be drawn from this is that they had significant major issues with decisions made or potential issues which may arise from decisions made by the College.
- 2.4 The relationship between the College and the Scottish Funding Council is not one of master and servant as an independent College there is significant scope for the Board to take decisions which they believe to be in the best interest of the College. Irrespective of the financial memorandum which sets out the framework for the relationship, a significant weight must be given to decisions which have an impact on the public purse.
- 2.5 Guidance on severance arrangements for senior staff is set out in Circular letter FE/03/2000. This circular contains good practice guidance and states that severance payments to senior staff have been the subject of considerable public concern. In paragraph 10 of the guidance:

“The Council will consider whether colleges have acted reasonably and made proper use of public funds in determining severance arrangements. If the Council concludes that there has been a misuse

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of public funds, it is prepared to use fully the powers at its disposal to rectify the situation”.

- 2.6 Paragraph 12 states that colleges should have a clear policy statement on severance. Colleges should ensure that their policy statement complements their current contract and severance terms. It is important that any proposed changes of policy are correctly and appropriately applied to relevant employees.
- 2.7 Paragraph 18 sets out the responsibilities of College Accounting Officers and advises that the Accounting Officer has a key role to play to safeguard the use of public funds. The College Accounting Officer has a personal responsibility to notify the Council's Chief Executive if they consider that the College or the Board of Management plan a course of action that is in conflict with or would infringe guidance or instruction that has been issued to the College as appropriate best practice.
- 2.8 Paragraph 19 sets out the personal role of the College Accounting Officer if their own package is being determined. It is not acceptable for the Accounting Officer to abstain from their personal responsibility by contending that they are not part of the decision making process. As the intended beneficiary of the package, the Accounting Officer must then advise the Committee on the appropriateness of their intended action.
- 2.9 Paragraph 28 states that in principle Colleges can supplement severance payments with private funds. Furthermore, Colleges may find it useful especially when negotiating severance cases without internal precedent to seek comparative information from other Colleges.
- 2.10 In relation to severance packages for senior staff other than the Principal, they are not unique particularly at the time of College merges and therefore consistently in dealing with these issues is required by Colleges.
- 3.0 **Current Issues**
- 3.1 The Scottish Funding Council became aware that potential issues might exist in relationship to the payment of the Principal's redundancy package and a scheme for senior managers. In relation to voluntary severance arrangements for senior staff which were not available for other staff and exceeded greatly the maximum reimbursement available from the Scottish Funding Council, both of these issues were picked up in due diligence by Scott Moncrieff and forwarded to the Scottish Funding Council.

Appendix 2

3.2 In a letter of 22 October 2013, the Scottish Funding Council discussed with the Chair of the Board of Management that the draft minute of the Remuneration Committee confirmed that the Principal would receive 21 months salary plus 3 months for taking the College through to merger. Scott Moncrieff advised the Scottish Funding Council that the deal appears to be for 30 months in addition a £91,000 contribution towards pension was to be made. It is clear from the correspondence that at some stage this was an offer made to the Principal and it appears to contravene the draft minutes of the 28 January 2013 meeting.

3.3 The second issue discussed with the Chair, was the offer made to the six senior staff whereby they received a more favourable voluntary severance arrangement than that agreed for other staff in the Merger Committee. The Chair indicated to them that he would have a review of the circumstances that led to this deal being offered and that he hoped that the Remuneration Committee would withdraw that offer.

4.0 Conclusion

4.1 The Scottish Funding Council are asking legitimate questions regarding the severance payment to the principal in relationship to justification of an award of 30 months pay which I consider can be easily justified taking into account the unique circumstances of his departure and his contractual conditions, the offer of the £91,000 should not have been made. The solution is quite simple the Principal did not receive any pension contribution and this should be highlighted in the approved minute.

4.2 The Scottish Funding Council are also asking why a more favourable deal was offered to the senior staff and in essence asking the College to justify the process on which this decision was made and in essence to request the College to withdraw from the scheme with discussing from the scheme. This is clearly the most difficult of the two issues to be dealt with. If the Remuneration Committee approved the report of 28 January 2013, then the actions are legitimate. At the meeting of the 23 October 2013, the draft minute advises that three present approved the minute and two did not.

4.3 The Scottish Funding Council are looking for the scheme to be withdrawn and I do not consider that they are more interested in the way in which it was developed. Therefore it is my view that we have spent a long time looking at this. The most straightforward and sensible decision is to approve Para. 6.1 which gave the Chair the power to take the action he did and to confirm through the minutes the

Appendix 2

severance package for the Chief Executive and the withdrawal of senior staff severance arrangements.

Legal Advice from Paul Brown, Biggart Baillie

Tom welcomed Paul to the meeting and summarised the discussions and reports thus far, particularly in relation to Funding Council requirements, and confirmed the following as being approved by the Remuneration Committee,

- Confirmation of contractual justification for package of former Principal
- Withdrawal of college voluntary severance scheme and substitution with Lanarkshire scheme, which may be reopened
- Proposed interim management structure accepted

Carole commented on the length of the letter to the Funding Council. Paul confirmed it was more a report for the Board. Paul said the Head of the Funding Council's letter was a panic reaction as he was not fully acquainted with all decisions around the mergers. The Council, however, wished the merger to stay on track, and sought the withdrawal of the local severance scheme and the adoption of the Lanarkshire model. They were aware of the severance package for the former principal.

Carole agreed that the minute had to be accepted to legitimise the pay off, otherwise the implications would be adverse for both staff and Board. Pauline was convinced that the letter must be concise in addressing these matters, a long letter, which was too discursive, would not be helpful. In this connection she circulated a draft of a letter she and Carole had prepared, see Appendix. Paul said Biggart Baillie had to take the Board's instruction on this matter.

Caroline and Pauline have drafted a possible response on these matters. Paul is confident that the package to the former Principal is in intra vires and the decision stands. The Board has acted properly. Any response to the Funding Council would seek to close down this whole question and the minute of the meeting in January as confirmed would assist. Letter will be short and to the point. There followed some discussion on an appropriate letter for staff following the withdrawal the aforementioned college voluntary service scheme, any new scheme will be in line with previous arrangements, applying to all three colleges; Paul would draft the letter.

Tom raised a further complication in relation to a specific voluntary service commitment made by the former Principal, granting 13 months redundancy and the right to leave. It was possible that opening up the revised voluntary severance scheme to this individual might resolve the matter. If she left someone else would have to be brought in; her work with the Board might also merit 10% uplift.

Derek joined the meeting at this point. He confirmed the broad thrust of the letter from the former Principal, except that it mentioned 18 months severance. It was issued only a couple of weeks ago, although he had not had sight of the letter. He confirmed that the Principal had the authority for such deals only if there were a justifiable business case.

Tom stated that a copy of the letter should be obtained. It may be that the individual would not found upon it; she might be included in any new scheme, Derek confirmed that severance arrangements were audited each year.

David said staff needed clarity, the letter should be clear about future arrangements and any anomalies arising can then be dealt with. Paul confirmed the letter would bring any potential problems to a head. It was agreed that Paul would advise if the letter was obtained.

Appendix 3

Derek and David left at 3.40pm

Finally, Tom outlined the potential interim arrangements, including the comments of the Principal Designate. Paul's own view was that the Acting Principal role would certainly justify £15,000 and possibly £20,000 could be justified.

Actions

- Tom to speak to Margaret Rose and senior staff about interim structure
- Paul Brown to draft letter for Funding Council
- Paul Brown to draft letter for staff on the withdrawal of the college voluntary severance scheme
- Paul Brown to draft letter for staff on the interim management arrangements

Interim Structure

Margaret Rose had produced a report with her recommendations on an interim structure. Tom referred to the appendix and the proposals for realigning posts and the appointment of the Depute as Acting Principal. There was considerable discussion on the options and the justifications for the proposals.

The remuneration to be awarded was discussed and included;

- With the Director of Organisational Development on sick leave, Martin's assistance and advice will require to be sought if tricky issues occurred
- Those acting up would not be expected to perform the full duties of the posts
- Derek has done health and safety before
- Ten percent would represent £6,000 for Faculty Heads, giving a total of four times £6,000, and cost the college around £10 to 11,000
- In relation to the Acting Principal, views varied

Everyone was in agreement with the 10% for Faculty Heads, it would not be likely to cause issues with staff. Tom reminded that the proposals from the Remuneration Committee might or might not be accepted by staff members. In order to properly close the books of the college there may have to be an arrangement with the Director of Finance.

Paul queried if the enhanced salaries, £66,000, would have an implication for voluntary severance; this would have to be clarified. Tom then advised on Margaret Rose's expectations for acting as Principal until the merger was complete. Margaret Rose sought the full salary differential, £41,000, as was promised to her by the former Chair and Principal.

The feeling was that the role did not encompass the full responsibility of the Principal. It was more day to day, without the full responsibilities of a substantive Principal.

There was considerable discussion on this topic e.g.

- If she were offered 10% she might consider that the post was unattractive and that although it might be possible to seek assistance from new College Lanarkshire
- Martin could find someone from his own team; it should be recognised that New College Lanarkshire still had to settle down
- Tom was convinced the post merited more given the difficulties in the recent past, and all the work leading to the merger and the need to settle staff. He suggested £20,000

David recalled that Martin's depute moved from £80,000 to £91,000. If Margaret Rose was on £75,000, £15,000 uplift would be consistent. Pauline felt £15,000 could be justified; Martin's depute did not have any legal role, for example. Carole emphasised that the college needed continuity and there is a precedent with the Cumbernauld Depute. It was confirmed that the Chair would make the offer to Margaret Rose.