

Paul Martin
Convenor
Public Audit Committee
Scottish Parliament
EH99 1SP



By Email: - Gary.Cocker@scottish.parliament.uk

21 March 2016

Dear Mr Martin

REPORT ON THE 2013/14 AUDIT OF COATBRIDGE COLLEGE: GOVERNANCE OF SEVERANCE ARRANGEMENTS

I refer to Mr Cocker's letter of 12 January 2016 in which he invited my response to the above report. First, can I say that I welcome the Public Audit Committee's (PAC's) scrutiny of voluntary severance arrangements at the former Coatbridge College which is a matter of considerable public interest. Clearly it is very important that we understand the detail of what happened so it does not happen again.

The Cabinet Secretary said when she discussed the matter with the Committee, that this is fundamentally about effective corporate governance. Consistent with your recommendation, the Cabinet Secretary's Good College Governance Task Group has carefully considered the committee's findings on both Coatbridge and North Glasgow colleges. I am pleased to attach a copy of its report, and a supplementary material report, published last Friday, 18 March. As you will see, much has already been done to improve governance since the events at these colleges. But the Task Group nonetheless makes ten high level recommendations - with many actions already in train or agreed with our delivery partners.

In terms of the particular events at Coatbridge, the Task Group considered each of the committee's findings (Annex F, supplementary material report). One of the many lessons learned is that boards need more support to govern effectively and that the key role of board secretary must be enhanced to facilitate good governance. Their role will include an unambiguous duty to report any unresolved concerns they may have about the governance of the body to the relevant funding body (that is, the Scottish Funding Council (SFC) or a regional strategic body).

As part of its work, the Task Group also reviewed powers and sanctions (Annex B, supplementary material report) and agreed that the Government should consult on a range of possible new measures, such as powers to suspend board members, bar people from college boards who have since left boards, and direct colleges in the face of a board not governing effectively. We will also review whether existing powers to require information are sufficient.



Turning now to the role of the SFC, the Chief Executive accepts that it could have been more proactive in respect of the specific events at Coatbridge. As you know, since those events took place, there is now a process in place through which college settlement and severance arrangements must be approved by the SFC. And, more recently, to support compliance and ensure rigour and consistency, the SFC issued formal guidance on severance schemes and settlement agreements, shaped by the findings of the PAC's enquiry.

In order to strengthen its monitoring and enforcement role in relation to governance and financial management, the SFC is developing a risk-based approach that will allow it to make robust assessment of risk and judgements about appropriate and timely intervention. This will include close monitoring of compliance with the SPFM, FM and Governance Code, which are all terms and conditions of colleges' and Regional Strategic Bodies' funding. This is entirely consistent with the Task Group's conclusions that there should be a 4 pronged approach to improving college governance further and instilling greater confidence in it: prevention; self-assessment; external assurance and, as a last resort, sanctions. The clear consensus, however, was that the emphasis should be on prevention, with the SFC, consistent with its statutory powers, taking the lead.

More generally, the Cabinet Secretary has also made clear, through her letter of guidance of 8 February, her expectations of the SFC. She is clear that the SFC must play a key leadership role in pro-actively assuring itself that institutions are both governed effectively, and are meeting the terms and conditions of their grant. In the light of the PAC's findings, the Cabinet Secretary has discussed these matters personally with the SFC Board.

As for the role of OSCR, in light of the fact that the powers of the charity regulator are not specific to colleges, the Task Group did not consider the wider powers that OSCR may require. However, we have discussed this matter with colleagues in Local Government and Communities Directorate who confirm that the relevant legislation (the Charities and Trustee Investment (Scotland) Act 2005 ("the 2005 Act")) is reviewed regularly and that recommendations in OSCR's annual report, laid in the Scottish Parliament, have consistently been of a minor technical nature. I understand colleagues are in very early discussions with OSCR on the matter of additional powers, with a view to ensuring the legislation continues to be fair, robust and fit for purpose.

Finally, I am aware that the SFC, with New College Lanarkshire has considered possible action regarding the recovery of a proportion of the severance payment made to the former Principal and will write to you shortly; OSCR is considering the findings of the PAC report and, of course, that the PAC has passed a copy of its report to Police.

In conclusion, the Public Audit Committee's report, in its detailed exploration of the events at Coatbridge, has been extremely helpful in identifying the issues which we, and others, should address. Although, as the Auditor General herself pointed out, the unacceptable practice was largely down to a handful of individuals, we are not complacent. I hope that this reply, together with the ambitious set of actions to which the Task Group has committed, assures you of our commitment to learn from the past and continuously improve.

Yours sincerely,



PAUL JOHNSTON