

Dear Convener

Public Audit Committee

2013/14 audit of Coatbridge College: Governance of Severance Arrangements

We have noted all of the evidence presented over the last few weeks. Given that there are conflicting accounts, we believe it is important to restate our position to provide clarity.

28th January Remuneration Committee - At this meeting we were presented with a letter from the Chair, John Gray regarding the Principal, John Doyle, outlining his untenable position. We were also provided with information on what was happening in the sector and informed that the Chair had discussed the proposal with Mark Batho, Chief Executive, SFC. Based upon this information, we agreed to the Principal's package of 21 months plus 3 months to take the college into the merger. We were not advised that Mr Doyle had applied for another post in the sector.

We were also advised that the voluntary severance scheme that was being used in the college sector to support mergers was the Edinburgh Scheme. This scheme offered up to 21 months depending on service and merger arrangements. A copy of the scheme was not available at the meeting. A copy of the scheme was e mailed to us after the meeting (appendix 1).

At the 28th January 2013 Remuneration Committee Meeting the SFC Guidance 2000 was not given to us at the meeting nor were we signposted to it before, during or after the meeting. There is also no mention of this in the notes of the meeting. There is no mention of consideration of the SFC Guidance 2000 in the notes of the meeting.

The use of the intranet by Board members was primarily to disseminate papers for all Board and Committee meetings and to advise members when new information was posted. This communication was carried out by email from either the Board Secretary or the Principal's PA or delegated members of staff. The emailed link took members to a specific part of the intranet where the associated papers and documents were located and was not focused on any other part of the site unless specifically directed to go there. On some occasions the documents were attached to the email message for convenience. It was never intended to use the intranet as the means of communication of important information or to replace raising issues in discussion at meetings held in the college but as a means of quickly and efficiently disseminate documents for discussion at the appropriate meeting.

23rd October Remuneration/Board Committee - The focus of the Remuneration Committee meeting was the disputed minute of the 28th January 2013 Remuneration Committee and the letters senior staff had received without our knowledge. We withdrew the "offer" that had been made to senior staff and agreed to adopt the Lanarkshire voluntary service scheme for all staff. Although the letters were withdrawn, they continued to be used as legal challenge by some senior staff to seek enhanced voluntary severance terms for several months after October 2013.

We did not alter the Principal's agreement as we were informed that the January decision was legally binding. We believed at that stage that we had resolved the major concerns that had been raised by SFC.

On 29 October 2013, 6 days after the 23rd October 2013 Remuneration and Board meeting, the Chair, John Gray issued an e mail. This was the first time we were given the SFC 2000 Guidance and please note concerns raised in appendix 2 (attached). Thomas Keenan's letter to SFC on 12th November (already in evidence), (see appendix 3) confirms our actions.

Please note that Thomas Keenan did not attend the meeting of 28th January 2013 and Ralph Gunn did not attend the meeting of 23rd October 2013.

Yours sincerely

Former Coatbridge Remuneration Committee

Tom Keenan

Carole McCarthy

Paul Gilliver

Pauline Docherty

David Craig

Ralph Gunn

24th November 2015



College Voluntary Severance Scheme

Open until 11 May 2012

The Voluntary Severance Scheme (the Scheme) as detailed below is open to all employees of Stevenson College Edinburgh, Edinburgh's Telford College and Jewel & Esk College (the College) who meet the qualifying criteria outlined below.

The Scheme is provided on a purely discretionary basis and gives no rise to contractual rights or entitlements and can be withdrawn, partially or entirely, or altered without notice at any time by any of the Colleges and without liability.

The process is underpinned by principles of fairness and transparency. The Scheme is open on the same terms to all staff of the College (subject to their meeting the qualification criteria).

The Scheme will be administered by the Human Resources departments of each of the Colleges, led by the Heads of the Human Resources teams. The decision making process that will be followed is outlined in more detail at section 5.

Context of the Scheme

The rationale behind the merger of Stevenson College Edinburgh, Edinburgh's Telford College and Jewel & Esk College to form the College, is to deliver a more efficient and effective College that is better for students, better for industry and better for the communities of Edinburgh City region.

There is an expected reduction in grant income of approximately 8.5% in 2012/13 and a further 1% in each of the following two years. The merger will place the College in a better position to address these cuts so that resources are kept as close to the students as possible and the impact of the cuts on students is minimised.

The merger will reduce staff costs through the elimination of duplication and this will apply particularly to management.

As the Colleges have provided a no compulsory redundancy commitment until July 2014, the scope to restructure and reduce headcount is limited. Consequently this VS proposition is enhanced and is open for a very limited time.

Scope of the Scheme

The Scheme is open to all employees of the College who have two or more years' continuous service as at 11 May 2012.

The Scheme is time limited and applications will only be accepted until noon on 11 May 2012.

Applications will not be accepted after noon on 11 May 2012 without the express consent of the Board of Governors / Management of the applicant's college.

This document provides the details of the Scheme, including:

- criteria to be applied to applications for Voluntary Severance (VS)
- terms of the package currently on offer
- timescales
- sources of additional information and advice.

Any requests for information will be treated in the strictest confidence.

Any employee whose application for VS is granted must sign a Compromise Agreement supplied by their employer college, which will have the effect of discharging all potential Employment Tribunal claims and court actions arising out of the employee's employment and its termination. This is a strict condition of the Scheme and the College will contribute a maximum of £300 plus VAT towards the cost of legal advice associated with the Compromise Agreement. The College will not enter into negotiations regarding the contribution towards legal advice.

Exceptions

The Scheme will not apply:

- where a member of staff has less than 2 years' continuous service at 11 May 2012,
- where a member of staff is in the process of leaving the College's employment, and has submitted a letter of resignation, or is otherwise known to have been offered a job by another organisation, or,
- where early or ill-health retirement is already being progressed.

3. General Terms

There is no guarantee that approval will automatically be given to an application for VS. All decisions will be considered on an individual application and approval basis and applications will only be granted where to accept the application is considered to be in the interests of the new Edinburgh College.

Anyone who has previously applied for consideration under an earlier VS Scheme offered by the College is free to apply. However, if they were not released previously, they should bear in mind that the reasons for this decision may still apply.

Voluntary Severance is **NOT** a redundancy scheme, and acceptance of an application for VS does not mean that an employee, or their role, is redundant. The College will consider each case on its merits and reserves the right to do whatever is appropriate with the resultant vacancy – this may include not filling it, or replacing it with a different post or any other action which is in the best interests of either the College or Edinburgh College.

Voluntary Severance is **NOT** an early retirement scheme. No additional contributions will be paid in relation to retirement benefit provision for, to, or in respect of employees whose application is granted.

The partner colleges and the Edinburgh College (post vesting date of 1 October 2012) will not re-employ any individual who leaves under the terms of the Voluntary Severance Scheme. This restriction will apply for a period of 1 year from the termination date.

It is expected that all applications are serious and made in good faith. If an application is accepted, it cannot thereafter be withdrawn and the individual will leave the employment of the College.

4. Financial Terms of the Scheme

Individuals whose application is accepted will receive 1 month's pay (excluding any bonuses, overtime, allowances or other regular or non-regular payments) per completed year of service up to a maximum of 21 months.

No cash equivalent will be offered for any benefits to which the employee is entitled, contractual or otherwise.

The gross annual salary provided in the quotations by the relevant HR department will be the decisive sum and the College will not enter into any individual negotiations to enhance this.

The payment made under the Scheme as detailed above is inclusive of any statutory entitlement (if any).

Any employee who would like further information and advice as to the implications of taking VS and their pension is advised to contact their pension scheme administrator and/or an independent financial advisor. The contact details for the Scottish Public Pensions Agency and Lothian Pension Fund are shown in section 6 below. The names of local independent financial advisers can be obtained from the Financial Services Authority, or local directories.

4.1 Notice periods

Notice of termination of employment will commence from the date the employee is notified the date their application is accepted. Payment in lieu of notice (PILON) will be paid for any part of the notice that is not worked. PILON will be paid via the payroll and will be subject to tax and National Insurance contributions.

4.2 Salary

The pay used to calculate the voluntary severance payment is the annual basic salary on 11 May 2012. The only exception will be a permanent pensionable allowance i.e. contractual shift allowance which will be added to basic salary where applicable. Monthly pay is calculated by dividing annual salary by 12.

Where an individual is not receiving salary on their last day of service in the following circumstances they should be treated as receiving pay of an amount equal to that which they would have received if those circumstances did not apply 'assumed salary':-

- On sick leave on reduced pay
- Receiving statutory maternity pay
- On ordinary maternity leave
- On adoption leave
- On paternity leave.

4.3 Protection for the lower paid

Employees earning an annual salary (fte) of less than £21,000 who leave on voluntary severance will be deemed to be earning that amount for the purposes of calculating their voluntary severance payment only.

4.4 Years of service

For the purpose of the Voluntary Severance Scheme only complete years of continuous service will be counted, regardless of whether you work full or part time. For example, 4 years 3 months continuous service = 4 years for the VS Scheme.

4.5 Fixed term employees

Provided the employee has 2 years continuous service and qualifies for the Scheme, they will normally receive the same compensation payment on voluntary severance as a permanent employee with the same pay and service.

4.6 Variable earnings

Where salaries are variable, the average earnings of the last paid 12 weeks prior to 11 May 2012 will be used to determine the gross annual salary for the purposes of the Scheme. Any extraordinary payments paid but not earned during this period will be excluded from this calculation.

4.7 Lothian Pension Fund (LPF) – Strain on the Fund costs

Although the colleges are not offering any enhancement to pension rights under the Voluntary Severance Scheme, an individual member of the Lothian Pension Fund may be entitled to access their pension through voluntary severance if they satisfy the age and service criteria.

The decision to accept an application for voluntary severance will be based on the total cost to the college of the voluntary severance payment and any mandatory pension benefits costs (known as 'strain on the fund').

If an application is accepted by the College, any mandatory pension strain costs associated with the application will be paid by the College and will not be deducted from the voluntary severance payment.

4.8 Taxation

The College currently understands that where the payment under the Scheme is £30,000 or less, the payment will not be subject to deductions for tax and national insurance contributions although the College will require the employee in the Compromise Agreement to agree to indemnify the College in the event that HM Revenue & Customs rules that some or all of the payment is subject to tax and/or national insurance contributions.

The element of any payment under the Scheme which is in excess of £30,000 will be taxable but will not be subject to national insurance contributions.

5. Process

5.1 Requesting a quotation or making an enquiry

Requests for a quotation for voluntary severance can be submitted at any time whilst the Scheme is open and should be submitted to your local HR Department using the form VS1 at Appendix 1

Following receipt of the form, the HR Department will provide a written quotation within one working week of receiving the request.

Staff can make an enquiry about any aspect of the Scheme during the period it is open. In order to facilitate this process, it is preferred that enquiries are made in writing and by email to vsenquiries@stevenson.ac.uk

Staff are advised to seek independent financial advice to enable them to understand the implications of the quotation they have received. Requesting or receiving a quotation places no obligation on either the employee or the College to proceed to the next stage.

5.2 Submitting an application to proceed

It is not necessary to request a quotation or to make an enquiry before submitting an application. However staff should consider matters very carefully before submitting their application.

By submitting an application, a member of staff is signalling their agreement to leave the College under the terms of the Scheme. If the application is approved, there will be no opportunity to retract the application. Employees should therefore only submit an application when they are certain that they wish to proceed.

To submit an application, the employee should complete the form VS2 at Appendix 2 and forward it to the Human Resources Department. Confirmation that the application has been received will be sent to the employee. Please note that an acknowledgement at this stage does NOT imply that the application has been accepted or is likely to be accepted.

Only an original signed form will be accepted. Electronic copies will not be accepted.

5.3 Approval of applications

The Scheme will be administered by the Human Resources departments of each of the Colleges and co-ordinated and led by the Heads of the HR teams.

Applications will be initially considered by the Executive Management/Directorate of the applicant's college. The requirements of the new Edinburgh College will be considered but the final decision will be made by the applicant's college.

In making the decision whether to accept or reject the application, the criteria set out at Appendix 3 will be taken into account. A particular emphasis will be placed on the prospective needs of the Edinburgh College.

The outcome of all applications will be confirmed to the employee in writing. Where the application has been rejected, reasons for the decision will be given. There is no right of appeal against this decision.

5.4 Termination

Once an application has been approved a termination date will be determined by the College. Whilst the College will consider the preferred termination date stated on the application, the decision regarding termination date lies solely with the College.

Any untaken annual leave must be taken prior to termination date except where this is impossible for operational reasons. Payment in lieu of accrued annual leave will be paid via payroll and is taxable and subject to national insurance contributions.

No recompense will be made for any unused TOIL or flexitime.

All payments made under the Scheme are made on the proviso that the employee signs a Compromise Agreement referred to above. The Compromise Agreement should be signed and dated on or after the date of termination. Payments will then be made within 21 days of the College receiving the correctly completed and signed Compromise Agreement.

6 Additional information

Additional information regarding pensions can be found on the Lothian Pension Fund and Scottish Public Pensions Agency websites or by contacting them directly. **Please note, if you wish to obtain information regarding your pension, it is your responsibility to contact your pension provider.** The College will not be able to do this on your behalf.

Please find contact details below:

Lothian Pension Fund
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

0131 529 4638
www.lpf.org.uk
pensions@lpf.org.uk

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

01896 893 000
www.sppa.gov.uk
teachersservice@scotland.gsi.gov.uk

Should you have any questions arising from this document or any aspect of this Voluntary Severance Scheme please contact Human Resources.

7 Examples

Example (a) – application of the maximum

Hamish works full-time. He earns £33,500pa and has 30 years' service. Hamish applies for voluntary severance. Even though Hamish has 30 years' service, his payment is capped at 21 months' pay. Hamish will receive a gross voluntary severance payment of £58,625.

Calculated as $21 \times (£33,500/12) = £58,625$ (gross)

Note: the first £30,000 of the severance payment is tax free. The balance is subject to tax but not National Insurance Contributions (NIC).

Example (b) - protection for the lower paid

Jane is 42 years old and works full-time. She earns £17,000pa and has 20 years' service. Her voluntary severance payment will be based on the deemed minimum salary of £21,000 and she will receive a gross voluntary severance payment of £35,000.

Calculated as $20 \times (£21,000/12) = £35,000$ (gross)

There is no LPF strain cost as Jane does not meet the age criterion.

Note: the first £30,000 of the severance payment is tax free. The balance is subject to tax but not National Insurance Contributions (NIC).

Example (c) – part-time worker with lower pay

James works part-time and earns £9,000pa for a 2.5-day week (0.5). James has 7 years and 6 months' service. James's full-time equivalent rate of pay is therefore £18,000 so his compensation will reflect the deemed minimum full-time pay of £21,000 (£21,000 x 0.5 - low paid protection). James has a total of 7 years' complete years' service. James' voluntary severance payment is £6,125

Calculated as $7 \times (£21,000/12) \times 0.5 = £6,125$

Note: calendar years (rounded down) used to calculate service not pro rata years.

Example (d) – service under a complete year

Sally works full time and earns £32,000pa and has 6 years, 11 months and 10 days' service. Following receipt of a Voluntary Severance (VS) quote, Sally decides to apply for VS. As only complete years of continuous service counts for the VS Scheme, Sally will receive a VS payment based on 6 years complete continuous service. Sally's voluntary severance payment is £16,000:

Calculated as $6 \times (£32,000/12) = £16,000$.

**VOLUNTARY SEVERANCE SCHEME
REQUEST FOR A QUOTATION**

Name:	
Job Title:	
Payroll Number:	
Department:	
Start Date with the College:	
Home Address:	
Daytime Telephone Number	
If you have any questions that have not been answered elsewhere, please write them here and we will endeavour to answer them.	

Signed: **Date:**

PLEASE COMPLETE THIS FORM IN **BLOCK CAPITALS** AND RETURN IT TO YOUR HUMAN RESOURCES DEPARTMENT

Please note that this is a request for a quotation and **NOT** an application for Voluntary Severance under the terms of the Scheme.

VOLUNTARY SEVERANCE
APPLICATION FOR VOLUNTARY SEVERANCE

Name:	
Job Title:	
Payroll Number:	
Department:	
Line Manager:	
Start Date with the College:	
Preferred Leaving Date:	
Home Address:	
Daytime Telephone Number:	

Based on the information I have received, I wish to make a formal application for Voluntary Severance on the basis of the Scheme currently on offer, as set out in the document entitled "Voluntary Severance Scheme 2012". I agree to the terms and conditions of the application as detailed in the scheme guide.

I understand that this in no way binds the College to approve my application and release me from employment on the basis of Voluntary Severance.

I understand that by submitting an application, I am agreeing to the terms of the Scheme.

I understand that, if my application is approved, I will in effect have resigned from employment by the College and my employment will end on the termination date notified to me on grounds of my resignation. I understand that if my application is approved, there will be no opportunity for me to retract the application.

Signed: **Date:**

PLEASE COMPLETE THIS FORM IN BLOCK CAPITALS AND RETURN IT TO YOUR HUMAN RESOURCES DEPARTMENT

Voluntary Severance Scheme 2012

Selection Criteria

The three colleges will only consider applications that meet the criteria outlined below although, for the avoidance of doubt, even if the following two criteria are met the College is under no obligation to accept any application:

1. The applicant must have two continuous years' service with the College on 11 May 2012; and
2. The cost of voluntary severance of the applicant must generate savings after 2 years for the Edinburgh College

In deciding whether to accept the application for voluntary severance (assuming the above two criteria are met) the College will consider the following criteria:

1. The total cost of accepting the application for voluntary severance; and
2. The criticality of the role or individual to the Edinburgh College. This will include the individual's skills, qualifications, knowledge, achievements and experience.

The decision of the College is final and there is no right of appeal against a decision to accept or reject an application for voluntary severance.

If the applicant is successful in their application for voluntary severance they will receive written confirmation of their leaving date.

If the applicant is unsuccessful in their application for voluntary severance they will receive written confirmation of the reason or reasons their application was rejected although there is no right of appeal against that decision.

Fwd: Re: Coatbridge College Board of Management meeting - 23 October 2013

Appendix
2

From: Docherty, Pauline
Sent: 30 October 2013 09:19
To: 'John Gray'
Subject: RE: Coatbridge College Board of Management meeting - 23 October 2013

John, I have been thinking about the undernoted and the constructive dismissal wording used. I would assume that as part of the deal offered to John he will be signing a compromise agreement to protect the college from any potential future employment claims. If this is not the case then from an HR point of view and given the use of the wording this is now essential should the college be at risk from such a claim.

I would ask that Paul Brown is instructed to draw up a compromise agreement in respect of the deal offered to John Doyle and that this be issued to John prior to him leaving.

I am happy to speak to you about this.

Thanks

Pauline

Pauline Docherty

From: John Gray
Sent: 29 October 2013 12:01
To: Docherty, Pauline
Subject: Re: Coatbridge College Board of Management meeting - 23 October 2013

Pauline, I am forwarding your Email to Paul Brown to respond. John is not getting £91,000 This was fully discussed at the meeting. As far as I am concerned the CMAC situation has been agreed. The 6 need to receive new letters and that is in hand. As far as John is concerned his compensation for constructive dismissal is being paid from resources produced from commercial work and is not being paid from public funds.

In terms of personal liability being invoked as far as I know there has not been a single case of this in the past.

John

From: Docherty, Pauline

Sent: Tuesday, October 29, 2013 11:32 AM

To: John Gray

Subject: RE: Coatbridge College Board of Management meeting - 23 October 2013

Sorry, John why are we not just doing a response in a letter format?

Also the documentation that has been e mailed to day causes me major concerns.

We never agreed to £91,000 being paid

If guidance on voluntary severance arrangements was given to you on 24th January 2013 why was this not shared with the remuneration committee. This document is very clear that the college should have a policy on severance.

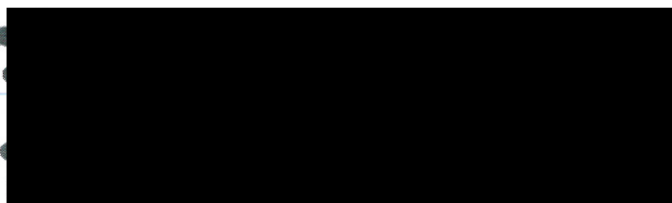
Also compliance with the Financial memorandum between SFC and Coatbridge College – is very clear that "significant deviation from the guidance could result in an institution being judged to have contravened the terms of the Financial memorandum".

Most worrying is that "such a set of circumstances could result in management members becoming personally liable for any such repayment".

I feel that the remuneration committee was not provided with all of the information and guidance it should have been and was available prior to making the decision about the Principles VS deal and the deal for the senior staff.

I would like to see the letter which Paul Brown is doing to Laurence Howells (which gives the exceptional circumstances for the Principle's VS payment) because from my reading of all of this information which has been e mailed today if the Funding Council are not satisfied with the test in respect of the Financial Memorandum then board members could be personally liable for payments.

Pauline



From: John Gray
Sent: 29 October 2013 11:11

To: Docherty, Pauline

Subject: Re: Coatbridge College Board of Management meeting - 23 October 2013

Sorry Pauline a broad response was made by John in the form of a Key Events Schedule a copy of which is now on its way.

John

From: Docherty, Pauline

Sent: Tuesday, October 29, 2013 10:09 AM

To: John Gray

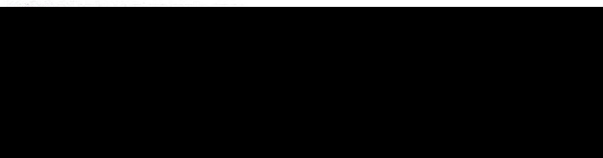
Subject: RE: Coatbridge College Board of Management meeting - 23 October 2013

John, has the response been done to the funding council re the issues raised and will this be shared with the Remuneration Committee?

Thanks

Pauline

Pauline Docherty



From: John Gray [REDACTED]

Sent: 29 October 2013 09:42

To: Craig David; Docherty, Pauline; Gilliver Paul; Keenan Thomas; McCarthy Carole; Gunn Ralph

Subject: Fw: Coatbridge College Board of Management meeting - 23 October 2013

Second letter as advised.

John

From: Laurence Howells

Sent: Thursday, October 24, 2013 10:05 AM

To: gray.john [REDACTED]

Cc: John Doyle ; Martin Fairbairn ; John Kemp ; Sharon Drysdale

Subject: Coatbridge College Board of Management meeting - 23 October 2013

Dear John

Thank you for facilitating our attendance at Coatbridge College Board of Management meeting last night.

Given the importance of the items discussed I thought it was imperative that I clarified the expectations of the SFC at the earliest opportunity. I am doing so because I have not had satisfactory responses yet to my letter to John Doyle of 10th October, John Kemp's email to John Doyle of 16th October or my letter to you of 22nd October. You also promised to share with us the outcome of the work that Biggart Baillie had been doing over the past week or so considering your process. We have not yet seen that. You also told me last night that you would not be available today (Thursday) to tell me the outcome of the Board meeting.

As we now need to begin consideration of the business case for the merger of Coatbridge College with New College Lanarkshire, I now need you to provide the following urgently:

1. By close of business tomorrow (Friday) SFC expect to receive both the official minute of the Remuneration Committee meeting that preceded the Board meeting and the official minute of the Board meeting.
2. Coatbridge College write to SFC (again, by the end of Friday) confirming that the six senior managers who were to receive a more favourable voluntary severance deal have voluntarily agreed to decline this opportunity.
3. Coatbridge College advise SFC in writing, details of the rationale and exceptional circumstances used to reach the decision on the financial settlement for the Principal. This rationale must also be clearly evidenced and recorded in the official minute of the Remuneration Committee. This is essential to demonstrate that the College's Board of Management has taken the steps necessary to ensure that the institution is taking account of relevant good practice in the management of its resources as per the Financial Memorandum and associated guidance.
4. The College is also required to submit to the SFC by 1st November 2013 a report from both internal and external auditors that makes clear their views and opinions on the financial settlement proposed.

We appreciate that asking you to provide the official minute of both meetings in such a short period of time is an exceptional request. We also recognise that the Board of Coatbridge College will not have had a formal opportunity to approve the minute. However the exceptional circumstances that need to be addressed necessitate this level of urgency.

Given our concerns about what we understand to be the severance package you intend to offer to John Doyle, you should not pay, or take any further steps to commit to, any deal along the lines you indicated to me verbally was your intention (30 months' salary) until you have reassured me (and I have seen evidence that you have reassured your auditors) that the VS arrangement is in accordance with good practice and represents good public value.

Regards

Laurence

Laurence Howells | Scottish Funding Council

T 0131 313 6579 | F 0131 313 6501 | E email [REDACTED]

Interim Chief Executive | Àrd-Oifigear Eadar-amail

Visit our website at www.sfc.ac.uk where you can get the latest

SFC news, circulars, consultations, deadlines etc.

You can also follow us on Twitter and from our RSS newsfeed.

Register on our website to select the web content that is of interest

to you and choose the information emails you want to receive from us.

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Appendix 2

Fwd: Letter from Laruence Howells

From:

To:

Priority:

Date

Begin forwarded message:

From: "John Gray" [REDACTED]
Date: 29 October 2013 09:39:47 GMT
To: "Craig David" [REDACTED], "Docherty Pauline" [REDACTED], "Gilliver Paul" [REDACTED], "McCarthy Carole" [REDACTED], "Keenan Thomas" [REDACTED]
Subject: Fw: Letter from Laruence Howells

Here is the first of two letters I received from Laurence Howells to make you aware of where the Funding Council seems to be coming from. The second will follow shortly. Also the Minutes of the meeting will be with me later today and clearly a fast turn round is required so that a copy can be forwarded to the Funding Council as requested.

Any problems you can give me a call at home [REDACTED]

John

From: Fiona Gray
Sent: Tuesday, October 22, 2013 3:21 PM
To: [REDACTED]
Subject: Letter from Laruence Howells

Dear John

Following on from the meeting yesterday, please find attached a letter, with attachments, from Laurence Howells.

Best regards
Fiona

Fiona Gray | Scottish Funding Council

PA to Interim Chief Executive | Neach-cuideachaidh pearsanta don
Àrd-Oifigear Eadar-amail |

Visit our website at www.sfc.ac.uk where you can get the latest
SFC news, circulars, consultations, deadlines etc.
You can also follow us on Twitter and from our RSS newsfeed.
Register on our website to select the web content that is of interest
to you and choose the information emails you want to receive from us.

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ltr_John_Gray_Coatbridge_College_VS_arrangements_22_October_2013.pdf		Content-Type: application/pdf Size: 235.46 KB
Financial_memorandum.pdf	Content-Type: application/pdf Size: 96.68 KB	
Circular Letter FE 03 2000.pdf	Content-Type: application/pdf Size: 87.33 KB	
FE1304.pdf	Content-Type: application/pdf Size: 152.82 KB	
Severance_Guidance_email_.pdf	Content-Type: application/pdf Size: 273.99 KB	

Appendix 3

Laurence Howells
Interim Chief Executive
Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

12 November 2013

Dear Laurence

I refer to previous correspondence with the former Chair, John Gray and Principal, John Doyle of the College and to your subsequent attendance at the College Board of Management meeting of the 23 October 2013. I realise that this correspondence should have been dealt with firstly by the former Principal and thereafter by the former Chair. Due to their failure to do so, you had felt it appropriate to have a meeting with the Board. I would like to thank you for the information you provided to the Board, it was most helpful.

In your communication to the former Chair and Principal, you had requested further information in relation to the proposed severance arrangements for the former Principal and whether this could be justified. The Board were aware that the former Principal had given outstanding service to the College over many years and had been instrumental in turning the College around into one of the best performing Colleges in Scotland. Furthermore, the Board were aware that the strategic goal of the College was to merge with Motherwell and Cumbernauld Colleges. In order to assist the Lanarkshire region in functioning effectively in providing education for future students, it was decided that the Principal should relinquishing his post earlier than planned.

The Board were also aware that in August 2013, meetings had taken place between central Government representatives and the Principal which resulted in him advising board members that it would be in the best interests of all stakeholders that he step down prior to the proposed vesting date planned for 1 April 2014.

The Remuneration Committee had met in January 2013, and had agreed severance arrangements for the Principal which consisted of 21 months pay plus 3 months pay for taking the merger forward.

I understand that the auditors who were undertaking due diligence have advised that the Principal was being offered 30 months pay and a £91,000 contribution towards any strain on the fund pension costs.

I have personally reviewed this matter and I would confirm that the Principal's severance payment consisted of 24 months pay as outlined above, and a six month payment in lieu of notice, as per his conditions of contract. No payment was made by the College as a contribution towards strain on the fund pension costs. In forming the view of what was a reasonable sum to pay the Principal, the Board were aware of the unique set of circumstances surrounding the Principal's departure.

The Board are fully aware of Scottish Funding Council guidelines on voluntary severance arrangements. I have therefore met with the Director of Finance regarding seeking the views of the external and internal auditor on this matter. Within the information provided to the Board, it was confirmed that the Funding Council would pay a maximum of 13 months to assist towards a severance pay and that any payment in excess of this sum would require to be met from College funds.

In order to finalise discussions with the auditor, I would appreciate confirmation of these arrangements. The Director of Finance, College lawyers and I are confident that decisions made on this issue are competent and will pass all tests required and we will of course provide you with the outcome of our discussions with the auditors.

The second issue which you wished further information on related to the potential voluntary severance arrangements for senior staff of the College. This matter was discussed at the January 2013 meeting of the Remuneration Committee and approved by a majority vote. Since that time the College has moved rapidly towards merging with New College Lanarkshire. In the intervening period the Lanarkshire Voluntary Severance arrangement has been agreed for all staff.

I have written to all six senior managers highlighting the College's policy of a unified scheme for all staff and have confirmed to them that Coatbridge College would open a temporary scheme until the 15 November 2013, mirroring the Lanarkshire scheme rules. In essence, senior staff have a short window to decide whether they wish to apply under the revised scheme. I had sought legal advice on this complex matter and had also sought the advice of the Principal Designate. The decision making process relating to the scheme will be similar to the Lanarkshire scheme.

The final point of clarification requested related to the College lawyers being satisfied that decisions made by the Remuneration Committee and the Board were competent. I have enclosed minutes of the Remuneration Committee of 23 October 2013, the Board of Management meeting of 23 October 2013 and a letter from the College lawyers on this matter.

I trust that the information provided meets your requirements.

Yours sincerely

Tom Keenan
Chair of the Board of Management