Public Audit Committee

2013/14 audit of Coatbridge College: Governance of severance arrangements

Submission from the Scottish Funding Council

Auditor General for Scotland (AGS) section 22 report: The 2013/14 audit of Coatbridge College: governance of severance arrangements

I am writing in response to your letter of 17 September 2015 inviting the Scottish Funding Council to submit written evidence in relation to the above report.

Firstly, can I say that I share the concerns that your Committee has expressed about the decisions – both those they proposed and some of those which were eventually implemented – by the Board at Coatbridge College.

As requested, I am sending you the key correspondence between SFC and Coatbridge College on the subject of the severance for the Principal and the proposed severance deal for the senior management team. We will separately discuss with the clerk to the Committee the arrangements for publication of some of these letters as some elements were supplied to us in confidence or may be legally privileged.

In this letter I will not repeat all of the facts of this case as these are laid out in the Auditor General's report. I will however comment on some of the key issues and would be very happy to discuss this further with the Committee in October or November if you wish.

The role of SFC

The Auditor General's report referred to the significant interventions on the part of SFC. These interventions included writing to the Principal and Chair of the College making explicit our expectations, bringing the Chair and Principal of the College in to a meeting at SFC, and my addressing the College Board. At the time these events took place, it was ultimately for the Board to decide on severance arrangements for its staff.

While SFC was only prepared to fund severance deals up to a level that gave a year's payback (in the case of Lanarkshire a deal that went up to a maximum of 13 months' pay for those with over 14 years' service) we did not prevent colleges using their own resources to fund more generous deals if they could afford to do so from their own funds (and, of course, if they were operating within our severance guidance). In practice, it was very rare for colleges in the recent merger programme to offer more than around one year's salary. Our primary concern in the case of the proposed Coatbridge College deal for senior staff was that it was different from that on offer to the other staff at the College who would be offered under the Lanarkshire scheme that would apply to all colleges in the merger. We were also concerned that from the minute of the Remuneration Committee held in January 2013 it appeared that the Committee had been misinformed as to what was the standard deal being offered in merging colleges at that time and on the SFC's approval of the proposed package for the Principal.

The College eventually withdrew the offer of a 21 month deal to the senior team following discussion with SFC. Despite our actions – the letters, the meeting in the SFC and attendance at their board meeting – the Chair and the Remuneration Committee did not withdraw the proposed deal to the Principal.

We were extremely frustrated that we were not able to take action to recover any unreasonable severance payments from those who had taken the decision. We had raised this issue in a letter to the College on 22 October 2013 as a potential consequence. As is noted in the minute of the Remuneration Committee of Coatbridge College of 23 October 2013, the legal advice of their lawyer was that SFC could not successfully challenge the decision of the committee. Our legal advice was that the it was not clear that simply breaching guidance was sufficient to lead to a successful civil case against the board members that had taken the decision and that testing this in the courts may lead to legal cost exceeding what could be recovered in the unlikely event it were successful.

We could of course have recovered the money spent on the Principal's severance over and above what we considered a reasonable sum through clawing back grant to the College. We could also have refused to pay any portion of the severance. If we had taken either of these decisions the only consequence would have been to reduce the funding available to the College (and its successor, New College Lanarkshire) and this would have damaged services to students without in any way reducing the payment to the Principal or affecting those who had taken the decision.
It is important to acknowledge that the events at Coatbridge College occurred before ONS reclassification of colleges as part of the public sector. Post ONS, through the requirements of the Scottish Public Finance Manual (SPFM) and a new Financial Memorandum (aligned to the SPFM), colleges now operate in a significantly more regulated environment. In terms of severance these regulations are detailed, explicit and closely monitored by SFC. These are significant preventative measures.

Improving the quality of governance in the college sector

Our view is that poor governance processes were largely responsible for the issues raised by the Auditor General in her report. The Code of Good Governance was developed by the college sector through the Code of Governance Steering Group. The Code is set at the level of principles and does not cover detailed guidance on governance in relation to severance arrangements.

SFC will shortly be issuing revised and strengthened guidance to colleges on severance. This has been developed in consultation with colleges and colleagues in the Scottish Government and Audit Scotland. The guidance addresses the issues raised at Coatbridge College (and North Glasgow College), in particular around robust and transparent governance of severance packages. The guidance will also require colleges to compare their practices against the issues raised at Coatbridge and North Glasgow colleges and report the outcome of this to SFC.

Actions in the event of non-compliance

As indicated previously, we agree it would be helpful to take a fresh look at what needs to be done in the event of non-compliance including the review of the scope, impact and effectiveness of available sanctions and actions. This exercise will include discussions with the Office of the Scottish Charity Regulator and the Commissioner for Ethical Standards in Public Life (Scotland).We believe it is important that the sanctions are ones that do not penalise the students at a college as a result of the actions of board members. For that reason we would have a presumption against simple financial penalties on the college, though there may be occasions where this is appropriate.

Yours sincerely

LAURENCE HOWELLS
CHIEF EXECUTIVE

Wilma MacDonald

From: Martin Fairbairn
Sent: 25 January 2013 08:13
To: Martin Fairbairn
Subject: FW: Severance Guidance
Attachments: SFEFC Circular FE 03 2000.pdf; SFEFC Circular FE 13 2004.pdf

From: Mark Batho
Sent: 24 January 2013 16:07
To: [redacted]
Subject: Severance Guidance

Dear John,

I refer to our telephone conversation this morning.

Our main guidance is set out in circular FE/03/00 that was issued by SFEFC on 20 January 2000. You can access a copy here:

http://www.webarchive.org.uk/wayback/archive/20060711120000/http:/www.sfc.ac.uk/library/11854fc203db2fbd000000ee25fd068f/index.html

The definition of senior staff was subsequently updated in circular FE/13/04, also issued by SFEFC. That can be accessed here:

http://www.webarchive.org.uk/wayback/archive/20060711120000/http:/www.sfc.ac.uk/library/06854fc203db2fbd000000fb7da95bba/index.html

(I've also attached copies of both documents.)

The key sections are probably paragraphs 15, 16, 20 to 30, 36 and 37 of the annex to FE/03/00.

Paragraphs 15 and 16 focus on the need to have a general severance framework in place that all severance arrangements should adhere to, except in very exceptional circumstances. To be clear, addressing the other aspects of the guidance will be fairly straightforward if a specific arrangement complies with the institution's general severance framework, policy and arrangements.

Paragraphs 22 and 23 emphasise:

- the need for colleges to have proper appraisal procedures in place for all staff; and

- that colleges should avoid rewarding or being perceived to be rewarding poor or unacceptable performance where straightforward termination of contract can be justified.

This also applies to additional payments to recognise past good performance, which is emphasised by paragraph 24.

Paragraph 24 states: "“In general, public funds should only be used to meet contractual and other payments required by law… However, where an exceptional arrangement is being considered, clear and comprehensive documentation must be prepared (and retained) that fully demonstrates how the cost of severance terms, beyond contractual obligations, provide (and are seen to provide) the best value for money”.

Paragraphs 36 and 37 describe the role of the college's internal and external auditors. From these paragraphs you will note that the Funding Council does not have a direct role in assessing compliance with its guidance, but that the college's internal and external auditors have a duty to report proposed settlements to the Council if:

- they judge that a proposed settlement does not materially conform to the guidance; and

- the college has not informed the Council of the proposed settlement and the auditor's opinion.

You should therefore inform your internal and external auditors of any proposed settlements.

Turning to the matter of the size of settlements. This is not something about which we have issued formal guidance. Of course, you will be probably be aware that in our funding support for mergers, we have not been providing support for voluntary severance arrangements beyond payback of one year. This is because, in general, the trend in the public services is towards arrangements for which the payback period is one year or less. I would therefore encourage you strongly to stay within these parameters for any voluntary severance arrangements you might be considering. However, these matters are, of course, ultimately a decision for the College's Board of Management or the Committee which has been empowered to deal with the matter.

I hope this is helpful. If you wish to discuss any of this further, please do not hesitate to contact me.

Kind regards

Mark

Mark Batho
Chief Executive
Scottish Funding Council
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD
Tel: 0131 313 6505
email: mbatho@sfc.ac.uk

20 January 2000

Circular Letter FE/03/2000

To Principals / Directors of Scottish Further Education Colleges

Dear Principal / Director

GUIDANCE ON SEVERANCE ARRANGEMENTS TO SENIOR STAFF IN SCOTTISH FURTHER EDUCATION COLLEGES

The general issue of severance arrangements for senior staff in the UK further and higher education sectors, has, in recent years, been given a high profile as a result of a few well publicised cases. To address public concerns over severance arrangements and to help ensure proper accountability, the Council considers that there is merit in providing practical guidance in this sensitive area.

In this context I commend to you the attached good practice Guidance which has been considered by the Council's Audit Committee and endorsed by the Council. The Guidance consolidates findings from previous National Audit Office (NAO) reports, including those relating to University of Huddersfield, University of Portsmouth, Glasgow Caledonian University and Gwent Tertiary College. The Committee of Public Accounts (PAC) has reinforced the comments by the NAO in this area. A copy of the finalised version of the Guidance which reflects the comments of the NAO and PAC is enclosed. I will issue two copies of the published version of the Guidance to colleges in the near future. A copy has also been sent to the Chair of your College's Board of Management.

I would request that you compare your College's existing policy and procedures in this area with those in the Guidance. The results of that exercise, including the need for any changes to existing arrangements, together with the Severance Guidance, should be presented to your College's Board of Management at the earliest opportunity.

For further information please contact Liam McCabe, Director of Financial Appraisal and Monitoring Services [redacted]

Professor John Sizer
Chief Executive

Scottish further education funding council

GUIDANCE ON SEVERANCE ARRANGEMENTS TO SENIOR STAFF IN SCOTTISH FURTHER EDUCATION COLLEGES

Introduction

1. In 1994, the (then) Scottish Office Education Department (the Department) and the UK Funding Councils individually conducted a survey of severance payments to senior staff in the respective education sectors. From this exercise, the Department concluded that colleges had behaved responsibly in dealing with severance arrangements and this was reflected in the National Audit Office (NAO) report, *"Severance Payments to Staff in the Publicly Funded Education Sector"* which was published in February 1995.

2. The Committee of Public Accounts (the PAC) considered the NAO Report and their views and opinions were published on 14 June 1995 in its Twenty-Eighth Report "*Severance Payments to Senior Staff in the Publicly Funded Education Sector*". For the Scottish further education colleges, the PAC noted the position as stated by the Department and *inter-alia* looked to the relevant funding bodies to disseminate guidance on severance payments. To this end, the Department has issued guidance to the colleges stemming from notification received from HM Treasury and by reference to relevant NAO reports.

3. The general issue of severance payments to senior staff has continued to receive a high profile and there have been of a few well-publicised cases in the UK higher education sector. Recent examples being within the NAO Reports on Glasgow Caledonia University and Gwent Tertiary College, copies of which were issued by the Department with the 'Dear Principal' letter dated 18 June 1999.

4. It is recognised that the exercise by the Department was conducted soon after the incorporation status of colleges on 1 April 1993 and it is probable that few senior staff in colleges had, at that time, received severance packages. However, there has been an increased turnover in senior staff within the Scottish colleges and there have been two

recent cases involving Scottish further education colleges where the severance packages negotiated have prompted action by the Department.

5. Therefore, to address public concerns over severance arrangements and to help ensure accountability for all parties, the Scottish Further Education Funding Council (the Council) considers that there is merit in providing practical guidance to colleges in this sensitive area.

6. This Guidance considers the Council's role in severance arrangements, the role of Colleges and the principles and policies which should underlie a College's decision to make a severance payment, possible terms that might be included, reporting and recording decisions taken and auditing practices. Within this document, the word "must" indicates a requirement, "should" denotes best practice and "may" indicates a suggestion. Also, "colleges" should be interpreted as being relevant and applicable to all organisations that receive Exchequer funds from the Council and "Board of Management" as referring equally to Boards of Management, Governors Committees and the like.

Scope

7. The guidance is aimed primarily at senior staff whose earnings are more than £35,000 per year. However, colleges should take this guidance into account when considering any severance arrangement where the costs of all elements of a proposed arrangement amount to more than £60,000.

The Council's Role

8. The Chief Executive is the designated Accounting Officer of the Council and is responsible to the First Minister for Scotland for the

arrangements concerning the payment of funds to the further education colleges and other bodies. As such, the Chief Executive ensures that Exchequer funds received by the Council are put to uses consistent with the purposes for which they were given and are used in compliance with any conditions attached to their use.

9. Within the necessary framework of control, the Council aims to enable colleges to manage their own financial affairs while, at the same time, encouraging good managerial practice and safeguarding public funds. It recognises that colleges are legally autonomous bodies, responsible for setting the terms and conditions of employment for their staff, including financial settlements and other arrangements relating to severance.

10. However, the Council will consider whether colleges have acted reasonably and made proper use of public funds in determining severance arrangements. If the Council concludes there has been a misuse of public funds, it is prepared to use fully the powers at its disposal to rectify the situation.

Responsibilities of Colleges

11. The Chief Executive of the Council has issued documents that set out the framework arrangements that will exist and be applied over Exchequer funds paid by the Council to Boards of Management of further education colleges and to other organisations, including arrangements to appoint a designated Accounting Officer.

12. Colleges should have a clear policy statement on severance. Employment law is complex and constantly evolving and colleges should obtain appropriate legal advice from a competent source when drafting their policy statement. 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. Legal advice should also be obtained when determining contract terms and any other important aspect connected with the employment and severance of senior staff. Colleges should also bear in mind this guidance, as well as that provided by NAO and PAC, and should have regard to the principles set out by the Committee on Standards in Public Life. It is particularly important that any severance policy is transparent, equitable and is rigorously and consistently applied to all staff.

13. In exercising their discretion in issuing employees with terms and conditions of employment, colleges must act reasonably. This includes using funds from public and other sources only for the purposes for which they were provided. Colleges have a responsibility to use both public and any 'private' funds in a prudent way that achieves value for money. There must be a clear allocation of responsibility to named individuals and committees, proper reporting to governing bodies, and openness and transparency in dealings with all stakeholders.

14. The circumstances leading to termination will determine whether any payment is to be made to an employee on termination of employment. When agreeing individual cases of premature retirement or a severance package, colleges should delegate the task to their Remuneration Committee (or its equivalent), or to a specific committee set up for that purpose. Delegation must be within a specific remit, have full compliance with the college's policy on severance matters and with clear boundaries as determined by the Board of Management. Colleges should ensure that formal reports of severance packages, including all financial aspects, are made to the Board of Management although this may be carried out through the relevant finance or resources committee.

15. Remuneration Committees (or their equivalent) should oversee severance arrangements. They should do so in the context of a policy

that sets out general principles covering all severance packages as suggested in paragraph 12 above. It is unlikely that precise formulae can be devised to cover all senior staff in all circumstances. Nevertheless, the policy should set clearly the boundaries of delegated authority for relevant employees. For example, a college might have a policy that where a severance payment is to be made, it should not normally exceed the statutory and contractual entitlement of the employee, plus a set enhancement of pension rights and the cost of out-placement counselling up to a fixed sum. Any exceptional settlements proposed that are in excess of, or otherwise not within such a framework, should be specifically endorsed by the Remuneration Committee and formally approved by the Board of Management.

16. The Financial Memorandum and conditions of grant provides the colleges with levels of delegated authority and the need to obtain the Council's prior authority for payments in excess of these levels. In this context, a college should, in certain situations, consult with the Council's Chief Executive in their position as Accounting Officer prior to approving a proposed severance package.

17. Colleges are required under SOEID Circular 5/98 (Accounts Direction) to disclose the terms of compensation to senior staff for loss of office in their annual accounts and financial statements. This requirement remains extant.

Responsibilities of College Accounting Officer

18. The role of the college's designated Accounting Officer is an important control mechanism for the Council and the college to safeguard the use and fully observe propriety over public funds and high standards are expected and demanded of the person fulfilling this duty. The college's 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 or appropriate best practice. This is particularly important if controversial or novel action is being contemplated in any severance package.

19. Extreme caution and due diligence to the requirements of paragraph 18 must be observed by the college Accounting Officer if their own severance package is being determined. It is not acceptable for the Accounting Officer to abstain from their personal responsibilities by contending that they are not part of the Remuneration Committee or form any part of the decision process. As the intended beneficiary of the severance package, the Accounting Officer will, at some stage, be made aware of the settlement and he/she must then advise the committee on the appropriateness of their intended action. Should the committee not heed this advice, the Accounting Officer must undertake the action described in paragraph 18 and notify the Chief Executive of SFEFC.

Terms of Contract

20. The terms of an employee's contract must be the basis of determining severance arrangements. Colleges must fulfil their obligations in the event of early termination. In the event of a breach of contract the college may be liable to pay compensation to the employee, based on the loss suffered. The employee is also under an obligation to reduce or 'mitigate' the amount of compensation required by finding a new source of income. Where an employee is entitled to a lengthy period of notice and the college does not require the employee to work his/her notice, it may be appropriate for the college to phase compensation payments over the period of the notice and reduce or stop payments when the employee finds a new job.

21. Accordingly, when recruiting senior employees, colleges should carefully consider the terms upon which an individual is employed. The overriding aim should be to balance the need to ensure maximum flexibility to cope with any contingency that may result in termination against the demands of employing the most appropriate individual in a competitive market. In this context, colleges may wish to review the extent to which existing contracts with their senior employees reflect this aim.

Termination

22. There are various reasons for early termination of employment. An employee may be dismissed fairly on grounds of conduct, capability, redundancy, in compliance with statutory enactment or for some other substantial reason, provided colleges act fairly and reasonably in all circumstances, having regard to their size and administrative resources. Where dismissal is on the grounds of gross misconduct no notice requires to be given. Otherwise, notice requires to be given in accordance with the employee's contract of employment, or in accordance with the minimum statutory period of notice, whichever is the greatest.

23. Colleges should take steps to avoid rewarding or being perceived to be rewarding poor or unacceptable performance leading to early termination. In this context colleges should have in place appraisal procedures documenting job performance and guidance on other matters relevant to the individual as an employee, such as codes of conduct covering general standards of behaviour. In addition, colleges should implement and follow disciplinary and grievance procedures, and, where appropriate, redundancy procedures.

Negotiating Terms

24. In general, public funds should only be used to meet contractual and other payments required by law. These obligations may include formally agreed severance schemes that are part of contractual terms and conditions and in the exercise of discretion granted to colleges by a specific scheme, such as pension enhancement within the limits set out in the relevant pension scheme rules. Exceptions to this general approach, which may be described as "being in the management interest", need careful justification and colleges should be mindful of the comments on individual performance referred to in paragraph 23. However, where an exceptional arrangement is being considered, clear and comprehensive documentation must be prepared (and retained) that fully demonstrates how the cost of severance terms, beyond contractual obligations, provide (and are seen to provide) the best value for money.

25. Colleges should not lose sight of the fact that most senior staff are within a pension fund and that the employee and the employer make contributions in line with an agreed scale. Depending on the scheme, it is usually the case that individuals have, on a voluntary basis, the opportunity to purchase additional years service. Thereafter, the individual receives the payment to which they are entitled under their pension scheme, calculated on a transparent and equitable basis which applies to all staff.

26. Colleges do not have the power to use public funds to make payments on the grounds of distress or hurt suffered as a result of the severance payment. Further, it is doubtful that colleges have the power to give gratuities to any member of senior staff in recognition of the service he or she has rendered to the colleges beyond a small token, the value of which should be decided by the college.

27. There are few occasions where payment of salary in lieu of notice represents value for money. For senior staff, they should be expected to work their contracted period of notice unless other mutually agreed terms of notice suit all parties. For the college, where the employee is being replaced, due consideration will require to be given as to whether a hand-over is necessary. An overlap of staff is an expensive arrangement, and, generally, any overlap between individuals should be kept to the minimum. Colleges should therefore ensure that they obtain the best fit for the replacement that meets the business needs of the college.

28. In principle, colleges can supplement severance payments with private funds. However, in such cases, the college still has a duty to behave prudently and responsibly in using funds held on trust.

29. Colleges may find it useful, especially when negotiating severance cases without internal precedent, to seek comparative information from other colleges within the sector. However, neither schemes nor individual packages should comprise elements picked from a range of other bodies if the net effect is a significantly more generous package than would be available at any of those bodies.

30. Before starting negotiations, colleges should establish contractual and statutory obligations, any discretionary elements and relevant limits, and should set out the relevant criteria for exercising discretion. A written record should be maintained at each stage of negotiations to ensure that the ultimate settlement can be readily audited.

31. If the severance arrangement provides for a reference, colleges must ensure that it is accurate and complete. Colleges should not make open-ended commitments in severance agreements, such as undertaking to protect an individual's reputation.

32. Colleges must not agree to confidentiality clauses within severance agreements except where it is necessary to protect commercially sensitive information. Commercially sensitive information does not include information on the details of the severance package itself, nor generalised clauses whereby individuals undertake not to make statements that might damage the reputation of an institution. However, there may be exceptional cases not covered by commercial considerations, where it is in the public interest to include a confidentiality clause. In these circumstances, the institution must consult with the Council's Chief Executive, in his capacity as Accounting Officer, before agreeing to such a clause.

33. Colleges should seek an indemnity to enable them to recoup any tax which might be demanded from the college arising out of the employee's employment or severance payments made to the employee on or after termination of employment.

34. If a college enters into a severance agreement, they should consider carefully any proposal to offer further work or consultancy to the individual. There are, of course, instances where this will be desirable. For example, individuals may be needed part-time to see through a cohort of students, or may be engaged in a specific project that requires completion. Any subsequent re-employment of an individual should take into account all severance arrangements, and should be on the basis that the employee is not better off than he/she would have been if the severance deal had not been made.

Audit

35. Internal auditors should, within their audit needs assessment plan, include a review of systems for the determination and payment of severance settlements in their strategic audit plan. They should also maintain a watchful eye on the severance packages and be prepared

to offer advice or cautionary comment in certain and exceptional circumstances. It is realised that this action may impinge on the auditor's independence and their ability to report objectively to the college. Nevertheless, it is the Council's view that the auditors will have considerable experience of severance packages and that this knowledge should be available to the college committee on a consultation basis.

36. The college's external auditors must review severance settlements for senior staff. Such a review will normally take place after settlements have been agreed, (normally as part of their annual financial statements audit) and should be carried out by senior audit staff because of the complexity and sensitivity of the issues. If final settlements do not materially conform to the guidance in this document, the auditors should report the facts to the college in their management letter.

37. If the internal or external auditors become aware of a proposed settlement that does not materially conform to this guidance, they should first inform the management of the college, and, if the auditors judge it desirable, members of the Board of Management. The auditors should also recommend that the college inform the Council immediately. Only if the college refuses to do so, or is dilatory in doing so, should the auditors report the proposed settlement directly to the Council.

Scottish Funding Council

SFEFC archive - Circulars

2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999

26 March 2004 - Circular FE/13/04

Guidance on severance arrangements to senior staff in Scottish FE colleges

1. In January 2000, the Scottish Further Education Funding Council (SFEFC) issued circular letter FE/03/00 *Guidance on severance arrangements to senior staff in Scottish further education colleges.*

2. That circular letter defined senior staff as those earning more than £35,000 per year. In addition, colleges were required to take the guidance into account when considering any severance arrangements where the costs of all elements of a proposed arrangement amount to more than £60,000.

3. The purpose of this circular letter is to advise that these thresholds are to be raised to £50,000 and £75,000 respectively with immediate effect.

4. For further information, please contact Jennifer McLaren (Senior Financial Analyst, Governance and Management: Appraisal and Policy; telephone 0131 313 6652; email: jmclaren@sfc.ac.uk)

Roger McClure

Chief Executive

Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd ìre

Ref 242010553

10 October 2013

Mr John Doyle
Principal and CEO
Coatbridge College
Kildonan Street
Coatbridge
ML5 3LS

Dear John

Following the Merger Committee meeting on Monday 7 October and the presentation of the Financial due diligence report I write to seek clarification on the proposed Voluntary Severance Scheme between Coatbridge College and its Senior Management Team.

As you are aware the SFC's position on voluntary severance is that we will only fund a voluntary severance scheme which is common across the three colleges in the merger, and which relates to a payback period in one year – costs over and above this would have to be met from the College's own reserves. The voluntary severance scheme for New College Lanarkshire was agreed by all three Colleges at the Merger Committee on 9 September 2013 and SFC is entitled to expect that staff across all three colleges should be treated equally.

There have been no discussions between SFC and Coatbridge College Management or Board in relation to a separate voluntary severance scheme for Coatbridge College Senior Management Team. SFC seeks assurance that the voluntary severance scheme is in accordance with standard good practice for mergers and represents good public value.

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

I request a response to this letter by Wednesday 16 October 2013.

Yours sincerely

[redacted]

Laurence Howells
Interim Chief Executive

cc John Gray, Chair

Wilma MacDonald

From: Fiona Gray
Sent: 11 October 2013 17:42
To: Laurence Howells
Cc: John Kemp; Martin Fairbairn
Subject: FW: VS issue

Categories: Urgent

Laurence, John's response. F

From: John Doyle [mailto:jdoyle@coatbridge.ac.uk]
Sent: 11 October 2013 17:30
To: Fiona Gray
Cc: [redacted]; Derek Banks
Subject: RE: VS issue

Hi Laurence,

We are putting a pack together for you now.

Given the importance and quantity of information we want to ensure it is both an easy and informative read, will get it to Fiona early next week.

Have a good trip.

Kind Regards

John

From: Fiona Gray
Sent: 11 October 2013 17:18
To: John Doyle
Cc:
Subject: VS issue

John Doyle
Thank you very much for phoning earlier on today. I am very happy to meet you and your colleagues when I get back from leave. My PA, Fiona, will be in touch regarding a date and time.

However, it occurred to me after we spoke, that given the public interest in this issue I still require a response to my letter and email without delay. You mentioned when we spoke that you have to hand all the information required. I would therefore be grateful if you would provide it to my office during Monday or as soon as possible next week. You should address it to Fiona Gray for my attention.

Whilst I am away from Edinburgh next week, Fiona will be able to get the information to me for me to review.

Best wishes
Laurence

Laurence Howells| Scottish Funding Council

[redacted]

Wilma MacDonald

From:	Laurence Howells
Sent:	14 October 2013 08:11
To:	Martin Fairbairn
Subject:	FW: Clarification of VS situation

From: John Gray [redacted]
Sent: 11 October 2013 16:57
To: Laurence Howells
Subject: Re: Clarification of VS situation

Laurence, I understand that you have spoken to John Doyle and that we will meet up when you are back in circulation.

John

From: Laurence Howells
Sent: Friday, October 11, 2013 2:42 PM
To: John Doyle
Cc: [redacted]; michael.cross@scotland.gsi.gov.uk
Subject: Clarification of VS situation

Dear John

Following our letter of 10 October regarding VS for Senior Managers within Coatbridge College I now urgently seek the clarification requested.

I have today been made aware that the EIS representative at Coatbridge College has been informed that the VS scheme proposed by Coatbridge College for Senior Managers was agreed by John Kemp of SFC and Roger Mullin of SG in February of this year. This is not correct.

I would ask that you ensure in conversations with staff your Senior Managers do not repeat this gross inaccuracy and refer instead to the letter sent to yourself and your Chair yesterday.

I request an immediate response to this e-mail

Regards
Laurence

Laurence Howells | Scottish Funding Council

Interim Chief Executive | Àrd-Oifigear Eadar-amail

Wilma MacDonald

From: Fiona Gray
Sent: 15 October 2013 16:42
To: Laurence Howells; Martin Fairbairn
Cc: John Kemp; Sharon Drysdale
Subject: FW: Coatbridge College VS Response
Attachments: Key Events Summary.docx

Importance: High

Dear all, to see. F

From: Edith McIntyre [mailto:emcintyre@coatbridge.ac.uk]
Sent: 15 October 2013 16:31
To: Fiona Gray
Cc: michael.cross@scotland.gsi.gov.uk; [redacted]
Subject: Coatbridge College VS Response

Sent on behalf of John Doyle, Principal and Chief Executive, Coatbridge College

Dear Laurence

We have distilled from a plethora of documents and minutes what we think are the important key events demonstrating the situation at the time and the rationale for the Coatbridge College severance agreement (see attached).

It is clearly an imperative that we are able to furnish you with as full a report as possible in support of the query you have. To that end, we have engaged an independent opinion of our approach and processes. We are sure this opinion will be available shortly but as you will appreciate this is a key holiday period. I am confident this will help our discussions on Monday to separate the facts from uninformed opinion.

Kind Regards

[redacted]

Edith McIntyre
Personal Assistant to
John Doyle, Principal and Chief Executive
Coatbridge College
Kildonan Street
Coatbridge
ML5 3LS
Tel: 01236 707062

KEY EVENTS SUMMARY

Date	Event	Location	Subject
16 November 2012 23 November 2012	Lanarkshire Federation Meeting	Motherwell College	Federation discussions on a standard Lanarkshire VS Scheme.
3 December 2012	Lanarkshire Federation Meeting of Principals & Chairs	Cumbernauld College	Lanarkshire Strategic Action Plan 2012-2015 - Item4: *By January 2013 – Make a successful application to SFC for support funding for a Lanarkshire Voluntary Severance scheme.*
16 January 2013	Extra Ordinary Board of Management Meeting	Boardroom Coatbridge College	Discussion on Regionalisation and prospect of joining Motherwell & Cumbernauld College merger.
24 January 2013	Discussion on Severance Guidance	Telephone/Email	Discussion and communication between J Gray and M Batho on Severance Guidance.
28 January 2013	Remuneration Committee Meeting	Boardroom Coatbridge College	Discussion on severance arrangements for senior staff.
7 February 2013	Extra Ordinary Board of Management Meeting	Boardroom Coatbridge College	Regionalisation – merger documentation and timeline discussed.
25 March 2013	Board of Management Meeting	Boardroom Coatbridge College	Normal scheduled meeting.

KEY EVENTS SUMMARY

Date	Event	Location	Subject
5 June 2013	Board of Management Meeting	Boardroom Coatbridge College	Normal scheduled meeting.
18 July 2013	John Doyle meets with Linda McTavish, Regional Lead and Roger Mullin, Scottish Government Advisor	Scottish Government Atlantic Quay Glasgow	Discussion on Coatbridge rejoining merger.
23 July 2013	John Gray, Chair of BOM andJohn Doyle meet with Linda McTavish and Roger Mullin	Boardroom Coatbridge College	Formal meeting to discuss Coatbridge rejoining merger and issue of terms of rejoining merger: M McGuire to be Principal Designate.
26 July 2013	John Doyle and Derek Banks, Director of Finance & Estates meet with John Kemp, Director SFC	Scottish Funding Council Edinburgh	Meeting to discuss financial support for Coatbridge rejoining merger.
2 August 2013	John Doyle meets with Martin McGuire, Principal Designate New College Lanarkshire	Motherwell College	Discussion on Coatbridge rejoining merger, CMAC agreement and 6 month enabling agreement.
6 August 2013	Extra Ordinary Board of Management Meeting	Boardroom Coatbridge College	Discussion and agreement to rejoin merger and VS discussion.
12 August 2013	New College Lanarkshire Merger Committee Meeting	Motherwell College	Discussion on detail of joint VS package.

KEY EVENTS SUMMARY

Date	Event	Location	Subject
18 August 2013	Communication from Roger Mullin to John Doyle	Email	Requested a meeting with Principal to discuss early departure from post.
20 August 2013	John Doyle meets with Roger Mullin and John Kemp	Scottish Funding Council Edinburgh	Discussion with Principal on leaving his post early.
9 September 2013	New College Lanarkshire Merger Committee Meeting	Motherwell College	Publication of joint VS package.

Wilma MacDonald

From: Sharon Drysdale
Sent: 18 February 2015 14:31
To: Wilma MacDonald
Subject: FW: Severance arrangements

From: John Kemp
Sent: 16 October 2013 17:27
To: John Doyle; Edith McIntyre (emcintyre@coatbridge.ac.uk)
Cc: John Gray; Sharon Drysdale; Michael.Cross@scotland.gsi.gov.uk; Laurence Howells
Subject: Severance arrangements

Dear John,

I am writing to follow up your response yesterday to Laurence Howells' letter of 10th October. While I am aware that you have promised further information, the information you sent yesterday has not given us sufficient information on any of the points raised in our letter.

You are meeting with Laurence Howells on Monday. In order to get the most out of that meeting and to ensure that a line can be drawn under the issue at that meeting, Laurence has asked me to follow up your response and try to get some information prior to the meeting. I will phone you tomorrow to discuss the points below. I may also seek information from others as appropriate.

Given our interest in ensuring good value for public money, you should not take any action to commit the college to any spending on severance arrangements between now and your meeting with Laurence next week.

We want to be clear on the following points:

What severance arrangements, if any, have been made for senior staff at Coatbridge College outwith the scheme that is related to the New College Lanarkshire merger?

If there are separate arrangements, what Committee decided on these arrangements? At what meeting? We would like to see the minute of that meeting.

Was the arrangement discussed with or agreed by the board?

How did the college intend to pay for any such arrangements? (My understanding was that the college has low levels of cash reserves as we discussed this when we agreed a solution to help with your recent problems with demand for childcare.)

Has any additional severance liability been shared with the due diligence contractors for the merger? If so, when?

We understand that you have said that the SFC has either agreed a different severance arrangement for senior staff at Coatbridge or that we would fund it. Is it the case that you or anyone else from the college has said this? If so, on what do you base that statement?

I understand that your board is meeting next week. Can you confirm the time and the venue?

I will phone in the morning to follow up on these questions. Alternatively, I can be contacted on my mobile at the number below.

John

John Kemp
Director of Strategic Development / Stiùiriche Leasachadh Innleachdail
Scottish Funding Council for Further and Higher Education/ Comhairle Maoineachaidh na h-Alba
[redacted]

Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd-ìre

Our ref: 241997615

Mr John Gray
Chair of the Board of Management
Coatbridge College
Kildonan Street
Coatbridge ML5 3LS

22 October 2013

MANAGEMENT IN CONFIDENCE – contains information about individuals

Voluntary severance arrangements

Please accept my thanks for John Doyle, Derek Banks and yourself taking the time to meet Martin Fairbairn, John Kemp and I yesterday afternoon.

Senior staff members

At the meeting you told us that the six staff who were to receive a more favourable voluntary severance deal than the one agreed for other staff in the merger had voluntarily agreed to give up the deal. You told us that your Remuneration Committee would meet at 4.15 on Wednesday of this week, a meeting that would be clerked by Biggart Baillie and that your intention was that the Committee would discuss a report by Biggart Baillie on the circumstances that led to the deal being offered and that your hope was that the Committee would then formally withdraw the more favourable deal. While the Remuneration Committee has the delegated authority to deal with this matter you wanted to take the matter to the Board meeting at 6pm on the same day. You said you would share the Biggart Baillie report with us following the meeting.

[redacted]

[redacted]

SFC contribution to severance costs

At the meeting you asked for clarity on what the SFC would fund in terms of voluntary severance. As you know we will only fund voluntary severance deals that pay back their costs within a year. In Lanarkshire the colleges (including Coatbridge) agreed a voluntary severance scheme at a meeting of the merger committee on 9th September. While that deal goes up to a maximum of 13 months salary for a member of staff that has 14 years' service or more, it is within our rules as we do not anticipate that all of those who leave will be on the maximum. We think it is important that the scheme used in a merger is common across the colleges in the merger. We are currently in discussion with colleagues in the Colleges the business case for extending the scope of the existing Lanarkshire scheme to include Coatbridge staff.

Guidance on voluntary severance arrangements

With regard to our guidance on voluntary severance arrangements, we wrote to you on 24th January 2013. For convenience, I have attached that email. Given the latest developments the Remuneration Committee and the Board now need to focus on that guidance in relation to the position of the Principal.

Compliance with the *Financial memorandum* between SFC and Coatbridge College

The *Financial memorandum* sets out the formal relationship between the Scottish Funding Council and Coatbridge College. This is a standard document that applies to all the colleges and universities we fund. The document can be downloaded from our website and I have enclosed a copy with this letter.

The *Financial memorandum* states that:

- the College "will strive to achieve at all times good practice in the governance, management and conduct of the institution"
- the College's board of management will ensure that "the institution takes account of relevant good practice in the management of all its activities and resources".

Our guidance on voluntary severance arrangements is the prime source for colleges and universities to interpret good practice in this area. Therefore, significant deviation from that guidance could result in an institution being judged to have contravened the terms of the *Financial memorandum*. Since compliance with the *Financial memorandum* is a condition of grant, contravention of the *Financial memorandum* could result in the Council seeking repayment of grant (for example, an amount equivalent to the expenditure which resulted from any contravention of the *Financial memorandum*).

You should also be aware that such a set of circumstances could result in board of management members becoming personally liable for the amount of any such repayment. The legal position with regard to personal liability is set out in the current version of the governance guidance issued by Colleges Scotland (*Guide for college board members*). The Guide states that "provided each board member has acted honestly, diligently and in good faith in the course of carrying out board responsibilities personal liability should not normally arise". However, if that test is not met in relation to a contravention of the *Financial memorandum*, personal liability for the amount of repayment could arise (which might not be offset by insurance cover if the terms of the policy have not been met).

Next steps

In summary, from our meeting the other day I am now expecting that:

- The Remuneration Committee and the Board will now formally withdraw the previously offered voluntary severance deal for six staff and instead agree that they are eligible for the Lanarkshire scheme being offered to all other staff.

- Subject to the business case currently under preparation, the Council will extend the amount of funding we will provide to the Lanarkshire scheme to permit Coatbridge staff to participate. Our funding for this scheme will be limited so that the scheme pays back our costs within 1 year.

- The Remuneration Committee and the Board will agree an appropriate arrangement for the Principal. As we have made clear SFC would fund such an arrangement only up to 13 months salary. If this arrangement went beyond this, the College would have to fund any additional costs itself.

- The Remuneration Committee and Board will need to assure itself that if this arrangement goes beyond the general scheme for other staff then this is because of exceptional circumstances which justify this action. These exceptional circumstances will need to be clearly recorded.

- The Remuneration Committee and the Board will also have to assure itself that such an arrangement meets our guidance. This should include asking the view of your internal and external auditors. You should then inform us of the proposed settlement and your auditors' opinion.

Addressing the Board of Management

As discussed, thank you for agreeing to me attending the beginning of the Board of Management meeting at 6pm on Wednesday, when I will summarise the contents of this letter. I think my attendance is important to ensure that this issue is now quickly put to bed.

Thank you once again for meeting us and the constructive approach you have taken to resolving this issue. I would also be grateful if you would convey our thanks to the Principal and the senior staff of the college for the constructive approach they have taken.

Yours sincerely

[redacted]

Laurence Howells
Interim Chief Executive

Financial memorandum

The financial memorandum has an effective date of 1 January 2006.

Preamble

1 This memorandum sets out the formal relationship between the Scottish Further & Higher Education Funding Council ('the Council') and 'the institution'. The foundation of the relationship is provision of funding by the Council to the governing body of the institution, according to statute.

2 The constitutional arrangements for the relationship are laid down in the relevant statutes and instruments of governance which establish the autonomy of the institution and the powers and duties of the Council.

3 For these arrangements to be effective the Council and the institution have to work in partnership to assist the delivery of the Scottish Executive's policies for further and higher education and to secure best value from the investment of funds derived from Scottish Ministers. The ultimate purpose of all these partnerships, policies and investments is to secure further and higher education in Scotland which meets the nation's economic, social and cultural needs by providing excellent learning opportunities for students and outstanding research. The Council recognises that the institution may also undertake activities and have to comply with legislation and regulation which fall outside the scope of this partnership.

Purpose of the memorandum

4 Accordingly, this memorandum sets out the expectations of the institution and the requirements which are a condition of the Council's funding. It also sets out the agreed expectations which the institution, in the spirit of constructive partnership, has a right to have of the Council.

What the institution can expect of the Council

5 The Council will conduct its affairs at all times to the highest accepted standards for public sector bodies. It will act reasonably on the basis of the fullest available evidence and objective analysis. Subject to any legal requirement to observe confidentiality, it will be open and transparent with the institutions it funds and other stakeholders, and will give or be prepared to give a public justification of all its decisions.

6 The Council will maintain a policy on openness which sets out the work of the Council, the services it aims to provide and how to complain or appeal if something goes wrong.

7 The Council will maintain regular and frequent dialogue with institutions and their representative bodies where it seems appropriate to:

(i) promote a shared understanding of the aspirations, needs and concerns of the various stakeholders;

(ii) support the beneficial impact of institutions' collaborative activities; and

(iii) better enable it to provide the information, advice and assistance Scottish Ministers require of it.

8 The Council will not substitute its judgements for those which are properly at the discretion of institutions. In particular, the Council will seek to maximise the discretion of institutions to use grants provided by the Council.

9 In discharging its duty to monitor and publish the performance of the institution generally and on specific projects, the Council will, as far as possible, rely on the data and information used by the institution for its own purposes.

10 The Council will allocate and pay grant to the institution in accordance with current published policies and procedures. The institution will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.

11 The accountable officer of the Council is required to be satisfied that the institution has put in place the organisation and procedures necessary to ensure compliance with this memorandum, including the achievement of best value from funds derived from Scottish Ministers. The Council will obtain evidence from the institution, which will include undertaking reviews (but only by prior arrangement), to provide the assurances required to discharge this responsibility.

12 Where the Council has concerns or insufficient information to provide the assurance required, the Council will, in the first instance, seek to resolve matters with the chief executive officer of the institution. Where this has not proved possible, the Council's accountable officer will inform the chair of the governing body and the institution's chief executive officer in writing and without delay of any significant concern of the Council about the conduct of the institution. Only after such notification and where the circumstances warrant it, the Council's accountable officer may suspend the payment of any or all grants to the institution. Where the concern relates to the financial support which the institution receives (or might receive) from

the Council, the Council may also use its powers to attend and address a meeting of the governing body.

What the Council can expect of the institution

13 The following paragraphs state the expectations of the institution and the requirements which are a condition of the Council's funding.

14 The Council must be able to rely on the whole system of governance, management and conduct of the institution to safeguard all funds of the institution deriving from Scottish Ministers and to achieve the purposes for which those funds are provided. As a recipient of public funds, the governing body of the institution will strive to achieve at all times good practice in the governance, management and conduct of the institution.

15 The governing body will ensure that it has in place and effectively implemented the proper arrangements for governance, leadership and management of the institution as required by statute, its instrument and articles of governance. This includes the appointment of the chief executive officer. As well as being directly accountable to the governing body for the proper conduct of the institution's affairs, the chief executive officer of the institution is also directly accountable to the chief executive officer of the Council for the institution's proper use of funds deriving from Scottish Ministers and its compliance with this memorandum.

16 Respecting the primacy of the institution's own statutory and constitutional obligations, the governing body will ensure that:

(i) there is effective planning and delivery of the institution's education programmes, research and related activities, in accordance with its mission;

(ii) it obtains sufficient data and information of a quality to enable it to determine how well the institution is achieving its goals across the full range of its activities and that the institution is adjusting its strategies as necessary for the delivery of these goals. Such information will be made available to the Council on request as necessary for the exercise of its statutory functions;

(iii) public funds are used in accordance with relevant legislation and only for the purposes for which they are given;

(iv) the institution strives to achieve best value from its use of public funds from all sources;

(v) the institution takes appropriate account of Scottish Ministers' priorities as expressed in the Council's further and higher education policies and drawn to the institution's attention by the Council;

(vi) the institution is actively engaged in seeking continuously to enhance the quality of its programmes and services and to involve students and other stakeholders in these processes;

(vii) there are in place up-to-date and readily accessible procedures for handling complaints by students, staff and others;

(viii) its and the institution's activities are conducted in an appropriately open, transparent and fully accountable manner;

(ix) the institution plans and manages the deployment of its resources in a sustainable way;

(x) it and the institution adheres to the Council's mandatory requirements (as notified to the institution in circular letters) and that the institution takes account of relevant good practice in the management of all its activities and resources including its:

- staff, human resources and industrial relations practices;
- estates and equipment; and
- finances, and risk and internal control procedures.

17 The chief executive officer of the institution must inform the accountable officer of the Council without delay of any circumstance that is having or is likely to have a significant adverse effect on the ability of the institution to maintain its capacity to deliver relevant education programmes, research and related activities.

20 January 2000

Circular Letter FE/03/2000

To Principals / Directors of Scottish Further Education Colleges

Dear Principal / Director

GUIDANCE ON SEVERANCE ARRANGEMENTS TO SENIOR STAFF IN SCOTTISH FURTHER EDUCATION COLLEGES

The general issue of severance arrangements for senior staff in the UK further and higher education sectors, has, in recent years, been given a high profile as a result of a few well publicised cases. To address public concerns over severance arrangements and to help ensure proper accountability, the Council considers that there is merit in providing practical guidance in this sensitive area.

In this context I commend to you the attached good practice Guidance which has been considered by the Council's Audit Committee and endorsed by the Council. The Guidance consolidates findings from previous National Audit Office (NAO) reports, including those relating to University of Huddersfield, University of Portsmouth, Glasgow Caledonian University and Gwent Tertiary College. The Committee of Public Accounts (PAC) has reinforced the comments by the NAO in this area. A copy of the finalised version of the Guidance which reflects the comments of the NAO and PAC is enclosed. I will issue two copies of the published version of the Guidance to colleges in the near future. A copy has also been sent to the Chair of your College's Board of Management.

I would request that you compare your College's existing policy and procedures in this area with those in the Guidance. The results of that exercise, including the need for any changes to existing arrangements, together with the Severance Guidance, should be presented to your College's Board of Management at the earliest opportunity.

For further information please contact Liam McCabe, Director of Financial Appraisal and Monitoring Services (telephone 0131-313-6524/email: lmccabe@sfc.ac.uk).

Professor John Sizer
Chief Executive

Scottish further education funding council

GUIDANCE ON SEVERANCE ARRANGEMENTS TO SENIOR STAFF IN SCOTTISH FURTHER EDUCATION COLLEGES

Introduction

1. In 1994, the (then) Scottish Office Education Department (the Department) and the UK Funding Councils individually conducted a survey of severance payments to senior staff in the respective education sectors. From this exercise, the Department concluded that colleges had behaved responsibly in dealing with severance arrangements and this was reflected in the National Audit Office (NAO) report, *"Severance Payments to Staff in the Publicly Funded Education Sector"* which was published in February 1995.

2. The Committee of Public Accounts (the PAC) considered the NAO Report and their views and opinions were published on 14 June 1995 in its Twenty-Eighth Report "*Severance Payments to Senior Staff in the Publicly Funded Education Sector*". For the Scottish further education colleges, the PAC noted the position as stated by the Department and *inter-alia* looked to the relevant funding bodies to disseminate guidance on severance payments. To this end, the Department has issued guidance to the colleges stemming from notification received from HM Treasury and by reference to relevant NAO reports.

3. The general issue of severance payments to senior staff has continued to receive a high profile and there have been of a few well-publicised cases in the UK higher education sector. Recent examples being within the NAO Reports on Glasgow Caledonia University and Gwent Tertiary College, copies of which were issued by the Department with the 'Dear Principal' letter dated 18 June 1999.

4. It is recognised that the exercise by the Department was conducted soon after the incorporation status of colleges on 1 April 1993 and it is probable that few senior staff in colleges had, at that time, received severance packages. However, there has been an increased turnover in senior staff within the Scottish colleges and there have been two

recent cases involving Scottish further education colleges where the severance packages negotiated have prompted action by the Department.

5. Therefore, to address public concerns over severance arrangements and to help ensure accountability for all parties, the Scottish Further Education Funding Council (the Council) considers that there is merit in providing practical guidance to colleges in this sensitive area.

6. This Guidance considers the Council's role in severance arrangements, the role of Colleges and the principles and policies which should underlie a College's decision to make a severance payment, possible terms that might be included, reporting and recording decisions taken and auditing practices. Within this document, the word "must" indicates a requirement, "should" denotes best practice and "may" indicates a suggestion. Also, "colleges" should be interpreted as being relevant and applicable to all organisations that receive Exchequer funds from the Council and "Board of Management" as referring equally to Boards of Management, Governors Committees and the like.

Scope

7. The guidance is aimed primarily at senior staff whose earnings are more than £35,000 per year. However, colleges should take this guidance into account when considering any severance arrangement where the costs of all elements of a proposed arrangement amount to more than £60,000.

The Council's Role

8. The Chief Executive is the designated Accounting Officer of the Council and is responsible to the First Minister for Scotland for the

arrangements concerning the payment of funds to the further education colleges and other bodies. As such, the Chief Executive ensures that Exchequer funds received by the Council are put to uses consistent with the purposes for which they were given and are used in compliance with any conditions attached to their use.

9. Within the necessary framework of control, the Council aims to enable colleges to manage their own financial affairs while, at the same time, encouraging good managerial practice and safeguarding public funds. It recognises that colleges are legally autonomous bodies, responsible for setting the terms and conditions of employment for their staff, including financial settlements and other arrangements relating to severance.

10. However, the Council will consider whether colleges have acted reasonably and made proper use of public funds in determining severance arrangements. If the Council concludes there has been a misuse of public funds, it is prepared to use fully the powers at its disposal to rectify the situation.

Responsibilities of Colleges

11. The Chief Executive of the Council has issued documents that set out the framework arrangements that will exist and be applied over Exchequer funds paid by the Council to Boards of Management of further education colleges and to other organisations, including arrangements to appoint a designated Accounting Officer.

12. Colleges should have a clear policy statement on severance. Employment law is complex and constantly evolving and colleges should obtain appropriate legal advice from a competent source when drafting their policy statement. 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. Legal advice should also be obtained when determining contract terms and any other important aspect connected with the employment and severance of senior staff. Colleges should also bear in mind this guidance, as well as that provided by NAO and PAC, and should have regard to the principles set out by the Committee on Standards in Public Life. It is particularly important that any severance policy is transparent, equitable and is rigorously and consistently applied to all staff.

13. In exercising their discretion in issuing employees with terms and conditions of employment, colleges must act reasonably. This includes using funds from public and other sources only for the purposes for which they were provided. Colleges have a responsibility to use both public and any 'private' funds in a prudent way that achieves value for money. There must be a clear allocation of responsibility to named individuals and committees, proper reporting to governing bodies, and openness and transparency in dealings with all stakeholders.

14. The circumstances leading to termination will determine whether any payment is to be made to an employee on termination of employment. When agreeing individual cases of premature retirement or a severance package, colleges should delegate the task to their Remuneration Committee (or its equivalent), or to a specific committee set up for that purpose. Delegation must be within a specific remit, have full compliance with the college's policy on severance matters and with clear boundaries as determined by the Board of Management. Colleges should ensure that formal reports of severance packages, including all financial aspects, are made to the Board of Management although this may be carried out through the relevant finance or resources committee.

15. Remuneration Committees (or their equivalent) should oversee severance arrangements. They should do so in the context of a policy

that sets out general principles covering all severance packages as suggested in paragraph 12 above. It is unlikely that precise formulae can be devised to cover all senior staff in all circumstances. Nevertheless, the policy should set clearly the boundaries of delegated authority for relevant employees. For example, a college might have a policy that where a severance payment is to be made, it should not normally exceed the statutory and contractual entitlement of the employee, plus a set enhancement of pension rights and the cost of out-placement counselling up to a fixed sum. Any exceptional settlements proposed that are in excess of, or otherwise not within such a framework, should be specifically endorsed by the Remuneration Committee and formally approved by the Board of Management.

16. The Financial Memorandum and conditions of grant provides the colleges with levels of delegated authority and the need to obtain the Council's prior authority for payments in excess of these levels. In this context, a college should, in certain situations, consult with the Council's Chief Executive in their position as Accounting Officer prior to approving a proposed severance package.

17. Colleges are required under SOEID Circular 5/98 (Accounts Direction) to disclose the terms of compensation to senior staff for loss of office in their annual accounts and financial statements. This requirement remains extant.

Responsibilities of College Accounting Officer

18. The role of the college's designated Accounting Officer is an important control mechanism for the Council and the college to safeguard the use and fully observe propriety over public funds and high standards are expected and demanded of the person fulfilling this duty. The college's 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 or appropriate best practice. This is particularly important if controversial or novel action is being contemplated in any severance package.

19. Extreme caution and due diligence to the requirements of paragraph 18 must be observed by the college Accounting Officer if their own severance package is being determined. It is not acceptable for the Accounting Officer to abstain from their personal responsibilities by contending that they are not part of the Remuneration Committee or form any part of the decision process. As the intended beneficiary of the severance package, the Accounting Officer will, at some stage, be made aware of the settlement and he/she must then advise the committee on the appropriateness of their intended action. Should the committee not heed this advice, the Accounting Officer must undertake the action described in paragraph 18 and notify the Chief Executive of SFEFC.

Terms of Contract

20. The terms of an employee's contract must be the basis of determining severance arrangements. Colleges must fulfil their obligations in the event of early termination. In the event of a breach of contract the college may be liable to pay compensation to the employee, based on the loss suffered. The employee is also under an obligation to reduce or 'mitigate' the amount of compensation required by finding a new source of income. Where an employee is entitled to a lengthy period of notice and the college does not require the employee to work his/her notice, it may be appropriate for the college to phase compensation payments over the period of the notice and reduce or stop payments when the employee finds a new job.

21. Accordingly, when recruiting senior employees, colleges should carefully consider the terms upon which an individual is employed. The overriding aim should be to balance the need to ensure maximum flexibility to cope with any contingency that may result in termination against the demands of employing the most appropriate individual in a competitive market. In this context, colleges may wish to review the extent to which existing contracts with their senior employees reflect this aim.

Termination

22. There are various reasons for early termination of employment. An employee may be dismissed fairly on grounds of conduct, capability, redundancy, in compliance with statutory enactment or for some other substantial reason, provided colleges act fairly and reasonably in all circumstances, having regard to their size and administrative resources. Where dismissal is on the grounds of gross misconduct no notice requires to be given. Otherwise, notice requires to be given in accordance with the employee's contract of employment, or in accordance with the minimum statutory period of notice, whichever is the greatest.

23. Colleges should take steps to avoid rewarding or being perceived to be rewarding poor or unacceptable performance leading to early termination. In this context colleges should have in place appraisal procedures documenting job performance and guidance on other matters relevant to the individual as an employee, such as codes of conduct covering general standards of behaviour. In addition, colleges should implement and follow disciplinary and grievance procedures, and, where appropriate, redundancy procedures.

Negotiating Terms

24. In general, public funds should only be used to meet contractual and other payments required by law. These obligations may include formally agreed severance schemes that are part of contractual terms and conditions and in the exercise of discretion granted to colleges by a specific scheme, such as pension enhancement within the limits set out in the relevant pension scheme rules. Exceptions to this general approach, which may be described as "being in the management interest", need careful justification and colleges should be mindful of the comments on individual performance referred to in paragraph 23. However, where an exceptional arrangement is being considered, clear and comprehensive documentation must be prepared (and retained) that fully demonstrates how the cost of severance terms, beyond contractual obligations, provide (and are seen to provide) the best value for money.

25. Colleges should not lose sight of the fact that most senior staff are within a pension fund and that the employee and the employer make contributions in line with an agreed scale. Depending on the scheme, it is usually the case that individuals have, on a voluntary basis, the opportunity to purchase additional years service. Thereafter, the individual receives the payment to which they are entitled under their pension scheme, calculated on a transparent and equitable basis which applies to all staff.

26. Colleges do not have the power to use public funds to make payments on the grounds of distress or hurt suffered as a result of the severance payment. Further, it is doubtful that colleges have the power to give gratuities to any member of senior staff in recognition of the service he or she has rendered to the colleges beyond a small token, the value of which should be decided by the college.

27. There are few occasions where payment of salary in lieu of notice represents value for money. For senior staff, they should be expected to work their contracted period of notice unless other mutually agreed terms of notice suit all parties. For the college, where the employee is being replaced, due consideration will require to be given as to whether a hand-over is necessary. An overlap of staff is an expensive arrangement, and, generally, any overlap between individuals should be kept to the minimum. Colleges should therefore ensure that they obtain the best fit for the replacement that meets the business needs of the college.

28. In principle, colleges can supplement severance payments with private funds. However, in such cases, the college still has a duty to behave prudently and responsibly in using funds held on trust.

29. Colleges may find it useful, especially when negotiating severance cases without internal precedent, to seek comparative information from other colleges within the sector. However, neither schemes nor individual packages should comprise elements picked from a range of other bodies if the net effect is a significantly more generous package than would be available at any of those bodies.

30. Before starting negotiations, colleges should establish contractual and statutory obligations, any discretionary elements and relevant limits, and should set out the relevant criteria for exercising discretion. A written record should be maintained at each stage of negotiations to ensure that the ultimate settlement can be readily audited.

31. If the severance arrangement provides for a reference, colleges must ensure that it is accurate and complete. Colleges should not make open-ended commitments in severance agreements, such as undertaking to protect an individual's reputation.

32. Colleges must not agree to confidentiality clauses within severance agreements except where it is necessary to protect commercially sensitive information. Commercially sensitive information does not include information on the details of the severance package itself, nor generalised clauses whereby individuals undertake not to make statements that might damage the reputation of an institution. However, there may be exceptional cases not covered by commercial considerations, where it is in the public interest to include a confidentiality clause. In these circumstances, the institution must consult with the Council's Chief Executive, in his capacity as Accounting Officer, before agreeing to such a clause.

33. Colleges should seek an indemnity to enable them to recoup any tax which might be demanded from the college arising out of the employee's employment or severance payments made to the employee on or after termination of employment.

34. If a college enters into a severance agreement, they should consider carefully any proposal to offer further work or consultancy to the individual. There are, of course, instances where this will be desirable. For example, individuals may be needed part-time to see through a cohort of students, or may be engaged in a specific project that requires completion. Any subsequent re-employment of an individual should take into account all severance arrangements, and should be on the basis that the employee is not better off than he/she would have been if the severance deal had not been made.

Audit

35. Internal auditors should, within their audit needs assessment plan, include a review of systems for the determination and payment of severance settlements in their strategic audit plan. They should also maintain a watchful eye on the severance packages and be prepared

to offer advice or cautionary comment in certain and exceptional circumstances. It is realised that this action may impinge on the auditor's independence and their ability to report objectively to the college. Nevertheless, it is the Council's view that the auditors will have considerable experience of severance packages and that this knowledge should be available to the college committee on a consultation basis.

36. The college's external auditors must review severance settlements for senior staff. Such a review will normally take place after settlements have been agreed, (normally as part of their annual financial statements audit) and should be carried out by senior audit staff because of the complexity and sensitivity of the issues. If final settlements do not materially conform to the guidance in this document, the auditors should report the facts to the college in their management letter.

37. If the internal or external auditors become aware of a proposed settlement that does not materially conform to this guidance, they should first inform the management of the college, and, if the auditors judge it desirable, members of the Board of Management. The auditors should also recommend that the college inform the Council immediately. Only if the college refuses to do so, or is dilatory in doing so, should the auditors report the proposed settlement directly to the Council.

Wilma MacDonald

From: Laurence Howells
Sent: 24 October 2013 11:06
To: [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
[redacted]

Coatbridge College

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.

[redacted]

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

[redacted]

Tom Keenan
Chair of the Board of Management

MINUTES OF BOARD OF MANAGEMENT MEETING OF COATBRIDGE COLLEGE

HELD ON WEDNESDAY 23 OCTOBER 2013 AT 7PM

Board members

Present: John Gray (Chair)
Carole McCarthy
Thomas Keenan
Kenneth Coulter
Paul Gilliver
Julie Grant (left at 7.50pm)
John Doyle
David Craig
Thomas Bradshaw
Robert Wallace
John O'Hara
Pauline Docherty

Apologies: Ralph Gunn

CMAC

Present: Derek Banks
Sarah Jane Linton
Francis McGeachie
Pat Lafferty
Margaret Rose Livingstone

Apologies: Lorraine Gunn

Attending

Laurence Howells (Scottish Funding Council)
Sharon Drysdale (Scottish Funding Council)
Paul Brown (DWF LLP)
Victoria Cowan (DWF LLP)
The Chair welcomed the Board to this evening's meeting.

The Chair introduced Laurence Howells and Sharon Drysdale, both from the Scottish Funding Council.

The Chair introduced Paul Brown (legal adviser for Coatbridge College) and Victoria Cowan (minute-taker).

1. Invited input: Laurence Howells of the Scottish Funding Council

The Chair welcomed Laurence Howells and Sharon Drysdale to the meeting. The Chair advised the Board that Laurence Howells, as a member of the Scottish Funding Council, wished to address the Board in relation to the voluntary severance packages offered to the Principal and the senior management team. Laurence Howells thanked the Chair for his welcome and introduction.

Laurence Howells advised the Board that he had spoken with the Chair just prior to the meeting. Laurence Howells noted that his understanding was that the senior management team had accepted the previous offer made to them by the Remuneration Committee. Laurence Howells asked the Board to arrange for the Remuneration Committee to formally withdraw the original offer. Laurence Howells advised that, in light of that, the Scottish Funding Council will extend funding for the common Lanarkshire scheme.

Laurence Howells advised that the Scottish Funding Council will not fund the Principal's exit beyond a 13-month period, and that it would be up to the College to fund anything else beyond that. If the College were to offer more than a 13-month period to the Principal, they would require to justify that decision Scottish Funding Council and formally record their reasons for doing so. Laurence Howells emphasised that the College should seek the views of internal and external auditors before coming to their decision if they were to go beyond the 13-month period, and the reports of those auditors should be incorporated into the College's overall report to the Scottish Funding Council. Laurence Howells confirmed that if the College completed these steps, this would help show the Scottish Funding Council that it had come to a reasonable decision in relation to the Principal's exit package. Laurence Howells stated that the Scottish Funding Council would not take into account comparable packages offered to other principals by other colleges.

Laurence Howells thanked the Board for taking the time to listen, and asked if the Board had any questions.

Robert Wallace asked the Board what had happened to the 21-month scheme which had been offered previously. Tom Keenan advised that the Remuneration Committee had decided there was to be no preferential treatment between the senior management team and other staff, and therefore all members of staff would be offered the Lanarkshire Voluntary Severance scheme. Laurence Howells advised the Board that that was his understanding.

The Chair thanked Laurence Howells for addressing the Board, and advised that the Board would certainly take what he said under consideration. Laurence Howells requested that the Chair consider when the Board will be in a position to report back to him on the points raised this evening.

Laurence Howells and Sharon Drysdale left the meeting at 7.10pm.

There followed a general discussion between the Chair and the Board on the issues raised by Laurence Howells.

2. CMAC

The CMAC representatives joined the meeting at 7.15pm.

The Chair welcomed the CMAC representatives to the meeting.

3. Sederunt and apologies

The Chair and John Doyle appraised the Board of the reasons why Lorraine Gunn was not in attendance at this evening's meeting.

4. Declarations of interest

None.

5. Staff issues

Julie Grant asked the Chair whether it would be possible to bring forward the discussion on staff issues forward in the agenda, given the lateness of the meeting. The Chair agreed.

Julie Grant requested an update from the Chair on the voluntary severance packages that she could transmit to the staff. The Chair advised the Board that the Remuneration Committee had sat earlier that evening and had decided that there should be one scheme operating for all College staff, as opposed to a separate scheme for senior management. Julie Grant advised she would communicate this to the staff shortly.

6. Minutes of previous meetings and matters arising

The Chair advised the Board that delays between meetings has meant historically that minutes of those meetings have not been approved before the next scheduled meeting. The Chair suggested that going forward minutes of all Board meeting should be produced quickly after the meeting has ended and circulated to the Board for approval. John Doyle sought the opinion of the Board in relation to the turnaround time for production and approval of minutes. The Board agreed that minutes should be produced and sent to the Board within two weeks of the relevant meeting, and that the minutes should be approved by the Board within two weeks of their receipt of the minutes.

The following minutes of meetings were considered by the Board:

6.1. Board of Management & Extraordinary Board of Management:

6.1.1. Meeting of 16 January 2013

There was no comment and the Board approved the minute.

6.1.2. Meeting of 25 February 2013
There was no comment and the Board approved the minute.

6.1.3. Meeting of 5 June 2013

There was no comment and the Board approved the minute.

6.1.4. Meeting of 6 August 2013

6.1.4.1. Tom Keenan advised that at p7 the minute refers to the voluntary severance package being approved. Tom Keenan advised that due to how quickly matters had moved on, this was not in fact approved at that meeting and it was a "stand-alone" point raised at that meeting. The Chair asked that this be noted in the minutes for this meeting.

6.2. HR Committee – meeting of 17 April 2013

There was no comment and the Board approved the minute.

6.3. Student Affairs Committee – meeting of 29 May 2013

There was no comment and the Board approved the minute.

6.4. Estates Committee – meeting of 28 May 2013

There was no comment and the Board approved the minute.

6.5. Finance Committee – meeting of 31 May 2013

6.5.1. Paul Gilliver drew the Board's attention to the fact that the wrong version of this minute had been circulated. The Chair apologised and advised the Board that the correct version would be circulated shortly.

There was no comment and the Board approved the minute.

6.6. Audit Committee – meeting of 4 June 2013

There was no comment and the Board approved the minute.

6.7. Corporate Development Committee – meeting of 17 April 2013

There was no comment and the Board approved the minute.

7. <u>Additional Income Report – 31 July 2013</u>

Derek Banks provided the Board with an overview of the Additional Income Report as at 31 July 2013. The Chair and Paul Gilliver advised that they were very pleased with the report. The Chair congratulated the senior management team on their hard work.

8. Staff Pay & Conditions – 2013/2014

The Chair advised the Board that the Executive Committee approved a 2% pay increase in relation to all staff at the College.

9. Regionalisation/merger update

9.1. Merger Committee Report

Tom Keenan and Carole McCarthy provided the Board with an update on how the merger is progressing. Tom Keenan advised that Motherwell and Cumbernauld Colleges merge as at 1 November 2013, and that the College will merge on either 31 March or 1 April 2014. Tom Keenan and Carole McCarthy advised the Board that they considered that the merger was progressing well.

There was general discussion on relation to the management structure post-merger and the role of staff and student representatives going forward.

There was some general discussion on the consultation process in relation to the merger, and John Doyle confirmed he would send out a communication to staff and students on the subject.

There was some general discussion on who would be attending the first vesting and whether invitations would be sent out. Margaret Rose Livingstone confirmed she was attending, and that any Board members who wished to were also free to attend. Sarah Jane Linton noted that it would be beneficial to have as much cross-college participation as possible.

9.2. Remuneration Committee Report

The Chair noted that the decisions made by the Remuneration Committee had been very well-covered following Laurence Howell's address to the Board and the discussions thereafter. The Chair remarked that he did not believe there was anything further to add.

9.3. Due Diligence update

Derek Banks provided an overview of the contents of the Coatbridge Financial Due Diligence Report. Derek Banks advised the Board that the Report is currently in draft on the basis that it is likely amendments will require to be made following the Remuneration Committee and Finance Committee discussions, and in particular the figure in relation to contingent liability will need to be corrected. Derek Banks advised the Board that he will arrange for the Report to be finalised and issued by Friday 25 October 2013. Derek Banks advised the Board that the Cumbernauld & Motherwell Financial Due Diligence Report was there as a comparator for the Board. The Chair asked the Board to direct any comments they have on the finalised Coatbridge Financial Due Diligence Report to Derek Banks.

Derek Banks provided an overview of the contents of the Coatbridge Legal Due Diligence Report. Derek Banks advised that this Report was in final form.

Derek Banks noted that he was happy with the terms of both Reports.

10. Succession planning

10.1. Chairman

The Chair noted that he was stepping down as Chair as at 31 October 2013. The Chair requested that the Board appoint a new Chairman to act until the merger. The Chair proposed Tom Keenan to replace him as Chair, and Paul Gilliver seconded the proposal.

Tom Keenan was appointed as the new Chair when John Gray steps down.

Tom Keenan thanked the Board for the appointment and requested that he be permitted to appoint two Vice-Chairs. Tom Keenan proposed Paul Gilliver and Carole McCarthy, and the Chair seconded the proposal.

Paul Gilliver and Carole McCarthy were appointed as the new vice-chairs from 2 November 2013.

10.2. The Chair noted that John Doyle was stepping down as Principal as at 1 November 2013. The Chair reminded the Board that John Doyle's position was not being filled, and his intention was to leave this to Tom Keenan (together with Paul Gilliver and Carole McCarthy as vice-chairs) to agree how to manage this going forward. The Chair remarked that John Doyle's absence will involve a lot of work for the senior management team, and there will likely be an element of restructuring in order to absorb the work historically undertaken by the Principal.

John Doyle proposed that Margaret Rose Livingstone, as Depute Principal, should fill the post on an interim basis until the merger, and Tom Keenan seconded the proposal.

Margaret Rose Livingstone was appointed as interim Principal from 1 November 2013.

There followed general discussion in relation to the above-noted appointments. It was agreed that Tom Keenan and Margaret Rose Livingstone would carry out the required senior management restructuring in order to ensure the continued operation of the College.

11. <u>College Annual Awards Ceremony</u>

John Doyle reminded the Board that the College's Annual Awards Ceremony was taking place on Thursday 24 October 2013. There followed some general discussion on this point.

12. <u>AOCB</u>

The Chair took the opportunity to thank the Board for all its assistance over the years.

The Chair also thanked John Doyle for his hard work and support, and wished him the very best for the future.

Meeting ended 8pm