12 November 2015

Paul Martin MSP
Convener
Public Audit Committee
c/- Room T 3.60
The Scottish Parliament
Edinburgh EH99 1SP

Dear Mr Martin

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 2 November 2015 regarding SFC’s attendance at the Committee meeting on 28 October 2015 and your request for further information.

I have repeated below your questions to me, together with my responses.

Details of all contact between the Scottish Funding Council and the internal and/or external auditors of Coatbridge College and the reason for contact:

The College’s external auditor, Cathie Wyllie of Henderson Loggie, first contacted SFC on 23 September 2014. The auditor was aware that there had been some concerns on SFC’s part around the claims the College had made to the Council in respect of severance costs generally, and wished to discuss with us. We wrote to Ms Wyllie by email on 30 September 2014 describing the situation as it was at that time. There was at that point a possibility that funding had been incorrectly claimed and would be clawed back by SFC. In that event, the College’s annual accounts for 2013-14 would require provision to be made for this clawback. Following further consideration of the College’s claims, we wrote to Ms Wyllie again on 25 November 2014 confirming the total amount of merger funding the College would receive. This amount was the same as that originally offered.
On 14 November 2014, Audit Scotland contacted us to request details of any governance issues SFC was aware of at Coatbridge College; Audit Scotland and the external auditors were both aware that SFC had commissioned a bespoke review of the merger of Coatbridge College with New College Lanarkshire. The report contains details of governance weaknesses that would be of interest to the auditor. Audit Scotland and the external auditor visited SFC’s offices on 11 February 2015 to carry out a review of the report. Ms Wyllie confirmed to us by email on the same date that there was nothing in the report that would impact on her audit opinion that she was not already aware of.

An internal audit review of severance arrangements at Coatbridge College was carried out by New College Lanarkshire’s internal auditors, Wylie & Bissett post-merger (August 2014). A copy of that report was provided to SFC by New College Lanarkshire. The external auditor made use of the report in preparing her audit report on Coatbridge College’s We had no direct contact with the internal auditor in relation to this report; however we did ask the external auditor for further information in relation to her (and the internal auditor’s) review of severance arrangements. This information was provided to us on 14 August 2015.

The legal advice provided to the Scottish Funding Council by DLA Piper on 18 December 2013:

The conclusion of the legal advice we sought was:

There is no legal precedent that we can identify that establishes a clear basis for the personal liability of board members of public bodies to recover sums due as a consequence of their actions and omissions.

This is likely to be explained on the basis that

(i) such cases would only ever be raised in highly exceptional circumstances, and then, other options for redress are more readily and easily available;

(ii) the legal basis for taking direct action against board members personally is complex to argue and may be factually hard to evidence;

(iii) the complexity and cost of any legal action would require to be weighed against the prospect of recovering the sums due plus any associated legal costs from the individual board members in question who may not have sufficient financial means to repay the sums.

Please find attached a copy of the advice from our lawyers as Annex A. Please would you treat this legal advice as confidential and not publish it without further discussion with SFC.
A timeline of communication between the Scottish Funding Council and Scottish Government officials and what was being discussed on each occasion in relation to Coatbridge College:

Annex B to this letter provides a summary of SFC’s key interactions with the Scottish Government regarding the College. You should note that this has been compiled from electronic diaries and is not a complete record of all engagements in that it will not contain conversations what were not scheduled in advance, but we are confident it does capture all formal meetings and conversations.

Information on the Lanarkshire federation scheme, and any changes made to it after it was presented for potential adoption across the four Lanarkshire colleges by South Lanarkshire College in December 2012:

The Lanarkshire Federation proposed VS scheme was developed by the college principals prior to merger discussions and was intended to cover any VS related to the Federation. The Federation scheme was never formally taken forward – in part because SFC could not see how or why a VS scheme would be needed in the context of a Federation and partly because the Federation was overtaken by the merger. SFC are not aware of any changes to the scheme after December 2012. It was very soon after this in January 2013 that Cumbernauld and Motherwell colleges announced they wanted to merge so it is very unlikely that such a Federation scheme would be needed. The Lanarkshire Federation was referred to in discussions with SFC in July 2013 as part of discussions on what type of scheme we might fund. It was however never progressed and we made it clear that we would only fund up to a one year payback. The eventual scheme agreed for the merger was not based on the Lanarkshire Federation scheme.

Clearly there are many aspects of the evidence from John Doyle and John Gray on 28 October which are at odds with the evidence provided by SFC. I will not comment on all of these. However, it is important that I comment on one particular issue relating to the Lanarkshire Federation Scheme because it has not been covered in our previous evidence.

Mr Doyle several times said that there was some expectation that a severance scheme approved by the Lanarkshire Federation applied to the merger. It did not. We cannot see how it can have been reasonable in January 2013 to think that scheme applied in the merger. Indeed the reference in the minute of the Coatbridge Remuneration Committee is to an emerging Federation scheme that only South Lanarkshire College (which was not part of the merger) had agreed.

Given that SFC had clearly stated (in the letter to John Gray on 24 January) that SFC would not fully fund such a scheme (as it went to 21 months), it would have been rash of the Remuneration Committee to make decisions on applying such a scheme to a group of
individuals without any indication of affordability or whether or not it was the scheme that would apply to the merger.

For completeness, I have attached a copy of the draft Lanarkshire federation scheme as Annex C to this letter.

**Details of all college voluntary severance schemes which exceeded the SFC guidance, details of the number of individual payments that exceeded the SFC guidance and the business cases provided for each of these voluntary severance packages:**

The SFC guidance on severance did not set a particular limit on the amount of severance payments. The guidance stated that public funds should in general be used for contractual terms only or for formally agreed severance scheme. Where boards wished to make arrangements that were outwith these they would have to prepare and retain documentation that fully demonstrated how the cost of the severance terms, beyond contractual obligations, provide (and are seen to provide) value for money. The guidance also covered the role of internal and external auditors (paras 35-37) in monitoring severance arrangements and stated that if they became aware of an arrangement that did not materially conform to the guidance they should advise the management of the college and if they thought desirable the Board. They (the auditors) could also recommend that the College informed the SFC and only if the College refused to do so, or was dilatory in doing so, should they inform the SFC directly. The process did not require the board to inform SFC of the specifics of the proposed packages, though there was an expectation that auditors would inform SFC if they had concerns.

All of the severance packages for the recent mergers were subject to this guidance. In only two cases were concerns raised through the audit process that led to section 22 reports to the Public Audit Committee (North Glasgow College and Coatbridge College). In addition, auditors identified four other examples (not always related to senior staff) referred to in the AGS’s Scotland’s Colleges 2015 report on page 41. While these all fell short of good practice, with the exception of the North Glasgow and Coatbridge examples, none merited a section 22 report. These are the only cases we are aware of that breached our guidance.

I hope this is helpful. Please do not hesitate to contact me if you require further information on any aspect of this letter.

Yours sincerely

Laurence Howells
Chief Executive
## Timeline of communication between SFC and Scottish Government Officials in relation to Coatbridge College

This timeline has been collated from SFC Executive diaries. It is not possible to determine in all cases if discussions were specifically about Coatbridge College or mergers and Lanarkshire structure in general. Where there are notes available we have summarised discussions.

<table>
<thead>
<tr>
<th>Date</th>
<th>Type of Communication</th>
<th>Attendees / Callers</th>
<th>Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 Nov 2012</td>
<td>Meeting @ Atlantic Quay</td>
<td>John Kemp SFC (JK), Members of College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. Member of Post 16 Reform – College Regionalisation Team</td>
<td></td>
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<tr>
<td>21 Nov 2012</td>
<td>Telephone call</td>
<td>JK Member of Post 16 Reform – College Regionalisation Team</td>
<td></td>
</tr>
<tr>
<td>28 Nov 2012</td>
<td>Meeting</td>
<td>Cabinet Secretary for Employability, Skills and Lifelong Learning; Regional Lead for Lanarkshire; Lanarkshire Colleges Chairs; Official from College</td>
<td>Check progress, offers support, encourage momentum</td>
</tr>
</tbody>
</table>

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk
<table>
<thead>
<tr>
<th>Date</th>
<th>Type of Communication</th>
<th>Participants</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Dec 2012</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Discuss structure in Lanarkshire</td>
</tr>
<tr>
<td>17 Dec 2012</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>To discuss the merger discussions between Cumbernauld and Motherwell Colleges</td>
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<tr>
<td>20 Dec 2012</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Follow up on discussions with Motherwell and Cumbernauld Colleges</td>
</tr>
<tr>
<td>10 Jan 2013</td>
<td>Telephone call</td>
<td>Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. Member of Post 16 Reform – College Regionalisation Team (RM) JK</td>
<td>Plans for announcement of merger of Motherwell and Cumbernauld Colleges</td>
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<tr>
<td>16 Jan 2013</td>
<td>Telephone call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. JK</td>
<td>Discussion re possibility of Coatbridge joining merger</td>
</tr>
<tr>
<td>22 Feb 2013</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Update on mergers</td>
</tr>
<tr>
<td>26 Feb 2013</td>
<td>Teleconference</td>
<td>JK Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. Member of Post 16 Reform – College Regionalisation Team (RM) JK</td>
<td>Lanarkshire and withdrawal of Coatbridge from Merger</td>
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<tr>
<td>Date</td>
<td>Event Type</td>
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<tr>
<td>28 Feb 2013</td>
<td>Telephone call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Timeline for Lanarkshire merger</td>
</tr>
<tr>
<td>2 March 2013</td>
<td>e-mail correspondence</td>
<td>JK, SD, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Re discussions with LMT and AH</td>
</tr>
<tr>
<td>6 March 2013</td>
<td>Regular College Regionalisation Conference call</td>
<td>Mark Batho CEO SFC (MB) JK MW MC AS Sharon Drysdale SFC, (SD) Linda McLeod, SFC (LML) Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. Andrew Scott</td>
<td>Discussion re mergers at risk – including Lanarkshire</td>
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<tr>
<td>7 March 2013</td>
<td>Meeting</td>
<td>JK, SD, Regional Lead Lanarkshire, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Funding for Lanarkshire. Timeline for merger of Motherwell and Cumbernauld</td>
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<tr>
<td>18 March 2013</td>
<td>e-mail correspondence</td>
<td>JK, MW, RW, SD, Anthony Morris Scottish Government (AM)</td>
<td>Briefing for meeting with Cabinet Secretary and Lanarkshire Regional Lead</td>
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<tr>
<td>Date</td>
<td>Event Description</td>
<td>Attendees</td>
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<tr>
<td>18 March 2013</td>
<td>Teleconference - Regular College Regionalisation Conference call</td>
<td>Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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<tr>
<td>19 March 2013</td>
<td>Teleconference</td>
<td>Cabinet Secretary for Employability, Skills and Lifelong Learning; Chair of Coatbridge College JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate</td>
<td>To encourage a positive way forward</td>
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<tr>
<td>20 March 2013</td>
<td>e-mail correspondence</td>
<td>JK, MW, SD</td>
<td>Discussion with LMT about Coatbridge Board Meeting</td>
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<tr>
<td>21 March 2013</td>
<td>e-mail correspondence</td>
<td>SD, JK,LMT,MW</td>
<td>Inform of withdrawal of Coatbridge from Merger – telephone conversation between SD and John Gray</td>
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<tr>
<td>8 April 2013</td>
<td>Regular Meeting College Regionalisation Conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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<tr>
<td>15 April 2013</td>
<td>Telephone Call</td>
<td>JK Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. (MW)</td>
<td>Merger update including Lanarkshire</td>
</tr>
<tr>
<td>23 April 2013</td>
<td>e-mail correspondence</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team</td>
<td>Seeking advice on recruitment process for Principal NCL</td>
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<tr>
<td>Date</td>
<td>Type of Communication</td>
<td>Recipients</td>
<td>Subject</td>
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<tr>
<td>24 April 2013</td>
<td>e-mail correspondence</td>
<td>JK, BD, Alex Muirhead Chair Motherwell College</td>
<td>Advice on recruitment process</td>
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<tr>
<td>29 May 2013</td>
<td>Regular Meeting College Regionalisation conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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<tr>
<td>14 June 2013</td>
<td>Regular Meeting College Regionalisation conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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<tr>
<td>14 June 2013</td>
<td>e-mail correspondence</td>
<td>JK, SD Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Forwarding letter from John Gray at Coatbridge College re Funding 2014/15</td>
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<td>25 June 2013</td>
<td>Regular Meeting College Regionalisation conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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<tr>
<td>27 June 2013</td>
<td>e-mail correspondence</td>
<td>JK, SD, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Transitional funding for Coatbridge College</td>
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<tr>
<td>18 July 2013</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Discussions with John Doyle regarding entry to merger process</td>
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<tr>
<td>23 July 2013</td>
<td>Conference call</td>
<td>JK, Regional Lead, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and</td>
<td>Possibility of Coatbridge re-joining merger</td>
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<td>Date</td>
<td>Type of Communication</td>
<td>Recipients</td>
<td>Details</td>
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<td>22 July 2013</td>
<td>e-mail correspondence</td>
<td>RM, JK</td>
<td>Re proposed meeting with John Doyle, John Gray and Linda McTavish</td>
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<tr>
<td>26 July 2013</td>
<td>e-mail correspondence</td>
<td>JK, SD, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Update about JK meeting with John Doyle and Derek Banks (Coatbridge College)</td>
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<tr>
<td>29 July 2013</td>
<td>Telephone call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Lanarkshire partnership agreement</td>
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<tr>
<td>2 Aug 2013</td>
<td>e-mail correspondence</td>
<td>JK, RM, MW</td>
<td>E-mail to College Principals and Chairs regarding partnership agreement cc’d SG</td>
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<tr>
<td>14 Aug 2013</td>
<td>e-mail correspondence</td>
<td>JK, MW, SD</td>
<td>E-mail regarding acceptance of Coatbridge re-joining merger</td>
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<tr>
<td>15 Aug 2013</td>
<td>Meeting</td>
<td>JK, Chair of Coatbridge College, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Composition of Partnership Board</td>
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<tr>
<td>20 Aug 2013</td>
<td>Meeting @ SFC</td>
<td>JK, John Doyle, Coatbridge College, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>20 Aug 2013</td>
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<tr>
<td>18 Sept 2013</td>
<td>e-mail correspondence</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong</td>
<td>Re e-mail correspondence between John Doyle and Alex Neil regarding shortfall in</td>
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<td>Date</td>
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<td>Notes</td>
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<tr>
<td>4 Oct 2013</td>
<td>Telephone call</td>
<td>JK, MC</td>
<td></td>
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<tr>
<td>8 Oct 2013</td>
<td>Telephone call</td>
<td>JK, Member of Post 16 Reform – College Regionalisation Team (RM)</td>
<td>Coatbridge VS issues raised at Merger Committee 7 Oct 2013</td>
</tr>
<tr>
<td>18 Oct 2013</td>
<td>Telephone call</td>
<td>Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Update on mergers including Coatbridge</td>
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<tr>
<td>21 Nov 2013</td>
<td>e-mail correspondence</td>
<td>SD, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. (RW)</td>
<td>Merger Business plan</td>
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<td>17 Dec 2013</td>
<td>e-mail correspondence</td>
<td>JK, SD, Regional Lead, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate. (RW)</td>
<td>Briefing for Cabinet Secretary</td>
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<tr>
<td>18 Dec 2013</td>
<td>e-mail correspondence</td>
<td>JK, LH, LMT, RM, SD</td>
<td>Re Coatbridge Board approval of Martin McGuire taking over management of College</td>
</tr>
<tr>
<td>19 Dec 2013</td>
<td>Meeting @ SFC</td>
<td>JK, RM</td>
<td>Next steps for Coatbridge Colleges</td>
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<tr>
<td>3 Feb 2014</td>
<td>Meeting</td>
<td>JK, Principal of NCL, Principal of SLC,</td>
<td>Regional arrangements for</td>
</tr>
<tr>
<td>Date</td>
<td>Meeting Type</td>
<td>Participants</td>
<td>Location</td>
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<tr>
<td>10 Feb 2014</td>
<td>Regular Meeting College Regionalisation conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Formal agreement between NCL and Coatbridge College</td>
</tr>
<tr>
<td>24 Feb 2014</td>
<td>Regular Meeting College Regionalisation conference call</td>
<td>JK, Officials from College Adult Learning: Funding Policy Division: Employability, Skills and Lifelong Learning Directorate.</td>
<td>Discussion re mergers including Lanarkshire</td>
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</table>
Voluntary Severance Scheme

Open until xxxxx

The Voluntary Severance Scheme (the Scheme) as detailed below is open to all employees of xxxxx College (the College) who meet the qualifying criteria outlined below.

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

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

The Scheme will be administered by the Human Resources Department and the decision making process that will be followed is outlined in more detail at section 5.

1. Scope of the Scheme

The Scheme is open to all employees of the College who have two or more years’ continuous reckonable service as at xxxxx.

The Scheme is time limited and applications will only be accepted until noon on xxxxx.

Applications will not be accepted after noon on xxxxx without the express consent of the Principal.

This document provides the details of the Scheme, including:
• criteria to be applied to applications for Voluntary Severance (VS)
• terms of the package currently on offer
• timescales
• sources of additional information and advice.

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

Any employee whose application for VS is granted must sign a Compromise Agreement supplied by the College, which will have the effect of discharging all potential Employment Tribunal claims and court actions arising out of the employee’s employment and its termination. This is a strict condition of the Scheme and the College will contribute a maximum of £250 plus VAT towards the cost of legal advice associated with the Compromise Agreement. The College will not enter into negotiations regarding the contribution towards legal advice.

Exceptions

The Scheme will not apply:
• where a member of staff has less than 2 years’ continuous reckonable service at xxxxx,
• where a member of staff is in the process of leaving the College’s employment, and has submitted a letter of resignation, or is otherwise known to have been offered a job by another organisation, or,
• where early or ill-health retirement is already being progressed.

2. General Terms

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

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

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

The college will not re-employ any individual who leaves under the terms of the Voluntary Severance Scheme. This restriction will apply for a period of 1 year from the termination date.

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

3. Financial Terms of the Scheme

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

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

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

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

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

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

3.2 Salary

The pay used to calculate the voluntary severance payment is the annual basic salary on xxxx (date). Monthly pay is calculated by dividing annual salary by 12.

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

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

3.3 Protection for the lower paid

Employees earning an annual salary (fte) of less than £18,000 who leave on voluntary severance will be deemed to be earning that amount for the purposes of calculating their voluntary severance payment only.

3.4 Years of service

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

3.5 Fixed term employees

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

3.6 Variable earnings

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

3.7 Strathclyde Pension Fund (SPF) – Strain on the Fund costs

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

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

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

3.8 Taxation

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

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

4. Process

4.1 Requesting a quotation or making an enquiry

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

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

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

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

4.2 Submitting an application to proceed

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

By submitting an application, a member of staff is signalling their agreement to leave the College under the terms of the Scheme. If the application is approved, there will be no opportunity to retract the application. Employees should therefore only submit an application when they are certain that they wish to proceed.
To submit an application, the employee should complete the form VS2 at Appendix 2 and forward it to the Human Resources Department. Confirmation that the application has been received will be sent to the employee. Please note that an acknowledgement at this stage does NOT imply that the application has been accepted or is likely to be accepted.

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

4.3 Approval of applications

The Scheme will be administered by the Human Resources Department and co-ordinated by xxxxx.

Applications will be considered by xxxxx. The requirements of the College will be considered.

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

The outcome of all applications will be confirmed to the employee in writing. There is no right of appeal against this decision.

4.4 Termination

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

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

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

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

6 Additional information

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

**Strathclyde Pension Fund**
PO Box 27001
Glasgow
G2 9EW

0845 203 0202
www.spfo.org.uk
spfo@glasgow.gov.uk

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

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

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

Example (a) – application of the maximum

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

Calculated as 21 x (£33,500/12) = £58,625 (gross)

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

Example (b) - protection for the lower paid

Andy is 42 years old and works full-time. He earns £17,000pa and has 20 years’ service. His voluntary severance payment will be based on the deemed minimum salary of £18,000 and he will receive a gross voluntary severance payment of £30,000.

Calculated as 20 x (£18,000/12) = £30,000 (gross)

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

Note: This £30,000 severance payment is tax free. Any balance in excess of £30,000 would have been subject to tax but not National Insurance Contributions (NIC).

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

Sonia works part-time and earns £8,500pa for a 2.5-day week (0.5). Sonia has 7 years and 6 months’ service. Sonia’s full-time equivalent rate of pay is therefore £17,000 so her compensation will reflect the deemed minimum full-time pay of £18,000 (£18,000 x 0.5 - low paid protection). Sonia has a total of 7 years’ complete years’ service. Sonia’s voluntary severance payment is £5,250

Calculated as 7 x (£18,000/12) x 0.5 = £5,250

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

Example (d) – service under a complete year

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

Raymond’s voluntary severance payment is £16,000:

Calculated as 6 x (£32,000/12) = £16,000.
### VOLUNTARY SEVERANCE SCHEME

#### QUOTATION REQUEST FORM

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<tr>
<th>Name:</th>
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<tr>
<td>Job Title:</td>
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<td>Department/Faculty:</td>
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<td>Start Date:</td>
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<td>Home Address:</td>
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<td>Daytime Telephone Number:</td>
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<td>If you have any questions that have not been answered elsewhere, please write them here and we will endeavour to answer them.</td>
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Signed: ..................................................  Date: ............................................

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

Please note that this is a request for a quotation and NOT an application for Voluntary Severance under the terms of the Scheme.
Voluntary Severance Scheme 2012

Selection Criteria

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

1. The applicant must have two continuous years’ reckonable service on xxxxx; and

2. The cost of voluntary severance of the applicant must generate savings after 2 years for the College.

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

1. The total cost of accepting the application for voluntary severance; and

2. The criticality of the role or individual to the College. This will include the individual’s skills, qualifications, knowledge, achievements and experience.

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

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

If the applicant is unsuccessful in their application for voluntary severance there is no right of appeal against that decision.