31 July 2015

Angela Constance MSP
Cabinet Secretary for Education and Lifelong Learning
Scottish Government
St Andrews House
Regent Road
Edinburgh EH1 3DG

Dear Angela

Bespoke review of the merger of Coatbridge College and New College Lanarkshire

I am writing in response to your letter of 17 June 2015 regarding the recommendations arising from the review of the merger of Coatbridge College with New College Lanarkshire.

There were 12 recommendations in total. A large proportion of these relate specifically to mergers, but all are about governance and management. In the event of future mergers we will ensure that our merger guidance is updated to reflect the ‘merger’ related recommendations in the report. As there are no planned mergers and we would prefer to include the lessons of the post-merger evaluation of the current ones in a major review of the guidance, we have not revised the guidance at this stage. I have listed below the recommendations, together with a description of the actions SFC is taking to address them.

The recommendations are:

1. That SFC considers requiring colleges considering a voluntary severance scheme to seek independent professional advice in furtherance of the objectives set by the college and ensuring value for money. Such advice should be provided for consideration by the board and/or Remuneration Committee prior to making any decision.
We are about to publish additional guidance on severance in the college sector, to supplement the Financial Memorandum (FM) between SFC and colleges. This guidance includes a requirement that, where appropriate, colleges take professional advice, and that this is considered by the Remuneration Committee.

2. **That any voluntary severance scheme, whether related or not, is provided to SFC for comment and guidance.**

Incorporated colleges are now required to seek SFC approval for any new voluntary severance schemes, or any variations to an existing scheme.

3. **SFC should monitor the operation of its new Financial Memorandum to ensure that it is working in practice.**

SFC is already considering possible improvements to its FM and particularly how we proactively identify and tackle potential non-compliance. This would add to our existing annual review of colleges’ compliance with it.

4. **SFC should consider requiring Boards members, particularly on remuneration committees, to attend specific training on compensation / severance packages (whether in the context of merger or more generally).**

It is very important that Boards understand their responsibilities in relation to governance in general, and severance in particular. The Remuneration Committee has a key role in managing severance and ensuring robust governance around decisions made on severance settlements. The important role of the Remuneration Committee is highlighted in our severance guidance.

In addition, the Good Governance Steering Group, chaired by Hugh Hall, has an important role in setting governance standards for the sector. We will ask the Group to consider how we can ensure all colleges follow best practice in relation to severance.

We will therefore work with CDN and Colleges Scotland to ensure that appropriate training and development opportunities are available for Board members on the full range of remuneration and severance issues.

5. **SFC should consider issuing guidance that all interim or acting posts should be advertised, albeit to a restricted pool, unless there is one individual who could step into the post on an interim basis. A transparent (though expedited) process is of paramount importance.**

We will include this recommendation in a future update of our merger guidance.
6. **SFC should consider carefully advice and guidance to the sector to avoid multiple vesting dates for mergers where these can be avoided.**

There has been only one instance of merger where all parties to the merger did not join on the same date. There were very particular circumstances that led to this occurrence. We will endeavour to avoid this arising again and will make this point in the revision of the merger guidance.

7. **SFC should recommend that all material actions of merging colleges in the run up to merger should be agreed in unison to ensure equality of treatment.**

We will include this recommendation in a future update of our merger guidance.

8. **SFC should consider requiring the Regional Chair attend as an observer at Board meetings of assigned colleges in the run up to the merger to aid information sharing, consistency of decision-making and approach. The Regional Chair could also provide additional guidance.**

We will include this recommendation in a future update of our merger guidance.

9. **Peer support between Principals, SMTs and Boards of merging colleges should be improved. SFC should consider putting in place training for Board members / Senior Management Team on the merger process to help understanding of issues that arise during merger and to share lessons learned.**

In the event of future mergers we will work with CDN and the Good Governance Steering Group to put in place appropriate support for Boards and senior management.

10. **Merger-related training for Board / Senior Management Team could include a section on how to support senior staff throughout the merger process.**

See above.

11. **SFC should keep under review the way in which it provides assistance and support to colleges in the months before merger when senior staff are distracted by the professional and personal impact of the process.**

There are no mergers currently in progress or planned. We will continue to work with merging colleges to offer tailored support, taking into account lessons learned from previous mergers as appropriate.

12. **SFC should consider requiring the college Principal or Chair of the Board to advise SFC or Regional Chair if, in the run up to a merger, more than 3 senior staff are off sick / absent for any length of time.**

We will include this requirement in a future update of our merger guidance.
I hope this is helpful. Please do not hesitate to get back to me if you require further information.

I will, of course, be happy to participate in your forthcoming meeting with Margaret Lynch.

Yours sincerely

Laurence Howells
Chief Executive