CORRESPONDENCE TO MEMBERS REGARDING EDINBURGH MODEL

CONFIRMATION FROM PAUL IN ACCORDANCE WITH REMUNERATION COMMITTEE DISCUSSIONS
Dear Members

In support of your meeting earlier this afternoon, I have attached a copy of the Edinburgh model. As you can see, it illustrates the 21 months that we discussed. Please do not hesitate to come back to me if you have any queries in this regard.

Kind regards

Lorraine
College Voluntary Severance Scheme
Open until 11 May 2012

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

Scheme is provided on a purely discretionary basis and gives no rise to contractual rights or elements and can be withdrawn, partially or entirely, or altered without notice at any time by any of the Colleges and without liability.

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

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

Context of the Scheme

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

There is an expected reduction in grant income of approximately 8.5% in 2012/13 and a further 4% in each of the following two years. The merger will place the College in a better position to address these cuts so that resources are kept as close to the students as possible and the impact of the cuts on students is minimised.

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

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

Scope of the Scheme

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

Scheme is time limited and applications will only be accepted until noon on 11 May 2012.
Applications will not be accepted after noon on 11 May 2012 without the express consent of the Board of Governors / Management of the applicant’s college.

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

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

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

Exceptions

The Scheme will not apply:
- where a member of staff has less than 2 years’ continuous service at 11 May 2012,
- where a member of staff is in the process of leaving the College’s employment, and has submitted a letter of resignation, or is otherwise known to have been offered a job by another organisation, or,
- where early or ill-health retirement is already being progressed.

3. General Terms

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

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

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

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

The partner colleges and the Edinburgh College (post vesting date of 1 October 2012) will not re-employ any individual who leaves under the terms of the Voluntary Severance Scheme. This restriction will apply for a period of 1 year from the termination date.
It is expected that all applications are serious and made in good faith. If an application is accepted, it cannot thereafter be withdrawn and the individual will leave the employment of the College.

4. Financial Terms of the Scheme

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

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

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

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

Any employee who would like further information and advice as to the implications of taking VS and their pension is advised to contact their pension scheme administrator and/or an independent financial advisor. The contact details for the Scottish Public Pensions Agency and Lothian Pension Fund are shown in section 8 below. The names of local independent financial advisers can be obtained from the Financial Services Authority, or local directories.

4.1 Notice periods

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

4.2 Salary

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

Where an individual is not receiving salary on their last day of service in the following circumstances they should be treated as receiving pay of an amount equal to that which they would have received if those circumstances did not apply 'assumed salary':-
- On sick leave on reduced pay
- Receiving statutory maternity pay
- On ordinary maternity leave
- On adoption leave
- On paternity leave,
4.3 Protection for the lower paid

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

4.4 Years of service

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

4.5 Fixed term employees

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

4.6 Variable earnings

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

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

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

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

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

4.8 Taxation

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

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

5.1 Requesting a quotation or making an enquiry

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

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

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

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

5.2 Submitting an application to proceed

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

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

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

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

5.3 Approval of applications

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

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

In making the decision whether to accept or reject the application, the criteria set out at Appendix 3 will be taken into account. A particular emphasis will be placed on the prospective needs of the Edinburgh College.
The outcome of all applications will be confirmed to the employee in writing. Where the application has been rejected, reasons for the decision will be given. There is no right of appeal against this decision.

5.4 Termination

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

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

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

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

6 Additional Information

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

Please find contact details below:

**Lothian Pension Fund**

Waverley Court

4 East Market Street

Edinburgh

EH8 8BG

0131 529 4638

[www.lpf.org.uk](http://www.lpf.org.uk)

[pensions@lpf.org.uk](mailto:pensions@lpf.org.uk)

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**Scottish Public Pensions Agency**

7 Tweedside Park

Tweedbank

Galashiels

TD1 3TE

01896 893 000

[www.sppa.gov.uk](http://www.sppa.gov.uk)

[teachersservice@scotland.gsi.gov.uk](mailto:teachersservice@scotland.gsi.gov.uk)

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

Example (a) – application of the maximum

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

Calculated as 21 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

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

Calculated as 20 x (£21,000/12) = £35,000 (gross)

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

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

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

James works part-time and earns £9,000pa for a 2.5-day week (0.5). James has 7 years and 6 months’ service. James’s full-time equivalent rate of pay is therefore £16,000 so his compensation will reflect the deemed minimum full-time pay of £21,000 (£21,000 x 0.5 - low paid protection). James has a total of 7 years’ complete years’ service. James’ voluntary severance payment is £6,125

Calculated as 7 x (£21,000/12) x 0.5 = £6,125

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

Example (d) – service under a complete year

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

Calculated as 6 x (£32,000/12) = £16,000.
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<thead>
<tr>
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<td>Start Date with the College:</td>
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<td>Daytime Telephone Number</td>
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<td>If you have any questions</td>
<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 YOUR HUMAN RESOURCES DEPARTMENT

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

**APPLICATION FOR VOLUNTARY SEVERANCE**

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<td>Start Date with the College:</td>
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<td>Preferred Leaving Date:</td>
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<td>Daytime Telephone Number:</td>
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Based on the information I have received, I wish to make a formal application for Voluntary Severance on the basis of the Scheme currently on offer, as set out in the document entitled “Voluntary Severance Scheme 2012”. I agree to the terms and conditions of the application as detailed in the scheme guide.

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

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

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

Signed: ................................................................. Date: ........................................

**PLEASE COMPLETE THIS FORM IN BLOCK CAPITALS AND RETURN IT TO YOUR HUMAN RESOURCES DEPARTMENT**
Voluntary Severance Scheme 2012

Selection Criteria

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

1. The applicant must have two continuous years' service with the College on 11 May 2012; and

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

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

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

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

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

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

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

I've put together for you a letter in summary of the agreement yesterday with Remuneration Committee. I got an email from Paul confirming he believed the Edinburgh model was in accordance with yesterday's discussion but not had anything back from the others.

Will phone to discuss.

Lorraine
Thanks Paul and thanks too for your kind words. Always happy to support the board in their deliberations.

Lorraine

Sent from my iPhone

On 28 Jan 2013, at 17:38, "Paul Gilliver" wrote:

> Thanks Lorraine.
> 
> This supports our discussions earlier today.
> 
> Paul
> 
>
> Sent from my iPad
> 
> On 28 Jan 2013, at 04:39 PM, "Lorraine Gunn" wrote:
> 
> >> Dear Members
> >>
> >> In support of your meeting earlier this afternoon, I have attached a copy of the Edinburgh model. As you can see, it illustrates the 21 months that we discussed. Please do not hesitate to come back to me if you have any queries in this regard.
> >>
> >> Kind regards
> >>
> >> Lorraine
> >>
> >>
> >>
> >> This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disclose, distribute or copy the contents of this email. Please notify the sender immediately if you have received this email by mistake and delete this e-mail from your system. No reliance may be placed upon this Email without written confirmation of the contents and any liability arising from such reliance without written confirmation is hereby excluded. Coatbridge College will not be liable for any alteration or misuse of this Email and files; nor for any errors or omissions and nor for the result of any virus. The views expressed in this email are, unless otherwise stated, those of the author and not those of Coatbridge College or its management.
> >>
> >> Coatbridge College is a registered charitable organisation (SCO 21186).
> >> <20130128163217087.pdf>
Hi John

I'll let you know if I get any emails from the rest of the committee.

Kind regards

Lorraine

Sent from my iPhone

Begin forwarded message:

From: Paul Gilliver
Date: 28 January 2013 17:39:01 GMT
To: Lorraine Gunn
Subject: Re: EDINBURGH MODEL

Thanks Lorraine.

This supports our discussions earlier today.

Paul

Sent from my iPad

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Kind regards

Lorraine
This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disclose, distribute or copy the contents of this email. Please notify the sender immediately if you have received this e-mail by mistake and delete this e-mail from your system. No reliance may be placed upon this Email without written confirmation of the contents and any liability arising from such reliance without written confirmation is hereby excluded. Coatbridge College will not be liable for any alteration or misuse of this Email and files; nor for any errors or omissions and nor for the result of any virus. The views expressed in this email are, unless otherwise stated, those of the author and not those of Coatbridge College or its management.

Coatbridge College is a registered charitable organisation (SCO 21186).
<20130128163217087.pdf>
7 February 2013

Director of Finance & Estates


VOLUNTARY SEVERANCE ARRANGEMENT

It is very clear now that the situation in Lanarkshire is progressing towards a merger situation and that this has the potential to be frustrating and unsettling for many, not least for yourself and your senior colleagues who are at the sharp end of work groups influencing and implementing potential future arrangements. The Remuneration Committee have met and feel it is important that we provide you with an outline of what arrangements will be in place in respect of yourself in the event that you do not see an opportunity for yourself in the new arrangements or that you are unable to secure what you consider to be suitable alternative employment within a merged college or federation.

This arrangement we believe not only provides you with some security but is our way of ensuring that the College is not adversely affected as a result of any uncertainty arising from the changes occurring within the Region and that we continue to work with you in ensuring the best possible outcomes for the staff and students of the College.

The Remuneration Committee on behalf of the Board of Management have therefore agreed that the following payments will be made to you as an enhanced redundancy package:

- A redundancy payment equivalent to 21 months gross salary which we believe is reasonable and is consistent with practice within the sector.

- An increase in your basic annual salary by 3% (backdated to August 2012) as part of the Pay & Conditions settlement for 2012-13.

- The redundancy payments referred to above will be subject to the usual tax arrangements with the first £30,000 tax free.

- The above assumes a termination date of 31 July 2013. However, the Board of Management or its successor reserve the right to discuss this further with you in the event of an earlier or later date being preferred. Any variation to the termination date would be subject to the agreement of both yourself and the Board or its successor.

www.ccoatbridge.ac.uk

Kildonan Street, Coatbridge, ML5 3LS
Tel: 01236 422316 Fax: 01236 440266
Email: mail@coatbridge.ac.uk

Principal and Chief Executive: John Doyle TD MBA PGCE FMCI

The Board of Management of Coatbridge College is a charity registered in Scotland, No. SCO21186.
7 February 2013

I appreciate that there may well be other formalities associated with this arrangement but I will ensure that these are appropriately addressed for you. These may include payment in lieu of notice, accrued holidays and other benefits (this letter not being formal notice of termination).

In concluding the more formal aspects of this arrangement, it only remains for me to ask that you confirm your agreement to the above terms by signing the two copies of this letter provided. One is for your own records and the other should be retained on your personnel file. I apologise for the formal nature of this letter but appreciate the importance of knowing what is in place going forward.

As always, if you wish to discuss any of the above please do not hesitate to get in touch.

Yours sincerely

John Gray
Chair of the Board of Management

From: Director of Finance & Estates
To: John Gray, Chair of the Board of Management

This is to confirm my agreement to the termination of my employment with Coatbridge College Board of Management on the above terms and conditions.

Signed..........................................................Date ..................................
7 February 2013

Depute Principal

Dear

VOLUNTARY SEVERANCE ARRANGEMENT

It is very clear now that the situation in Lanarkshire is progressing towards a merger situation and that this has the potential to be frustrating and unsettling for many, not least for yourself and your senior colleagues who are at the sharp end of work groups influencing and implementing potential future arrangements. The Remuneration Committee have met and feel it is important that we provide you with an outline of what arrangements will be in place in respect of yourself in the event that you do not see an opportunity for yourself in the new arrangements or that you are unable to secure what you consider to be suitable alternative employment within a merged college or federation.

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www.coatbridge.ac.uk

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As always, if you wish to discuss any of the above please do not hesitate to get in touch.

Yours sincerely

John Gray
Chair of the Board of Management

From: Depute Principal
To: John Gray, Chair of the Board of Management

This is to confirm my agreement to the termination of my employment with Coatbridge College Board of Management on the above terms and conditions.

Signed .................................................. .................................................. Date 7 Feb 13
TERMS OF REFERENCE FOR REMUNERATION COMMITTEE
BOARD OF MANAGEMENT OF COATBRIDGE COLLEGE

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1. **Membership/Attendance**

   (a) The Committee shall comprise of at least seven Board members. This will include the Chair of the Committee.

   The Committee membership will include the Chair and Vice Chair (who Chairs the Rumuneration Committee) of the Board of Management, and the Chairs of all constituted sub-committees.

   The Principal, although not a member, will act in an advisory capacity.

   (b) Members may be excluded from membership of the Committee if (based on objective criteria) their membership is perceived as compromising the Committee’s objectivity or independence. Such a decision will require the approval of the Board of Management.

   (c) The Chair and membership of the Committee for each new College year shall be determined by the Board of Management at the meeting preceding 1 April.

2. **Quorum**

   The quorum for meetings of the Remuneration Committee shall be three members.

3. **Proceedings of the Committee**

   (a) The Committee shall meet as required timed to coincide with the reporting deadlines for meetings of the Board of Management.

   (b) The Committee has the authority to consider any matters within its terms of reference as outlined in Section 5 of this document.

   (c) In the absence of the Chair of the Committee at any meeting, the remaining members of the Committee present may elect one of themselves to Chair that meeting. In such circumstances, advice and guidance must be taken from the Secretary to the Board of Management.
(d) The Secretary to the Board of Management will normally act as Secretary of the Committee unless the Chair of the Remuneration Committee decides that this is inappropriate.

4. **Reporting by the Committee**

The Chair of the Committee will report on every meeting of the Committee to the Board of Management.

5. **Duties of the Remuneration Committee**

The Committee shall be responsible for the following matters:

- To determine the remuneration and conditions of service for the College Principal, Depute Principal, Directors and all other members of the Senior Management Team

6. **Effectiveness of the Remuneration Committee**

Assessment of the effectiveness of the Committee shall comprise:

(a) Self evaluation by the Committee

Issue 04
20 June 2012
REMUNERATION COMMITTEE DISCUSSIONS – MINUTES (DRAFT)
28 JANUARY 2013

CONFIRMATION OF SENDING
EDINBURGH MODEL DETAILS 28 JANUARY 2013
1 SEDERUNT AND APOLOGIES

Present: J Gray (Chair) C McCarthy
D Craig P Docherly
P Gilliver R Gunn

Apologies: T Keenan

Attending: L Gunn – attendance requested by Committee as Required (note Declaration of Interest below).

2 DECLARATION OF INTEREST

It was noted that the Secretary to the Board of Management was not present at the meeting as the issues for discussion related to both the terms and conditions of the Principal and the senior team, of which she is a member. It was noted, however, that L Gunn may be required to provide advice in a professional capacity and this was noted.

3 REGIONALISATION – SENIOR STAFF ARRANGEMENTS

The Chair of the Board led on a discussion regarding what arrangements would be in place for senior staff in the light of impending merger with Cumbernauld and Motherwell Colleges.

The Chair emphasised the importance he felt of senior staff being very clear regarding any potential severance arrangement that would be in place in the event that they were unable to secure opportunity in a new structure for Lanarkshire.

L Gunn was invited in her Human Resources role to join the meeting at this point to provide advice.

In response to questions from the Committee, L Gunn confirmed that the emerging severance arrangement within the sector was the Edinburgh Model and she clarified that this offered one month’s salary for each year of service up to a maximum of 21 months. It was agreed that L Gunn would provide a copy of the Edinburgh model documentation to members after the meeting.

L Gunn confirmed that the Edinburgh model was also the one that was being discussed as part of the Federation and had already been agreed separately by the Board of South Lanarkshire College. In support of this, L Gunn confirmed to the Committee the financial aspects of what this meant for senior staff at the College. L Gunn was
asked by members if this financial arrangement would apply to anyone who went to work elsewhere in the sector. L Gunn noted that up to vesting date, the College was still an independent body and therefore if someone moved to another region for example, they would still receive their severance arrangement from Coatbridge College Board of Management and be able to take up employment elsewhere. This view was supported by P Docherty, Chair of the Human Resources Committee.

In response to a question from the Committee, L Gunn confirmed that any member of the team over 60 had a right to continue to work despite some views that a potential retirement should be the case. A discussion also took place regarding compensation for loss of office and that consideration is given to current and future loss of earnings potential. It was noted that the severance arrangements would apply to all individuals.

The Chair noted that transitional support funding would be made available to the College as part of a merger process and thus the funding was not an issue at this time. The Chair also confirmed that he had spoken to Mark Batho, Chief Executive of the Funding Council and that these discussions were in line with the Funding Council’s guidance on severance arrangements for senior staff, and in particular, any potential arrangements in respect of the Principal. He confirmed that the Funding Council had no objections to the Board’s approach. L Gunn confirmed that the Chair had telephoned her to confirm his conversation with Mark Batho.

It was agreed that the Principal would receive the 21 month severance arrangement plus an additional three months’ severance for taking the College successfully through to merger.

It was also agreed that the same model (not including the additional three months) would be afforded to College senior staff and that the Committee understood why it was good practice to agree these arrangements now.

In conclusion, the Committee did note that it would be their aspiration to be affording the same model to all staff at the College.

4 DATE OF NEXT MEETING

Date of next meeting – as required.

John Gray
Chair of the Board of Management
January 2013
From: Lorraine Gunn
Sent: 20 January 2013 10:42
To: John Gray
Subject: Fwd: EDINBURGH MODEL

Hi John

I'll let you know if I get any emails from the rest of the committee.

Kind regards

Lorraine

Sent from my iPhone

Begin forwarded message:

From: Paul Gilliver
Date: 28 January 2013 17:39:01 GMT
To: Lorraine Gunn
Subject: Re: EDINBURGH MODEL

Thanks Lorraine.

This supports our discussions earlier today.

Paul

Sent from my iPad

On 28 Jan 2013, at 04:39 PM, "Lorraine Gunn" wrote:

Dear Members

In support of your meeting earlier this afternoon, I have attached a copy of the Edinburgh model. As you can see, it illustrates the 21 months that we discussed. Please do not hesitate to come back to me if you have any queries in this regard.

Kind regards

Lorraine
This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disclose, distribute or copy the contents of this e-mail. Please notify the sender immediately if you have received this e-mail by mistake and delete this e-mail from your system. No reliance may be placed upon this Email without written confirmation of the contents and any liability arising from such reliance without written confirmation is hereby excluded. Coatbridge College will not be liable for any alteration or misuse of this Email and files; nor for any errors or omissions and nor for the result of any virus. The views expressed in this email are, unless otherwise stated, those of the author and not those of Coatbridge College or its management.

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<20130128163217087.pdf>
Hi John

I promised to send you items for discussion on Tuesday. Let me know if there is anything you want to add, although no doubt our discussions will meander into other areas quite naturally, which is fine.

As you may know by now, John Kemp and myself had a telephone discussion with your chair. I used that conversation to ask him if he was content that these issues be discussed with you, and he agreed.

Proposed agenda issues.

1. Merger committee representation.

   Our proposal, already discussed with the Chair, is that those representing Coatbridge should be willing to continue their engagement post vesting, as is the case with representatives of executive members and board members from Motherwell and Cumbernauld College. This will require the chair and yourself to nominate substitutes for yourselves.

2. Key tasks to be confirmed and discussed, such as approach to due diligence, culture study, VS and any other practical matters you would wish to include.

   Many such issues are unlikely to be contentious, but we want to ensure there is a full and common understanding of how things will be managed and taken forward.

3. Maximising opportunities for senior staff of Coatbridge to be involved in New College Lanarkshire.

   This would be a preliminary discussion to inform the next agenda item. Our view is that the status and profile of senior staff wishing to seek senior roles in New College Lanarkshire, should be promoted via their engagement in the merger process and by promoting their leadership capability.

4. Transitional leadership.

   On 18 July you asked myself and Linda McTavish to advise on when you might depart. We avoided answering, as we didn't have a clear view and didn't know what the wider merger considerations would be. We would now like to discuss this. One of our thoughts is the need for you to identify the appropriate person to act up as Principal, like Heather Urquhart, for a period before vesting. This should be someone with ambition to seek a senior role in the new college. We have no precise dates in mind nor do we have a "plan of action". We think this matter needs full discussing with a view to reaching an agreement on the best course of action for all concerned.

5. Any further items of business from the Principal of Coatbridge.

   It would be good to know in advance of any other items you wish to discuss.
Are you content with this John? Very happy to discuss beforehand if you need any clarification. On Monday morning I'll be available on 01592-649698.

Kind regards

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

Yours sincerely

Laurence Howells
Interim Chief Executive

cc John Gray, Chair
RATIONALE FOR
REMUNERATION COMMITTEE

TIMESCALE APPROX. 25 JANUARY 2013
Dear Members

I am writing to you in the strictest of confidence regarding the future of our Principal, John Doyle.

Reflecting on the developing college structure for Lanarkshire, and having talked to John at some length, it is now clear that John’s position in Lanarkshire is becoming ever more difficult. This is largely attributable to the very poor long term relationships with the other Principals for reasons which are difficult to summarise. In order to move Lanarkshire forward we now have to consider John’s future.

John has been a tremendous asset to Coatbridge College and you are all well aware of how he has transformed the College and its staff in a way that not many could. We all respect him tremendously for that. However, in the circumstances, it is our role to address the Lanarkshire situation and balance with that how we move forward with John.

This matter is not about John’s performance since under his leadership we have become arguably one of the best Colleges in Scotland. However, I feel that the legacy of mistrust within the Region will always be a hindrance to progress when the best interests of Lanarkshire will be best served by focusing on the real and meaningful benefits of acting together in a totally coordinated way through the proposed merger. It is becoming increasingly frustrating not only for John himself but also for staff at what is perceived to be a lack of real movement in Lanarkshire and the fear that Coatbridge will lose out in the end regardless of intent. John now feels that it is very unlikely that there will be a real future for him in Lanarkshire and I am afraid I have to agree with him. Things must move forward and new players will emerge. John feels that exiting at the appropriate time will clear the decks and facilitate a clearer way forward for the future organisation in Lanarkshire.

We need to support John in the best possible way to meet his concerns and his aspirations for the future. He now believes that the best way forward for all concerned, and, bearing in mind that there will only be one Principal’s job in the future, that we should now agree a severance package with him on the basis that he will continue to work in his customary fashion to deliver a good solution for the people of Lanarkshire. That complete he will exit with a full agreed financial package. The timing of this has to be discussed but I would now like to make John a clear offer and I need your approval for this. It is important that this allows John the respect he deserves and would afford him the dignity to leave with his legacy intact.

In order to finalise discussions with John it is important to consider a deal where the Board can recognise John’s considerable contribution over many years. He elected not to take a pay increase last year and I therefore recommend a pay increase for 2012-13 of 6%. As to the exit arrangements, I am very happy to recommend that an arrangement based on 2 years gross salary which I would certainly not consider unreasonable in the circumstances as compensation for loss of office. In considering this proposal, I have looked at the Edinburgh model which you already have. This model is now being widely used and it is worth noting that South Lanarkshire are using it as the basis for their voluntary severance scheme. What I have proposed here takes that into consideration and the fact that John would be receiving compensation for loss of office. I am now asking for your approval to discuss and agree this with John. In all fairness to him he needs to know this now so that he can then focus on the job in hand. I suggest that that we leave the detail of a termination date to be discussed and agreed later when we have a better idea of the work load and timing of organisational change.
I believe that this strategy will allow the Board, staff and students to celebrate John’s worth and success and would allow him to go out on a high without being “picked over” by the other parties. It is important that we get the best possible outcome from this for John in order to support him and the future of Lanarkshire. I have not discussed any detail with John but would seek your approval to proceed as above. I am conscious that this may be unexpected but trust you will understand that I wanted to engage with you all about this as quickly as possible in order that we can all move forward.

I am very happy to discuss this with you over the weekend – my telephone number is 01350 728697. If you are happy with the proposal that we offer John voluntary severance as outlined above please confirm by email. In anticipation that you will understand and agree this approach, I will of course ask Lorraine to convene a Remuneration Committee meeting to enable us to discuss the impact of John’s departure and arrangements for taking the College forward in the period leading up to merger.

Kind regards

John
Edith

I am going to the merger meeting of the colleges with Margaret rose and carol tomorrow. I have had a phone call from the principal designate regarding due diligence. Prior to going to the meeting carol and I will meet with Margaret rose and derek to discuss the following:

1. any letters regarding cmacs potential contractual redundancy payments. I wish margaret rose or derek to bring to this meeting all 6 of the letters to allow carol to fully understand the issues prior to the meeting.
2. if it exist a copy of any minute of the meeting and also the remit of the remuneration committee and whether it's deliberations need board approval. This is potentially a very sensitive issue and the contents of this email can only be disclosed to Margaret rose and derek please advise both that under no circumstances should this issue be discussed by anyone other than carol or I. Sorry to be so prescriptive but this is essential to allow carol and I to be fully informed prior to potentially a difficult meeting. I appreciate that they will require some information from the board secretary they should obtain this information requested without disclosing why it is requested. I appreciate this may be difficult however I appreciate that being privy to such a request is potentially difficult for you so pass on this information to Margaret rose and derek first thing tmru and your part in this is complete sorry tom can you please print a copy of tmrus papers for me advise derek and margaret rose that carol and I will meet with them at 2 30 tmru tom

3pm

Subject: Audit Committee Paper C
Date: Thu, 3 Oct 2013 13:01:59 +0100

Dear Board Member

Please see attached Paper C – Audit Action Point Database – Update for tomorrow's meeting. A hard copy of this paper will be available at the meeting.

Kind regards
Edith

Edith McIntyre
Personal Assistant to
John Doyle, Principal and Chief Executive
Celtbridge College
Kildonan Street
Celtbridge
ML8 3LS
Tel: 01236 707062
EMAIL FROM TOM KEENAN REGARDING
DRAFT MINUTES OF REMUNERATION COMMITTEE
MEETING OF 28 JANUARY 2013
Sent from my iPhone

Begin forwarded message:

From: "Thomas Keenan"
Date: 8 October 2013 15:37:42 BST

Subject: RE: DRAFT MINUTES OF REMUNERATION COMMITTEE MEETING 28 JANUARY 2013

Lorraine thank you for the e mail re January's remuneration committee. I was in New Zealand at that time I had originally understood that the remuneration committee was being called to look at the position of the principal and I can not comment on the details of what was discussed and agreed. Last night at the merger committee a report was tabled regarding the financial and legal aspects of due diligence in regard to Coatbridge college it was stated by the reports author that a potential liability of around £825000 was for the senior staff of Coatbridge college in relation to voluntary service.

In relation to all other staff of the three colleges a voluntary severance scheme is on offer restricted to 13 months pay as opposed to the potential payment of 21 months for the senior staff at Coatbridge. My understanding is that the voluntary severance scheme which is currently on offer closes on Friday of this week and that 4 million pounds is the current limit provided by the scottish funding council. I have no way of knowing whether the scheme take up will exhaust the current fund as I do not know who has applied or will do so before Friday or indeed whether the scheme will open again.

I had a quick chat with Sharon of the funding council who outlined her view of the current arrangements in relation to voluntary severance. In general the funding council will pay 1 years funding for each employee and an exception is generally made for a principal where the scottish government have picked up the cost of severance payments when a principal departs. I would stress that this was her understanding of the current situation. It may be that more discussion has taken place with the scottish funding council which I was not privy to which may mean that the potential liability would not be picked up by Coatbridge college either through the revenue budget or from reserves. I hope this is helpful.
The Chair of the Board of Management has asked me to send you this draft set of minutes from the Remuneration Committee held on 28 January 2013. He has asked you to confirm by close of play tomorrow whether you consider these to be an accurate summary of proceedings.

If you wish to discuss any aspect, he has asked that you do not hesitate to speak directly to him on

Kind regards

Lorraine

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SCOTTISH FUNDING COUNCIL
GUIDANCE ON SEVERANCE ARRANGEMENTS
FOR SENIOR STAFF
24 JANUARY 2013
From: Lorraine Gunn
Sent: 24 January 2013 17:48
To: 'john gray'
Subject: RE: Severance Guidance

No problem. I’ll be in touch tomorrow. Have a nice evening.

Lorraine

From: john gray
Sent: 24 January 2013 17:37
To: Lorraine Gunn
Subject: Fw: Severance Guidance

Can you interpret all of this and let me know what you think our way forward should now be.

John

From: Mark Batho
Sent: Thursday, January 24, 2013 4:06 PM
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:


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 Batho
Chief Executive
Scottish Funding Council
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD
Tel:
email:

Àrd-oifigear
Comhairle Maoineachaidh na h-Alba
Taigh MhicDhòmhnaill
97 Barraid Haymarket
Dùn Èideann
EH12 5HD
Fòn:
post-d:
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

Professor John Sizer
Chief Executive
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.
SFEFC archive - Circulars


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
EMAIL FROM HEATHER URQUHART
TO MARGARET ROSE LIVINGSTONE
10 OCTOBER 2013
As requested.

H.

From: DEMPSEY, Norma
Sent: 10 October 2013 11:14
To: All Staff
Subject: Information regarding VS

Following a question posed by the EIS seeking clarification on the Voluntary Severance package, I wish to confirm that all staff at Cumbernauld and Motherwell Colleges have been offered the same Voluntary Severance package as agreed by the Scottish Funding Council. I also wish to confirm that there is no enhancement in place for senior staff at Motherwell or Cumbernauld Colleges.

Regards

Martin

Martin McGuire
Principal Designate
New College Lanarkshire

SAVE PAPER - Please do not print this e-mail unless absolutely necessary.

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Cumbernauld College and Motherwell College are merging on 1 November 2013. Please visit www.newcollegelanarkshire.co.uk for more information.

This e-mail and any attachments may contain confidential and privileged information. If you are not the intended recipient, please notify the sender immediately by return e-mail, delete this e-mail and destroy any copies. Any dissemination or use of this information by a person other than the intended recipient is unauthorised and may be illegal.