Public Audit Committee

Report on The 2013/14 audit of Coatbridge College: Governance of severance arrangements
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Annexe A

EXTRACT FROM THE MINUTES OF THE PUBLIC AUDIT COMMITTEE

Annexe B

ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

Annexe C - Timeline of Events

Annexe D - list of individuals referred to in the report
Public Audit Committee

The remit of the Public Audit Committee is to consider and report on—

a. any accounts laid before the Parliament;
b. any report laid before or made to the Parliament by the Auditor General for Scotland; and
c. any other document laid before the Parliament, or referred to it by the Parliamentary Bureau or by the Auditor General for Scotland, concerning financial control, accounting and auditing in relation to public expenditure.

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### Committee Membership

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Introduction

1. The Auditor General for Scotland (AGS) report on The 2013/14 audit of Coatbridge College: Governance of severance arrangements was laid before the Scottish Parliament on 26 June 2014. The report was made under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

2. The report brought to the Parliament’s attention failures in governance relating to severance arrangements for the Principal, senior managers and another member of staff. The AGS said—

   There is absolutely no doubt that there have been very serious failures of governance; indeed, they are among the most serious that I have seen during my time as Auditor General.

3. The AGS report lists the following:
   - failure to meet the standards expected of public bodies in the use of public money and a lack of transparency in the decision-making process for voluntary severance arrangements;
   - payments made that exceeded the terms of the College’s severance scheme;
   - the proposed severance scheme for senior staff offered terms that were significantly higher than the Scottish Funding Council’s guidance and the schemes of the other colleges that merged to form New College Lanarkshire;
   - the College did not retain sufficient evidence (minutes and business cases) that severance proposals, and salary enhancements, had been subject to a value for money assessment;
   - the absence of any evidence that the Remuneration Committee had access to the information and advice it needed to fulfil its responsibilities;
   - the Principal failed to take the steps needed to demonstrate that the inherent conflicts of interest were properly handled.

4. It is of considerable concern that the failures resulted in additional and unnecessary cost to the College and the public purse and undoubtedly undermined public confidence in college governance.

5. The statutory deadline of 31 December 2014 for laying the College’s accounts before the Parliament was missed. The accounts were not laid until 26 June 2015. This was due to delay in finalising the accounts and the difficulties encountered by the external auditor. There were a large number of adjustments
required to correct errors and no proper audit trail to document key decisions made. The audit of the accounts could not be completed until the end of March 2015.

6. All colleges and universities in Scotland are registered charities; Coatbridge College was a registered charity throughout 2013/14. The College’s Board of Management were the charity trustees. Particular standards of governance and stewardship apply to charities.

7. The AGS has previously reported weaknesses in the management and approval of senior staff severances in a handful of colleges. Significant shortcomings were found at North Glasgow College and Coatbridge College. We reported our findings on North Glasgow College earlier this year.

8. We conducted a wide-ranging inquiry into the severance arrangements at Coatbridge College which included re-calling two witnesses and are grateful to all those who provided evidence. A list of our witnesses and evidence is contained in the Annexes to this report but we found it unacceptable that some information pertinent to our inquiry was not brought to our attention until near the conclusion of our work.

Restructuring Scotland’s colleges

9. There was cross-party support for restructuring and regionalisation of the colleges sector. Restructuring commenced in 2012 and the Scottish Government was responsible for implementing the policy. The Scottish Government’s preference was for colleges to merge, although some colleges were considering forming regional federations. A federation involves cooperation and coordination between a number of colleges, within a single region with an overarching strategy. A merger is the creation of a new single college from two or more existing colleges.

10. The Scottish Further and Higher Education Funding Council (SFC) is the national, strategic body responsible for funding teaching and learning provision, research and other activities in Scotland's colleges and universities. It replaced the former Scottish Further Education Funding Council (SFEFC) and Scottish Higher Education Funding Council (SHEFC).

11. One of the SFC’s main activities is to facilitate mergers, federations and other forms of collaboration between colleges and universities and delivering statutory and other functions including payments to colleges and universities.

12. The SFC was responsible for providing support, guidance and merger advice to colleges including staff attendance at merger board meetings. The Scottish Government provided more than £52 million between 2011/12 and 2013/14 to support the merger process, most of which was used to fund voluntary
severance schemes. Angela Constance, the Cabinet Secretary for Education and Lifelong Learning told us—

\[\text{It was important that the Scottish Government and the funding council allocated the funds to assist the merger programme for the overall good of the sector. In essence, it was about investing money to save.}\]

13. £52 million is a considerable sum. Our report on Scotland’s Colleges 2015 sought further information on whether the forecast efficiency savings from the mergers were on track to be delivered and whether the other expected benefits of restructuring were being effectively measured and realised. We have received responses from the Scottish Government and the SFC but we still seek more information on what savings have been achieved.

Restructuring in Lanarkshire

14. In Lanarkshire, the merger did not proceed smoothly, at least so far as Coatbridge College was concerned. The Lanarkshire merger was one of the last to take place.

15. In 2012, Coatbridge College approached the SFC making a case for merger of all four colleges in Lanarkshire. The three other Lanarkshire Colleges (Cumbernauld, Motherwell and South Lanarkshire) had not been consulted and were not aware of the approach by Coatbridge College. At that time, a federation structure was being pursued. The three other colleges learned of Coatbridge College’s approach to the SFC through a press release.

16. A federation model in Lanarkshire did not progress to conclusion because in January 2013, Cumbernauld College and Motherwell College announced their intention to merge to form New College Lanarkshire. South Lanarkshire College did not join the merger.

17. On 11 February 2013 Coatbridge College announced its intention to join the planned merger. On 25 February 2013 Coatbridge College withdrew from the merger.

18. The Chair of the Board of Management at Coatbridge College, John Gray, explained why Coatbridge College decided not to join the merger—

\[\text{When we had a meeting to discuss that, it became absolutely clear what the deal was. It was decided by Cumbernauld and Motherwell together. If we wanted in, we played the game by their rules. No participation in this, no jobs for that—nothing. It was a takeover.}\]

19. The SFC confirmed that in February 2013 there had been some friction about decisions already made by Motherwell and Cumbernauld Colleges but, in the SFC’s view, the issues had not been so significant that they should have led to Coatbridge College leaving the merger.
20. The SFC then tried to encourage Coatbridge College to re-join the merger. The timeline of communication between the SFC and the Scottish Government discloses sustained activity and communication throughout 2013 concerning the merger process in Lanarkshire.\textsuperscript{14}

21. In August 2013 Coatbridge College decided to re-join the merger. Cumbernauld College and Motherwell College merged in November 2013 to form New College Lanarkshire. Coatbridge became part of New College Lanarkshire on 1 April 2014.

**Review of the management of the merger of Coatbridge College and New College Lanarkshire**

22. In June 2014, the Scottish Government asked the SFC to arrange an independent review of the management of the merger of Coatbridge College and New College Lanarkshire (NCL).

23. The review was in response to representation from the family of Francis McGeachie; Francis McGeachie had been a senior member of staff at Coatbridge College. He tragically took his own life in December 2013.

24. The purpose of the review was to—

\begin{quote}
consider the management of the merger of Coatbridge College and NCL and, in particular, what consideration was given to the impact on senior staff of the merger process and how that impact was managed.\textsuperscript{15}
\end{quote}

25. Alex Linkston undertook the review. His report was provided to the SFC and the Scottish Government in November 2014. As we were concluding our evidence-taking, we were provided with a copy of Alex Linkston’s report by the McGeachie family and the SFC.

26. Until that point, Alex Linkston’s report was not in the public domain and we had not been given sight of it. The SFC told us the reason the report had not been made public was because it covered sensitive issues.

27. The McGeachie family told us they were content for the report to be made public. We are grateful to the family for contacting us and providing a copy of the report.

**Governance**

**Scottish Funding Council guidance on severance for senior staff**

28. As already noted, the SFC was responsible for providing advice, support and funding during the college mergers. Considerable sums of public money were made available to support colleges in making severance payments.
29. The SFC guidance on severance arrangements to senior staff dated from 2000.16

30. Exhibit 3 on page 8 of the AGS report provides extracts from the SFC guidance on severance payments to senior staff highlighting:

- the responsibility that Colleges have to use funds in a prudent way achieving value for money;
- that decisions about individual cases of early retirement or a severance package should be delegated to a Remuneration Committee (or equivalent), be within a specific remit, conform to the College’s policy on severance and be reported to the Board of Management;
- public funds should only be used to meet contractual or other payments required by law (these obligations may include formally agreed severance schemes);
- any exceptions require careful justification and, where an exceptional arrangement is being considered, clear and comprehensive documentation must be prepared and retained to fully demonstrate how the cost of severance terms, beyond contractual obligations provides best value for money.

31. The SFC’s guidance specifically states—

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.18

32. The SFC guidance requires the Accounting Officer to exercise extreme caution and due diligence if his or her 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 … notify the Chief Executive of the SFEFC (the SFC).19 20

33. Until 31 October 2013 John Doyle the Principal / Chief Executive, was the College’s Accounting Officer. Margaret Rose Livingstone was appointed interim Principal from 1 November 2013 and became the College’s Accounting Officer.
Due to staff absence, in December 2013 Martin McGuire (the Principal of New College Lanarkshire) was asked to take over management responsibility for Coatbridge College.

34. The SFC guidance does not set a limit or ceiling on the amount of severance that can be paid but sets the general parameters and notes that public funds should generally only be used to pay for contractual terms or formally agreed severance schemes.

35. In a letter to us of 28 September 2015, the SFC said—

> While the SFC was only prepared to fund severance deals up to a level that gave a year’s payback (in the case of Lanarkshire a deal that went up to a maximum of 13 months’ pay for those with over 14 years’ service) we did not prevent colleges using their own resources to use more generous deals if they could afford to do from their own funds (and of course, if they were operating within our severance guidance).\(^{21}\)

36. The SFC added—

> In practice, it was very rare for colleges in the recent merger programme to offer more than around one year’s salary.\(^{22}\)

37. In our report on the governance failings at North Glasgow College\(^ {23}\) we expressed regret that the SFC had not routinely reissued its guidance on severance at the time of the mergers. We noted the guidance was nearly ten years old at that point and it was unlikely that many colleges would have had recent experience of senior management severance. A significant event such as a national programme of restructuring, regionalisation and mergers should have triggered the SFC to review what support and advice existed.

38. On 24 January 2013 the Chair of Coatbridge College John Gray, spoke to Mark Batho, the then Chief Executive of the SFC about severance. Mark Batho followed up his conversation with an email that same day to John Gray enclosing a copy of the SFC guidance. His email highlighted specific areas of the guidance; that the College was required to have a general severance framework in place for all severance payments; that severance payments should adhere to the framework except in very exceptional circumstances and that the SFC had not been providing support for voluntary severances arrangements beyond payback of one year “because the trend in public services is towards arrangements for which the payback period is one year or less”.\(^ {24}\)

39. Mark Batho advised John Gray to inform the College’s internal and external auditors of any proposed settlement and encouraged him strongly to stay within the suggested parameters. Mark Batho concluded his email to John Gray by noting that the specific terms of any severance were ultimately a decision for the college. In oral evidence to us John Kemp, Director of Access, Skills and Outcome Agreements at the SFC confirmed—
It was allowable within the rules for us to pay a particular amount for a voluntary severance scheme and for a college to pay more than that for the reasons that were in our guidance: if it could make a business case for it and if the college’s auditors were happy with it.  

40. The SFC should have reminded all colleges of its 2000 guidance on severance payments to senior staff in advance of the restructuring process commencing in 2012. Had it done so, the governance failures seen here may have been prevented. It was a key role of the SFC to provide advice, assistance and support to colleges going through the merger process and to ensure colleges understood what was expected of them; and had the right processes in place and made best use of public money. Failure to reissue the guidance as the merger process began across Scotland was a failure of duty by the SFC.

**Scottish Funding Council financial memorandum with colleges**

41. The SFC Financial Memorandum with colleges sets out the formal relationship between the SFC and colleges and the requirements that are a condition of funding. During 2013/14, the Financial Memorandum in force dated from to 1 January 2006.  

42. In particular, the Financial Memorandum states—

> The Council (SFC) must be able to rely on the whole system of governance, management and conduct of the institution (the College) to safeguard all funds of the institution deriving from Scottish Ministers and to achieve the purpose for which those funds are provided.

43. In relation to colleges principals/chief executives the Financial Memorandum states—

> As well as being accountable directly to the governing body for the proper conduct of the institution’s affairs, the chief executive officer of the institution is also directly accountable to the chief executive officer of the Council (SFC) for the institution’s proper use of funds deriving from Scottish Ministers and its compliance with this memorandum.

44. There were clear responsibilities and expectations of Coatbridge College’s Accounting Officer, particularly around severance payments.

**Charitable status: Role of Trustees**

45. The Office of the Scottish Charities Regulator (OSCR) was established under the Charities and Trustee Investment (Scotland) 2005. It is charged with upholding
public confidence in charities. Its role is set out in its written submission to the Committee.\textsuperscript{29}

46. The written submission also sets out the general duties of a charity trustee. All trustees are bound by charity law and are expected to fulfil their duties as trustees and act at all times in the best interests of the charity, protecting its assets and reputation. Where a trustee breaches these duties, this can be considered misconduct. Trustees can delegate authority but they retain ultimate control and responsibility for the actions of the charity.

47. Coatbridge College was a registered charity throughout 2013/14 until it was removed from the register on 31 July 2014. The Board of Management were the charity trustees. When Coatbridge College was removed from the register, its assets transferred to the successor charity, New College Lanarkshire. OSCR did not receive Coatbridge College’s 2013/14 accounts as it should have.

48. Where public funds are involved, the Parliament and the public demand high standards of governance and stewardship. In the case of a charity, the standards are even higher. OSCR told us that the concerns raised by the AGS relate to areas where it has a regulatory interest, as they concern the conduct of trustees.

49. OSCR said—

\begin{quote}
Although the College has been removed from the Charity Register following the merger, OSCR does retain powers under section 35 of the 2005 Act which allow application to the Court of Session to retrospectively disqualify trustees of a charity, notwithstanding that the charity no longer exists.\textsuperscript{30}
\end{quote}

50. There were clear responsibilities and expectations of Coatbridge College’s Board of Management who were the trustees of the charity.

Internal and external audit

51. All colleges have internal and external auditors. The internal auditor is appointed by the college to provide independent assurance that the college’s risk management, governance and internal controls are operating effectively. The internal auditor is directed by the college’s audit committee to undertake any reviews of areas where the college thinks there is risk and seeks assurance.

52. Wylie & Bisset LLP Chartered Accountants were the internal auditors for Coatbridge College during 2013/14. Wylie & Bisset attended all meetings of Coatbridge College’s audit committee. Wylie & Bisset were also the appointed internal auditors for New College Lanarkshire from January 2014.

53. The external auditors for colleges are appointed by the AGS. The role of the external auditor includes auditing a college’s financial statements and providing an opinion on the annual accounts. External auditors are required to comply with Audit Scotland’s Code of Audit Practice.\textsuperscript{31}
54. Henderson Loggie Chartered Accountants were appointed by the AGS as Coatbridge College’s external auditors. Cathie Wyllie of Henderson Loggie undertook the audit.

Coatbridge College Remuneration Committee

Terms of reference

55. Coatbridge College’s Remuneration Committee was responsible for determining the remuneration and conditions of service for the Principal, depute Principal, Directors and all other members of the senior management team.

56. The Remuneration Committee’s terms of reference dated June 2012 provide:

- The Committee shall comprise of at least seven Board members. The Committee membership will include the Chair and Vice Chair (who chairs the Remuneration Committee) of the Board of Management.

- The Principal, although not a member of the Remuneration Committee, will act in an advisory capacity.

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

- 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.

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

57. In fact, the Chair of the Board of Management (John Gray), not the Vice-Chair as required by the terms of reference, chaired the Remuneration Committee meeting in January 2013 and the next meeting in October 2013. This was not raised as an issue in any of the evidence we received but it does appear to contravene the College’s own terms of reference for its Remuneration Committee.

58. Lorraine Gunn was the Secretary to the Board of Management and also Secretary to the Remuneration Committee. She was also a member of the senior staff team as the Director of HR.

59. In our report on the governance failings at North Glasgow College, we commented on its Chair of Board also chairing its Remuneration Committee. Given the strong and close working relationship that is likely to exist between the Chair of the Board and the Principal, the Chair of the Board is unlikely to be
sufficiently independent to chair the committee tasked with determining the salary, terms and conditions and severance of the Principal. That is a particular concern in the case of Coatbridge College.

60. We also question whether the arrangement whereby one individual provides secretariat support to both the Remuneration Committee and the Board of Management provides sufficient independence.

Training for Remuneration Committee members

61. Before considering the detail of what happened at Coatbridge College, we note that Coatbridge College Board members told us they received no training to assist them to prepare for a merger or in relation to severance arrangements. Membership of the Remuneration Committee was simply based on experience and suitability; we understand that each member of the Remuneration Committee chaired another Board sub-committee.

62. John Gray told us—

> The merger policy was instigated by the Scottish Government, and once the groupings of colleges that were to be merged had been finalised, very little direction was given as to how the process should be managed. College groupings were left to get on with the process in the best way they could.34

63. In our report on the governance failings at North Glasgow College, we concluded that its Remuneration Committee—

> was inadequately supported and unclear as to its obligations and responsibilities. This clearly contributed to the failure in governance.35

64. Coatbridge College Remuneration Committee was also inadequately supported and unclear as to its obligations and responsibilities.

65. The SFC should have adequately supported all college Boards of Management and Remuneration Committees to ensure they fully understood their roles and responsibilities. A merger was going to result in staff reductions. The SFC failed to recognise and address the requirement for support and advice.

Remuneration Committee meeting 28 January 2013

66. On 24 January 2013 John Gray spoke to and received an email about severance from Mark Batho, the then Chief Executive of the SFC. He also received the SFC
guidance. Later that same day John Gray forwarded the email and guidance to Lorraine Gunn, asking her to—

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

67. On Friday 25 January 2013, John Gray emailed members of the Remuneration Committee. His email made reference to a lengthy discussion he had had with John Doyle, the College Principal, reflecting on the developing college structure for Lanarkshire and how John Doyle felt about his position. John Gray’s email said that John Doyle believed the Remuneration Committee should now agree a severance package for him.

68. John Gray wanted to support John Doyle and make him an offer. His email set out the detail—

In order to finalise discussions with John [Doyle] 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 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[37] 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.  

69. John Gray’s email said he had not discussed any detail with John Doyle but at the same time it made reference to having had a ―lengthy discussion‖ with him. John Gray advised the Remuneration Committee members he was seeking their approval to proceed and was happy to discuss it over that weekend. He provided his home phone number and said—

if you are happy with the proposal that we offer John [Doyle] voluntary severance as outlined above please confirm by email.  

70. He concluded—

In anticipation that you will understand and agree this approach, I will of course ask Lorraine [Gunn] 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 the merger.  

71. We do not know whether, over that weekend, there were any email responses to John Gray or conversations regarding his proposal for John Doyle.
72. The email from John Gray to the Remuneration Committee members made no mention of the discussions he had had with Mark Batho or that he had been sent the SFC guidance of 2000 on severance arrangements for senior staff.

73. During our evidence, some members of the Remuneration Committee made reference to a letter from John Doyle to John Gray that had preceded this email. However, we were not provided with a copy of any such letter and John Doyle told us he had not written a letter.

74. We do not know who came up with the proposal that John Doyle should receive two years' salary and a back-dated pay rise or how the figure of 6% for the back-dated pay rise was arrived at. We asked John Gray about this. He told us—

If I got information, it would have been not off the top of my head but from the human resources director, who was familiar with the sort of severance schemes that were around and were talked about at the time.

75. The Remuneration Committee then met on Monday 28 January 2013. One of the Remuneration Committee members, Paul Gilliver, said—

I have the minutes here, but I do not have a copy of the agenda. I do not remember an agenda, but maybe there is one...

76. We asked the Remuneration Committee members whether they had been referred to the SFC guidance. They told us—

The SFC Guidance was not given to us at the meeting nor were we signposted to it before, during or after the meeting...

77. Lorraine Gunn, the Secretary to both the Board of Management and the Remuneration Committee and the College’s HR Director disputed this and told us—

I made the guidance available. There was definitely a conversation at the remuneration committee meeting when I came into the room in which the chair of the board discussed the conversation that he had had with Mark Batho and talked about the guidance that was available...

78. We wanted to establish where the Remuneration Committee got its information from. Carol McCarthy, another Remuneration Committee member, said—

I expect that the Chair got information from the Board Secretary. If the Chair was going to present something, he would ask the executive and the college to provide him with the information he needed.

79. Both John Doyle and John Gray said that they and the Remuneration Committee members were aware of the SFC’s 2000 guidance on severance arrangements...
to senior staff. When he appeared before us the second time, John Doyle contended—

> I made myself aware of the document at the time through the clerk to the board. She sent me a copy—as she did for everyone else on the remuneration committee—and it was put on the board’s intranet. I read it at that point. ⁴⁷

80. The minutes of the meeting make no mention of the Remuneration Committee having considered the SFC guidance. The minutes record—

> L Gunn confirmed that the emerging 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. ⁴⁶

81. Later the minutes record—

> 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. ⁴⁹

82. We do not believe the SFC guidance was circulated to the Remuneration Committee members in advance of the meeting and we know it was not provided at the meeting. The minutes make no reference of the SFC guidance or of the Remuneration Committee having considered a business case to support any decisions reached about severance payments. The minutes also misrepresent the SFC’s position as communicated to John Gray.

83. There were no clearly identified meeting papers and no agenda either. There was also disagreement about what the purpose of the Remuneration Committee meeting had been.

84. The Remuneration Committee members, excluding John Gray, said the purpose of the meeting had been to consider a severance package for the Principal on the basis that Coatbridge College was going to join the merger. ⁵⁰

85. However Lorraine Gunn said—

> The purpose of the meeting, when I was told to call it as the clerk to the board was specifically to address arrangements for senior staff. It was not at that point in time necessarily about payments... ⁵¹
86. The SFC guidance clearly states that a Remuneration Committee should only be considering severance arrangements in the context of a college’s policy on severance. Coatbridge College had no policy on severance. In January 2013 there was no reason for John Doyle to have ruled himself out of being involved in any new structure and no need for the Remuneration Committee to be discussing a severance package for him or the senior staff.

87. In January 2013, John Doyle had applied for a post elsewhere. At that time, there was nothing to stop him or any of the senior staff seeking positions elsewhere or in the new structure. We were told the senior staff did intend to pursue employment opportunities in the new merged college.

88. Lorraine Gunn told us she did not write up the minutes of the meeting on 28 January 2013 until 7 October 2013. She suggested this timeframe for producing the minute was standard practice—

Normally, the chair would summarise the meeting and give me the summary after the event. I would then put that into minutes format, which the chair would ultimately circulate for approval. I would not actually table those minutes until another meeting came up.

89. Pauline Docherty, a member of the Remuneration Committee said—

Remuneration Committee meetings could be called ad hoc if remuneration issues needed to be discussed, and sometimes they were not minuted.

90. The Remuneration Committee’s terms of reference refer to its meetings coinciding with reporting deadlines for the Board and the requirement for the Chair to report to the Board on every Remuneration Committee meeting.

91. Even if the papers for the Remuneration Committee meeting were on the College’s intranet, that was insufficient. Remuneration Committee members should not have to seek out the essential information and documents they require for a meeting. A paperless system, if it is to be effective, still requires emails and links to documents to be sent to Remuneration Committee members.

92. It is the role of the College’s executive staff to bring relevant information to the attention of the Remuneration Committee members in order that they can make informed decisions. In this case, it was not done. It was a serious failing of governance.

93. The Remuneration Committee members (other than John Gray) were not given the information they needed and were unaware of the details of the SFC guidance when they were considering severance arrangements for the Principal or senior staff. The SFC’s advice on severance was misrepresented to them.
94. The decisions reached by the Remuneration Committee had significant financial implications for the College and certain individuals, particularly the Principal. In our view, information was deliberately withheld from the Remuneration Committee members, an act designed to engineer a particular outcome for particular individuals.

95. There were a number of serious fundamental governance failings around the operation of the Remuneration Committee:

- (1) No agenda or formal papers were prepared for the meeting.
- (2) It was not usual for the Secretary of the Remuneration Committee to attend meetings. The Chair would usually prepare a note of the meeting for the Secretary who would then prepare the formal minutes.
- (3) The minutes of the meeting of 28 January 2013 were not prepared until nine months after the meeting, despite a decision with significant financial implications having been taken at the meeting.
- (4) No report of the Remuneration Committee meeting, nor any detail of the decision reached or its justification was passed to the next Board of Management to consider at its next meeting on 19 March 2013, despite each of the Remuneration Committee members also sitting on the Board of Management.

96. Each of these failings was unacceptable. Taken together, it is clear that governance failings were significant and widespread.

Minutes of the Remuneration Committee meeting on 28 January 2014

97. On 7 October 2013 the minutes of the meeting on 28 January 2013 were circulated to Remuneration Committee members, nine months after the meeting had taken place. Much had happened during that period.

98. When the minutes of the Remuneration Committee meeting in January 2013 did emerge, they recorded that Lorraine Gunn, in her role as Secretary, was not present at the meeting, as the issues under discussion related to senior staff. The minutes then state that a discussion followed, after which Lorraine Gunn, in her role as HR Director, joined the meeting and provided advice about the Edinburgh Model as the emerging severance model in the sector. The minutes then record John Gray confirming he had spoken to the SFC and advising that the SFC had no objections to the college’s approach.

99. The minutes record the Remuneration Committee’s agreement that the Principal would receive 21 months’ severance payment (the Edinburgh Model) plus an additional three months for taking the college successfully through to merger.
The minutes also record that the same model would be afforded to the rest of the senior staff team and that it was the Remuneration Committee’s aspiration that this model would be afforded to all staff. 55

100. The minutes were not considered by the Remuneration Committee until its next meeting on 23 October 2013. At that point, two of the five Remuneration Committee members who had been present at the meeting in January 2013 registered their disagreement with the minute, specifically what had been agreed for senior management. Thomas Keenan (one of the Remuneration Committee members) had not been at the January 2013 meeting but he also registered his disagreement. All of the Remuneration Committee members who had been present at the meeting in January 2013 agreed with what the minute recorded in respect of the Principal’s severance. 56

Offer letters

101. On 29 January 2013, despite there being no minute of the Remuneration Committee meeting held the day before and no report of any decision having been made to the Board of Management, John Gray issued a letter to John Doyle. The letter offered John Doyle 21 months’ salary plus a further 3 months’ salary for taking the college forward towards vesting day. The offer letter also included a 3% salary increase backdated to August 2012 and a further 3% salary increase in recognition of his increased leadership role.

102. Although we were not given sight of this offer letter, the AGS has advised that the letter assumed a termination date of 31 July 2013 which could be varied by the Board of Management. The letter was signed and returned by John Doyle the same day.

103. In a written submission of November 2015 and when he gave evidence to us the second time (on 25 November 2015) John Doyle remembered a meeting he had had on 29 January 2013 before he received the offer letter—

> Mr Gray came to the college and had a meeting with me about that committee and, in particular, the conversation about my proposed severance agreement. I had read the documentation and we had a long conversation about the decision-making process by the remuneration committee, and the rationale behind the decision that it had made. As I said in my statement, I went over every aspect of it in relation to suitability, affordability and the rationale. 57

104. Neither John Doyle nor John Gray made any mention of this meeting when they appeared before us on 28 October 2015. This surprises us because on 25 November 2015, John Doyle attached great importance to this meeting and suggested it had served to discharge his duties as Accounting Officer. He said—
I considered that responsibility to have been met when I was briefed by the chair of the board that he had had that conversation and that the funding council was well aware of what the board proposed.\textsuperscript{58}

105. On 7 February 2013, offer letters were sent by John Gray to the other senior staff offering 21 months’ salary and a backdated salary increase of 3%. The letters assumed a termination date of 31 July 2013 which could be varied by the Board of Management.

106. We saw two of the offer letters sent to the senior staff team. They were signed and returned on the same day.

107. We do not know who, other than John Gray, Lorraine Gunn and the recipients, knew that these offer letters had been sent to senior staff.

108. On 29 January 2013 John Gray wrote to John Doyle offering him a severance package. On 7 February 2013 John Gray wrote to the other senior staff offering them severance packages. At that time there was no record of the Remuneration Committee decisions made at the meeting on 28 January 2013 or how they had been reached. Before any offer letters were issued, the decisions taken by the Remuneration Committee should have been minuted and agreed and the minutes should have been tabled at the next Board of Management meeting.

109. John Gray had no authority to issue the letters before these fundamental governance steps had been taken. We were offered no explanation why the letters were issued so hurriedly. There was no justification for doing so.

January 2013 to October 2013

110. In January 2013 all staff including the Principal, senior managers and John Doyle’s PA received a 3% pay rise, backdated to August 2012. John Doyle then received a further 3% rise.

111. That same month, John Doyle approved a further 19% pay rise for his PA to reflect what he told us was “additional responsibility in relation to regionalisation”. The auditor found no record of what these additional responsibilities were. John Doyle told us—

> It was an operational matter and something I was perfectly entitled to do.

112. He added—
The individual was a communications expert who met all the criteria I put all the paperwork in her personal file... 59

113. We asked New College Lanarkshire for sight of the paperwork to support this pay rise. They told us the available paperwork did not provide any outline or justification for the additional duties and that the member of staff had not participated in any of the formal communication work stream associated with the merger. 60

114. In February 2013, John Doyle sent a letter to his PA offering 18 months’ salary as a severance payment with a termination date of 31 July 2013. 61

115. There is no evidence that anyone at the College sought legal advice before the offer letters were drawn up and issued to John Doyle, the senior management team and John Doyle’s PA.

116. In April/May 2013 the position of Principal designate for New College Lanarkshire was advertised. Interviews were held in May 2013 and an appointment was made and the post taken up on 3 June 2013. John Doyle did not apply.

117. In May 2013, Lorraine Gunn received a 10% pay rise to reflect a revaluation of her post. The auditor found no documentation to explain how the post had been evaluated.

118. During summer 2013, when Coatbridge College was considering re-joining the merger, the SFC met John Doyle and had telephone discussions with him and the College’s then Director of Finance, Derek Banks. John Kemp told us—

At one of those meetings, there was discussion about what VS [voluntary severance] scheme would apply. By that time, the other two merging parties had pretty much developed a VS scheme, which was the one that was eventually used. I recall at least one meeting at which Coatbridge College suggested that the VS scheme for the merger should cover a period of up to 21 months. My response was that the SFC would fund up to one year only and that the usual practice in mergers had been broadly in line with our one-year funding. 62

119. John Kemp added—

There were alarm bells around the fact that they were being unreasonable about what we would fund for the merger. In the discussions that I had with them, they were talking about a scheme for the whole staff... 63

120. Nobody from Coatbridge College mentioned to the SFC that severance arrangements had already been reached for John Doyle and the senior staff team and no mention was made of any of the offer letters sent by John Gray. The SFC remained unaware until October 2013.
121. On 23 July 2013, John Doyle and John Gray met Linda McTavish (the Regional Lead for Lanarkshire) and Roger Mullin of the Scottish Government’s change team. At that meeting, it was agreed Coatbridge College would re-consider joining the merger.

122. John Doyle told us that during the meeting, he was asked to leave by Ms McTavish. He said —

They came to the college and presented the terms and conditions of the merger. Within those was a statement that I could not apply for the post of principal and that the principal would be Martin McGuire. I then met all the staff when I delivered the principal’s address in August, as I did every year. I told them that, although, sadly, I could not be with them after the merger, I would be with them until 31 March...

123. We do not agree that this was evidence of John Doyle being asked to leave.

124. In July 2013 the merger between Cumbernauld and Motherwell had progressed whilst Coatbridge College was not part of it. Martin McGuire had been recruited and appointed as Principal designate two months earlier. Cumbernauld and Motherwell colleges continued to work towards their agreed merger date of 1 November 2013. Coatbridge College had excluded itself from the merger in February 2013 and its staff had not been part of the merger work streams from that point.

125. On 6 August 2013, Coatbridge College agreed to re-join the merger with effect from 1 April 2014. On 15 August 2013 John Kemp, Roger Mullin and John Gray met and then on 20 August 2013, John Kemp, Roger Mullin and John Doyle met.

126. At the meeting on 15 August 2013 with John Gray, membership of the merger board was discussed. John Gray advised in the long term he would not be continuing and that John Doyle would not continue on either or seek a job in the new college. Roger Mullin noted that John Doyle had previously asked him when he should go and it was proposed that timing be discussed with John Doyle.

127. At the meeting on 20 August 2013 between John Kemp, Roger Mullin and John Doyle the merger and funding were discussed. John Doyle indicated that he would like to leave on 1 November 2013.

128. In his evidence to us, John Doyle suggested he was effectively made redundant at that meeting—

Everyone in this room understands the language of power. When you are invited by the Scottish Government and the funding council to discuss your leaving early, you know that your position is untenable. However, I circulated the email among the senior team, John Gray and a few close friends and they all independently came back and said, “You’re not wanted.” No one has ever said to me that I have done anything wrong. My
actions at that point validate that I have done everything that I should do. Having taken that advice, I met Mr Mullin and Mr Kemp in the offices of the funding council. It was quickly agreed that I would leave on 31 October...  

129. We do not agree that John Doyle was effectively made redundant, asked to leave or forced out. He may have felt that this was the case, particularly as the position of Principal in New College Lanarkshire was no longer open to him but we do not agree.

130. In August 2013, all staff including the Principal, senior managers and the member of staff in the Principal’s office received a further 2% pay rise.

131. We find it completely unacceptable that during a period of financial austerity across the public sector, including a three year pay freeze, the Coatbridge College senior staff team including the Principal and also the Principal’s personal assistant received considerable pay increases not available to other staff at the college.

The Lanarkshire colleges merger

132. On 9 September 2013 there was a Merger Committee meeting. All three colleges in the merger were represented. Amongst the representatives from Coatbridge College were Thomas Keenan (Vice-Chair of the Board and member of the Remuneration Committee), Carole McCarthy (Board member and member of the Remuneration Committee) and Margaret Rose Livingstone (the depute Principal). The SFC was in attendance as was Roger Mullin.

133. At that meeting a Lanarkshire merger voluntary severance (VS) scheme was introduced. The Merger Committee agreed the VS scheme would be circulated to all staff in the three colleges simultaneously.

134. Following the Merger Committee meeting, Thomas Keenan wrote a briefing note. He told us—

That note was taken by the board secretary and circulated to board members. I said in it that I wanted a report to go on 23 October to the remuneration committee and the board to deal with the issue of a 13-month severance payment. That was issued to the board.  

The Lanarkshire voluntary severance scheme

135. The agreed Lanarkshire VS scheme was to be offered by each College individually and made available to all members of staff. The scheme provided no automatic right to voluntary severance. All staff were invited to apply between 16 September 2013 and 11 October 2013. The VS scheme provided the following:

- 2 years – 4 years’ service
- 6 months’ salary
• over 4 years – 9 years’ service  9 months’ salary
• over 9 years – 14 years’ service  12 months’ salary
• over 14 years’ service  13 months’ salary

136. No applications were received from any of the senior team at Coatbridge College during the period the scheme was open in September and October 2013.

Preparations for the merger

137. On Saturday 5 October 2013 Thomas Keenan received a phone call from Martin McGuire, Principal Designate of New College Lanarkshire. Martin McGuire told Thomas Keenan about proposed severance packages that had come to light as part of the due diligence process for the Lanarkshire merger.

138. Thomas Keenan told us—

"That immediately rang alarm bells with me and, on the Saturday, I thought long and hard about it. I thought, “What do I not know and what am I going to do about it?” That was the thrust of the matter. I thought about the matter on the Sunday. At 7 minutes to 1 on the Monday morning [7 October], I sent an email to Mrs McCarthy that said that I was extremely worried that I had been misled in some way."

139. On Monday 7 October, Thomas Keenan emailed John Doyle’s PA asking for sight of any letters sent regarding potential severance arrangements, a copy of any minute of the Remuneration Committee and also the remit of the Remuneration Committee. His email asked that the request be passed to Margaret Rose Livingstone and Derek Banks, the Finance Director, and that the information should be requested from the Board Secretary [Lorraine Gunn] without disclosing why it was being requested.

140. On the afternoon of 7 October 2013, Thomas Keenan met with Margaret Rose Livingstone and Carole McCarthy. At that meeting, Margaret Rose Livingstone had the minutes of the Remuneration Committee meeting of 28 January 2013.

141. Margaret Rose Livingstone showed Thomas Keenan and Carole McCarthy the offer letter sent by the Chair of the Board to the senior management team (including Margaret Rose Livingstone) in February 2013.

142. We do not know why Margaret Rose Livingstone, who was not a member of the Remuneration Committee, had the Remuneration Committee minutes before they had been circulated for agreement to the Remuneration Committee members themselves (and before, according to Lorraine Gunn, they were typed).

143. Referring to the offer letters sent to the senior management team, Thomas Keenan said—
In my opinion, that offer did not correspond with the Edinburgh scheme. The letter essentially said, “If you don’t see a place for yourself in the new college, you will get a 21-month pay-off, irrespective of length of service or anything.” I was more than upset when I saw the letter. I took that up with the board chair, because I had been unaware of that letter, which had significant implications particularly for the merger—it was a wrecking ball that six staff out of 1,000 could have that scheme.71

144. The Merger Committee met on 7 October 2013 and discussed a due diligence report that had been tabled, disclosing a potential liability of around £825,000 in respect of severance for senior staff of Coatbridge College.

145. Thomas Keenan, who attended the meeting, said—

As part of the due diligence process, trade union representatives were—properly—at the meeting. When they heard that senior staff in Coatbridge College had a different severance scheme from other staff, things went ballistic, and I cannot say that I blame them. I was sitting there as a board member, knowing that I had never seen that proposal, never approved it and never considered it to be a part of a severance scheme.72

146. Lorraine Gunn said she was contacted by Thomas Keenan after the Merger Committee meeting asking whether there were any minutes of the Remuneration Committee meeting—

I explained that as is the norm, I had not yet typed them up but would do so. He asked me to verify that there had been a discussion about senior staff severance arrangements. I reminded him that the meeting had been convened for that purpose and he had tendered his apologies.73

147. Later that same day, 7 October 2013, Lorraine Gunn, emailed the Remuneration Committee members advising that John Gray had asked her to circulate the draft minutes of the meeting of 28 January 2013. The Remuneration Committee Members were asked to confirm by the end of the following day that the draft minutes were an accurate summary of proceedings.74

148. Thomas Keenan received the minutes of the Remuneration Committee after he had attended the Merger Committee meeting.

149. Two of the other Remuneration Committee members, Carole McCarthy and Paul Gilliver, questioned the accuracy of the minutes, specifically what had been agreed for senior management.

150. Lorraine Gunn told us that Paul Gilliver had asked for sight of her notes but as they were in shorthand they would have been no use to him. She said she had taken great exception to the accuracy challenge by Carole McCarthy and Paul Gilliver.
151. On 16 October 2013, Lorraine Gunn wrote to the Remuneration Committee expressing concerns about their governance and behaviour. She did not return to the College after that date. In her written submission she said before leaving she had spoken to John Doyle and suggested that DWF/Biggart Baillie be asked to provide secretariat support. Her submission did not explain for whom secretariat support should be requested.

**Scottish Funding Council action**

152. On 10 October 2013 Laurence Howells, at that time the interim Chief Executive of the SFC, wrote to John Doyle. At the Merger Committee meeting on 7 October 2013, the SFC had become aware of Coatbridge College’s potential liability in respect of severance for senior staff.

153. Laurence Howell’s letter said—

> 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...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 value for money.  

154. A response from Coatbridge College was sought by 16 October 2013.

155. On 10 October 2013, Lorraine Gunn forwarded to John Doyle the email exchange of 24 January 2013 she had had with John Gray in which he had asked her to interpret the SFC guidance and advise a way forward. Her email to John Doyle included the SFC guidelines.

156. On 11 October 2013, John Doyle telephoned the SFC advising that he had the information sought and suggesting a meeting. Later that same day, Laurence Howells emailed John Doyle saying he was happy to meet but he still required a response to his letter without delay. John Doyle responded that day—

> We are putting a pack together for you now. Given the importance and quantity of information we want to ensure it is both an easy and informative read, will get it to Fiona [at the SFC] next week...  

157. That same day, Laurence Howells emailed John Doyle, copying in John Gray and a Scottish Government official advising that the EIS had been told the VS scheme proposed by Coatbridge College for its senior managers had been agreed by the SFC in February. Laurence Howells concluded—
I would ask that you ensure in conversation with staff your Senior Managers do not repeat this gross inaccuracy and refer instead to the letter sent to yourself and your Chair yesterday.  

The College’s solicitors - DWF/Biggart Baillie

158. On 11 October 2013, John Doyle’s first substantive response to Laurence Howell’s letter of 10 October 2013 was to call Coatbridge College’s solicitors. He rang Paul Brown of DWF/Biggart Baillie to say that John Gray would be in touch with him to discuss and seek advice on how to respond to Laurence Howell’s letter of 10 October 2013. DWF/Biggart Baillie had been Coatbridge College’s solicitors for some time, at least from March 2011.

159. John Doyle explained—

Given the conflict of interest that I clearly had, I suggested, with the clerk to the board, that the chair bring in an independent team to examine the whole process to ensure that we had continued transparency and openness.

160. There are clear responsibilities and expectations of the Principal/Chief Executive particularly around severance payments. These were not met. The SFC guidance is clear that John Doyle as the Principal/Chief Executive of Coatbridge College could not evade his personal responsibility by contending that he was not part of the Remuneration Committee and not part of the process. John Doyle should have recognised his conflict of interest at a much earlier stage and sought independent advice in January 2013.

161. Paul Brown, solicitor at DWF/Biggart Baillie, confirmed an introductory phone call was made by John Doyle. Paul Brown said his instructions then came from John Gray, although communication was often through John Doyle’s PA who also worked for John Gray. Paul Brown explained what he had been asked to do—

My instructions were to review the decision that had been made back in January 2013 and to advise on the legality of that decision and what followed from it in relation to payments that were being made to Mr [John] Doyle and possibly to other senior members.

162. Paul Brown advised that his firm would have written a letter to the College confirming the terms of engagement. We asked to see this letter of engagement but were told subsequently it could not be located.

163. There were differences of opinion on why DWF/Biggart Baillie had been brought in. John Doyle said—
we brought in Biggart Baillie to advise the board on all aspects—including all guidance, all support and all documentation—in order to ensure that the Remuneration Committee was on a solid footing of knowledge and had all the information to enable a decision to be made. The committee met again, having had all that information, and Biggart Baillie provided all the clerk-to-the-board duties in that regard in order to ensure that there was transparency and that what is being alleged to have happened would not happen.  

164. Derek Banks, Coatbridge College’s Finance Director, told us —

bringing in Biggart Baillie was more effective than bringing in internal audit at that point in time…they were replacing internal audit in the process as they had particular expertise in HR and legal issues…

165. However Paul Brown disputed this—

My understanding of what Mr [John] Doyle suggested is that Biggart Baillie was brought in to advise the committee going forward about its role and remit and so on. That was not the case at all. I was not brought in—in any way, shape or form—to replace the auditors and I would not have been able to do so. I was brought in to advise on a decision that had been taken back in January 2013—essentially, to advise on the legality of that decision. I was not an internal auditor—

166. The AGS said—

Biggart Baillie was brought in to provide independent advice not about the broader question of a severance package but about the entitlements that had been generated by the issue of offer letters to the principal and, perhaps, other members of the senior management team in January.

167. We believe the reason DWF/Biggart Baillie were brought in was to provide the security John Doyle and John Gray wanted for their actions around the severance offers made. DWF/Biggart Baillie were not the College’s internal or external auditors and could not have provided the internal audit function. We find it unacceptable that Derek Banks, who was the College’s Director of Finance, believed that the College’s solicitors could substitute for the College’s appointed internal auditors.

168. The information Paul Brown was given was provided to him by the College. He said—
In October 2013, I was provided with a bundle of documents that I was informed had been made available to the Remuneration Committee in January of that year. That included a copy of the SFC guidance...

169. The information did not include the offer letter signed and returned by John Doyle on 29 January 2013 and Paul Brown was not told of its existence. Had he seen John Doyle’s offer letter, Paul Brown would have been aware that all the offer letters included a termination date of 31 July 2013 which could only be varied by the Board of Management.

170. On 11 October 2013, John Gray and John Doyle signed a settlement agreement, the legal document that concluded John Doyle’s employment. The agreement was drawn up by DWF/Biggart Baillie. Lorraine Gunn advised—

It would have been my role to contact Biggart Baillie to get them to complete a draft agreement for Mr [John] Doyle to sign...

171. We do not know when that contact between Lorraine Gunn and Paul Brown took place. Paul Brown said he was involved “only in relation to very brief advice on the settlement agreement, which was given in October”. As the agreement was signed on 11 October 2013, Paul Brown’s advice must have been provided before John Doyle made the introductory phone call on 11 October.

172. Paul Brown spoke to Remuneration Committee members later in October 2013. He told us—

Throughout my investigation into the matter, on reviewing the documents and going over them with the individual members of the remuneration committee and discussing their understanding and knowledge of them, at no point in time did any member of that committee alter their view on the payments that were to be made to Mr Doyle. The discussion and debate surrounded the other members of the senior management team.

173. By the time Paul Brown spoke to the Remuneration Committee members, John Doyle had already signed the settlement agreement drawn up by DWF/Biggart Baillie.

174. On 15 October 2013 John Doyle responded to the SFC’s letter of 10 October by providing a Key Events Summary and advising that the College had engaged an independent opinion of the approach and processes. The SFC replied saying the Key Events Summary was not sufficient.

175. On the morning of 16 October 2013, a discussion took place between Paul Brown and John Doyle. The discussion was in advance of a meeting arranged with the SFC for 21 October 2013, due to be attended by John Gray, John Doyle and Derek Banks.

176. Following the discussion on 16 October, Paul Brown advised John Gray—
177. Paul Brown was now advising the College on the legal standing of the offer letters issued to the senior managers in February 2013. We do not know whether John Gray, or anyone else from the College, took legal advice before the offer letters were issued to John Doyle, his PA and the senior managers.

178. On 16 October John Kemp of the SFC emailed John Doyle, copying in John Gray repeating that the Key Events Summary, sent the day before, was insufficient. John Kemp’s email said—

> Given our interest in ensuring good value for public money, you should not take any action to commit the college to any spending on severance arrangements between now and your meeting with Laurence next week.\(^8^9\)

179. John Kemp asked for responses to a number of questions; what severance arrangements, if any, had been made for senior staff outwith the merger scheme, who decided on the arrangements and when, whether it had been agreed by the Board and how the College intended to pay for the arrangements.\(^9^0\)

180. On 21 October 2013 the meeting took place between Laurence Howells, John Gray, John Doyle and Derek Banks. After John Doyle and Derek Banks left the meeting, Laurence Howells discussed the severance arrangements for John Doyle.

181. In a letter the next day to John Gray, Laurence Howells set out what had been discussed. The SFC had been told that the five members of the senior staff team and John Doyle’s PA had “voluntarily agreed to give up the deal” offered to them in the letters sent in January and February 2013.

182. Laurence Howell’s letter recorded the SFC’s concerns about John Doyle’s severance package appearing to be for 30 months plus a £91,000 pension contribution. The SFC said it expected the Remuneration Committee and the Board of Management to review the severance arrangements for John Doyle.

183. The letter stated that the SFC expected the Remuneration Committee and the Board of Management to assure themselves there were exceptional circumstances to justify the package for John Doyle. The Remuneration Committee and the Board of Management should record what the exceptional circumstances were and ensure the arrangement complied with the SFC guidance including seeking the views of the internal and external auditors. It was agreed that Laurence Howells would attend the Board of Management meeting the following week to summarise the SFC concerns.
Remuneration Committee meeting 23 October 2013

184. The Remuneration Committee met on 23 October 2013. Paul Brown was in attendance. The Minutes of the meeting on 28 January 2013 were tabled.

185. Carole McCarthy disagreed with the minutes of 28 January 2013. According to the minutes of the Remuneration Committee on 23 October 2013—

She was not aware that the College was intending to adopt the Edinburgh policy. She did not approve the use of the Edinburgh policy, as she had several questions which had not been answered at that time, and did not have enough information to allow her to make that decision.

186. Paul Gilliver agreed with Carole McCarthy. According to the minutes of the Remuneration Committee on 23 October 2013—

the Edinburgh policy was not agreed at the 28 January 2013 meeting. Paul Gilliver advised that, in his opinion, the purpose of that meeting had been to discuss the Principal’s exit and not to discuss voluntary severance packages for the senior management team.

187. The minutes of the Remuneration Committee meeting on 28 January 2013 were then agreed by John Gray, David Craig and Pauline Docherty. The Remuneration Committee agreed to revise the terms of severance for the senior staff team from 21 months to 13 (to bring them in line with agreed voluntary severance scheme for all three colleges) The Remuneration Committee also confirmed the Principal’s package as 21 months, a further 3 months for taking the merger forward and a further 6 months payment in lieu of notice. We were told that the 6 month payment in lieu of notice was contractual.

188. The minutes of the Remuneration Committee meeting on 23 October 2013 refer to the further £91,000 in respect of pension contribution for the Principal that had shown up in the due diligence report. The minutes record John Gray noting that the figure “had not yet been agreed with the Principal”. The minutes then state—

The Committee are of the view that the terms of the agreed minute of 28 January 2013, should be adopted and that this did not include a pension contribution.

189. There is no reference in the Remuneration Committee meeting minutes to the SFC’s letter to the Chair of 22 October 2013 (the day before the meeting). There is also nothing in the Remuneration Committee minutes recording what exceptional circumstances were considered to apply to the Principal to justify giving him a severance package; a package that went well beyond what the SFC would fund and the terms of the agreed voluntary severance scheme for all three colleges in the Lanarkshire merger.
190. The Remuneration Committee's actions at its 23 October 2013 meeting were again dictated by the advice received, this time from DWF/Biggart Baillie. The minutes record—

Paul Brown advised the Committee that he does not believe the funding council can successfully challenge the Committee’s decisions…Paul Brown reiterated that there had been discussions with the funding council at the time of the original abortive merger, and the Committee’s decisions had been made with the benefit of the information available at that time. The Committee had clearly acted in good faith.94

191. We asked the Remuneration Committee members whether it raised a concern that the College’s solicitors were at their meeting. Paul Gilliver said—

I suppose that it did. I was concerned that there seemed to be an impetus to get the executive scheme [the offer made to the senior management team] through. It did not go through, and indeed was substituted with the New College Lanarkshire scheme. The fact that Mr Brown was there was extremely comforting. It gave us the baseline that we were being properly advised.95

192. We asked the Remuneration Committee whether it had considered a business case to support what it agreed at its meeting on 23 October 2013. Carole McCarthy said—

No, because we were not being asked to agree to any other packages in October [other than John Doyle’s]. We had already agreed to create a voluntary severance scheme with New College Lanarkshire. That was what was agreed. We were not agreeing any other packages. People had to apply to the voluntary severance scheme, and that is when their cases were considered.96

193. The Remuneration Committee was not aware that it was required to do anything more than rubber-stamp the decision it had made in January 2013 in respect of payment to John Doyle. It was not aware that the SFC had written to John Gray on 22 October 2013, the day before the Remuneration Committee meeting stating that the Remuneration Committee and the Board would need to assure themselves that there were exceptional circumstances and record what they were. They were not aware because John Gray withheld the SFC’s communication from them.

194. We asked the Remuneration Committee members whether they would have made the same decision with regard to the severance payment to the Principal had they been aware of the SFC guidelines at that point. Carole McCarthy said—
It is not possible to answer that. The funding council guidelines talk about things like discretion and business cases. It is almost impossible to answer that question with hindsight. We thought that we had made a reasonable decision based on the questions that we asked, the conversation that we had and the information that we had in front of us.\(^9\)\(^7\)

195. However Ralph Gunn said—

\[\text{I think that, if I had had the guidance in front of me that said something markedly different from what we eventually decided, I would not have made the decision that we made.}\(^9\)\(^8\)

196. The advice provided by Paul Brown to the Remuneration Committee at its meeting on 23 October 2013 was based on the information and documentation that had been provided to him by John Gray. Paul Brown was told the Remuneration Committee had sight of the SFC guidance at its meeting in January 2013. We know it did not. Paul Brown was also told that the severance arrangement offered to John Doyle did not include a termination date. The offer letter to John Doyle included the same severance date contained in the letters to the senior management staff.

197. Paul Brown was also told that both the internal and external auditors had been advised of the severance proposals. We know that the auditors were not contacted about the proposed severance arrangements.

198. The severance arrangements offered to the senior management team in John Gray’s letters of 7 February 2013 were reconsidered and withdrawn by the Remuneration Committee at its meeting on 23 October 2013. We are shocked the Remuneration Committee did not also reconsider the severance arrangements for the Principal as it was required to do and that it did not record what the exceptional circumstances were that justified paying the Principal much more than was available to other staff through the agreed voluntary severance scheme.

199. John Gray did not tell the Remuneration Committee about the communication he had received from Laurence Howells, Chief Executive of the SFC, the day before the Remuneration Committee meeting. The evidence shows the Remuneration Committee did not reconsider the arrangements for John Doyle because it had been given legal advice to the effect that its decision could not be challenged by the SFC and was legally binding. The advice given to the Remuneration Committee was predicated on the misplaced understanding that the Remuneration Committee had seen the SFC guidance in January 2013 and that the internal and external auditors had been advised of the severance arrangements. Neither was true.
Board of Management meeting 23 October 2013

200. Coatbridge College Board of Management also met on 23 October 2013, just after the Remuneration Committee meeting.

201. Laurence Howells took the unusual step of addressing Coatbridge College Board of Management regarding the SFC’s concerns about the severance packages being offered to the Principal and the senior managers.

202. The minutes of the Board of Management meeting on 23 October 2013 record:

- the meeting starting at 7pm and Laurence Howells leaving the meeting at 7.10 pm.
- Laurence Howells asked the Board of Management to formally withdraw the offers made to the senior management team
- Laurence Howells informed the Board of Management that the SFC would not fund the Principal’s package beyond 13 months and that if the College offered more than 13 months it would require to justify it to the SFC and formally record the reasons for doing so.
- Laurence Howells advised the Board of Management to seek the views of its internal and external auditors before coming to a decision to go beyond 13 months for the Principal’s package and to incorporate the advice from the auditors into a report to the SFC; the same advice provided previously to the Chair.
- Laurence Howells advised that if the College took these steps, they would help show that a reasonable decision had been reached for the Principal’s package.99

203. We are surprised Laurence Howell’s very serious concerns merited only a ten minute attendance at the Board meeting. We asked Laurence Howells why he had not made it clear to the Board that provision of SFC funds towards severance payments would be contingent on the College complying with the instructions. He told us—

> It is possible that might have added influence. We could have been even more robust at that meeting. We could have added that to the conversation. As I said, my expectation was that the college board would live within the rules.100

204. After Laurence Howells left the Board meeting, Paul Brown presented a four-page “Report for the Board Management of Proposed Redundancy Packages” The important statements in Paul Brown’s report are—

> Further guidance was issued on this [the proper use of public funds] by the Scottish Further Education Funding Council and this was referred to by
Mark Batho and I understand considered by the RemCom in their deliberations in January…

“ My understanding is that at the RemCom on 28 January, the SFC backed proposal, which seems to have been based on that which was approved by the Edinburgh College merger, was disclosed and discussed…

“ My understanding is that John Gray had presented a paper to the Board particularly relating to a severance arrangement for the Principal, John Doyle, highlighting the rationale of a focused Principal involved in the day to day management of the College. I believe that the same logic can apply to other members of the senior management team and indeed, my understanding is that this is the basis on which it was agreed that a full 21 month payment would be made to the senior management team…

“ I am advised that this arrangement was approved by the Colleges internal and external auditors.101

205. We asked both John Doyle and John Gray whether there had been a proper business case prepared in support of the enhanced severance arrangements proposed for John Doyle. In his evidence on 28 October 2015, John Doyle said there had been no need for a detailed business case because “I was effectively being made redundant”.102 When he gave evidence again on 25 November 2015, he said there was a business case—

“The business case, in the context that we are talking about, was in the remuneration committee discussion and was contained within the letter and its detail.103

206. John Gray confirmed there had not been a proper business case—

“I get a bit thrown by the business case question. There is not a piece of paper that says “business case” at the top of it. I think that we discussed the implications in a business fashion as to what was being offered, what the implications were and what the justifications were.104

207. There were a number of serious fundamental failings around the operation of the Remuneration Committee and the Board of Management at their meetings on 23 October 2013:

- (1) There was no business case to support offering a severance payment to John Doyle that exceeded what was being offered to other staff.

- (2) What was claimed to constitute the business case, the email of 25 January 2013 from John Gray to the Remuneration Committee members, did not provide any costings and made no mention of the
fact that the SFC would not provide funding support beyond payback of one year

- (3) There was no evidence that the College gave any consideration to the fact that it was a charity and was responsible for the proper stewardship of charitable funds when considering severance payments.

(4) Neither the internal nor the external auditors had been informed about the proposed severance arrangements as was required in the SFC guidance and in correspondence from Lawrence Howells, Chief Executive of the SFC.

208. The minutes of the Board meeting record that John Gray would step down as Chair from 31 October 2013. Thomas Keenan was appointed to replace him. John Gray noted John Doyle would also step down as Principal on 31 October 2013. Margaret Rose Livingstone was appointed as interim Principal from 1 November 2013.

209. In our evidence, we heard there was doubt in the minds of some Board members about what the purpose of that Board meeting had been. Carole McCarthy said—

> I believed that the funding council’s outrage was about a supposed severance scheme only for senior staff. Our meeting was really about making sure that there was no separate scheme for senior staff. Most of the debate at the meeting was about the senior staff, not the principal.  

210. Thomas Keenan said—

> Mr Howells came in and gave a five-minute talk. At the end of the process, a five-minute talk probably did not quite convey what he was trying to get across. I am not knocking him for it, but I go back to my point that it would have been really helpful if we had been sitting with the guidance.

211. Laurence Howells, Chief Executive of the SFC, should have made specific reference to the SFC guidance on severance and told the Board of Management that unless it took the steps he required of it, the SFC would reject any claim by the College for funds to cover severance payments. Members of the Board of Management should have had no room for doubt about the failings and what action was urgently required of them.
Events after the Board of Management meeting 23 October 2013

212. On 24 October 2013, Laurence Howells emailed John Gray, copying in John Doyle, pointing out that he had still not had a satisfactory response to his letter of 10 October 2013.

213. Laurence Howells asked for the minutes of both the Remuneration Committee and the Board of Management meetings by the following day. He requested written detail of the rationale and exceptional circumstances evidenced and recorded by the Remuneration Committee to support its decision on the severance package confirmed for John Doyle. Laurence Howells also asked for a report from both the internal and external auditors.

214. Laurence Howells instructed John Gray—

"You should not pay, or take any further steps to commit to, any deal along the lines you indicated to me verbally was your intention (30 months’ salary) until you have assured me (and I have seen evidence that you have reassured your auditors) that the VS [voluntary severance] arrangement is in order with good practice and represents good value for money."

215. That afternoon, John Kemp forwarded Laurence’s Howell’s email to Thomas Keenan as the incoming Chair of the Board. John Kemp’s email makes reference to a phone call that morning between him and Thomas Keenan and that the SFC still awaited a proper response to the concerns it had raised.

216. Despite clear instructions to contact the internal and external auditors, this was not done. When we asked John Doyle whether the auditors had been contacted before he left, he said—

"It was not a simple yes or no. Given the conflict of interest that I clearly had, I suggested, with the clerk to the board, that the chair bring in an independent team to examine the whole process to ensure that we had continued transparency and openness."

217. This was a deliberately evasive response. John Doyle knew that the auditors should have been contacted. DWF/Biggart Baillie were not brought in to replace the College’s appointed internal auditors.

218. Paul Brown was told that the auditors had been contacted but—

"I cannot confirm which one of them [John Gray or Thomas Keenan] – or that either of them – said it. All I know is that, when I was investigating the matter, someone informed me that the internal and external auditors had indeed been informed."

219. Derek Banks said—
It is not that we did not want to make contact with them. We did not think that it was required, because we brought in Biggart Baillie to do that assessment for us\textsuperscript{110} \ldots We discussed on 28 October with a partner and senior manager of Wylie & Bisset LLP the process of bringing in Biggart Baillie, which they were satisfied would meet that requirement.\textsuperscript{111}

220. Wylie & Bisset, the internal auditors confirmed that they attended an informal meeting but the only mention of severance had been that DWF/Biggart Baillie were being consulted and they might ask internal audit for an opinion. Wylie & Bisset were not asked to look at the details of any severance package either by DWF/Biggart Baillie or the College. Wylie & Bisset had been aware that there would be a severance package for the Principal, as it was known he was leaving, but they were not given any details of the package and were not involved in reviewing it.\textsuperscript{112}

221. Cathie Wyllie, the external auditor said —

> I was aware towards the end of 2013 that the Principal had left the college. I knew at that point that there would have been a package. I did not become aware of the specifics of that until I saw the internal audit report later in 2014.\textsuperscript{113}

222. It was not until April 2014 that the internal auditor became aware of the severance arrangements. Allister Gray of Wylie & Bisset told us—

> In April 2014, work commenced to look at what had happened in the severance schemes. That is why I talked about the compromise agreement: at that stage, we were trying to get information for our report and were unable to get information from certain individuals because of compromise agreements that had been signed. Prior to that, Wylie and Bisset did not know anything about it.\textsuperscript{114}

223. On 25 October 2013, payment was made to John Doyle’s account. That same day Thomas Keenan emailed John Kemp apologising for the fact that Laurence Howell’s letter of 22 October to John Gray had not been presented to the Remuneration Committee at its meeting on 23 October 2013.

224. We asked John Gray why Laurence Howell’s letter of 22 October 2013, setting out what action the College required to take, had not been put before the Remuneration Committee and the Board. John Gray said that he could not remember all the details, that the meeting of 23 October 2013 had been his last day at the College and that his successor had followed it up.\textsuperscript{115}

225. We find it surprising that John Gray could not remember the details, given the seriousness of the issues raised, the number and tenor of the communications received from the SFC, the recent meeting he had attended with the Chief Executive of the SFC and the extraordinary action taken by Chief Executive of the SFC to address the Board about his concerns.
226. Thomas Keenan did not take over as Chair of the Board until 1 November 2013. Before John Doyle’s payment was processed on 25 October 2013, Derek Banks asked Thomas Keenan whether the payment should be made. We asked Thomas Keenan why John Doyle’s payment had not been stopped. He told us—

> Two days before, I had been at a meeting at which the board members unanimously approved a payment in the order of two years’ salary and accepted that the position in relation to the six months’ pay was a contractual and legal obligation. Therefore, on that basis, I did not insist that Mr [John] Doyle’s severance payment should be stopped.  

227. The SFC made it clear to John Gray and John Doyle in repeated communications that the College was required to submit a report from its internal and external auditors setting out their views and opinions on the financial settlement proposed. The report was to be provided by 1 November 2013. Neither the internal nor external auditors were contacted by John Gray, John Doyle or anyone else from Coatbridge College.

228. Between 28 January and October 2013 the College’s auditors should have been kept informed about the proposed severance arrangements. Responsibility lay with John Doyle, the Principal / Chief Executive. We do not accept that DWF/Biggart Baillie somehow replaced the College’s own appointed internal auditors. Given the large sums of money involved and the exceptional nature of the arrangements, it is disgraceful that the auditors were not contacted. We can only conclude this was a deliberate act by John Doyle to avoid independent scrutiny of the severance arrangements he benefited from.

229. In our view, the Board of Management approved the payment to John Doyle on 23 October 2013 because the Remuneration Committee had confirmed the payment at its meeting immediately before the Board meeting. The legal advice given to the Remuneration Committee, by Paul Brown, the College’s lawyer, was that its decision in January was legally binding. The Remuneration Committee members, other than John Gray, were not aware that the SFC required them to reconsider that decision. The Remuneration Committee members did not realise because neither John Doyle nor John Gray gave them sight of the communications from Laurence Howells, Chief Executive of the SFC.

230. Paul Brown’s legal advice was based on an incomplete picture. Paul Brown had not known that John Gray had written to John Doyle on 29 January 2013 making him a severance offer with a termination date of 31 July 2013.
231. On 29 October 2013 John Gray emailed the Remuneration Committee members, forwarding Laurence Howell’s email of 24 October 2013. The email from Laurence Howells pointed out again he had not yet received a satisfactory response to the letter of 10 October. John Gray advised that a response to the SFC, in the form of a Key Events Schedule, had been sent by John Doyle.

232. This is disingenuous. The Key Events Schedule had been sent to the SFC on 15 October 2013. Laurence Howells had responded advising the Schedule did not address his concerns. That is why Laurence Howells took the decision to address the Board at its meeting on 23 October and sent a further email to John Gray on 24 October.

233. On 29 October 2013, Pauline Docherty emailed John Gray expressing serious concerns about Laurence Howell’s email of 24 October 2013. She asked why the SFC guidance had not been passed to the Remuneration Committee in January 2013. She wrote—

> I would like to see the letter which Paul Brown is doing to Laurence Howells (which gives the exceptional circumstances for the Principal’s VS payment) because from my reading of all of this information which has been emailed today if the Funding Council are not satisfied with the test in respect of the Financial Memorandum then board members could be personally liable for payments.\textsuperscript{117}

234. John Gray responded advising that her email had been sent to Paul Brown, that new letters would be issued to those who had been made offers and that in relation to the Principal—

> His compensation for constructive dismissal is being paid from resources produced from commercial work and is not being paid from public funds.\textsuperscript{118}

235. The following day Pauline Docherty emailed John Gray again advising that if the Principal was leaving on the basis of constructive dismissal, a compromise agreement should be drawn up by Paul Brown to protect the college from any potential future employment claim.

236. On 31 October 2013 both John Gray and John Doyle left Coatbridge College. John Doyle received £304,254 which included payment intended for taking the College successfully through to merger, although the merger did not take place until five months later.

237. A settlement agreement between John Gray and John Doyle had already been prepared and was signed on 11 October 2013 before the meetings of the Remuneration Committee and the Board of Management on 23 October 2013. We do not accept that John Doyle left on the grounds of constructive dismissal. It is our view that John
Doyle decided that he did not want to continue if he was not to be the Principal in the merged college.

Events after 31 October 2013

Staffing

238. Earlier in this report, we made reference to the report by Alex Linkston following his review of the management of the merger of Coatbridge College and New College Lanarkshire. Alex Linkston’s report states that prior to demitting office on 1 November 2013, John Doyle appointed Francis McGeachie as depute Principal—

This appointment was intimated to staff but no formal letter of appointment was issued to him. This process was contrary to the policies of Coatbridge Board of Management whereby senior appointments are normally reserved for the Board of Management itself and posts are advertised. It also contravened the Board of Management’s equal opportunities policy. I am aware from the interviews I carried out that other Faculty Directors wished to be considered for this post. On taking up post on 1 November 2013 the Acting Principal [Margaret Rose Livingstone] submitted a report recommending that the post of depute Principal should not be filled and that the existing senior members of staff share out the duties amongst them.\(^{119}\)

239. The AGS report confirms that the position of depute Principal (to which Frances McGeachie had been appointed by John Doyle) was not filled; instead the depute Principal’s responsibilities were distributed amongst the senior management team. These staff received salary enhancements of around ten per cent for the additional responsibilities. The enhancements were paid until they left the College. Three members of the senior staff team were on sick leave for several months before their formal departure date. The AGS said that the Remuneration Committee did approve the salary enhancements but there was no record of a business case to support them.\(^{120}\)

240. John Doyle’s PA also received a salary enhancement of around 10% without any business case being made and without appropriate approval.\(^{121}\)

241. On 12 November 2013, Paul Brown wrote to Thomas Keenan, by now the Chair of the Board of Management. Paul Brown advised Thomas Keenan that the Remuneration Committee had not acted ultra vires or otherwise unreasonably in relation to the voluntary severance arrangements.

242. On the same day, Thomas Keenan wrote to Laurence Howells in the same terms. Thomas Keenan’s letter advised that the decisions of the Remuneration
Committee and the Board of Management were competent. He confirmed the package that been paid to John Doyle and advised that the other senior staff would be able to apply for voluntary severance under the Lanarkshire VS scheme that applied to all three colleges in the merger.\textsuperscript{122}

243. Thomas Keenan’s letter to the SFC referred to having met with Derek Banks about seeking the views of the external and internal auditors—

\begin{quote}
In order to finalise discussions with the auditor, I would appreciate confirmation of these arrangements. The Director of Finance, College solicitors and I are confident that decisions made on this issue are competent and will pass all tests required and we will of course provide you with the outcome of our discussions with the auditors.\textsuperscript{123}
\end{quote}

244. Despite indicating that there would be discussions with the auditors, no contact was made with either the internal or external auditors.

245. In February 2014, John Doyle’s PA left.

246. In March 2014, the remaining two senior staff who were not on sick leave (understood to be Derek Banks and Sarah-Jane Linton) received pay rises of £4,000 backdated to February 2014. The backdated rises were included in the calculation of their severance payments. The calculation was based on a longer period of service than they were entitled to receive.

247. On 31 March 2014 the senior managers left with severance payments that included pay in lieu of notice.

248. In total, thirty-three Coatbridge College staff left with severance payments. However many Coatbridge College staff did not leave but instead transferred to New College Lanarkshire.

249. In April 2014 the internal auditor started to look at the severance payments.

250. In September 2014, Cathie Wyllie, the external auditor was given sight of the internal auditor’s report commissioned by New College Lanarkshire to enable her to complete her annual audit report. The internal auditor had been prevented from accessing some information because of the existence of compromise agreements.

251. Cathie Wyllie had also been finding it difficult to access information and some information that was available was incomplete. She observed—

\begin{quote}
There were points earlier in the process when some of the senior management team at Coatbridge College could have spoken to me about things that they did not speak to me about.\textsuperscript{124}
\end{quote}

252. Specifically, Cathie Wyllie had asked to see the papers presented to the Remuneration Committee in January 2013. She had expected to see some
rationale for John Doyle leaving and the need to pay voluntary severance. As a considerably enhanced payment had been made to him she had also expected to see some kind of costing explaining how long it would take before the cost of the severance payment would be offset by the saving. She said—

those papers were not able to be found. I do not know whether that is because they never existed or because they had been destroyed.\textsuperscript{125}

253. Cathie Wyllie completed her audit in March 2015. She said—

In the end, the conclusion that I came to was that the College Board members were entitled to make the decisions they did. At that time the responsibilities of the board members were such that they could make those decisions. They had done so and therefore the payment was legitimate.\textsuperscript{126}

How the severance payments were funded

254. Colleges seeking to make severance payments over and above the funding that the SFC was prepared to provide were required to consider cost and affordability.

255. Derek Banks, Coatbridge College’s Finance Director, told us he had no concerns about the College being able to fund its liabilities. He had been predicting a small surplus of £34,000 for the year end to 31 March 2014.

256. In fact, the College’s financial statements for 2013/14 show that the College had a year-end deficit of £1.02 million and that one of the reasons for this was unfunded payments for voluntary severance. The College’s total severance costs were £1.7 million of which £1.3 million was contributed by the SFC. The total severance costs for John Doyle, his PA and five members of the senior management team was £849,842.

257. We asked Derek Banks if he could explain why there was such a significant deficit when he had been forecasting a small surplus. He replied—

No. There are always post events that happen through an audit process and those can vary. However, I was not there for that process. I offered to stay to complete the accounts, but that offer was rejected.\textsuperscript{127}

258. It was suggested to us by both John Gray and John Doyle that the money the College contributed for severance payments over and above what was provided by the SFC, was not public money. John Gray said—

It came from commercial income-raising, not from public funds.\textsuperscript{128}

259. We take issue with this statement. There is no distinction in college accounts between income generated in one area or another. All college funds are
charitable assets and are primarily for the benefit of the students and their education.

260. When he appeared before us a second time, John Gray acknowledged that all funds were funds of the charity and there was no distinction but he added—

"It also has to be agreed that the college over many years, as John Doyle has said, raised significant additional funds—call them charitable or what you like—beyond those given by the Government."  

261. Whilst the college may have raised funds over the years, we do not see the relevance of that comment in the context of discussing how severance payments were to be funded, particularly John Doyle’s severance. John Doyle was “not operating on a commission basis”.

262. OSCR confirms that there is no distinction between assets or monies from different streams and that all resources are regarded as a charity’s assets. David Robb, the Chief Executive of OSCR, said—

“We would regard the assets of a college to be charitable assets, whatever the subsidiary trading arrangements, and we would expect the trustees to have the same duty of care over assets such as you describe as it would have over other assets.”

263. Cathie Wyllie also questioned John Gray’s statement about the College’s commercial activity and income in the context of severance payments. She said—

“It is a bit misleading. There is definitely commercial income in the college, but it is impossible to say how much of it would have been attributed to that payment. It certainly was not included in any evidence that I have seen regarding the contemplation of the package that was being awarded.”

264. We are extremely concerned that the College presented a significant deficit of £1.02 million at the year-end and that this was in large part due to having paid out £397,945 in respect of voluntary severance payments over and above the sum of £1.3 million provided by the SFC.

Severance arrangements for other college mergers

265. In May 2012 three colleges involved in the merger to form Edinburgh College (Stevenson College Edinburgh, Edinburgh’s Telford College and Jewel and Esk College) agreed a voluntary severance (VS) scheme. The VS scheme was open to all employees of the College with two or more years’ continuous service and provided 1 month’s pay per year of completed service up to a maximum of 21
months. There was no automatic entitlement and all applications were considered having regard to cost and value for money.

266. In his evidence, John Doyle referred to a proposed federation VS scheme presented by South Lanarkshire College in 2012. This proposed VS scheme was modelled on the VS scheme used by the three Edinburgh colleges.

267. John Doyle said that he and the Coatbridge college management team then prepared a draft action plan for the federation. The draft action plan included the proposed VS scheme presented by South Lanarkshire College.

268. The federation action plan was merely a plan. We were not provided with any documentation to suggest that the proposed federation VS scheme, contained in the plan, had been adopted by the Board of Coatbridge College. It is not clear why there would have been any need for a VS scheme at that stage.

269. The SFC said—

\[\text{The Federation scheme was never formally taken forward – in part because SFC could not see how or why a VS scheme would be needed in the context of a Federation and partly because the Federation was overtaken by the merger.}^{133}\]

270. John Doyle and John Gray made reference to there being two voluntary severance schemes or there having been a change of scheme. There were never two voluntary severance schemes in existence and there was no change to the scheme for the Lanarkshire merger. The voluntary severance scheme, signed up to by all three colleges in the merger, was not the scheme that John Doyle and John Gray wanted. John Doyle and John Gray deliberately refused to accept that the merger was different from the earlier federation proposal and that different arrangements had been agreed for the merger.

271. Other college mergers resulted in severance payments that exceeded the amount that the SFC would fund. The SFC confirmed this. Laurence Howells said—

\[\text{Others have had those deals but they would have been part of a uniform deal across that individual college. It would have been done through a proper process and it would not have been funded by us.}^{134}\]

272. We asked the SFC to provide us with the details of the other merger VS schemes and for sight of the business cases to support any payments to Principals that exceeded the amount that the SFC would fund.

273. The SFC response of 3 December 2015\(^{135}\) provides a breakdown of severance payments made to Principals as part of the programme of mergers.\(^{136}\) The SFC
advised that in most cases a business case would not have been required as the severance payments were contractual and not exceptional. The SFC could not provide evidence of the business cases as requested.

274. The SFC said it had not been providing support for voluntary severance arrangements beyond payback of one year. In that case, there should have been a requirement for a business case to be provided to support all payments that exceeded what the SFC was prepared to fund. For a national policy such as this, a national severance scheme should have been established to ensure that the funds provided by the Scottish Government were used appropriately. Any exceptions to the national scheme should have required a proper business case and the Scottish Government funding, provided through the SFC, should not have been made available otherwise.

Scottish Government evidence

275. On 8 October 2015, Scottish Ministers removed the Board of Glasgow Clyde College. The Cabinet Secretary then announced the establishment of a new college governance task group. She said—

“I will chair a task group with Colleges Scotland and the SFC. It will be a practical, purposeful and focused effort to provide additional assurance on the quality and resilience of college governance. The group will consider and take account of best practice in other sectors, and it will produce recommendations for improvement by early next year.”

276. On 25 November 2015, we held our concluding evidence session and heard from the Cabinet Secretary for Education and Lifelong Learning. She said the events at Coatbridge College had reinforced the case for improving governance and that she shared our concerns about what had happened at Coatbridge College—

“The way in which decisions were made was appalling, and those who were entrusted with stewardship of public funds fell well short of what is required.”

277. The Cabinet Secretary supported our position that there should not be a severance scheme or pay award for support, administration and teaching staff and a different arrangement for senior staff.

278. The Cabinet Secretary drew attention to the reclassification of Colleges in April 2014 that means Colleges are now required to seek approval from the SFC for severance and settlement agreements. And, that as a result of legislative changes, the Scottish Government now appoints the Regional Chairs and Board Chairs for Colleges in Scotland.
279. The policy to merge colleges was right; there was cross-party political support but the financial oversight of the £52 million provided to support the merger process was inadequate. We welcome the establishment of the college governance task group and the Cabinet Secretary’s commitment to take full account of our findings and recommendations. It is essential that the Scottish Ministers, through this task group, urgently put in place measures to ensure the disgraceful governance failings we found at Coatbridge College cannot be repeated.

Conclusions and recommendations

280. We believe the Auditor General for Scotland’s findings and conclusions are well-founded and accurate.

281. We took evidence from a large number of witnesses, some of whom we found unconvincing. There were a number of differing accounts about key meetings and how decisions were reached.

282. We are concerned that John Doyle and John Gray, with their many years of public service, were unable or unwilling to accept responsibility for the fundamental governance failures and excessive severance payments at Coatbridge College. Facts that did not suit the positions they had adopted were glossed-over, events conflated and a smokescreen of irrelevancies presented to us in response to our questions.

283. Thirty three Coatbridge College staff left with severance packages. Seven left with enhanced packages beyond what had been available to other staff. Deliberate action was taken by John Doyle and John Gray to enhance the terms of the severance pay for this small number of staff, which included John Doyle himself.

284. We share the Auditor General for Scotland’s view that John Doyle and John Gray colluded to get the result they wanted.

285. We conclude that information was deliberately withheld from the Remuneration Committee and information about the severance arrangements was deliberately withheld from the College’s auditors.

286. Coatbridge College did not retain the necessary documentation to demonstrate that severance proposals and salary enhancements had been subject to any form of value for money assessment. Business cases should have been prepared and given full and proper consideration before any severance arrangements were entered into.
287. We agree that the chain of events flowed from the deliberate failure to provide the Remuneration Committee with the appropriate, independent advice and support needed in January 2013. The responsibility to provide the advice and support was that of John Doyle and John Gray.

288. John Doyle took decisions he was not entitled to take when issuing an offer of severance to his personal assistant, awarding her a salary increase and appointing Francis McGeachie as depute Principal.

289. There are clear expectations of College Principals / Chief Executives particularly around severance payments and their duty of care towards staff. John Doyle as the Principal and Chief Executive of Coatbridge College was accountable until 31 October 2013. He did not discharge his responsibilities around severance arrangements and pay or indeed around his duty of care to all college staff.

290. John Doyle as the Principal / Chief Executive was responsible for the serious failings in the governance of severance arrangements at Coatbridge College including: failure to meet the standards expected of public bodies in the use of public money, failure to prepare and retain the required evidence that severance proposals and salary enhancements had been subject to any value for money assessment, failure to ensure the Remuneration Committee had the information and advice needed to fulfil its responsibilities and failure to take the steps required to demonstrate that clear conflicts of interest were appropriately handled.

291. We believe John Doyle should repay the £304,254 he received and that his severance pay should be recalculated with reference to the agreed Lanarkshire voluntary severance scheme that applied to other members of staff.

292. It was grossly inappropriate for the Chair to suggest that Remuneration Committee members and a Committee of the Parliament should regard the inflated severance payment to the Principal as justified because commercial income had previously been generated by the College. Coatbridge College was a charity. All College assets are charitable assets for the purposes of education and training.

Recommendation 1. We recommend that John Doyle repay the £304,254 he received and that his severance pay is then recalculated with reference to the agreed voluntary severance scheme applicable to all other staff. In the event that he does not repay the money, renewed consideration must be given to recovering it from him. We say this in the light of the information now in the public domain as a result of our inquiry.

293. We are concerned that following contact from the SFC expressing its concerns in advance of the October 2013 Board meeting, John Doyle and John Gray’s first response was to contact the College’s solicitor. The solicitor’s involvement
incurred further cost to the public purse in excess of £15,000, a cost met from
the college’s charitable assets.

294. The legal advice provided by Paul Brown, Coatbridge College’s solicitor, was
based on the documents passed to him and the information he received. Key
documents were not provided and some information he was given was untrue.
We are surprised Paul Brown took the information he was given at face value.
Had he been in possession of all facts, in our view he would not have provided
the advice he did.

295. The Remuneration Committee told us offer letters sent by John Gray to the
senior management team, although later withdrawn, were used in legal
challenges to continue to seek enhanced terms. We do not know whether the
College incurred further expense in defending any such legal challenge. In our
view, if the College did obtain legal advice for that purpose, it would have been
inappropriate for that advice to have been sought from or provided by
DWF/Biggart Baillie.

296. There were further governance failings at Coatbridge College after 31 October
2013. It is our view that the volume of misunderstanding and deliberate
misinformation up to that point, and then the absence of much of the senior
management team, must have contributed to the later failings.

Recommendation 2. The college governance task group, led by the Cabinet
Secretary, must reflect on the findings of this report to learn all lessons and
take action to ensure this cannot happen again. The taskforce must
consider carefully what sanctions should be available to the SFC and what
further powers it needs in order to be effective. This should also include
working with OSCR to consider what further powers it requires.

297. The SFC did not take sufficient action to support colleges going through mergers
and failed to ensure colleges understood what was expected of them. From the
outset, the SFC should have reminded all colleges of the guidance on severance
for senior staff. The SFC should not have assumed colleges were aware of it. At
the time of the mergers the guidance was more than 10 years old.

298. The SFC should have circulated its advice and guidance, not just to the Chair of
the Board of Management but to all Board members at the same time and
indeed all those involved in governance. John Gray was given written advice and
the SFC guidance on severance arrangements but he did not pass it on to the
other Remuneration Committee members.

299. At the Board meeting in October 2013, and in the correspondence and meetings
that led up to it, the SFC should have made it clear that access to the Scottish
Government’s merger fund of £52 million was dependent upon the College
following the guidance and providing a business case to support any exceptional payments.

300. The findings of Alex Linkston’s report tie in with the evidence we received and we put on record our thanks to the McGeachie family for making the report available to us. Alex Linkston prepared his report more than a year ago. It would have been helpful if the report had been made available to us at the outset of our inquiry.

301. There was cross-party support for the College merger programme. The Scottish Government was ultimately responsible for ensuring the implementation of the merger policy. More than £52 million of public money was allocated for this purpose. The Scottish Government appears to have placed too much faith in the SFC as the body overseeing the merger process. There should have been much better planning at the outset with a clear understanding that access to merger funding was dependent on following SFC guidance and there should have been much closer Government oversight.

Recommendation 3. Given the significant governance and oversight failings that have come to light through our inquiry the Scottish Government must look again at the operation of the Scottish Funding Council and the effectiveness of its supervisory role.

302. Given the serious governance failings at Coatbridge College we welcome the OSCR investigation into the conduct of Board of Management / charity trustees. The investigation has our full support and we await the outcome. We note that OSCR has very limited options for taking action, particularly in relation to recovering funds. We invite the Scottish Government to review OSCR’s powers and to consider whether it should have the power to direct that the monies should be repaid.

303. As a result of the evidence we received and the conclusions we have drawn about the actions of John Doyle and John Gray, we have sent a copy of this report to Police Scotland and OSCR to enable them to consider what action might be appropriate.

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2 Section 22 reports highlight issues within the audit of accounts of individual public bodies
New College Lanarkshire has been designated the regional strategic body for the region and South Lanarkshire College is an assigned college.

The members of the Board of Management were John Gray, Carole McCarthy, Thomas Keenan, David Craig, Paul Gilliver, Ralph Gunn, Pauline Docherty, Kenneth Coulter, Julie Grant, Thomas Bradshaw, Robert Wallace and John O’Hara. John Gray left as Chair on 31 October 2013 and was replaced by Thomas Keenan as Chair on 1 November 2013.

Guidance on severance arrangements to senior staff in further education colleges, Scottish Funding Council, January 2000 (Circular FE/03/2000), paragraph 1

In October 2010, the Office of National Statistics (ONS) reclassified colleges as part of the public sector from April 2014. A new Financial Memorandum was introduced then.


The Edinburgh model was the voluntary severance scheme for employees of Stevenson College Edinburgh, Edinburgh’s Telford College and Jewel and Esk College in the Edinburgh City region merger.
Other correspondence provided to Paul Brown by Coatbridge College, pages 37-38
Ibid
Ibid
Public Audit Committee. Official Report, 4 November 2015, Col. 29
Submission from members of the Remuneration Committee, dated 24 November 2015. Available at:
http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Rem_Com_submission_24_Nov_15_WEB_FORMAT.pdf
Ibid
Coatbridge College Remuneration Committee minutes, 28 January 2013. Available at:
http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Remuneration_Committee_28_January_2013_minutes.pdf
Ibid
Public Audit Committee. Official Report, 18 November 2015, Col. 11.
Supplementary information provided by Lorraine Gunn, dated 16 November 2015, p.5. Available at:
Public Audit Committee. Official Report, 18 November 2015, Col. 35.
Coatbridge College Remuneration Committee minutes, 28 January 2013.
The 2013/14 audit of Coatbridge College: Governance of severance arrangements, paragraph 11
Public Audit Committee. Official Report, 28 October 2015, Col. 79
Letter from New College Lanarkshire to the Committee, dated 24 November 2015, paragraph 25.
Available at:
http://www.scottish.parliament.uk/S4_PublicAuditCommittee/General%20Documents/Letter_from_New_College_Lanarkshire_to_the_Committee_24.11.2015.pdf
Ibid
His role was set out in a letter of 9 December 2015 from the Cabinet Secretary for Education and Lifelong Learning
Ibid
Other correspondence provided to Paul Brown by Coatbridge College, p40
Supplementary information provided by Lorraine Gunn, dated 16 November 2015, p.5
Other correspondence provided to Paul Brown by Coatbridge College, p43
Submission from the Scottish Funding Council, p.20. Available at:
http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Scottish_Funding_Council.pdf
Submission from the Scottish Funding Council, p.22
Submission from the Scottish Funding Council, p.23
Public Audit Committee. Official Report, 28 October 2015, Col. 46.
Public Audit Committee
Report on The 2013/14 audit of Coatbridge College: Governance of severance arrangements, 1st Report, 2016 (Session 4)

88 Correspondence between Paul Brown and Coatbridge College, dated 16 October 2013. Available at: http://www.scottish.parliament.uk/S4_PublicAuditCommittee/General%20Documents/Paul_Brown_1_emails(1).pdf
89 Submission from the Scottish Funding Council, p.28
90 Ibid
91 Coatbridge College Remuneration Committee minutes, 23 October 2013. Available at: http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Remuneration_23_October_2013_minutes.pdf
92 Ibid
93 Ibid
94 Ibid
97 Public Audit Committee. Official Report, 4 November 2015, Col. 11.
98 Ibid
99 Coatbridge College Remuneration Committee minutes, 23 October 2013.
100 Public Audit Committee. Official Report, 28 October 2015, Col. 16.
101 Submissions from Paul Brown (formerly of DWF LLP) to the Public Audit Committee, dated 17 November 2015. Available at: http://www.scottish.parliament.uk/S4_PublicAuditCommittee/General%20Documents/Paul_Brown_submission_17.11.2015.pdf
102 Ibid
108 Submission from the Scottish Funding Council, p.51
116 Public Audit Committee. Official Report, 28 October 2015, Cols. 45 & 46
118 Submission from members of the Remuneration Committee, dated 24 November 2015
119 Submission from members of the Remuneration Committee, dated 24 November 2015
120 Review of the management of the merger of Coatbridge College and New College Lanarkshire (also known as the Linkston Report), p.15
121 Ibid
122 The 2013/14 audit of Coatbridge College: Governance of severance arrangements, paragraph 14
123 Scottish Funding Council written submission, dated 28 September 2015
125 Ibid
131 Public Audit Committee. Official Report, 4 November 2015, Col. 43.
Letter from Scottish Funding Council to Convener, dated 12 November 2015


Ibid

Meeting of the Scottish Parliament, Official Report, 8 October 2015, Col. 43.

Annexe A

EXTRACT FROM THE MINUTES OF THE PUBLIC AUDIT COMMITTEE

13th Meeting, 2015 (Session 4), Wednesday 9 September 2015

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements: The Committee took evidence on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements” from-

Caroline Gardner, Auditor General for Scotland;
Fraser McKinlay, Director of Performance Audit and Best Value, Audit Scotland.

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private): The Committee considered the evidence received at agenda item 3 and took evidence from-

Caroline Gardner, Auditor General for Scotland;
Fraser McKinlay, Director of Performance Audit and Best Value, Audit Scotland.

In advance of seeking oral evidence, including from former post-holders at Coatbridge College, the Committee agreed to seek written evidence from the Scottish Funding Council, Audit Scotland and New College Lanarkshire. The Committee also agreed to issue an open call for relevant evidence from anyone who wishes to contribute to the Committee’s consideration of this report by the Auditor General for Scotland.

15th Meeting, 2015 (Session 4), Wednesday 7 October 2015


The Committee agreed to seek oral evidence from the Scottish Funding Council; John Doyle, the former Principal; John Gray, the former Chair; Remuneration Committee members; Wylie & Bisset, the internal auditors; Henderson Loggie, the external auditors; Derek Banks, the former Director of Finance; Lorraine Gunn, the former director of HR; Office of the Scottish Charity Regulator (OSCR) and the Cabinet Secretary for Education and Lifelong Learning.

The Committee decided not to accept submissions that requested confidentiality.

The Committee agreed changes to its work programme to accommodate these oral evidence sessions.
16th Meeting, 2015 (Session 4), Wednesday 28 October 2015

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements: The Committee took evidence on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements” from-

Laurence Howells, Chief Executive, and John Kemp, Director of Access, Skills and Outcome Agreements, Scottish Funding Council;

and then from-

John Doyle, Former Principal and Chief Executive, and John Gray, Former Board Chair, Coatbridge College.

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private): The Committee considered the evidence received at agenda item 2 and took evidence from-

Caroline Gardner, Auditor General for Scotland.

The Committee agreed to write to the Scottish Funding Council, New College Lanarkshire, Audit Scotland and John Doyle on issues raised in discussion. The Committee also agreed to invite Audit Scotland and Biggart Baillie to give oral evidence.

17th Meeting, 2015 (Session 4), Wednesday 4 November 2015


Pauline Doctor, Remuneration Committee, Paul Gilliver, Remuneration Committee, Thomas Keenan, Remuneration Committee, Carole McCarthy, Remuneration Committee, David Craig, Remuneration Committee, and Ralph Gunn, Remuneration Committee, Coatbridge College;

and then from –

Allister Gray, Audit Partner at Wylie & Bisset LLP, Former Internal Auditor at Coatbridge College;

Cathie Wyllie, Partner, Henderson Loggie;

and then from –

Caroline Gardner, Auditor General for Scotland.
Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private): The Committee considered the evidence received at agenda item 2.

The Committee agreed to write to Thomas Keenan, Cathie Wyllie, Allister Gray, and Audit Scotland on issues raised in discussion. The Committee also agreed to seek further oral evidence from John Doyle.

18th Meeting, 2015 (Session 4), Wednesday 18 November 2015

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements: The Committee took evidence on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements” from-

Derek Banks, former Director of Finance, and Lorraine Gunn, former Director of Human Resources/Board Secretary, Coatbridge College;

and then from-

Paul Brown, former Partner, DWF LLP (Biggart Baillie);

Alasdair Peacock, Partner, DWF LLP;

and then from-

David Robb, Chief Executive, and Laura Anderson, Head of Enforcement, Office of the Scottish Charity Regulator.

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private): The Committee considered the evidence received at agenda item 2 and took evidence from-

Caroline Gardner, Auditor General for Scotland.

The Committee agreed to write to DWF LLP, Office of the Scottish Charity Regulator, Audit Scotland and the Scottish Funding Council on issues raised in discussion.

19th Meeting, 2015 (Session 4), Wednesday 25 November 2015

Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements: The Committee took evidence on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements” from-

John Doyle, Former Principal and Chief Executive, and John Gray, Former Board Chair, Coatbridge College;

and then from-
Angela Constance, Cabinet Secretary for Education and Lifelong Learning, and Aileen McKechnie, Director of Advanced Learning and Science, Scottish Government.

**Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private):** The Committee considered the evidence received at agenda item 2 and took evidence from-

Caroline Gardner, Auditor General for Scotland.

The Committee agreed to consider a draft report, in private, at a future meeting.

**21st Meeting, 2015 (Session 4), Wednesday 9 December 2015**

**Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private):** The Committee considered a draft report on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements”.

Various changes were proposed and the Committee agreed to consider a revised draft report, in private, at a future meeting.

**22nd Meeting, 2015 (Session 4), Wednesday 16 December 2015**

**Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private):** The Committee considered a draft report on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements”.

Various changes were proposed and the Committee agreed to consider a revised draft report, in private, at a future meeting.

**1st Meeting, 2016 (Session 4), Wednesday 6 January 2016**

**Section 22 report – The 2013/14 audit of Coatbridge College: Governance of severance arrangements (in private):** The Committee considered a draft report on the Auditor General for Scotland report entitled “The 2013/14 audit of Coatbridge College: Governance of severance arrangements”.

The Committee agreed its report subject to further changes to be agreed by correspondence and agreed the publication arrangements.
Annexe B

ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

Please note that all oral evidence and associated written evidence is published electronically only, and can be accessed via the Public Audit Committee's webpages, at: [http://www.scottish.parliament.uk/publicaudit](http://www.scottish.parliament.uk/publicaudit)

13th Meeting, 2015 (Session 4), Wednesday 9 September 2015

ORAL EVIDENCE

Caroline Gardner, Auditor General for Scotland;

Fraser McKinlay, Director of Performance Audit and Best Value, Audit Scotland.

16th Meeting, 2015 (Session 4), Wednesday 28 October 2015

ORAL EVIDENCE

Laurence Howells, Chief Executive, and John Kemp, Director of Access, Skills and Outcome Agreements, Scottish Funding Council;

and then from-

John Doyle, Former Principal and Chief Executive, and John Gray, Former Board Chair, Coatbridge College.

17th Meeting, 2015 (Session 4), Wednesday 4 November 2015

ORAL EVIDENCE

Pauline Docherty, Remuneration Committee, Paul Gilliver, Remuneration Committee, Thomas Keenan, Remuneration Committee, Carole McCarthy, Remuneration Committee, David Craig, Remuneration Committee, and Ralph Gunn, Remuneration Committee, Coatbridge College;

and then from –

Allister Gray, Audit Partner at Wylie & Bisset LLP, Former Internal Auditor at Coatbridge College;

Cathie Wyllie, Partner, Henderson Loggie;

and then from –

Caroline Gardner, Auditor General for Scotland.
18<sup>th</sup> Meeting, 2015 (Session 4), Wednesday 18 November 2015

**ORAL EVIDENCE**

Derek Banks, former Director of Finance, and Lorraine Gunn, former Director of Human Resources/Board Secretary, Coatbridge College;

and then from-

Paul Brown, former Partner, DWF LLP (Biggart Baillie);

Alasdair Peacock, Partner, DWF LLP;

and then from-

David Robb, Chief Executive, and Laura Anderson, Head of Enforcement, Office of the Scottish Charity Regulator.

19<sup>th</sup> Meeting, 2015 (Session 4), Wednesday 25 November 2015

**ORAL EVIDENCE**

John Doyle, Former Principal and Chief Executive, and John Gray, Former Board Chair, Coatbridge College;

and then from-

Angela Constance, Cabinet Secretary for Education and Lifelong Learning, and Aileen McKechnie, Director of Advanced Learning and Science, Scottish Government.

**WRITTEN EVIDENCE**

- Correspondence between Paul Brown and Coatbridge College, dated 16 October 2013 (supplied by Paul Brown) (1.03MB pdf)

- Merger Committee minutes, dated 12 August 2013 and 9 September 2013 (supplied by Paul Brown) (2.31MB pdf)

- Invoices from DWF Biggart Baillie to Coatbridge College (supplied by Paul Brown) (776MB pdf)

- Other correspondence provided to Paul Brown by Coatbridge College (supplied by Paul Brown) (12.1MB pdf)

- Timeline of merger discussions (supplied by Paul Brown) (60KB pdf)

- Letter from the Cabinet Secretary for Education and Lifelong Learning to the Public Audit Committee, dated 9 December 2015 (943KB pdf)

- Letter from New College Lanarkshire to PAC regarding D Banks, dated 3 December 2015 (60KB pdf)
Letter from OSCR to Convener, dated 4 December 2015 (220KB pdf)

Letter from Wylie Bisset LLP to Convener, dated 3 December 2015 (80KB pdf)

Letter from the Scottish Funding Council to Convener, dated 3 December 2015 (1.21 MB pdf)

Letter from the Scottish Funding Council to the Committee regarding the Linkston Report, dated 20 November 2015 (112KB pdf)

Letter from the Scottish Funding Council to the Cabinet Secretary for Education and Lifelong Learning regarding the Linkston Report, dated 31 July 2015 (1.25MB pdf)

Copy of “Review on the management of the merger of Coatbridge College and New College Lanarkshire” (also known as the Linkston Report) of 14 November 2014 (660KB pdf)

Letter from Bill McGeachie to the Committee regarding the Linkston Report, dated 21 November 2015 (300KB pdf)

Submission from Remuneration Committee members, dated 24 November 2015 (7.2MB pdf)

Letter from New College Lanarkshire to the Committee, dated 24 November 2015 (456KB pdf)

Further Evidence from John Doyle, dated 21 November 2015 (572KB pdf)

Letter from Scottish Funding Council to the Committee, dated 20 November 2015 (352KB pdf)

Letter from the Committee to Auditor General, dated 19 November 2015 (152KB pdf)

Letter from the Committee to Scottish Funding Council, dated 19 November 2015 (332KB pdf)

Letter from the Committee to DWF LLP, dated 19 November 2015 (152KB pdf)

Letter from the Committee to OSCR, dated 19 November 2015 (152KB pdf)

Submissions from Paul Brown (formerly of DWF LLP) to the Public Audit Committee, dated 17 November 2015 (216KB pdf)

Coatbridge College Remuneration Committee minutes, 4 November 2013 (including appendices) (166KB pdf)

Coatbridge College Extraordinary Board of Management meeting minutes, 6 August 2013 (4MB pdf)
- Supplementary information provided by Lorraine Gunn, dated 16 November 2015 (150KB pdf)
- Letter from Audit Scotland to the Committee, dated 13 November 2015 (208KB pdf)
- Letter from Scottish Funding Council to Convener, dated 12 November 2015 (4.82MB pdf)
- Letter from Allister Gray to the Committee, dated 10 November 2015 (532KB pdf)
- Coatbridge College Remuneration Committee minutes, 28 January 2013 (896KB pdf)
- Coatbridge College Remuneration Committee minutes, 23 October 2013 (1023KB pdf)
- Coatbridge College Remuneration Committee minutes, 4 November 2013 (55KB pdf)
- Further submission from Roger Mullin (117KB pdf)
- Letter from the Auditor General for Scotland, dated 29 September 2015 (100KB pdf)
- Document referred to and submitted by John Doyle at the meeting of 28 October 2015 (586KB pdf)
- Letter from the Committee to the Scottish Funding Council, dated 2 November 2015 (19KB pdf)
- Letter from the Committee to Audit Scotland, dated 2 November 2015 (12KB pdf)
## Annexe C – Timeline of events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 January 2013</td>
<td>Chief Executive (CE) of the Scottish Funding Council (SFC) wrote to Board Chair John Gray highlighting need for adherence to severance framework, arrangements for exceptional arrangements, SFC’s view on payback periods in excess of one year, and involvement of internal and external auditors</td>
</tr>
<tr>
<td>28 January 2013</td>
<td>Remuneration Committee (RemCom) meeting held with no formal agenda or minutes</td>
</tr>
<tr>
<td>29 January 2013</td>
<td>John Gray issued severance letter to Principal John Doyle which is signed the same day</td>
</tr>
<tr>
<td>January 2013</td>
<td>John Doyle, senior managers and member of staff received 3% pay rise, backdated to August 2012 (applied to all college staff). John Doyle then received a further 3% pay rise, again backdated to August 2012. John Doyle approved a 19% pay rise for his PA.</td>
</tr>
<tr>
<td>7 February 2013</td>
<td>John Gray issued severance letters to senior management team</td>
</tr>
<tr>
<td>February 2013</td>
<td>John Doyle issued severance letter to his PA</td>
</tr>
<tr>
<td>May 2013</td>
<td>Director of HR and Board Secretary Lorraine Gunn received 10% pay rise to reflect a re-evaluation of the post.</td>
</tr>
<tr>
<td>August 2013</td>
<td>John Doyle, his PA and senior managers received 2% pay rise (applied to all college staff); decision recorded in minutes of RemCom</td>
</tr>
<tr>
<td>10 October 2013</td>
<td>SFC wrote to John Doyle seeking assurance that severance arrangements were in line with good practice. John Doyle contacts DWF/Biggart Baillie to say that John Gray will be in touch regarding the SFC letter.</td>
</tr>
<tr>
<td>11 October 2013</td>
<td>John Doyle and John Gray signed a settlement agreement</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
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<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>16 October 2013</td>
<td>SFC wrote to John Doyle asking for additional information on severance arrangements</td>
</tr>
<tr>
<td>21 October 2013</td>
<td>CE of SFC met John Gray and John Doyle to discuss severance arrangements for senior managers; CE of SFC met with John Gray to discuss severance arrangements for John Doyle</td>
</tr>
<tr>
<td>22 October 2013</td>
<td>SFC wrote to John Gray to set out expectations regarding severance arrangements</td>
</tr>
<tr>
<td>23 October 2013</td>
<td>RemCom meeting – considered minute of meeting of 28 Jan 2013; agreed to revise terms of severance scheme for senior managers (from 21 months to 13 months). Following advice from DWF/Biggart Baillie the RemCom agreed John Doyle’s severance package separately.</td>
</tr>
<tr>
<td>23 October 2013</td>
<td>After RemCom meeting, senior SFC staff discussed with the Board the severance packages offered to the John Doyle and senior managers; SFC told Board it would not fund the John Doyle’s severance package beyond 13 months; SFC advised Board to seek views of internal and external auditors</td>
</tr>
<tr>
<td>24 October 2013</td>
<td>SFC wrote to John Gray and new Chair Thomas Keenan re-emphasising its concerns about planned severance payments to John Doyle</td>
</tr>
<tr>
<td>25 October 2013</td>
<td>Thomas Keenan wrote to SFC to apologise that its advice had not been presented at the RemCom meeting on 23 October 2013</td>
</tr>
<tr>
<td>31 October 2013</td>
<td>John Doyle left – granted 6 months’ pay in lieu of notice</td>
</tr>
<tr>
<td>1 November 2013</td>
<td>Depute Principal Margaret Rose Livingstone took on John Doyle’s role; Depute Principal’s role distributed among senior managers (senior managers, and member of staff in PA’s office, received salary enhancements of around 10% for additional responsibilities)</td>
</tr>
<tr>
<td>31 January 2014</td>
<td>John Doyle’s PA leaves</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
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<tr>
<td>-----------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>March 2014</td>
<td>Two senior managers received pay rise of £4000 each, backdated to Feb 2014 (included in calculation of severance payments). John Doyle’s former PA received an additional payment (reason for payment not documented)</td>
</tr>
<tr>
<td>31 March 2014</td>
<td>Senior managers left (received pay in lieu of notice) – payments to two senior managers were not in line with their length of service</td>
</tr>
<tr>
<td>1 April 2014</td>
<td>New College Lanarkshire established</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>Statutory deadline for laying colleges’ accounts before the Scottish Parliament</td>
</tr>
<tr>
<td>31 March 2015</td>
<td>Conclusion of 2013/14 audit of Coatbridge College</td>
</tr>
<tr>
<td>26 June 2015</td>
<td>Section 22 report and 2013/14 accounts laid before Parliament</td>
</tr>
</tbody>
</table>
Annexe D – list of individuals referred to in the report

<table>
<thead>
<tr>
<th>NAME</th>
<th>JOB TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doyle</td>
<td>Principal, Coatbridge College (until 31 Oct 2013)</td>
</tr>
<tr>
<td>Margaret Rose Livingstone</td>
<td>Vice Principal then Acting Principal, Coatbridge College (from 1 Nov 2013)</td>
</tr>
<tr>
<td>John Gray</td>
<td>Board Chair and Remuneration Committee Chair, Coatbridge College (until 31 Oct 2013)</td>
</tr>
<tr>
<td>Thomas Keenan</td>
<td>Board Chair and Remuneration Committee Chair (from 1 Nov 2013), Remuneration Committee member (until 31 Oct 2013), Coatbridge College</td>
</tr>
<tr>
<td>Carole McCarthy</td>
<td>Board Vice Chair (from 1 Nov 2013) and Remuneration Committee member, Coatbridge College</td>
</tr>
<tr>
<td>Pauline Docherty</td>
<td>Remuneration Committee member, Coatbridge College</td>
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<tr>
<td>Paul Gilliver</td>
<td>Board Vice Chair (until 31 Oct 2013) and Remuneration Committee member, Coatbridge College</td>
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<tr>
<td>David Craig</td>
<td>Remuneration Committee member, Coatbridge College</td>
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<tr>
<td>Ralph Gunn</td>
<td>Remuneration Committee member, Coatbridge College</td>
</tr>
<tr>
<td>Derek Banks</td>
<td>Head of Finance, Coatbridge College</td>
</tr>
<tr>
<td>Lorraine Gunn</td>
<td>Head of HR and Board Secretary, Coatbridge College</td>
</tr>
<tr>
<td>Allister Gray</td>
<td>Coatbridge College Internal Auditor, Wylie &amp; Bisset LLP</td>
</tr>
<tr>
<td>Cathie Wyllie</td>
<td>Coatbridge College External Auditor, Henderson Loggie</td>
</tr>
<tr>
<td>Paul Brown</td>
<td>Partner, DWF LLP (formerly Biggart Baillie), Coatbridge College lawyers</td>
</tr>
<tr>
<td>Martin McGuire</td>
<td>Principal, New College Lanarkshire</td>
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