Board of Management

Date of Meeting	**Wednesday 27 March 2024**
Paper No.	**BoM4-R**
Agenda Item	**7.2.3**
Subject of Paper	**Internal Audit Report – Severance Schemes**
FOISA Status	**Disclosable**
Primary Contact	**Henderson Loggie**
Date of production	**8 March 2024**
Action	**For Noting**

1. Recommendations

To note the Internal Audit Report – Severance Schemes submitted at the Audit and Assurance Committee meeting held on 14 March 2024.

Board of Management

Audit & Assurance Committee

Date of Meeting	**Thursday 14 March 2024**
Paper No.	**AAC3-I**
Agenda Item	**5.3.4**
Subject of Paper	**Internal Audit Report – Severance Schemes**
FOISA Status	**Disclosable**
Primary Contact	**Henderson Loggie**
Date of production	**8 March 2024**
Action	**For Discussion and Decision**

1. Recommendations

The Committee is asked to consider and discuss the report and the management responses to the internal audit recommendations.

2. Purpose of report

The purpose of this review is to provide management and the Audit and Assurance Committee with assurance on key controls relating to the curriculum and financial plans in place for City of Glasgow College and their alignment with the regional plan for Glasgow and the college student number targets.

3. Key Insights

This internal audit of Severance Schemes provides an outline of the objectives, scope, findings and graded recommendations as appropriate, together with management responses. This constitutes an action plan for improvement.

The Report includes a number of audit findings which are assessed and graded to denote the overall level of assurance that can be taken from the Report. The gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

4. Impact and implications

Refer to internal audit report.

Appendix – Internal Audit Report – Severance Schemes

LEVEL OF ASSURANCE
Good

City of Glasgow College

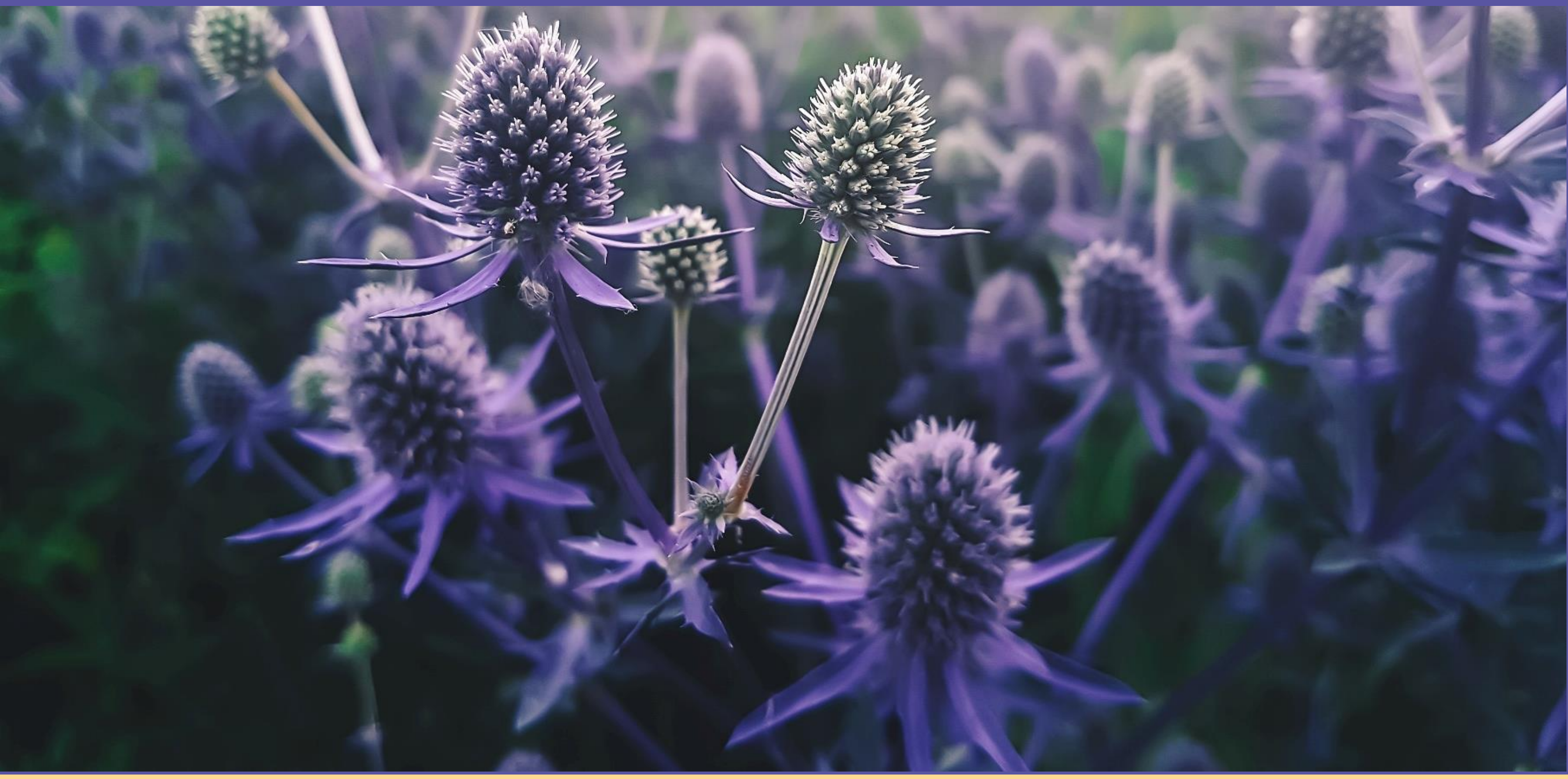
Severance Schemes

Internal Audit report No: 2024/03

Draft issued: **4 March 2024**

2nd draft issued: **7 March 2024**

Final issued: **8 March 2024**



Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Fundamental issue subjecting the organisations to material risk which requires to be addressed by management and the Audit and Assurance Committee as a matter of urgency.
Priority 2	Issue subjecting the organisations to significant risk, and which should be addressed by management as a priority.
Priority 3	Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Good	System meets control objectives.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the City of Glasgow College ('the College') Risk Register (as at December 2023):

- SR6 Negative impact upon the College's reputation (Net Score 9, medium);
- SR12 Negative impact of statutory compliance failure (Net Score 10, medium);
- SR15 Failure of corporate governance (Net Score 5, low);
- SR17 Negative impact of industrial action (Net Score 20, high);
- SR19 Failure to achieve operating surplus (Net Score 25, critical);
- SR21 Failure to obtain funds from the City of Glasgow College Foundation (Net Score 12, medium); and
- SR23 Failure to secure a sustainable model / level of funding (Net Score 12, medium).

Background

As part of the Internal Audit programme at the College for 2023/24 we carried out a review of the arrangements in place for managing severance schemes. The Annual Internal Audit Plan for 2023/24, which was agreed with management and approved by the Audit and Assurance Committee, identified severance as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit and Assurance Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College's structure and / or staffing profile needs to change and evolve over time to ensure that it fully supports the College's Strategy. In managing these changes, the College recognises the importance of adhering to the principles of fair work; the security of employment for its staff; the benefits of retaining knowledge and expertise; and the overarching desire to avoid redundancies.

The College commits to avoiding compulsory redundances wherever possible including during organisational change and only initiates redundancy proceedings as a last resort, when all other alternatives have been fully explored and exhausted.

Since the COVID-19 pandemic, the College's operating environment and funding opportunities have altered significantly. Consequently, the College has completed a Voluntary Severance (VS) exercise which resulted in 76 employees departing the College, thereby, as part of a package of mitigations, delivering a saving of £6 million during 2023. However, for the first time in the College's history, due to £26 million of funding being removed from the College sector by the Scottish Government, high inflation costs on utilities, goods and services, and no funding being available from the Scottish Funding Council (SFC), Glasgow Colleges' Regional Board (GCRB) or the City of Glasgow College Foundation for a further VS exercise, the College announced in June 2023 that a Compulsory Redundancy exercise was required to deliver further recurring revenue savings.

Scope, Objectives and Overall Findings

The scope of this review was to examine the context of the recent Voluntary and Compulsory Severance Schemes, and ensure that, in consultation with individual members of staff and the relevant Trade Unions, that the College had considered all alternative courses of action to minimise, mitigate or eliminate the need for compulsory redundancies.

The table below notes each separate objective for this review and records the results:

Objective	Findings				
The objectives of our audit were to ensure that:		**1**	**2**	**3**	**Actions in Progress**
		No. of Agreed Actions			
1. The decision to complete severance schemes has been scrutinised by internal and external governance groups, with all alternative measures to redundancy appropriately evaluated and explored.	**Good**	-	-	-	
2. The planning and organisation for implementing the severance schemes and associated organisational change was in place.	**Good**	-	-	-	
3. Implementation of severance schemes have been completed in line with College's policies and are aligned with relevant SFC and SPFM guidance.	**Good**	-	-	-	
4. There was the effective deployment of Internal and external communication strategies to ensure appropriate staff, students Trade Union and wider stakeholder engagement to explain of the rationale for and status of Severance Schemes.	**Good**	-	-	-	
5. The impact of the severance scheme on the College's long term financial sustainability and on staff morale and wellbeing examining mitigating actions (including staff vacancies/redeployment) established to support those individuals most affected.	**Good**	-	-	-	✓
Overall Level of Assurance	**Good**	**-**	**-**	**-**	
		System meets control objectives.			

Audit Approach

Through discussions with the Principal, Depute Principal & Chief Operating Officer, Vice Principal People and Corporate Support, Director of Communications and Project Coordinator, we reviewed the College's governance arrangements, and the implementation, of voluntary and compulsory redundancy exercises over the last 12 months, to ensure they aligned to expected practice.

This included the review of all relevant documentation to demonstrate that all alternative courses of action to minimise, mitigate or eliminate the need for compulsory redundancies had been evaluated and explored by the College, and review of the processes established to communicate and support staff during this period of organisational change.

Summary of Main Findings

Progress on the compulsory redundancy scheme was regularly reported to the Glasgow Colleges' Regional Board (GCRB) and Scottish Funding Council (SFC) during 2023. We noted that the College was not required to obtain approval from the SFC or GCRB to run the compulsory redundancy scheme. This was confirmed by the GCRB.

Through staff costs savings realised from unpaid industrial action taken by curriculum staff during 2023, the College has been able to reach an agreement with the Trade Union representing academic staff that there would be no compulsory redundancies for the remainder of the academic year 2023/24 for academic staff. As an alternative, curriculum staff previously at risk of compulsory redundancy were offered VS, or the opportunity to redeploy to special projects roles within the College until the summer of 2024. A total of three academic staff and 19 support staff were redeployed successfully. By January 2024, nine of the academic staff originally identified for compulsory redundancy had indicated an interest in redeployment with the remainder opting for VS. The Trade Union representing support staff has approached the College with a similar request for support staff at risk of compulsory redundancy. At the time of our audit the College was undertaking a costing of the proposal.

Strengths

- From our review of the updated budget for 2022/23, financial planning conducted for 2023/24 and beyond, consultation and implementation of the 19 mitigations and interventions to reduce costs and grow income and subsequent reporting of these, and implementation and revision of business plans to support departmental changes, we have concluded that the College implemented a thorough and robust process to identify and exploit opportunities to achieve the revenue savings required for financial years 2022/23 and 2023/24;
- Through discussion with members of the Executive Leadership Team (ELT), Project Management Office (PMO) staff, and review of supporting documentation, we noted that the severance schemes and associated organisational change were carefully planned and implemented effectively;
- From our review of Board and sub-committee papers, and supporting documentation, we noted evidence of the Board undertaking a robust scrutiny of the severance schemes during 2022 and 2023, including challenging management's cost analysis, reviewing the impact on budgets, the impact of organisational change before approving the VS and compulsory redundancy schemes, and reviewing the Trade Unions proposals;
- We confirmed that the College had followed the procedures outlined within the SFC's guidance for seeking approval for VS schemes, with the scheme approved in advance by GCRB and the SFC, in line with the relevant guidance;
- We noted that the College has a well-established communications strategy, which is aligned with the wider College strategic objectives. We noted that the College clearly communicated the rationale for the severance schemes to the different stakeholder groups, staff and Trade Unions, including the financial challenges faced by the College and the need to make savings and grow revenue.

Summary of Main Findings (Continued)

Strengths (continued)

- Business cases and the compulsory redundancy consultation processes sought to identify critical posts and the impact on departments arising from a reduction in full time equivalents (FTEs), and any relevant support and mitigations required. The results of the severance schemes and changes to business plans were monitored and fed into operational resource planning decisions, shared with the Trade Unions and published for staff; and
- The College demonstrated a collective recognition of the emotional impact on staff and the uncertainty around job security during a severance scheme exercise which can cause staff anxiety and stress. The College attempted to mitigate those impacts through clear and regular communication with managers and staff on the rationale for the severance schemes, the processes involved, and the outputs from the consultation exercises and evaluations conducted. Organisational Development staff offered training to managers on how to support their staff during organisational change, and staff were also offered training and support in relation to managing stress and maintaining personal wellbeing.

Opportunities for Improvement

- No significant weaknesses, in the context of the audit scope and objectives, were identified during our review; and
- At the time of our review, staff interviewed acknowledged that there may be longer term effects of the severance schemes on team dynamics, staff motivation, and morale. The College will continue to monitor the position, in order to flag potential signs of reduced performance in these areas, through feedback from managers, feedback from staff, employee absence rates and staff and student satisfaction surveys.

Acknowledgments

We would like to take this opportunity to thank the staff at City of Glasgow College who helped us during our audit.

Main Findings

Objective 1: The decision to complete severance schemes has been scrutinised by internal and external governance groups, with all alternative measures to redundancy appropriately evaluated and explored.

Following the Scottish Funding Council's (SFC) 2022/23 funding announcement in March 2022 the College identified that action was needed to address the reduction in core teaching Credits allocation and flat cash funding settlement. The College undertook a College-wide financial planning exercise in the first half of 2022 to identify savings and investment opportunities to help address its projected financial challenges in 2022/23 and beyond. The main pressures on the College's finances included the impact of COVID-19 on non-core funding, pay awards, real terms reductions in core funding and implications of Brexit. An initial funding gap of approximately £18.3m by the end of academic year 2024/25 was identified. Having previously explored other avenues of funding and staff costs being approximately 80% of total annual expenditure, management identified that further significant staff cost savings were required to ensure that the College could achieve a balanced budget. An initial proposal for a Voluntary Severance (VS) scheme was presented by management and approved by the Board in June 2022. At the same time, the College identified a programme of 19 mitigations and interventions. In the context of the College's current funding and finance challenges, these were cost reduction measures or opportunities for income growth, designed to improve the financial position of the College and mitigate against the risk of redundancies. Mitigations were grouped under four headings as described below:

Staff Cost Reducing Initiatives

- organisational restructure at curriculum team and support department level;
- optimising mix of existing full and part-time staffing;
- freeze on recruitment of non-critical posts;
- reduction in overtime;
- reduction of use of temporary and fixed term posts, and use of agency working;
- freeze on issuing new contracts and contracts with increased hours;
- voluntary severance;
- identifying opportunities for early retirement;
- supporting staff on sickness absence to return to work;
- identifying opportunities for staff to redeploy to other roles; and
- outsourcing of support service functions.

Goods and Services Cost Reducing Initiatives

- reduction in use of utilities;
- review of staff and organisational memberships and subscriptions paid by the College;
- review and reduction of travel and associated expenses;
- reduction of hospitality and catering costs;
- scrutiny of expenditure to limit non-essential purchases; and
- scrutiny of projects to assess priority and phasing.

Objective 1: The decision to complete severance schemes has been scrutinised by internal and external governance groups, with all alternative measures to redundancy appropriately evaluated and explored (continued).

Income Generating Initiatives

- growth of existing income streams and identification of new opportunities.

Cross-College Proposals

- consultation with staff and Trade Unions to invite views on costs saving and income generation initiatives.

As part of the process for identifying savings and growth, the College invited staff and the Trade Unions to bring forward suggestions. The staff intranet site was used to facilitate this and for management to communicate to staff which suggestions would be taken forward, as well as report progress with the programme of 19 mitigations and interventions. A summary of staff suggestions was reported to management, the Board and Trade Unions in late 2022, which included: creation of a College nursery; energy reduction measures; increasing delivery of online courses; exploiting more commercial opportunities through short course delivery and training; merging or reducing the number of senior post holders including Curriculum Heads, Associate Deans, Deans and Directors; and exploring further partnerships with local universities / colleges.

We noted that the Human Resources related initiatives, such as recruitment freezes, reduction of overtime, reduction of use of temporary and fixed term contracts, and a reduction of agency workers were implemented almost immediately. Alongside these, and the remainder of the 19 actions, the College had committed to undertake significant organisational change during 2022, where Deans and Directors had been tasked with identifying permanent reductions in staffing to ensure a more efficient and appropriate size to deliver core commitments whilst reflecting the resources available. A standardised business case was developed for use by all departments which analysed current staffing structures, identified opportunities for reduction in full-time equivalents (FTEs), and proposed future staffing structures. Reductions in FTEs were initially identified through natural attrition, removal of vacant posts and fixed term contracts. The business cases considered the impact changes in FTEs would have on the curriculum offering or service provision, the impact on staff, the potential savings and additional costs associated with the changes in FTEs. Costs and savings were subject to review by the Finance team. The initial versions of the business cases completed in late 2022 identified a potential £5.5m in savings using the above criteria and therefore on track to meet the identified savings requirement of £4.5m in the original budget for 2022/23.

As previously noted, an initial proposal for a VS scheme was presented by management and approved by the Board in June 2022, with the College then entering a period of engagement and consultation with both staff and Trade Unions before the VS scheme was opened in November 2022, and closed in early January 2023. Our review confirmed that the College had followed the procedures outlined within SFC's guidance for seeking approval for VS schemes, with the scheme approved in advance by GCRB and the SFC in line with relevant guidance.

Objective 1: The decision to complete severance schemes has been scrutinised by internal and external governance groups, with all alternative measures to redundancy appropriately evaluated and explored (continued).

Business cases were treated as live documents and updated by Deans and Directors frequently throughout 2022 and 2023 to reflect changes in staffing during the period (the Business case was published following any change and shared with the Trade Unions), such as reduction in FTEs following the VS scheme, where staff had retired or left the employment of the College, or where posts had been combined. As business cases were updated and FTE figures were updated, rationales for the changes were provided along with revisions to the projected costs savings, which were again subject to review by the Finance team. Business cases were centrally managed by the Transformation Team to ensure that the College could track versions and monitor the impact that the proposed changes would have on the organisational change programme. Changes to FTEs and associated savings and costs were tracked and reported regularly to the Executive Leadership Team (ELT), Senior Management Team (SMT), and Board.

Changes in FTEs, staff roles, organisational structures and operational impact were communicated regularly to the wider staff group via internal communications and to the Trade Unions. We noted that staff and Trade Unions provided feedback on the changes, and College management provided responses, throughout the process. We noted evidence of business cases being updated to reflect issues and suggestions raised following consultation with staff and Trade Unions.

We found that there was frequent discussion between the ELT and the SMT, and with the Trade Unions, on each of the 19 mitigations to assess how savings could be achieved by each action. Robust evaluation of the proposed savings was provided by Finance which was updated throughout 2022 and 2023 as assumptions and variables were updated. In May 2023, following an update to the College budget in March 2023 when £26 million was removed from the College Sector to pay for the teachers pay deal in Scotland, incorporating the impact of high energy costs, high inflation affecting operational expenditure, and the results of the VS scheme, it was reported to the ELT, SMT and Board that the 19 mitigations had delivered £2.6m savings within 2022/23, and resulted in £6m of annualised savings to contribute towards closing the approximate £18.3m funding gap expected by the end of the academic year 2024/25. Delays in implementing the VS scheme in late 2022 impacted the timeliness and effectiveness of the 19 mitigations designed to help achieve the original £4.5m savings requirement for 2022/23.

Compulsory Redundancies

To bridge the £6m savings gap in 2023/24, the College identified that further headcount reduction could be achieved through further targeted VS. An application for funds was made to the Arm's Length Foundation (ALF) to fund the additional VS requirement, however the request was declined. Although both the SFC and Glasgow Colleges' Regional Board (GCRB) had been made aware of the financial situation and the potential need for further staffing reductions, and despite continued lobbying of Scottish Government by College management, no additional sources of funding, which would fund VS or be required to avoid compulsory redundancies, could be identified. Management advised the Board in May 2023 that consultation on compulsory redundancies was required.

As part of the financial planning in setting the budget for 2023/24, the College identified 75 FTEs would be required to be reduced through a compulsory redundancy scheme. We noted from the papers presented to the Board in June 2023, that a robust analysis of the College's financial situation was provided to support the proposed budget for 2023/24, along with details of the Trade Union proposals outlining alternatives to compulsory redundancies and a progress update on the organisational change programme.

Severance Schemes

Objective 1: The decision to complete severance schemes has been scrutinised by internal and external governance groups, with all alternative measures to redundancy appropriately evaluated and explored (continued).

The Trade Unions alternative proposals to the 75 FTE compulsory redundancies included:

- structural changes to ELT, SMT, and specified departments within the College, including Brand and Communications;
- appointment of a Director of Finance to replace the Chief Financial Officer role previously proposed by the College;
- 20% pay cut for the ELT, SMT and Deans roles; and
- a strengthened review and cessation of all non-essential expenditure across the College.

We noted that all of the above proposals were considered by College management and reported to the Board. We noted that whilst some of the proposals were deemed unworkable and unlawful, several were considered as part of the College agreed actions under the 19 mitigations, including reducing non-essential spend and restructuring. Deans and Directors were asked to re-visit business plans to identify further structural changes and opportunities to further reduce FTEs.

In line with statutory requirements for compulsory redundancy processes, a period of consultation between the College, staff and Trade Unions was conducted between June and December 2023. We noted evidence of continued discussion amongst the ELT and SMT on each of the 19 mitigations and how savings could be achieved by each, and scrutiny of proposed savings by the Finance team. Progress on the compulsory redundancy scheme was regularly reported to the GCRB and SFC during 2023.

We noted that several initiatives were proposed by management to maximise staff utilisation as a means of achieving savings and avoid compulsory redundancies. These included re-classification of academic staff tea breaks and when these could be taken within the agreed model of staff contact time, and semesterisation of the academic year. We noted that both proposals were subject to significant discussion between the College and Trade Unions. Although no agreement could be reached, both proposals were adopted and implemented.

Prolonged industrial action was taken by curriculum staff several times during 2023. In November 2023, to avoid any further impact to Students, the College reached agreement with the Trade Union representing academic staff that there would be no compulsory redundancies for the remainder of the current academic year for academic staff. As an alternative, curriculum staff previously at risk of compulsory redundancy were offered VS or the opportunity to redeploy to special projects roles within the College until the summer of 2024. The staff costs savings related to the unpaid industrial action taken by curriculum staff during 2023 was utilised to fund the proposal. By January 2024, nine of the academic staff originally identified for compulsory redundancy had indicated an interest in redeployment with the remainder opting for VS.

The Trade Union representing support staff approached the College with a similar request for support staff at risk of compulsory redundancy. At the time of our audit the College was undertaking a costing of the proposal.

From a review of the updated budget for 2022/23, financial planning conducted for 2023/24 and beyond, consultation and implementation of the 19 mitigations and interventions to reduce costs and grow income and subsequent reporting of these, and implementation and revision of business plans to support departmental changes we have concluded that the College implemented a thorough and robust process to identify and exploit opportunities to achieve the savings required for 2022/23 and 2023/24.

Objective 2: The planning and organisation for implementing the severance schemes and associated organisational change was in place.

Through discussion with members of the ELT we noted that the College's preference was to achieve cost savings by avoiding a permanent reduction in headcount, which was evidenced by way of the 19 mitigating actions. After assessing the initial impact of these actions, which were negated by rising energy costs, inflation and other cost pressures present during 2022 and 2023, including the consideration of the pending consolidated three year pay offer, the College acknowledged that the required level of savings would be best achieved through VS. Consultation on the initial VS scheme opened in June 2022, with the scheme opening in November 2022 and payments made to those accepted on the scheme in April 2023.

Alongside the VS scheme, the College embarked on a significant organisational change programme. Deans of curriculum areas and Directors of support departments were asked to prepare detailed business plans which incorporated reductions in headcount to achieve savings in staff costs and other efficiency savings, whilst identifying structural changes which could still deliver curriculum and other operational commitments. The proposals originally identified a total reduction of 77 FTEs across the College, later adjusted to 75 FTEs.

Compulsory Redundancies
Having notified the Board in May 2023 that compulsory redundancies would be required, management presented the Board with a brief overview of the schedule of activities in the summer of 2023 which included a detailed consultation process with Trade Unions, issuing and communication of procedures to staff and managers involved in the evaluation process, and the proposed application of the statutory redundancy payment. It was emphasised that during this process, it would be crucial that compassionate and counselling support for all staff, particularly those who may be affected by the proposed staffing reductions, would be provided.

Through discussion with members of the ELT, Project Management Office (PMO) staff, and review of supporting documentation we noted that the severance schemes and associated organisational change were carefully planned and implemented effectively. The key steps in the processes were identified as:

Planning and Proposals

- a College wide review was undertaken which assessed the existing staffing structure from a financial, operational and strategic perspective. Through the development of departmental business plans the College identified areas where change was possible, including restructuring roles or introducing new working practices.
- alternatives to redundancy were explored, as noted under Objective 1, which included the 19 mitigations and redeployment.
- business cases were developed to provide a case for the proposed changes, considering the financial implications, legal requirements, and the impact on staff and students.

Objective 2: The planning and organisation for implementing the severance schemes and associated organisational change was in place (continued)

Consultation and Communication

- we noted strong and frequent engagement with relevant stakeholders, including staff, Trade Unions, management, employers, GCRB and the SFC. We found that good use was made of the College's internal communications channels to publish the results of consultations to ensure transparency and allow opportunities for feedback.
- staff briefings were conducted early and regularly throughout the processes, which were led by the Principal and other members of the ELT. We noted evidence of the briefings addressing issues raised by staff during consultations.
- there were opportunities for collective consultation at SMT, departmental and staff wide to discuss the impact of organisational changes. Staff and Trade Union representatives were involved in discussions.
- individual consultation meetings were held where Deans/Directors with support of the Human Resource team met with affected individuals to discuss their specific circumstances and explore options.
- staff at risk of VS or compulsory redundancy were provided with wellbeing and practical support.
- opportunities for redeployment were identified within departmental business cases, and some curriculum staff previously at risk of compulsory redundancy have been assisted in finding alternative roles within the College following the agreement reached with the Trade Union. Three academic and 19 support staff were redeployed to different roles and a further nine academic staff offered redeployment to special projects roles.

Implementation Preparation

- we noted evidence of a fair and transparent process for allocating roles, which included matching skills and competencies to available positions aligned with the revised departmental structures included within the business plans.
- the criteria for selecting staff for VS and compulsory redundancy were clearly defined and communicated to staff and Trade Unions.
- we noted that consideration was given to identified instances of pregnancy and maternity leave.

Overall, we found that there was effective communication, empathy, and sensitivity demonstrated throughout the process.

Objective 3: Implementation of severance schemes have been completed in line with College's policies and are aligned with relevant SFC and SPFM guidance.

In addition to the requirements of the Financial Memorandum in relation to the early departure of staff, the SFC has issued guidance to colleges and regional strategic bodies on meeting the requirements of the Scottish Public Finance Manual (SPFM) in relation to severance schemes and settlement agreements. These requirements are a term and condition of funding from the SFC with which colleges must comply. Incorporated colleges must also obtain prior approval from SFC for all new severance schemes, changes to existing schemes and all settlement agreements.

Further clarifications were provided in a letter from the Minister for Higher and Further Education to the Convener of the Education, Children and Young People Committee dated 13 July 2023. This noted that the SFC's Financial Memorandum sets out the formal relationship between SFC and colleges and the requirements with which they must comply as a term and condition of grant from SFC. This includes that colleges comply with the requirements of the SPFM, including requirements for obtaining approvals for VS schemes and settlement agreements. As part of this, colleges are aware that the policy of no compulsory redundancies is a key pillar of Public Sector Pay Policy (PSPP) which colleges are expected to adhere to, though they are responsible for negotiating their own no compulsory redundancy policies with the unions on behalf of their workforces. It is the responsibility of boards of management that colleges plan and manage their activities to remain sustainable and financially viable, with sufficient long-term planning in place to ensure that workforce levels match the financial capacity of the college. However, SFC requires assurance that any compulsory redundancies are a last resort and colleges must notify SFC of such intentions. Colleges are not included in the list of public bodies to which PSPP directly applies, rather PSPP acts as a benchmark for colleges. This is reflected in the Financial Memorandum which states that colleges must have **regard** to PSPP.

In considering any severance, colleges must ensure that issues of regularity, propriety and value for money are fully taken into account. In doing so it is important that policies and procedures are established and applied in a timely manner, including:

- ensuring a business case, including justification and full expected cost, is prepared;
- decisions are made and approved in accordance with college delegation procedures;
- decisions are fully documented and a clear audit trail of evidence supporting the decision is retained; and
- there is clear evidence of governance oversight.

From a review of Board, Finance Committee (previously called the Finance and Physical Resources Committee), and Convenors Committee (previously called the Performance and Remuneration Committee) papers, and supporting documentation, we noted evidence of the Board undertaking a robust scrutiny of the severance schemes during 2022 and 2023, including challenging management's cost analysis, reviewing the impact on budgets and impact on organisational change before approving the VS and compulsory redundancy schemes.

Objective 3: Implementation of severance schemes have been completed in line with College's policies and are aligned with relevant SFC and SPFM guidance (continued).

VS scheme

Through review of available evidence, we noted that applications for the VS scheme were assessed against set criteria which included the business case for releasing a member of staff early, the structural and operational impact a loss of post or key staff member would have on each department, and the value for money which could be obtained as a result, including an analysis of the costs versus the medium to long term savings impact. We noted the business case for the VS scheme included:

- the rationale for the scheme, principally as a measure to contribute to the College achieving a balanced budget through savings in staff costs;
- VS forming part of a suite of 19 mitigating actions already taken or planned to avoid the need for headcount reductions, including vacancy management measures such as recruitment freezes, redeployment of staff, and reductions in working hours;
- the terms available to staff included in the scheme and in line with the College's VS policy;
- the projected annual costs and savings to be realised through the VS scheme over the identified payback period, as required by the SPFM;
- details of how, by whom and over what timescale the costs of the scheme would be funded;
- the impact of the reduction in headcount in the annual staff costs and operational delivery; and
- confirmation from management to the Board, GCRB and SFC that management and governance of the VS scheme had been followed in accordance with College and SFC procedures.

As previously noted, our review confirmed that the College had followed the procedures outlined within SFC's guidance for seeking approval for VS schemes, with the scheme approved in advance by GCRB and the SFC in line with relevant guidance.

Compulsory Redundancy

The College initially reported to the Board in May 2023 that the 19 mitigations, including the VS scheme, to address the budget shortfall of approximately £18.3m by the end of the academic year 2024/25, did not achieve the level of savings required. Consequently, additional and significant reduction in staff costs was required with 75 FTE roles proposed to be removed through compulsory redundancy.

As outlined earlier in this report, we found that the College implemented a thorough and robust process to identify and exploit opportunities to achieve the savings required to avoid compulsory redundancies. Whilst the College managed to achieve significant recurring savings through the VS scheme, the impact of the scheme was reduced due to high energy costs and high inflation. Progress on the compulsory redundancy scheme was regularly reported to the GCRB and SFC during 2023.

Objective 4: There was the effective deployment of Internal and external communication strategies to ensure appropriate staff, students Trade Union and wider stakeholder engagement to explain of the rationale for and status of Severance Schemes.

We noted that the College has a well-established communications strategy which is aligned with the wider College strategic objectives. Through discussion with members of the ELT and SMT, and review of communications issued to stakeholders, we noted that the College clearly communicated the rationale for the severance schemes to the different stakeholder groups, including the financial challenges faced by the College and need to make savings and grow revenue.

Internal Communication Strategies

- there was senior leadership buy-in from the outset with members of the ELT and SMT engaged in the process with staff, Trade Unions, students, employers and GCRB early on. The Principal provided fortnightly updates to staff and wrote to students several times during 2022 and 2023 to explain the rationale for the severance schemes and potential impact on jobs, services and courses.
- we noted clear and concise messaging from the College to staff explaining the purpose of the severance schemes, how the schemes operated including guidance for staff on how to apply and the interview and evaluation process.
- the College utilised various channels such as emails, intranet, staff meetings, and departmental briefings to communicate key issues to staff and students, including details of the College's financial situation, the 19 mitigations including updates, and both VS and compulsory redundancy schemes.
- employee consultation was undertaken to involve staff in the decision-making process. We noted evidence of the staff intranet being used to allow staff input into the 19 mitigating actions process, with opportunities for staff to raise concerns and provide feedback.
- support was offered to staff with training sessions to help staff understand the severance schemes. Guidance and FAQs were developed to address common queries raised by staff. Guidance was developed for managers on change management within the College and on the operation of the severance schemes.

External Communication Strategies

- we noted that the College had mapped out external stakeholders, including GCRB, SFC, other colleges, the local community, and employers and communicated with each stakeholder group to keep them informed of the severance schemes and 19 mitigating actions.
- a media strategy was deployed to anticipate media interest and proactively address inquiries, particularly in relation to the compulsory redundancy consultation process announced in May 2023.
- the College website was kept updated with relevant information on the severance schemes. We also noted use of social media platforms to share updates and engage with stakeholders.
- we noted both internal and external statements issued by the Principal and ELT to announce the severance schemes which highlighted the reasons and expected outcomes for both schemes.
- there was regular communication with Trade Unions to keep them informed throughout the process, through a combination of email, letter and face-to-face meetings. We noted that the level of engagement between the two Trade Unions and College varied, with one Trade Union being more active in its communication with the College than the other.

Objective 5: The impact of the severance scheme on the College's long term financial sustainability and on staff morale and wellbeing examining mitigating actions (including staff vacancies) established to support those individuals most affected.

While severance schemes can yield short-term benefits, the College must carefully manage the impact on financial sustainability, staff morale, and individual wellbeing. Careful planning, transparent communication, and targeted support are essential to mitigate negative consequences and ensure a smoother transition for all involved.

From review of management information, the Finance Committee and Board papers, we noted that there was frequent review and reporting of the impact of the severance schemes on the College's actual and forecast financial position. Financial information was updated throughout the operation of the VS scheme as the College worked through applications, calculated the costs of the scheme, and made payments to staff. The College has embarked on a significant programme of organisational change since 2010 when the College was formed following merger. In 2013/14 the College implemented the College Sector Post-16 reform, a refinement of the management structure followed in 2016, and 2018 involved a leadership reorganisation. A key element of the change has been the initial development of the departmental business plans, and subsequent revisions made to reflect changes in the staff profile resulting from the severance schemes. The resulting change has impacted both staff that have left the College and their colleagues that have remained at the College either in the same or in new roles. In March 2023, the College published its *Organisational Change Managers Guide* to assist employees, managers and Trade Union representatives involved in the development and implementation of change at City of Glasgow College.

- **Impact on long-term financial sustainability:** the College identified immediate costs savings that could be achieved from the severance schemes, as part of the wider package of mitigations. The business cases examined how the short-term savings could be balanced with the long-term impact on operational efficiency and service delivery. The results disclosed within the business cases were scrutinised by Deans and Directors, the Transformation Team, and ELT.

- **Workload Redistribution:** after staff departures arising from the severance schemes, and natural attrition, we noted that business cases identified that some staff roles and responsibilities were combined or re-shaped which potentially may give rise to a risk of staff becoming overburdened.

- **Skills and Knowledge Loss:** losing experienced staff can impact institutional memory, specialised skills, knowledge transfer, institutional culture and learning experience. We noted that business cases and the compulsory redundancy consultation processes sought to identify critical posts and the impact on departments from a reduction in FTEs, and any relevant support and mitigations required. The results of the severance schemes and changes to business plans were monitored and fed into operational resource planning decisions. The employee organisational development programme was updated to ensure that staff had the opportunity to develop skills to support changes to roles.

  Compulsory redundancy was considered as a last resort by the College. One outcome from the consultation process was that staff were offered the chance to redeploy to new roles within the College. Three academic and 19 support staff were redeployed to different roles and a further nine academic staff offered redeployment to special projects roles. Staff offered a new post received salary protection.

Objective 5: The impact of the severance scheme on the College's long term financial sustainability and on staff morale and wellbeing examining mitigating actions (including staff vacancies) established to support those individuals most affected (continued).

- **Impact on Staff Morale and Wellbeing:** Through discussions with members of the ELT and SMT we noted that the College recognised the emotional impact, that the uncertainty of job security during a severance scheme can cause staff anxiety and stress. The College attempted to mitigate those impacts through clear and regular communication with managers and staff on the rationale for the severance schemes, the processes involved, and the results of consultations and evaluations. Organisational development offered training to managers on how to support staff during organisational change, and staff also offered training and support relating to stress management and wellbeing.

  At the time of our review, staff interviewed acknowledged that there may be longer term impact of the severance schemes on team dynamics, staff motivation, and morale. The College will continue to monitor for potential signals of reduced performance in these areas through feedback from managers, feedback from staff, employee absence rates and staff and student satisfaction surveys.

- **Mitigating Actions for Individuals Most Affected:** The College supported the redundancy process by providing clear information about the process, including financial terms and entitlements. Guidance and support were offered to affected staff to ease their transition, including paid time off to look for alternative employment, attend interviews or counselling, and references provided to potential employers. The College also offered training and support in interview techniques and preparing CVs and application forms.

Henderson Loggie

Aberdeen 45 Queen's Road AB15 4ZN T: 01224 322 100 F: 01224 327 911
Dundee The Vision Building, 20 Greenmarket DD1 4QB T: 01382 200 055 F: 01382 221 240
Edinburgh Ground Floor, 11-15 Thistle Street EH2 1DF T: 0131 226 0200 F: 0131 220 3269
Glasgow 100 West George Street, G2 1PP T: 0141 471 9870