

College Post-Merger Evaluation Report

June 2016

AYRSHIRE COLLEGE

SFC post-merger evaluation of the college mergers that took place during the academic year 2013-14

In autumn 2015 the Scottish Funding Council (SFC) began a round of post-merger evaluations of the colleges that merged in the academic year 2013-14. In most cases these evaluations are scheduled to take place two years after the merger.

We are making the outcome of the evaluations available on the SFC website. The first two evaluations were completed in January 2016 and the final evaluation within this tranche of mergers will be June 2016. As new reports are completed they are added to the website.

SFC wrote to the colleges concerned in July 2015 to explain how SFC would carry out the evaluations and what was expected from the colleges. We noted that in carrying out the evaluations across the sector SFC would pay particular attention to the Audit Scotland Good Practice Guide: [Learning the lessons of public body mergers](#).

Colleges are responsible for the implementation of their merger and need to be able to demonstrate the delivery of benefits and performance improvements for all stakeholders including students, staff and employers as outlined in their original merger proposals. The purpose of the merger evaluation is to provide evidence of progress in delivering the intended high level benefits of the merger and to identify lessons learned that support further organisational development and wider learning for the sector.

SFC recognises that good governance and leadership and a culture that is supportive of change and innovation within the merged college are also critical elements in delivering a successful merger. The post-merger evaluation will seek to consider the impact of these elements on the implementation and success of the merger.

Key steps in the post-merger evaluation process are:

- Self-evaluation report submitted by the college.
- SFC review of evidence (including performance indicators).
- SFC arranges discussion sessions/meetings with students, staff, senior managers, the Board of Management and other key stakeholders.
- SFC prepares the formal post-merger evaluation report.

Self-evaluation report submitted by the college

SFC requires that each college submits a self-evaluation at the start of the process. The self-evaluation report should include an assessment of merger benefits and

outcomes that have been achieved, developments that have still to be implemented and other relevant information.

SFC review of evidence (including PIs)

SFC reviews and evaluates existing information and data that we have regarding the merger implementation and the colleges' operations through ongoing SFC engagements, including the Outcome Agreement process, and through governance, financial health and quality monitoring. Evidence from Education Scotland external reviews, annual engagement visits and other relevant quality work also provide SFC with a source of information for the evaluation.

SFC discussions/meetings with key stakeholders

As part of this process SFC seeks feedback and views on the success of the merger from a range of stakeholders including teaching and support staff, students, trade union representatives, the students' association and external stakeholders as appropriate through a series of discussion meetings. SFC will then meet with the College's senior management team and with its Board of Management.

SFC prepares the formal post-merger evaluation report

SFC prepares a formal post-merger evaluation report, taking account of all the evidence, feedback and discussions, which is agreed by the Council Board member leading the evaluation. This is then shared with the Scottish Government and copied to the college prior to being published on this website.

SFC evaluation report on the merger to form Ayrshire College

Background

1. On 1 August 2013 Ayr College, Kilmarnock College and the North Ayrshire campuses of James Watt College merged to form Ayrshire College. The six-month post-merger evaluation in March 2014 found that the merger was progressing well.

Merger benefits

2. Ayrshire College's post-merger evaluation report explained that the college has focused on six parallel priorities:
 - Delivering a demand-led curriculum to support the needs of individuals, local communities and the regional economy.
 - Building partnerships to achieve the college's vision.
 - Creating an organisational structure to deliver the vision.
 - Managing finances in a period of significant change.
 - Integrating systems for the benefit of staff and students.
 - Building the Ayrshire College brand and reputation.
3. The college reflected on the scale and ambition of these priorities, and efforts made by staff to ensure that students experienced high quality learning and teaching, unhindered by organisational, physical and systems change. It also recorded that it had been a very challenging process to merge three diverse institutions with distinctive geographies, cultures and demographics into one organisation within such short timescales.
4. The college reported that the merger has delivered the following benefits:
 - An enhanced learning experience for students, with improved opportunities for employer contact and experience in the workplace.
 - A positive external identity as a college of scale and a more promotable brand.
 - Better links with schools, local authorities and other partners.
 - An enhanced college curriculum and improved support for students as a result of integration between curriculum teams and college support services.
 - Improved communication and engagement with staff.
 - More opportunities for staff development.
 - Robust levels of governance, accountability and oversight.
 - A more effective Students' Association and student voice.
5. The Board and Senior Management team concluded that the merger process, some legacy issues aside, is now at an end. It was clear from the discussion that

the SFC had with staff, students and the Board of Management that good progress has been made in delivering these benefits.

Efficiencies and benefits of scale

6. One of the driving forces of the college merger programme was to make sector wide efficiencies to allow colleges to benefit from greater scale, and to become (in most cases) the sole college education provider in their region. These larger colleges would have positive impacts for learners resulting from reduced duplication of provision and competition between neighbouring colleges, as well as financial savings that could be directed towards learning. By making better use of their combined estates, facilities and staff we would expect that a merged college would be in a better position to focus on front-line delivery coupled with stronger and more effective regional engagement.
7. The merger has enabled Ayrshire College to engage more strategically in Ayrshire. As a single college it engages more effectively with employers, and is responding more effectively to skills needs. It has engaged more strategically with CPPs contributing to their strategic priorities. As a single college it has greater influence and has been able to be a catalyst, initiating collaborative developments across Ayrshire, for example the development of Foundation Apprenticeships.
8. Ayrshire College has used its regional scale to take a strategic view of infrastructure required to support the curriculum and students and has made some hard investment decisions as a result, for example, the decision to close campus facilities at Cumnock. It has also maximised partnership working to create new opportunities for joint learning facilities, for example, the establishment of a skills centre of excellence co-located within Irvine Royal Academy in North Ayrshire.
9. The college was open about the challenges of creating an appropriate organisational staffing structure following merger. A review of the staffing cohort linked to its curriculum development plan demonstrated that in some areas it did not have staff with the right skills to deliver the curriculum portfolio and to support students. An organisational review enabled a new structure to be put in place based on a new Ayrshire contract, which was relevant to the business ambitions of the new college.

Improved outcomes for students

10. Participation in an SFC “action-learning” pilot project to develop the college quality arrangements in AY 14-15 and AY 15-16 has enabled the college to do detailed development work to enhance the learning experience of its students. The benefits of the new approach included stronger ownership of quality improvement by curriculum teams; more effective use of data and PIs in

informing improvement plans; and stronger employer, CPP, schools involvement in evaluation. This has created a platform for improvement and informed the college's new Learning and Teaching Strategy. The pilot project also involved intensive engagement with Education Scotland, which assisted the college's development work and provided ongoing positive evaluation of progress and outcomes.

11. Management and staff felt that the college was now more proactive and was planning the curriculum more effectively. Service teams were more embedded in curriculum teams, and more involved in curriculum evaluation and planning, providing contextualised support to learners, which did not happen prior to merger. Inclusive learning approaches were seen by staff and students as a significant strength of the new college and staff felt they now have a better understanding of the diverse needs of students. The college is pursuing its strategy of concentrating higher level specialist provision in specific campuses in order to make best use of skilled staff and best resources. Staff are aware that some students find the travel consequence challenging, and the college has put in place support to assist students with the transition.
12. The college acknowledged challenges faced since merger, which have impacted on student attainment and retention. In particular, industrial action on one campus in AY 2014-15 disrupted learning for some students, and also delayed planned improvements for students more generally. Success rates for full-time FE programmes in AY 2014-15 dropped from 65.8% to 58.6% and for full-time HE from 66.5% to 62.3% therefore the college's priority for AY 2015-16 has been improving student outcomes, maximising retention and improving outcomes. The college also highlighted the high proportions of its students from 10% SIMD areas, and the large numbers of students doing FE courses, and the requirements for additional support needs to enable these students to succeed. The college has plans to improve how it uses performance data and evidence to target resources to subjects/student at most risk.
13. The college's investment post-merger focused on improving facilities and services for students, leading to one-stop shops in each main campus for student support services, and improvements in Learning Resource Centre facilities, as well as investment in student ICT, learning environments and curriculum equipment. In 2015 the Ayrshire College Foundation also provided funding for the development of new student services facilities on the Ayr and Kilwinning campuses. The college believes these improvements have contributed to an improved learner experience, and reduce the risk of withdrawal.

Improved delivery of skills at regional level

14. There was good evidence from the college to confirm improved and more effective partnership working and collaboration opportunities as a result of a single Ayrshire College. As noted above, the college has used its increased scale to lead partnership work in the region and works well with employers, three local authorities, three CPPs, NHS and UWS.
15. The merger provided the opportunity to undertake a full curriculum review across Ayrshire, and to demonstrate to employers and stakeholders that the curriculum is demand driven. One outcome was a shift to more STEM and health and social care to respond to the needs of Ayrshire employers. The college changed the design of courses in response to employer feedback, with more emphasis on work experience and work placements. Students have gained improved access to industry across a range of subjects and have been able to participate in increased high-value learning experiences.
16. Ayrshire College's report illustrated different ways in which it engages with employers and partners on regional skills issues:
 - Employer Skills Forums for specific industry sectors, one example being the Aerospace skills forum, which led to the opening of Scotland's only training centre in composite materials technology in 2014.
 - Vice Principal of Ayrshire College is Vice Chair of DYW employer regional group for Ayrshire.
 - The college is working with the three local authorities and schools to support vocational pathways required by Developing Scotland's Young Workforce. It has created a dedicated DYW team in the college which is helping to create a pan-Ayrshire approach, which led to the Skills Centre of Excellence at Irvine Royal Academy and an annual Head Teachers conference with participants from the three local authorities.

Financial efficiencies and savings

17. In the *Ayrshire College Merger Proposal Document*, financial benefits of merger included:
 - A sustainable organisational structure which delivers financial savings.
 - Operational cost savings through economies of scale.
 - Removal of unnecessary duplication.
18. The merger business case forecasted annual savings in the region of £4.1million by 2014-15. The majority of these savings would be delivered through a voluntary severance (VS) scheme, which the Scottish Funding Council (SFC) assisted with a grant of nearly £4.0 million, and planned to deliver a reduction

of 110 staff. The VS scheme and related grant was reduced by £800K due to a transfer of VS funding to West College Scotland, to reflect the actual split of James Watt staff between Ayrshire and the West.

19. The college reported that, with further investment from its own funds, the annual recurring salary savings from VS were £6.2m to February 2016 (148 staff). The merger also enabled more efficient procurement practices to be put in place which have generated further savings.
20. The overall cost of implementing the new structure was circa £1.6 million with the new terms and conditions including recruiting new staff with appropriate skills costing a further £565,000. The following table provides a breakdown of the merger costs and source of cumulative savings delivered annually to February 2016:

Ayrshire College Merger Costs			
	Funded by SFC	Funded by college	Total
Voluntary Severance	£3,868,000	£1,287,000	£5,155,000
Other Merger Costs*	£882,000	£0	£882,000
Total	£4,750,000	£1,287,000	<u>£6,037,000</u>
Ayrshire College Cumulative Merger Savings to February 2016			
			Total
Salary Saving (incl. on-costs)			£6,289,254
Procurement efficiencies			£483,783
Total			<u>£6,773,037</u>

Legal, HR advice, due diligence, IT, branding and communications and project management.

21. Overall staffing levels show an increase of 42 FTE equivalent staff between 31st July 2013 (legacy colleges) and 31st July 2015 (merged college). Whilst this may appear counter-intuitive, it is important to highlight that at merger Ayrshire college was larger in terms of activity than the three legacy colleges of Ayr, Kilmarnock and the north Ayrshire campuses of James Watt College, and the college has invested staff savings from merger to create a new organisational structure which meets the business needs of the college and aligns the curriculum with employer and student needs in Ayrshire.
22. The college report highlighted the PFI contract obligations until 2025 of £2.2M per year on the campus at Kilwinning as an ongoing legacy of the merger, and a significant additional cost that that the college will have to manage. The college has approached SFC for additional funding support to meet the legal requirement of the contract.

Effective Leadership and governance

23. The governance structure of the college was established early in the merger process. The Board has a range of talents and diversity of experience, and also has a 50/50 gender split. Since establishment the Board has been subject to ongoing development and improvement. It is proud of its governance arrangements and feels it has rigorous oversight of financial and curriculum affairs of the college.
24. The Board agreed that the creation of Ayrshire College has had a positive strategic impact in Ayrshire. The Board and SMT have played a lead role in establishing the identity of the merged college and building effective relationships with stakeholders.
25. The Board works well with the executive. The Chair and the Board have been very supportive of the Principal and SMT through a very challenging period post-merger, including industrial action which lasted for five months. Board members felt that the Committee system plays a key role in ensuring that board members are engaged and assured that the college is on track.
26. Both Board and SMT members felt that the merger process was complete, and that challenges facing the college were now more to do with uncertainties over future funding and the financial position of the college and the introduction of national bargaining than with merger. The ONS changes in particular have tested the financial stewardship and mettle of the college Board.

Communication and engagement

27. The college leadership has placed high importance on communication and engagement with staff, students and stakeholders throughout the merger process.
28. The college has built the Ayrshire College brand and has been successful in attracting positive media attention. It has used digital and social media to help establish and maintain the profile of the college and to build relationships with students.
29. Staff thought that communication from senior management and the Board was effective. The Principal was very visible and accessible compared to the rest of the senior management team. Staff felt supported by the college and their line managers, although as a result of merger there was less opportunity for face-to-face discussion for some people.

Student engagement

30. Ayrshire College leadership has placed high importance on communication and engagement with students and has developed a wide range of digital and social media to speak directly to students, to promote their achievements, to run campaigns and highlight their work. Students receive regular communication from the college via the student email system, Moodle, Twitter and the college website which is updated regularly. The college is developing its systems for gathering feedback from students. It conducts bi-annual surveys to measure student satisfaction, and will be improving the scope of this. It also intends to improve the class representative system.
31. Students were satisfied with the way that the college communicated with them and generally felt their views were listened to, although they weren't always confident that this translated into action. However, the common view was that students do have a voice and that issues can be raised with lecturers, class reps and their Students' Association. The Students' Association's view was that the college communicates well with students through these mechanisms.
32. Students were positive about their learning and teaching experience and the commitment of lecturers to their success. Students who were at the college prior to merger did not see significant change in the quality of their learning. As noted above, students we spoke to felt supported and able to give feedback. Their experience of the class representative system was mixed, however, and most of the students we met did not think it was effective.
33. The Student Association has built its capacity since merger to represent students across Ayrshire. It has a full time sabbatical President and two Vice-Presidents, a key change has been a shift from campus-based elected officers to thematic roles, to encourage a one college Association culture. The Student Association receives funding and dedicated staffing support from the college. The Association stated that it was well supported by the college. The Student Association is fully involved in the governance of the college and represented on the Board. The President played a critical role in ensuring that students were properly consulted during difficult decisions made by the Board such as the closure of nurseries in Ayr and Kilwinning and the satellite campus at Cumnock.
34. The Student Association was recognised by their peers as FE Students' Association of the Year 2015-16 at the NUS Scotland awards.

Organisational development and culture change

35. The college recognised the diverse cultures inherited at merger and placed a high importance on establishing the culture and values of the new college, making these explicit in all aspects of organisational development and delivery, and creating a transparent, visible and accessible style of leadership. The

college had recently repeated the culture study, which was originally carried out pre-merger, to evaluate progress. The findings demonstrated significant progress achieved but identified some ongoing challenges in creating a 'one college culture'.

36. Most of the teaching and support staff we met considered that the good progress had been made towards a one college culture. Staff highlighted many positive aspects of organisational development and said that the opportunity to standardise processes and procedures, adopt best practice across campuses and build relationships and learn from colleagues were real benefits of merger. Staff felt that the merger had resulted in better job and promotion opportunities. There were also more staff development opportunities and a significant management development programme.
37. The culture study highlighted that there was positive progress in a range of areas with "student focus" and "improving organisation" being common descriptions of the culture on all campuses. However, on the Ayr campus staff described "disorganisation" and levels of trust had not improved as a result of merger. A significant improvement in trust was evidenced at the Kilwinning campus, whilst high levels of trust continued on the Kilmarnock campus. We noted that perceptions of the new college culture varied according to the roles of the staff, so people whose jobs did not require them to mix with staff from other campuses were less likely to have adapted.
38. There was consensus across the college that workloads had increased significantly due to merger and restructuring. People felt that some further adjustments might be required to the organisational staffing structure and systems to improve functionality and fill skills gaps, but they were also worried about the implications of this for disruption and job security.
39. The Board and SMT were fully aware of these issues, and were committed to engaging with staff to further develop the college culture and organisation.

Systems development integration

40. The college created a new networked college communications system including web / email and a single cross-campus telephone system from 1 August 2013. Online systems for applications, registration and timetabling were introduced for AY 14/15. Developing this ICT infrastructure was a major technical achievement, which was installed without any major disruptions in services to students.
41. There was some criticism of college ICT and systems by both students and staff. Students and staff were concerned over the functionality and reliability of the college's Virtual Learning Environment (VLE), and Moodle and the quality of ICT equipment for example, the 'classroom in a box' system. Staff also felt time was

wasted on ICT and printing problems. The college later explained that this was in part due to a decision to move to a single college wide printing solution using multi-function devices as opposed to desk top printers. This decision was taken to reduce costs, improve college carbon targets and provide an efficient Ayrshire wide printing solution across all campuses.

42. Staff suggested that some key college systems now require improvement and adjustments to their design and functionality including - timetabling; room booking; MIS systems; finance; and HR.
43. There will be further opportunities to improve learning connectivity and systems for the whole college when the new campus opens in Kilmarnock in October 2016, which may help to overcome issues noted above.

Financial management

44. We consider financial management at the college to be strong with an experienced Board and an appropriately qualified team coping well with enhanced reporting requiring requirements arising from the classification of the college as a public body by the Office for National Statistics.

Conclusion

45. SFC considers that this merger can be regarded as a success in terms of the college's achievements in reducing duplication and competition, making better use of existing resources, focusing on front-line delivery, developing stronger and effective regional engagement, improved engagement with employers and delivery of efficiency savings.
46. We are reassured that any ongoing issues identified during the post-merger evaluation are being addressed appropriately by the college. We will continue to review progress through the normal Outcome Agreement process.