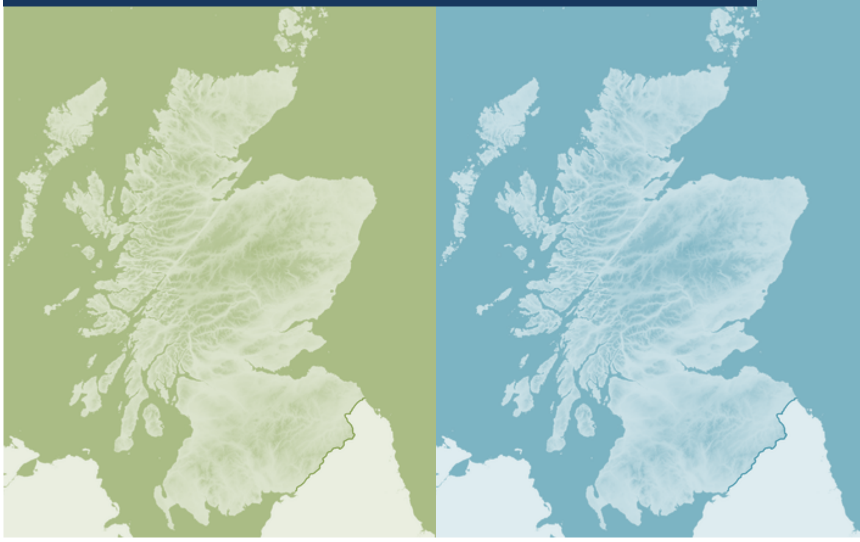
Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd ìre

College Post-Merger Evaluation Report



May 2016

NORTH EAST SCOTLAND 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 the SFC website.

SFC evaluation report on the merger to form North East Scotland College

May 2016

Background

1. On 1 November 2013, Aberdeen College (AC) and Banff & Buchan College of Further Education (B&BCFE) merged to form North East Scotland College (NESCol).

2. The six month post-merger evaluation in May 2014 showed that the merger was progressing well and SFC were impressed by the progress made at that stage.

3. There hasn't been an external review of the quality of provision at the college since before merger as NESCol is one of three colleges who, in conjunction with SFC and Education Scotland (ES), have committed to developing a new approach to evaluating colleges' performance. The process is one of "validated self-evaluation", whereby the College produces an annual self-evaluation report, based on agreed criteria and robust evidence, which is validated by a group of external stakeholders (including SFC and ES representatives). In the judgement of the Validation Panel, the process followed was sound, the evidence collected was comprehensive and credible and the judgements reached on the basis of the evidence were appropriate. The report recorded many strengths and achievements and identified actions that would effect further service improvement.

Merger benefits

4. The Regional Partnership Board (set up prior to merger to ensure effective merger planning and comprising of Board members from AC and B&BCFE) proposed a number of wider benefits which it agreed should result from merger. These were:

    - A co-ordinated regional curriculum, providing clear progression and articulation pathways to employment or further study.
    - The dissemination and embedding of good practice in learning and teaching across the region.
    - A stronger regional student voice.
    - The higher public profile and greater influence that will come from being a larger regional institution.
    - A stronger voice for the College at a national level, with greater capacity to influence governmental policy and strategy.
    - A greater impact on regional economic prosperity.

- A single voice when communicating with stakeholders.
- The avoidance of unnecessary duplication and competition.
- The economies of scale that will help sustain college provision in the region and provide greater resilience at a time of austerity.
- An opportunity to revisit and refresh college strategies, policies, procedures.
- Improved opportunities for staff to develop their skills and to further their careers.
- A regional estates strategy that will continue to invest in state-of-the-art facilities.

5. It was clear from the discussions that SFC had with NESCol 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 that will allow colleges to benefit from greater scale and being (in most cases) the sole college education provider in their region. These efficiencies have been achieved, as discussed later in this paper. It was then expected that this would have positive impacts for learners resulting from the 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. In its self-evaluation (given to SFC in January 2016) the College sets out the progress against each of the benefits highlighted at paragraph 4 above. In relation to the avoidance of unnecessary duplication of provision and competition the college has introduced a new regional structure for the delivery of the curriculum; integrated curriculum planning has been established; and an integrated curriculum offer and prospectus has been implemented for AY2015-16. The breadth of curriculum offer has been maintained on all campuses, although in some cases this has meant introducing alternative methods of delivery to overcome issues relating to size of the cohort.

8. The College identified that merger would result in a greater impact on regional economic prosperity. A recent economic impact assessment conducted by EMSI for the College identified that the total economic impact of the College per annum is £406m (for a government investment of £33m) with a direct ROI to government of 17.9%.

9. The College has also used its scale to gain a stronger voice for the College at a national level, with greater capacity to influence governmental policy and strategy. The College is represented, through the Principal or Chair, on a significant number of national groups and committees.

10. Since merger the College has invested significantly in its estates across the whole region. In January 2015, the College's Aberdeen City Campus was re-launched following a £8m project to transform the exterior of the building. A new learning centre was also opened in Ellon. A major refurbishment of the internal layout of the Aberdeen City Campus is planned. Furthermore there has been additional investment of around £8m at Fraserburgh Campus to upgrade accommodation for four curriculum areas: Engineering, Construction, Motor Vehicle, and Welding shows the commitment of the College to the education and training needs of the North East of Scotland. During our post-merger discussions with staff in Fraserburgh, Engineering staff were very positive about the campus estate enhancements.

11. Progress against a range of other benefits is outlined in the following sections.

Improved outcomes for students

12. In its merger self-evaluation, the College highlights the introduction of practices and processes which it considers key to ensuring student attainment and engagement and our discussions with staff and students allow us to come to some conclusions about their potential impact.

13. The College has made excellent progress with the development of a co-ordinated regional curriculum, providing clear progression and articulation pathways to employment or further study. In our discussions, both staff and students noted that there were improved and clearer pathways. Staff were very positive about progression options for students, including additional provision at Fraserburgh and they felt more confident advising students about internal college progression.

14. The partnerships that exist between schools, college, universities and employers in the region are being enhanced further as a result of the joint approach being taken in Developing the Young Workforce. A key aspect of this work is the joint development of a 'Regional Pathways Map' that clearly identifies the full range of progression routes available through school, college, university and employment.

15. Students are benefitting from standardised and improved articulation arrangements with Universities, which are made more desirable, feasible and manageable with the increased scale of the new College and the further strengthened relationship with Robert Gordon University in particular. The College currently has articulation agreements in place with eleven universities.

In AY2014-15, 490 students progressed to university.

16. The College has acknowledged that following the merger there was a reduction in some aspects of student attainment in AY2014-15. In particular, successful completion for full-time FE courses fell from 64% to 62% following a number of years of steady improvement. The College believes that this could have been caused by a combination of changes to regional curriculum programmes, changes to key processes such as student support which led to delays with payments and changes to staffing and structures in year (some of which were not linked to merger) which led to some staff redeployment. In our discussions, students in Fraserburgh reported difficulties associated with losing teaching staff in year. The College is confident of recovering attainment in AY2015-16 and believes this is partially substantiated by their early retention figure for AY2015-16 which it reports, shows improvement on last year.

Improved delivery of skills at a regional level

17. The merger has resulted in a single College which aims to deliver coherently across the North East, working with two Local Authorities, Aberdeen & Grampian Chambers of Commerce, Opportunity North East (ONE) and two Universities. There was good evidence from the College to confirm improved and more effective partnership working and collaboration opportunities as a result.

18. Since merger, the College has consolidated employer engagement approaches of the two legacy colleges. Business Development staff acknowledged that employers welcomed having a single point of contact across the region, although single pricing across the College (with the effect of increasing some training costs at Fraserburgh) had been less popular at Fraserburgh.

19. The College has used its increased scale to take a lead role in the region. The Principal and Executive team represent the College on the key regional stakeholder groups and the College is the host organisation for the region's Developing the Young Workforce Group.

20. Dialogue between the College, Robert Gordon University, and Skills Development Scotland has also led to an agreed phasing of work to develop an integrated apprenticeship framework across North East Scotland. This work will result in the development of both Foundation and Graduate Apprenticeships and related pathways in a way which is scalable, well informed by stakeholder need and connects into related developments elsewhere in Scotland. Engagement with employers and sector skills councils will help to identify priority subject areas, and the knowledge, skills and capability required in each subject area at foundation and graduate level.

Financial efficiencies and savings

21. Prior to merger the financial position of the two legacy Colleges was considered to be secure. The merger business case assumed reductions of between 10% and 20% in management, teaching and support roles. The College anticipated these savings would be delivered through a voluntary severance scheme, which the Council assisted with a grant of £2.9 million.

22. In total, the College has reported that to date it has reduced staffing numbers by 76.2 FTEs (101 headcount) with recurrent payroll savings of £3.8m.

23. Further recurrent savings of £0.1m have also been achieved through the introduction of single contracts for a range of services to cover all campuses.

24. The following table provides a more detailed breakdown of the recurrent savings delivered to date.

North East Scotland College merger savings		
Staff savings		
FTE Pre-merger (July 2012)	605.9	
VS departures (FTE)	-76.2	
FTE at July 2015	532.8	
Total staff cost savings		**£3,800,000**
Other savings to date		
Contracted services	£100,000	
Total		£100,000
Total savings to December 2015		**£3,900,000**

Effective leadership and governance

25. The governance structure of the new College was established early in the merger process. A Regional Partnership Board was formed in January 2013 to ensure effective planning and preparation for the merger. At the time the new Board of Management was created it comprised of eight members from Aberdeen College and four members of the Board of Banff and Buchan College. The Board was subsequently subject to a reappointment process. The composition of the current Board is 10 (56%) males and 8 (44%) females.

26. A Principal Designate was appointed in May 2013 and this appointment accelerated merger preparation and planning. The appointment of the new SMT was also in place before the 1 November 2013 vesting day. A revised SMT took effect from spring 2015 when three members of the team left. At that time the College took the opportunity to revise the structure of the SMT. The

current team has settled into their respective roles well.

27. We found the Chair and Board members to be dedicated, experienced and supportive of the College executive and the merger process. It was evident from meeting we had with them that the Board work well together and have a shared vision for the new College.

28. The Board has promoted stronger partnerships and effective links with employers and universities. Current Board membership strongly reflects the priority given to those relationships.

29. Since establishment, the Board has aligned its self-evaluation activities with areas identified within the Code of Good Governance for Colleges. In our discussions, the Board highlighted it is not complacent about governance and continues to reflect on best practice elsewhere to ensure arrangements are fit for purpose. A Governance Steering Group has been established to further improve arrangements.

30. Board members also stressed to us the crucial role of the Secretary to the Board, which has worked particularly effectively. Board members also spoke of the high quality of reports provided to the Board.

31. We found the Chair and Board members very supportive of the Principal and SMT. The relationship between the Chair and Principal is particularly effective. Board members highlighted the open nature of interactions with the SMT and College staff, and described how the Committee system plays a key role in ensuring the SMT is engaged with the Board and the Board is assured that the College is on track. The Board and College are very clear on what are operational issues and what are governance issues.

32. Both the SMT and Board felt that the College had effectively completed the merger process and regarded the two-year evaluation as a final milestone.

Communications and engagement

33. The SMT and Board have clearly placed high importance on communication and engagement with staff, students and stakeholders throughout the merger process.

34. Our discussions with staff suggested that the College had communicated new developments through a variety of channels. Positive feedback was received in relation to staff briefings and the visibility/accessibility of the Principal and SMT. The Principal’s monthly update was regarded positively. Generally, staff felt that high-level merger communications were effective and they were adequately consulted throughout the process.

35. Managing staff expectations and addressing negative attitudes of some staff was highlighted by the College in its self-evaluation as a significant challenge. We had experienced some negativity from some staff at Fraserburgh during the six-month post-merger evaluation. However, the staff we spoke to during our two-year evaluation were generally much more positive.

36. Staff advised that cross campus collaboration is happening but is understandably limited by the distance between campuses. Teaching staff in Fraserburgh felt they had benefitted from engagement with new colleagues with more expertise available. Some staff reported that the 82 mile round trip between the Fraserburgh and Aberdeen campuses was burdensome and time consuming. Nevertheless, there was broad acceptance that travel was an essential element of (some) jobs at a multi-campus institution, and that the College had done its best to mitigate the impact of this on staff. Staff reported that they were given a guarantee that they would not be compelled to travel as a result of the merger and staff advised that this assurance has been kept.

37. Communications with external stakeholders, including local politicians, have been well-managed and the College has worked hard to maintain good relationships even where individuals have taken a firm standpoint against merger. Engagement with key stakeholders has helped to dissipate any further negativity. Staff reported that stakeholder engagement had also been simplified and improved as a result of the merger and that the College's stakeholder engagement was now regionally focused.

38. Employee relations throughout the merger were positive and the Principal and Vice Principal Human Resources meet regularly with the Local Joint Negotiating Committees.

Organisational development and culture change

39. Before merger Aberdeen College and B&BCFE were very different institutions with Aberdeen College four times the size. Management approaches, culture and ethos also differed between the colleges. Staffing in B&BCFE was much higher proportionate to the volume of activity than was the case at Aberdeen College, and for that reason (amongst others) B&BCFE staff were in almost all cases paid considerably less than their equivalent at Aberdeen College. These cultural and operational differences required sensitive handling by the College.

40. The SMT indicated that the process of restructuring and harmonising terms and conditions happened quicker and more smoothly than the College anticipated. Harmonisation was completed by February 2015 for management, academic and support staff. The SMT considered this to be a key step in the merger. Prior to harmonisation there was a significant pay differential between staff in Aberdeen and Fraserburgh and the college felt it would have been divisive for

that situation to continue. Staff acknowledged that terms, conditions and remuneration remained amongst the most competitive in the sector.

41. The SMT and Board 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. Staff reported that there was improved visibility of managers at Fraserburgh and the Principal was viewed as prompt and effective at responding to issues raised.

42. The College introduced a programme to implement and embed the new Vision and Values entitled ‘One College’. Three key projects strands were identified: Communication; Integration/Implementation; and Leadership. Work against each of these strands continued through AY2015-16.

43. Most staff we met considered the merger had been quick, challenging but ultimately successful, with good progress made towards a ‘One College’ culture.

44. More staff are involved in cross-campus collaboration, interaction and communication, which is helping to develop a ‘One College’ mind-set in staff. Staff noted the benefits of sharing best practice and resources, opportunities for progression and to work across campuses. Some lecturers work across campuses but this is optional.

45. Staff reported that while distance maintained a feeling of separateness between Fraserburgh and Aberdeen, operational differences between the campuses of the merged Colleges were disappearing over time.

46. The work that the College has carried out to develop the culture and create ‘One College’ through the embedding of the new Vision and Values has been evidenced by the accreditation of Investors in People Silver Standard in November 2015. The College is now working towards Gold accreditation.

Systems development integration

47. The College has acknowledged that the work carried out in AY2014-15 to create a single IT platform caused some initial problems. We heard from students and staff of issues last year with the new student funding system, as a result of which payments to some students were delayed.

48. The College reports that IT systems are now working much better than in the previous year, but acknowledged that there are still some minor recurrent issues that affect both staff and students which need to be addressed. Support staff reported that there was now a better understanding of systems.

49. During the two-year evaluation students reported that post-merger IT issues had largely been resolved but both staff and students raised concerns regarding

VC facilities and ongoing IT support for new initiatives not directly linked to merger such as ‘Bring Your Own Device’.

Student engagement

50. The College has well-established processes for gathering learner feedback including surveys, class representative processes, focus groups and student-led quality reviews.

51. The Students’ Association currently has two sabbatical officers, supported by 13 volunteer officers at Fraserburgh, and eight at the College’s Aberdeen campuses. The two Students’ Association Presidents are members of the College Board of Management. The Students’ Association is also represented on the Board’s three Standing Committees: Learning & Teaching and Student Services Committee; Finance and General Purposes Committee; and Human Resources Committee. A Students’ Association Manager has been appointed to support the Students’ Association.

52. In our discussions with students, we noted that they were generally aware of their Students’ Association, but engagement has been limited to date. Students reported that the relative isolation and small size of the Fraserburgh campus gave it a stronger sense of community, with students engaging more with the Students’ Association. The Students’ Association identified that raising its profile amongst students and staff is a key priority.

53. Following the six-month post-merger evaluation we encouraged the College to support the development of the Students’ Association into a stronger, more effective body. At that time, the Students’ Association sought greater clarity in decision making and linkages with the Senior Management team along with, greater autonomy, support and access to funds. In our more recent two-year evaluation discussions, the Students’ Association reported similar concerns as well as suggesting that some staff were openly hostile to the Association or did not see the importance of the association in supporting the improvement of the student experience, viewing it as a largely a social organisation.

54. The College is currently working with the Students’ Association on the arrangements for AY2016-17 to ensure that there is a structure and support in place, and a way of working that best meets the needs of the students going forward.

Financial management

55. Financial management is regarded as strong with appropriately qualified and experienced staff coping well with the increased reporting demands consequent to the reclassification of the College as a public body by the Office for National Statistics (ONS) with effect from 1 April 2014. A clear financial

strategic direction is incorporated within the college’s 2015-2018 Strategic Plan with five objectives articulated under Strategic Aim 3 “To achieve maximum impact from the available resource”.

56. NESCol has been a good performer in terms of finances, achieving a near break-even position for the period between merger and 31 March 2014 after adjusting for exceptional items such as £13,175k donation to an Arm’s Length Foundation (ALF) (representing the accumulated surpluses of the college and which have subsequently been used to fund improvements to the college estate). For the 16 month period between 1 April 2014 and 31 July 2015 there was an underlying surplus of £137k after adjusting for an £880k donation to an ALF and use of depreciation cash funding to make advanced pension contributions of £1,028k. The College has a strong Balance Sheet including healthy cash holdings. The College is assessed as being financially sustainable in the long-term.

57. In our discussions with the SMT and Board, the College highlighted that forecasts for commercial income from the Oil & Gas sector are down to half of what it was when the market was buoyant. The College is looking to diversify commercial income streams into other areas such as Construction.

58. Furthermore, the SMT and Board made it clear that delivering the same level of activity with fewer staff and less income will be unsustainable and that the learner experience will be impacted if this trend continues.

Conclusion

59. SFC considers that this merger can be regarded as very successful, particularly in terms of the progress made by the College in creating a ‘One College’ culture; reducing duplication and competition, making good use of existing resources across the region, focusing on front-line delivery and the student experience, delivering a regional curriculum; developing improved pathways for students; developing stronger and effective regional engagement, and delivering efficiency savings.

60. 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 future progress through the normal Outcome Agreement process.