UHI NWH MERGER TO VESTING: END OF PROJECT REPORT

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Table of contents

TABLE OF CONTENTS 2
1 EXECUTIVE SUMMARY 3
1.1 Scope 3
1.2 Main Findings & Recommendations 3
2 BACKGROUND 5
2.1 Project Funding 6
3 PROJECT OBJECTIVES 7
4 OUTCOMES 7
5 TEAM PERFORMANCE 14
6 FOLLOW-ON ACTION RECOMMENDATIONS 14
7 LESSONS LEARNT 18
7.1 Support for Merger 18
7.2 Leadership 19
7.3 Financial Scrutiny 19
7.4 Merger Budget 20
7.5 Governance Arrangements 20
7.6 Project Resource & Staff Capacity 21
7.6.1 Merger Programme Director 21
7.6.2 Senior Management 21
7.6.3 Workstreams & College Staff 22
7.6.4 Data 22
7.7 Legal Framework for Merger 23
7.8 Risk Management 23
7.9 Communications 24
8 RECOMMENDATIONS 25

1 Executive Summary

On 1st August 2023, UHI North Highland, UHI Outer Hebrides and UHI West Highland merged to form UHI North, West and Hebrides. The aim of the merger was to create a single institution which was more resilient, efficient and financially sustainable. The merger was deemed a success in meeting its goal of creating a single institution, and is now in the process of re-designing the newly formed organisation to become a financially sustainable, regional tertiary institution within the UHI partnership.

This end of project report covers Phase 2 of the merger implementation project: from Sep 2021 to vesting on 1st Aug 2023.

1.1 Scope

- **Background** - The outline rationale for the merger, from the Full Business Case (FBC)[1].
- **Project Objectives** - The project objectives required to deliver the merger, and the background to how the project was funded.
- **Outcomes** - A comprehensive summary of project outcomes in terms of Governance and Legal activity, plus a description of the college workstreams and their outcomes. The workstreams were working groups formed to oversee merger preparations across each main function, spanning the 'delivery' functions (Curriculum, Research & Knowledge Exchange and Business Development) and all the 'enabler' functions (Finance, ICT etc).
- **Team Performance** – An assessment of the project team's effectiveness, drawn from the findings of the project Lessons Learnt review.
- **Follow-on Action Recommendations** – A summary of the main projects required, post-merger, to complete the integration of the new College's organisation structure and operational delivery practices.
- **Lessons Learnt** – The main findings and feedback from the project Lessons Learnt review. The review was conducted on the process to merge and this report highlights the distinct challenges and successes which could be drawn as lessons learnt and applied across wider institutional reform within the UHI partnership.
- **Recommendations** - For consideration when undertaking merger activities or other partnership-wide integration and institutional reform programmes.

1.2 Main Findings & Recommendations

The summary of findings and recommendations overleaf portrays an objective assessment of the overall

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[1] Merger proposal and business case (uhi.ac.uk)

project's performance to create a new merged college, which is to be expected given that the feedback was based on hindsight and reflection of what went well and what didn't. However, to maintain perspective, we must not lose sight of the fact that this project achieved the unprecedented feat of successfully merging 3 different colleges into one on the 1st August 2023, with 9000 FE, HE and PG students, and over 600 staff at 19 sites across a vast geographical area in the Highlands & Islands.

The vast majority of the staff involved had not been involved in college merger situations before, so the fact that a merger of this scale was delivered successfully whilst also maintaining full services to all the students, is a huge testament to the hard work, tenacity, teamwork and ambition of all involved.

The main themes of the findings and recommendations focused on the following requirements:

- It is essential to have clarity around the Governance structures and clearly defined roles regarding how the legacy college Boards, Partnership Board, Transition Board and Local Advisory Committees operate and collaborate, and how they prevent duplication and siloes. *This aspect was partially successful in this project.*

- Standardised financial formats are vital across the merger partners at the outset, due diligence must include a forensic financial analysis of all partners to identify unforeseen risks, and partner college boards must maintain thorough and ongoing financial governance throughout until vesting day. *These aspects were not very successful in this project.*

- If one of the merger colleges is a non-incorporated entity then additional legal costs and management time will be incurred by the legal processes required. *This aspect was not very successful in this project.*

- It is essential to maintain continuity of key project staff. The merger programme director was reassigned to another UHI programme part way through the project and not replaced for 8 months, which had a major impact on programme efficiency. *This aspect was not very successful in this project.*

- Staff struggled with the capacity to manage their primary role and then undertake merger preparation work on top of that. Standard Terms of Reference for workstreams would help them to prioritise efforts and hit the ground running; and a model of assigning a small number of college staff to full time rotations in the 'college merger team' would mitigate everyone having to 'wear more than one hat'. *The staff workload aspect was a particular issue for this project.*

- Funding of T&S to enable staff in workstreams to meet in-person is essential because it will accelerate merger outcomes by enhancing collaboration and building trust and shared culture. *This aspect was partially successful in this project.*

- There must be a targeted region-wide engagement and consultation with staff, students, stakeholders and communities to validate the Full Business Case and to gain widespread support for the merger. *This aspect was very successful in this project.*

2 Background

In early 2021, the boards of management at the UHI North Highland, UHI Outer Hebrides and UHI West Highland colleges commissioned a review into their long-term strategic future. All three colleges faced similar challenges in their rural and island contexts, including: student recruitment, funding cuts, declining youth demographic, similarity in curriculums, lack of capacity to respond to regional opportunities and a requirement for estates investment. These challenges were exacerbated by the Covid-19 pandemic, Brexit and the cost-of-living crisis.

A Partnership Board was formed in September 2021 to formally explore the option of merger. An initial consultation took place with staff, students, and the public in early 2022 and feedback supported the development of the full merger proposal and business case which was later published on 8th August 2022.

The Full Business Case (FBC) outlined the role of the merger, which was to create a single institution within UHI and the region, supporting 9000 students and 600 staff across 19 rural and island campuses and learning centres in the Highlands, Skye, and Western Isles, whilst creating a more positive, resilient, efficient and financially sustainable organisation.

The FBC contained the following themes to underpin the merger's aims and aspirations:

An anchor institution for the region: the merged college will play a key role in driving economic renewal and transformational change through education, research, upskilling and reskilling.

Collaboration for resilience and sustainability: by pooling resources, building collective teams/services and the sharing of expertise, we will become a more resilient and financially sustainable organisation.

Innovative tertiary education: we will deliver an accessible and coherent tertiary curriculum to support the development of skills across our region, demonstrating positive student outcomes and maximising accessibility and value for money.

Excellent student experience, invested in place: we will align with the diverse needs of current and future students and employers ensuring we enhance our models of face-to-face learning, blended learning, and online learning.

Thriving communities and place: we will develop and implement a regional estates strategy that will continue to invest in state-of-the-art facilities, tailored for community use and the changing needs of our student body.

Enhanced research activity, connections, and knowledge exchange: we will increase and strengthen the research culture within the merged college and impact this has on our region, with greater opportunities for staff and students to become research active through strengthening current specialisms and coordinating our teaching effectively.

Impactful economic investment: we will collaboratively develop and maintain a portfolio of commercial and consultancy offers that are relevant and responsive to the needs of both private and public organisations in key economic sectors across our region.

Enabling our region's culture through Gaelic language, regional dialects, and Nordic cultures: we will continue to work with national Gaelic agencies to take a stronger role in supporting the development of Gaelic teacher education and through development of online and blended delivery programmes ranging from short courses to full online degrees.

From publication, the FBC underwent a further full 10-week public consultation culminating in unanimous agreement by the boards of management at UHI North Highland, UHI Outer Hebrides and UHI West Highland in November 2022 in favour of merger. The merger proposal and FBC were submitted to the Scottish Funding Council (SFC) and approved by Graeme Dey MSP, the Scottish Government Minister for Higher Education and Further Education, Jenny Gilruth MSP, Cabinet Secretary for Education and Skills, and ratified through the Scottish Parliament in June 2023.

The legal process to transfer UHI Outer Hebrides and UHI West Highland into UHI North Highland to create a single, new incorporated college followed - and **UHI North, West & Hebrides** legally vested on 1st August 2023.

2.1 Project Funding

The SFC agreed to fund £0.86m of revenue costs borne by activity to bring the college to vesting through several workstreams and included resourcing the role of Merger Programme Director, backfill for staff associated with the activities required and to fund new systems and communications materials. This funding was secondary to that of the initial phase of SFC funding of £0.6m to write the FBC. UHI agreed to make in-kind contributions to fund the activity of up to £0.125m.

The risks to the project were significant with financial and reputational damage a concern to UHI and the individual colleges if merging did not occur. Continued pressure on public funding, flat-line budgets, further inflationary rises in costs and state of the wider global economy led to reduced budgets across the three colleges. Merging presented a potential for cost savings as duplication at all levels could be reduced and the risk of potential under-achievement of recovery by individual colleges. Other risks to non-merging included a lack of growth: in student numbers, curriculum provision, skills development, research, areas of excellence, estate/infrastructure, and internationalisation.

Merging was expected to identify significant cost savings through rationalisation and efficient use of systems, processes, and a reduced number of executive and board roles. Once fully merged and integrated, teams were expected to have increased capacity enabling a joined-up approach by diversifying and rationalising the curriculum and thereby increasing resilience and becoming a tertiary education provider for the whole region.

3 Project Objectives

The UHI Transformation Team managed the merger programme and its subordinate projects on behalf of UHI and the merging colleges. The objectives for the programme up to and including vesting day were:

- Managing the programme of activity to create a successful merger.
- Liaising with regulatory stakeholders (primarily Scottish Government, Scottish Funding Council, Regional Strategic Body (UHI)).
- Reporting to and assisting legacy and transition boards and the interim executive leadership team.
- Managing the SFC Phase 2 budget.
- Co-ordinating legal process to merge and liaising with legal advisors.
- Assisting communications with staff and stakeholders.
- Co-ordinating and supporting internal workstreams.
- Supporting specific workstream projects eg single policy development, records management plans and HR/payroll procurement project.

The activities required to deliver these objectives are described across sections 4 to 7 of this report. All objectives were successfully completed.

4 Outcomes

In addition to the work by the interim Executive Leadership Team (ELT) and UHI Transformation Team to oversee the planning and delivery of the merger, cross-college merger workstreams were established to take forward critical processes and systems to support a seamless transition for staff and students on vesting day and to develop the merged college's initial strategies. Composition of the workstreams deliberately included representation from management and operational staff across each of the 3 legacy colleges.

The workstreams and their main activities are summarised in Table 1, overleaf, along with an overview of the workstreams' status immediately post-vesting.

Table 1 – Workstream Outputs

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
Legal	Full legal transfer between Lews Castle College (UHI Outer Hebrides), West Highland College (UHI West Highland) and North Highland College (UHI North Highland) achieved.	Operational as *UHI North, West & Hebrides* with effect from 1st August 2023.
Governance	A Partnership Board was established in September 2021 to ensure effective governance arrangements in working towards the creation of a merged college, with delegated authority from the Boards of Management at UHI North Highland, UHI Outer Hebrides and UHI West Highland. Membership of a Transition Board was drawn primarily from current college board members, with additional members recruited. The Transition Board became the new college's Board of Management on vesting date and will oversee key functions including learning and teaching, finance and audit, estates management, human resources and organisational development.	NWH Board of Management in place and operational.

Finance	• Scoping, procurement and implementation of one finance system
	  ○ With a link to HR/Payroll system and implementation of one pay date across the merged college
	  ○ Accounts, budgets and banking
	• Updated process for managing student finance
	• One approach to financial reporting and external/internal audit
	• Review of policies and procedures and implementation of single policies for merged college
	• Review of resource contracts and transfer of contracts
	• Review of leases and transfer of leases / property
	• Review VAT procedures and implementation of one process (including HMRC VAT procedures)
	• Insurance transfer
	• Review of terms of North Highland ALF and suitability for merged college
		• Standardised policies, regulations and processes implemented
		• Overseen by Board of management's *Finance & General Purposes* and *Audit & Risk Management* committees
		• HR/Payroll standardisation is subject to wider UHI's future plans in this area

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
	• Analysis of bank loans and recommendations for re-financing/payment • Updating of merged college financial model	
Curriculum	• Mapping of non-FE/HE provision across merging organisations to identify complimentary disciplines, areas of overlap and to help with Student Records workstream • Confirm curriculum approval routes and processes for the merged college • Confirm online course listings and standardise offerings for 2023/24 year including short course offering / third trimester courses • Operationalise learning and teaching strategies • Review curriculum policies and standardise for the merged college. • Review accommodation for 2023/24 learning and teaching with Estates workstream • Confirm Academic Calendar	• Courses agreed for AY23/24 • Curriculum Review and Delivery Plan completed to create single college curriculum offer for AY24/25 • Will be followed by 3-yearly curriculum review cycle • Overseen by Board of management's *Learning, Teaching & Research* committee • Further consolidation and innovation will be pursued once the organisation restructure is complete
Research and Knowledge Exchange	• Research and Knowledge Exchange Strategy • Implementation of regular meetings of overarching Research and Knowledge Exchange Committee • Implementation of merged college application and approval process for research grant applications • Implementation of mentoring scheme for early career researchers	• Research and Knowledge Exchange Committee continues to oversee joined up approach • Overseen by Board of management's *Learning, Teaching & Research* committee • Programme Board process implemented for Board-level approval of high value projects
Business Development	• Standardised processes for marketing, costing, planning and delivering commercial courses across merged college • Review of apprentice provision and processes • Training programme for how to commercialise courses • Implementation of Customer Relationship Management System • Identification of courses that could be multi-location / delivered in more locations by the staff we have • Standard process for workforce development fund	• Development of non-SFC income generation strategy and plans underway • Overseen by Board of management's *Finance & General Purposes* committee • Further consolidation and innovation will be pursued once the organisation restructure is complete

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
People and Culture	• Implementation of new HR system – staff records, leave management, performance management, training and sickness reporting • Policy and process for expenses • Implementation of a Payroll system, alignment of pay dates with Finance workstream • Implementation of new Staff Handbook • Drafting of new contracts and confirmation of merged college salary scales - Professional Services and Academic • Policy alignment • One academic calendar and closure days with Curriculum workstream • To define how the merged college will work alongside the Unions and implement a partnership agreement	• Post-merger the majority of the HR department's effort is focused on Organisation Design, the corresponding Collective and staff consultation processes, which then leads on to implementation of the restructure by end of AY23/24 • Overseen by Board of management's *HR* committee
Gaelic	• Compile Gaelic Language Plan (GLP) and Strategy, for approval by College Board and by Bord na Gaidhlig • Operationalise Gaelic language strategy & plan	• Staff consultation completed on GLP • Approved by the Board • Public consultation in progress on GLP • Under review with BnG
Marketing & Communications	• Development and launch of merged college website • Engagement with UHI Web Team and subsequently workstreams to transfer content from existing websites, create new content and design new website • Coordinate merged college name and branding • To set up new internal communications space (SharePoint/intranet) and strategy • Coordinate Merged College launch	• Single website and consolidated social media accounts all implemented • AY23/24 promoted, and preparations for AY24/25 aligned to Curriculum Delivery plan • Further consolidation and innovation will be pursued once the organisation restructure is complete
Quality & Planning	• Engagement with awarding bodies to notify them of merger and receive instructions for any changes required • Initiating changes to comply with awarding bodies' requirements • Creation of single set of policies, procedures and forms • Complaints policy	• Standardised policies, regulations and processes implemented • Overseen by Board of management's *Learning, Teaching & Research* committee

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
	• Curriculum approval process with Curriculum workstream • Survey processes • Reporting processes and supporting updates to the student record	• Further consolidation and innovation will be pursued once the organisation restructure is complete
Student Experience	• Development of new application form and process for 2023/24 academic year • Review of business processes/team structures to facilitate alignment of Student Services/Records/Registry • Building on existing shared services to identify opportunities for improvement and new ways of working • Business planning to ensure merger does not lead to disruption of student support services (e.g. student finance) • To ensure all staff have access to all relevant SITS records through the AAM • To combine safeguarding records into one process and agree a lead for safeguarding • To define how the merged college will work alongside HISA and implement a partnership agreement • To update single policy environment for the Merged College • Agreement with UHI student support funds for merged college • Implementation of Target Connect by UHI	• Standardised policies, regulations and processes implemented • Overseen by Board of management's *Learning, Teaching & Research* committee • Further consolidation and innovation will be pursued once the organisation restructure is complete
Safety	• Compile single college H&S and Fire Safety policies for Board approval • Standardise Safety management and reporting using Riskex • Develop single college risk-based processes for Safety management, working groups, staff and students	• Standardised policies, regulations and processes implemented • Safety Steering Group established; H&S, Fire Safety and Workplace Stress WGs established • Further standardisation and staff training will be implemented once the organisation restructure is complete

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
ICT & Records Management	• Project planning with UHI Learning and Information Services (LIS) to identify and mitigate risks of disruption due to username changes on merging • Scoping of single ICT service • New sign-on for all staff • Transfer of contracts for ICT services • Implementation of new contractual arrangements where required (i.e. shared service with Inverness) • Creation of merged college SharePoint site • CELCAT – to ensure access across merged college to book across the partnership • Scoping for requirements for a shared H&S system with Human Resources workstream • Scoping for requirements for a shared HR system with Human Resources workstream • Scoping of requirements for a shared finance system with Finance workstream • Cyber security policy and processes	• Single format of NWH staff IT accounts and operating system builds implemented • Audit of hardware assets completed • Standardised policies, regulations and processes implemented for both ICT and Information Governance • Further consolidation and innovation will be pursued once the organisation restructure is complete
Estates & Facilities	• Scoping of requirements for in terms of maintenance, compliance, health & safety, vehicles and carbon management • Identification of opportunities for single contracts relating to estates and facilities • Identification of preferred option for health & safety monitoring and compliance system with Human Resources workstream • Confirm responsibility for pulling bids together for the merged college / capital investment plans • Confirm processes for external bookings • Implement strategy for carbon management and net zero • Implement strategy for standardisation of provision across the merged institution spaces	• Legal audit of owned and leased properties completed – status of Barra property to be resolved • External UHINWH signage implemented • Planned contracts, frameworks and Capital works reviewed and consolidated into single college and single budget model • Further consolidation of maintenance, sustainability and vehicle plans and processes will be pursued once the organisation restructure is complete

Workstream	Objectives/Status in this period (pre-vesting)	Expected Status for the next period (post-vesting integration)
	• To ensure all necessary contracts transferred or assigned 01 August 2023	• Strategic estates review to be carried out to support curriculum, research and commercial delivery plans

5 Team Performance

The project team consisted of UHI staff - the Merger Programme Director, Transformation Team Director and several members of the Transformation Team – supported by colleagues from the wider legacy college partnership. The Merger Programme Director was reassigned to another UHI programme part way through the merger process and was not replaced for several months. Other members of the Transformation team did fulfil part of this role and legacy college senior management played a more critical role in leading the project to a conclusion.

During the lessons learnt review, the Transformation Team were praised and referred to as 'exceptionally good' with contributions, support and interventions from the senior management as essential. The role of the Merger Programme Director was noted as a critical driving force for the project, able to provide overall coordination for the project and ensuring the essential support, drive, clarity, and ownership of the project at a strategic level. Comments from the review also praised the diligence, commitment and work ethics from individuals within the project team.

Following the departure of the Merger Programme Director part-way through the project it was noted that continuity was lost, and it was seen as detrimental to the project and led to a budgetary impact due to the additional resource required. The loss of this role required significantly more input and direction by senior management for the overall project and further repurposing around roles and responsibilities for the remaining team members.

6 Follow-on Action Recommendations

Table 2, overleaf, summarises the post-vesting integration projects that need to be progressed through the next phase of the programme.

Table 2 - Follow-on action recommendations

Project summary	Owner
Organisational Design: *The purpose of the OD project is to design, implement and populate an organisational structure for UHI NWH that is optimised to the delivery of its strategy and goals.* The project encompasses restructuring three legacy college structures to form a single NWH organisation structure. The intention is not simply to amalgamate the 3 legacy structures into one: instead, the project seeks to consolidate and innovate. In addition to designing an organisation poised to exploit strategic opportunities near and far, it also needs to adapt to the staffing changes resulting from the Voluntary Severance Scheme, which is essential to the affordability of the organisation.	UHINWH Principal & Chief Executive, supported by: • UHI OD and Programme staff • UHINWH HR Director • UHINWH interim exec team
Curriculum Review: *The purpose of the Curriculum Review was to produce a single UHI NWH Tertiary curriculum offer that fulfils the objectives of the College's Curriculum Strategy.* The project created a unified curriculum offer for 2024/2025, aligned with the outcomes of the UHI 2024 HE curriculum review, by focusing on: • new curriculum for 2024/25; • underperforming curriculum; • harmonising and optimising course delivery approaches; • courses/programmes with multiple qualification types at the same level, eg NQ, NC, SVQ. The review process aimed to enable the delivery of quality, affordable curriculum that meets market demand. Having finalised the curriculum offer for 24/25, in its next phase the Curriculum Review will adopt a 3-year planning and review cycle.	NWH interim Vice-Principal (Academic), supported by interim Director of Curriculum

Project summary	Owner
Integrated Operational Delivery: *The Integrated Operational Delivery project aims to develop and implement effective, modern and unified systems of work across all College functions.* The approach taken was intended to enable delivery of all functions as far as possible on a 'one-team' basis, rather than operating 3 sets of legacy processes and priorities. The project provided interim operating models – splitting functions into *Operational Delivery Groups* with Terms of Reference, Operational Plans and an Integration Maturity model - that enabled staff to conduct operational delivery and post-merger integration work together within an overall matrix management approach. This approach will be superseded by implementation of the finalised organisation structure design.	UHINWH Principal & Chief Executive, supported by: • UHI Programme Director • UHINWH Operational Delivery Group leads
Performance & Planning strategy: Original post-merger programme plans included the development of a *Benefits Management strategy* that would provide an overarching framework to ensure the Programme realises strategic benefits for the College's stakeholders, and in doing so, provide a guiding reference for College performance management. However, as the overall integration programme has evolved post-merger, especially in terms of Organisation Design, this project's scope has been changed. The draft organisation features a new Performance & Planning department which will be responsible for College-wide quality, compliance and business improvement activities. The department would lead standardisation and co-ordination of college-level strategy and plans, risk & opportunity management, performance management (ie KPI framework); and it would oversee academic quality assurance and enhancement as well as function-wide Total Quality Management, Information Management, Information Governance, Gaelic plans, Safety, Sustainability, Safeguarding and EDI. *Therefore, the project aim has been revised to draft an outline strategy and high-level plan for the embryonic department to take forward into Year 2 (AY24/25) and onwards.*	UHINWH Principal & Chief Executive, supported by: • UHI Programme Director • UHINWH interim exec team

Project summary	Owner
Impact Assessments: UHINWH has students, staff and facilities in many island communities, in the areas covered by the legacy UHI Outer Hebrides and UHI West Highland colleges. These communities come under the auspices of the Islands (Scotland) Act 2018 and the associated requirements for Island Communities Impact Assessments. The business case for merger recognised the fragility of the UHINWH rural and island communities and does not include plans to remove services in the Outer Hebrides. This was supported by an Equality Impact Assessment, which identified the repeated commitment to rural mainland and rural island communities. Under the Act, UHINWH is not named as "relevant authority" legislatively required to undertake an Island Communities Impact Assessment (ICIA). However, as good practice the College has committed to carrying out its own impact assessments in year one, on Organisation Design and the Curriculum Review, and following the ICIA process, to ensure there is not a disproportionate impact on the island communities, and to ensure access to curriculum and opportunities for people living in rural island communities have been protected and enhanced.	UHINWH Principal & Chief Executive, supported by UHI Transformation Team

7 Lessons Learnt

The lessons learnt review evaluated the merger process across the period from the full business case approval on 8th August 2022 until vesting on the 1st of August 2023 to provide an insight into best practice and recommendations for any future mergers or major structural change.

Method

The process garnered opinion from key individuals in relation to 8 broad themes: Legal, Finance, Governance, Communications, External Factors, Leadership, Project Resource (including leadership and staff), and Technical. These interviews were undertaken with seventeen individuals including participants from the Transition and Partnership Boards, members of staff from the project team, communications and finance and leadership teams as well as independent members of staff.

The review interviews were held in confidence to enable interviewees to express their views freely. Those views and perspectives were documented separately and provided the evidence for the lessons learnt described in this section of the End of project report. The main findings and recommendations are detailed in the sections below which relate to the broad themes of the feedback received.

7.1 Support for Merger

From the lessons learnt interviews, many perceived the overall success of the merger was due to the support from legacy boards, staff, students and communities.

During the initial stages of the merger the legacy college boards unanimously supported the merger and voted to form the merged college in Nov 21. As a result, the FBC was developed which involved significant consultation with staff, students and the wider communities. The FBC, once submitted to Scottish Government was subject to further statutory consultation period of 10 weeks where the views of local stakeholders and communities were sought. After consideration of the consultation responses, the Minister for Further Education approved the merger. An Order, legislating for the closure of Lews Castle college (ie UHI Outer Hebrides) and its transfer to UHI North Highland was laid before Parliament on the 2nd June and came into effect on 1st August 2023. Along with the parallel actions to transfer UHI West Highland across also, this allowed the merger of the 3 colleges to proceed.

Without the widespread support of the legacy Boards, staff, students and local communities the merger would not have been successful. Securing this support was due to the wide consultation exercises with communities and staff during the initial stages of the merger process including local engagement sessions across the geographical area facilitated by the Programme Director and communications team. For future mergers, it is recommended that local stakeholder engagement sessions and targeted communication plans (students, staff, and communities) are essential to build positive, transparent and engaged relationships with stakeholders from the outset. Informal cross-college(s) relationships were essential to maintain and enhance support for the merger and that undertaking travel and in-person meetings throughout the geographical area were important for the success of the project to build trust.

7.2 Leadership

The FBC defined that "the merged college will require a leadership team who alongside our staff collectively define our new direction, structure and combined culture". Effective leadership and management were clearly critical to the success of the project to drive forward the merger, providing advice, guidance, and support whilst strengthening existing engagement and supporting the creation of the new partnership. It was noted during the Lessons Learnt process that the senior leadership for NWH and continuity of such leadership throughout the process were essential to the success of the project.

The appointment of the Principal Designate to the new merged college was key but this post was required in the earlier stages of the project to set clear strategic direction, therefore the process should be conducted earlier in the process for future mergers.

7.3 Financial Scrutiny

The FBC included a detailed projected income and expenditure analysis for the merged college, 2021-22 to 2027-28. All modelling was undertaken in October 2022 and reflected the flat funding, inflation and pay predictions known or assumed at that time, and with a caveat on their robustness given the challenges of preparing an accurate financial plan over a five-year period, particularly at a time of rapid change and pressure on public funds.

At the outset of the merger, there was limited financial staff capacity to dedicate to the merger project and an external consultancy support was engaged to support the process. Individual financial reporting and differing ways of assembling of budgets across the 3 legacy colleges impacted the consistency of the overall financial information relating to the merged college. The approved FBC 5-year projected model did not represent the actual legacy college budget outturns therefore this led to a lack of confidence in the merger, delays in signing off the transfer agreement by the Boards and further scrutiny by UHI and the SFC. The prevailing economic situation, which was significantly worse than anticipated led to the financial model and assumptions being inaccurate and significantly more due diligence being required for UHI, as the Regional Strategic Body (RSB), and SFC.

UHI, in its role as the RSB, needed to have a full understanding of current financial risks and opportunities pertaining to the partners prior to vesting. This meant that throughout the programme its was essential for the RSB to maintain a close working relationship with the legacy boards and transition board, which became especially pertinent as evolving financial risks were exposed close to vesting.

Overall, it was noted that the financial due diligence was not sufficient with the process focussing on a document review of accounts and contracts instead of a forensic examination of the finances of each merging college conducted 12 months before vesting. In parallel with this, it is vital that the boards of legacy college partners fully maintain the requisite governance and scrutiny of their college's financial performance throughout the entire merger phase until vesting is complete and the responsibility is assumed by the merged college board. There were specific instances where this was not maintained by all legacy partner boards.

Recommendations are that future projects require early identification of adequate and consistent resource to focus exclusively on the project with a standardised approach for financial reporting from the beginning of the process and all parties being accountable. This would ensure scrutiny and oversight is maintained over financial projections. In addition to robust financial information made available, the merging board and RSB should have a fully accounted and accurate understanding of the entire financial risks and opportunities prior to vesting.

7.4 Merger Budget

The SFC awarded the merger project £0.86m to fund the resource required to implement the merger, post development of the full business case. This funding was additional to the £0.25m Phase 1 funding which resourced the development of the FBC. The award provided the resources to deliver a merger within the budget and timeframes set out and agreed with the three colleges, the RSB and the SFC.

To ensure full utilisation of any externally funded resource, clear guidelines and expectations must be set and communicated to staff who are able to allow access to this resource and optimise its use, for example workstream staff were not fully aware of the Travel and Subsistence budget which could have allowed workstreams to meet in person more frequently. In future, travel expenditure should be budgeted to allow in-person meetings for new team building and collaboration across dispersed geographies and allow sufficient staffing resources to deliver the merger.

Overall, the SFC merger budget out turned with a slight underspend, with areas underspent in Travel and Subsistence, System Implementation costs and Communications costs. Within the budget there were discrete areas of overspend, mainly due to additional legal costs incurred because of the different legal vehicles of the three legacy colleges. The non-incorporated college, in this case UHI West Highland, accumulated significantly higher legal costs than that of the incorporated colleges due to the legal transfer process. It is recommended, for any further merger that consideration is given to the legal nature of transfer, and this is accounted for appropriately at the budget's proposal stage.

7.5 Governance Arrangements

A Partnership Board was established in September 2021 to ensure effective governance arrangements in working towards the creation of a merged college, with delegated authority from the Boards of Management at UHI North Highland, UHI Outer Hebrides and UHI West Highland. As the merger was approved by the boards of management at all three colleges in November 2022, the Partnership Board oversaw the appointment of a Principal Designate, Transition Board and Local Advisory Committees – one committee for each of the 3 legacy colleges' regions.

The Transition Board, an advisory board to the three legacy college boards, oversaw key functions including learning and teaching, finance and audit, estates management, human resources, and organisational development. On vesting date all three boards of management stood down and the Transition Board became the Merged College Board (on the basis that the conditions of Schedule 2 of the Further and Higher Education (Scotland) Act 1992 were complied with). On 1st August 2023, the

UHI Outer Hebrides Board ceased to exist and UHI West Highland, being unincorporated, continued as a shell company for 3 months until the legal formalities were completed.

An important prerequisite for merger success was the support of all 3 partners from the start. The three legacy partner boards were able to align their visioning early in the process with a strategic session which built relationships and set expectations. It is recommended that merging boards should conduct a visioning session early in the process, to acknowledge and understand the different cultures across the partnership and to set the strategy, align vision and to support building a merged culture.

Feedback throughout the lessons learnt review highlighted a general lack of understanding of roles and expectations of legacy boards and merging Board throughout the process including that of their membership. The Transition Board was not a legal entity, therefore it required full cooperation with the legacy boards for decisions up until vesting. Due to the lack of clarity on roles and relationships during this phase it became challenging to make decisions and close out issues. From the decision to merge, any impact on the following academic year or post-vesting period should be considered by a strategic board and corresponding decisions not made by legacy colleges in isolation.

For future mergers, it is recommended that board workshops are held to ensure members understand the nature of the merger, their roles, and their responsibilities. An alternative governance model could be retaining a Partnership Board with members from each legacy partner for the purposes of governance and decision-making providing clarity around the role of the Board.

7.6 Project Resource & Staff Capacity

7.6.1 Merger Programme Director

The Merger Programme Director role was considered vital to the initial progress of the merger and proactively managed the project timelines, budget, workstream outputs and delivery. During early 2023, following the reassignment of the Merger Programme Director to another UHI programme, the reduction in project management resource was clearly evident, with the corresponding period of reduced budget management causing additional expenditure and slippage, disjointed project management documentation and a lack of communication between key stakeholders.

Early establishment and continuity of a Programme Director role is considered essential for such complex change projects with a continuity plan put in place should the need arise to avoid single points of failure. The Programme Director should be experienced in large scale change programmes, diligent, collaborative and have exceptional personal drive and commitment.

7.6.2 Senior Management

In addition to the programme director role, a dedicated project team, supported by senior leadership is essential and should be established in the initial stages of the project with the clarity on roles and responsibilities outlined in a Terms of Reference (ToR). ToRs should include written agreements detailing how project management support would be provided throughout the various phases of the project and these commitments maintained. Continuity and dedication of these resources throughout

the project is essential thus maintaining the high level of support and clear direction required to deliver the project outcomes.

7.6.3 Workstreams & College Staff

As described in Table 1, workstreams were created to co-ordinate operational activities and decisions needed to ensure legal and operational readiness for 'Day 1', and these workstreams were made up of staff from across all 3 legacy colleges. However, it was a major challenge for staff - and for managers in particular - to support pre-merger preparation activities on top of their day-to-day college responsibilities.

An example of this was the reduction in staff capacity to focus on external collaborative and competitive opportunities. Any future merger activity should engage with and consult externally facing staff as appropriate but allow them to remain focussed on the external environment and continue to drive forward other opportunities for the new college.

There are 2 main aspects where it is recommended this could be done differently in future merger-type projects:

- Key roles within functional areas should be identified early in the process to be seconded full time to the change programme to allow dedicated resource for the project and allow the rest of the staff to focus on day-to-day college business. These roles should be filled on a rotational basis, eg 4-month secondments, to ensure that staff are not unfairly disadvantaged (or helped) by the process when it comes to the organisation restructure.

- The experience of the main activities that workstreams needed to undertake pre and post-merger should be distilled into general ToRs to help direct, prioritise and monitor all workstreams' progress – and to prioritise that work from the outset on 'Day 1 readiness'. In addition, specialist objectives should be agreed for each workstream to add to their ToRs; for example, the ICT workstream would need an objective to standardise all staff IT accounts ready for Day 1.

7.6.4 Data

Data was an essential resource for the merger programme, but inevitably all 3 colleges had previously managed their data in different formats and using different methods. Establishment of common data reporting requirements could have been created earlier in the process. Data was unable to be reported on in a consistent way to allow for accurate comparison between the legacy colleges, for example finance. In future programmes of this nature there should be an agreed consistent way of reporting early in the process to ensure the data is readily available in an appropriate format, and projects put in place to standardise data formats and sharing practices as early as possible.

7.7 Legal Framework for Merger

The legal process to merge the colleges was supported by Anderson Strathern solicitors. There were two different mechanisms for giving effect to the merger due to the different legislative framework of the institutions:

- Lews Castle College (UHI Outer Hebrides) was an *incorporated* college under the Further and Higher Education (Scotland) Act 1992; therefore, a Scottish Statutory Instrument (SSI) was laid in the Scottish Parliament to enact the necessary legislative changes to enable the transfer.
- For West Highland College (UHI West Highland) a contractual transfer for a *non-incorporated* college was required under the Companies Acts (Company number SC153921), and not under the education legislation.

The merged college UHI North, West & Hebrides legally vested on 1st August 2023 as a result of the Lews Castle College (Transfer and Closure) (Scotland) Order 2023 coming into force on 1st August 2023 and the transfer agreement between West Highland College, and the Board of Management of North Highland College which came into effect on 1st August 2023.

The review found that consideration had been given to the legal aspects to merge but the resource implications to manage this process was underestimated. The transfer of all assets and contracts via governmental transfer order from UHI OH to UHI NH was an automatic process on vesting due to them both being incorporated colleges, however for WHC, as a non-incorporated college, this involved the transfer of all assets and contracts via the development of a transfer agreement contain schedules listing everything to be transferred e.g. separate schedules for (a) heritable property; (b) leasehold property; (c) contracts to be assigned; (d) intellectual property rights to be transferred; (e) staff to transfer; (f) licences to be transferred; (g) databases in respect of which rights are to transfer; (h) moveable equipment to transfer.

Consequently, significant additional costs were borne due to the additional resource required to manage these transfer arrangements including significant additional legal costs to create and agree the transfer documentation.

It is recommended that legal advice and resources required to merge incorporated and non-incorporated colleges should be accounted for differently when planning any future merger due to the different legal processes required to transfer. As a result, project timelines, resource requirements and budgets need to accurately reflect these differences with significantly higher investment required for merging colleges with different incorporation status.

7.8 Risk Management

The Risk Register compiled as part of the FBC did not fully anticipate all external related factors which could negatively impact on vesting, such as potential delays due to external processes. As a result, potential delays in merger and the associated increased costs were not anticipated nor mitigated against. In future projects – *as far as practicable* - external forces need to be taken account of and their negative impact mitigated against; however it is recognised that the very nature of Risk Management

means that not all potential risks can be predicted, especially when they concern sudden national political changes.

7.9 Communications

The review feedback on communications throughout the project was overwhelmingly positive with reports that communications activity and direction was comprehensive, well targeted and to a considerable extent was the reason people supported the merger. A series of audience targeted communication activity within the overarching communications plan were considered effective to ensure that communication flowed well between boards and were essential to keep the executive teams and staff informed.

Main recommendations include to repeat the best practice of appointing a communication lead resource and working group at the outset of the process to prepare, deliver and respond to communication requirements instead of fragmented consultancy/agency support which is more expensive and ultimately increased the workloads of the local marketing and communications teams. This resource would ensure the Communication Plan would be created early enough in the process with consistent communications being provided from workstreams and subgroups. Furthermore, a series of more targeted communication plans per audience (students, staff, and communities) within the overall Communications Plan would be beneficial to build positive, transparent and engaged relationships with stakeholders.

Staff communication channels were noted to be excellent, with the internal elements of consultation successful. Feedback highlighted that staff felt informed because of regular updates via a combination of in-person and virtual stakeholder sessions and regular briefings with trades unions.

The communications could have been improved by setting clear expectations around the targets for Day 1 and Year 1 merger activities and a detailed communications plan for the month pre-merger.

Feedback from staff - about senior management engagement sessions with staff - expressed that they would have preferred more down to earth and realistic information about the challenges of merger, which could be focussed on local areas and delivered by local communications teams. This would have ensured local engagement and transparency.

Some staff had felt there was a lack of direct communication regarding their own individual role and impact to them personally. This would not be possible until the Organisation Design project got underway, in order to create the College's new organisation structure, and the college operated under a matrix management system whereby line management was unchanged but operational decision-making was led by the workstreams. Therefore it is recommended that for future mergers the interim management approach is clearly explained, along with the key points of the organisational change policy. If merging colleges don't have such a policy, then they would be advised to create one early in the process.

8 Recommendations

The following recommendations are relevant to the pre-merger phase and are aimed at those staff who will be involved in planning and implementing future mergers or wider institutional reform/organisation design. The first section of the table lists recommendations derived from the (Phase 2) findings of this report, and the second section lists recommendations which have been identified during experience gained in the post-merger integration phase (Phase 3).

Table 3 - Recommendations

Theme	Recommendation	Report reference
Recommendations based on this report		
Governance	It is essential to have clarity around the Governance structures and clearly defined roles regarding how the legacy college Boards, Partnership Board, Transition Board and Local Advisory Committees operate and collaborate, and how they prevent duplication and siloes. Board workshops should be held early in the programme to ensure members understand the nature of the merger, their roles, and their responsibilities.	7.5
	It is recommended that merging boards should conduct a visioning session early in the process, to acknowledge and understand the different cultures across the partnership and to set the strategy, align vision and to support building a merged culture.	7.5
Leadership	The appointment of a Principal-designate is recommended at the earliest possible stage, to set clear strategic direction. *(The mechanism to do this would need to allow for the potential of a merger's implementation not being given the go ahead by Scottish Government).*	7.2
Finance	Early identification and allocation of finance staff resource is needed to focus exclusively on the project to support due diligence work and enable a standardised approach for financial reporting and governance from the beginning of the process.	7.3
	Standardised financial formats are vital across the merger partners at the outset, and due diligence must include a forensic financial analysis of all partners to identify unforeseen risks:	7.3

Theme	Recommendation	Report reference
	to provide the merging board and RSB with a fully accounted and accurate understanding of the entire financial risks and opportunities prior to vesting. To underpin this, legacy partner boards must maintain thorough and ongoing financial governance throughout until vesting day.	
Finance	Adequate Travel & Subsistence funding is essential to enabling workstream in-person meetings to take place for new team building and collaboration across dispersed geographies. This will accelerate merger outcomes by enhancing collaboration and building trust and shared culture.	7.4
Legal, Finance	If one of the merger colleges is a non-incorporated entity then additional legal costs and management time will be incurred by the legal processes required. It is recommended that the extra management time and costs are built into programme planning at the start.	7.4, 7.7
Staff Resource	It is essential to maintain continuity of key project staff. Early establishment and continuity of a Programme Director role is considered essential for such complex change programmes, along with a continuity plan should the need arise to avoid single points of failure	5, 7.6.1
	Staff struggled with the capacity to manage their primary role and then merger preparation work on top of that. Instead of virtually all managers and key staff being involved in merger preparations on top of the workload of their existing roles, key roles within functional areas should be identified early in the process to be seconded full time to the change programme. This would allow dedicated resource for the project and allow the rest of the staff to focus on day-to-day college business. These secondment roles should be filled on a rotational basis, eg 4-month duration, to ensure that staff are not unfairly advantaged/disadvantaged by their secondment experience when it comes to the organisation restructure.	7.6.3
	Staff struggled with the capacity to manage their primary role and then merger preparation work on top of that. Standard Terms of Reference for workstreams would help them to direct, prioritise and monitor all workstreams' progress – and to prioritise that work from the outset	7.6.3

Theme	Recommendation	Report reference
	on 'Day 1 readiness'. In addition, specialist objectives should be agreed for each workstream to add to their terms of reference.	
Communications & Engagement	Local stakeholder engagement sessions and targeted communication plans (students, staff, and communities) are essential to validate the Full Business Case and to gain widespread support for the merger. This approach enables the managing of communications successfully and ensures employee engagement and support by building positive, transparent and engaged relationships with stakeholders from the outset.	7.1, 7.9
	Where practicable, external factors need to be taken account of, for example with respect to Scottish Government and the SFC, and potential negative impacts mitigated against. However it is recognised that the very nature of Risk Management means that not all potential risks can be predicted, especially when they concern sudden national political changes.	7.8
	Repeat the best practice of appointing a communication lead resource and working group at the outset of the process to prepare, deliver and respond to communication requirements instead of fragmented consultancy/agency support which is more expensive and ultimately increased the workloads of the local marketing and communications teams.	7.9
	It is recommended that for future mergers the interim management approach is clearly explained to all staff as soon as it is implemented, along with the key points of the organisational change policy. If merging colleges don't have such a policy, they would be advised to create one early in the process.	7.9
Recommendations for the pre-merger phase, based on post-merger experience		
Data	At the start of the merger preparations the legacy partners should collate essential baseline data (underpinned by data sharing agreements) in agreed, standard formats to provide master records that will be vital to supporting preparation and planning activities. These include but are not limited to: • HR master record of all staff	

Theme	Recommendation	Report reference
	• Curriculum and student data (HE/FE/FTE/Credits etc) • All policies and procedures • Estates maintenance list – pre-planned and capital works • Software assets not provided by UHI • Asset registers • Contracts • NDAs • Statutory reporting data eg Sustainability, H&S, Fire Safety, FOISA, Model Publications Scheme etc	
Organisation Design	The Organisation Design (OD) project did not commence until Sep 2023, after merger. Detailed plans and decisions concerning staff could not be undertaken until after merger because of TUPE, however the strategic aspects of OD eg developing an operating model concept for the merged college, could have taken place prior to merger and this would have enabled workstreams to be more closely involved in these foundation activities which could then be carried forward to influence the detailed structure design work after merger.	
Staff Training	Staff training should be carried out early on and throughout the programme in the following areas: • The complexity of enabling so many staff from different organisations and different locations to collaborate effectively together necessitated extensive use of Microsoft Teams and SharePoint. Staff competence and organisational maturity re SharePoint was highly variable, and training and resources should be rolled out at an early stage to establish a baseline of competence. • Given the complexity of projects running across the programme, basic training in leading projects and leading change and helping staff to deal with change should be provided to managers at an early stage.	
Templates & Best Practice	Throughout the programme, the UHINWH team developed a number of procedures and templates that could be used as 'ready to go' by other UHI partners in both the pre and post-merger phases. These include Organisational Change, Voluntary Severance Scheme, Financial reporting formats, Curriculum Review process and principles, workstream terms of reference and integration maturity model, and many others.	