

## Audit and Assurance Committee

Date of Meeting	Tuesday 26 May 2020
Paper Title	Report on Compliance with Code of Good Governance
Agenda Item	14
Paper Number	AAC4-J
Responsible Officer	Penny Davis, Board Secretary
Recommended Status	Disclosable
Action	For Decision

### 1. Report Purpose

- 1.1. To provide the Audit and Assurance Committee with a basis on which to advise the Board on GCRB's compliance with the Code of Good Governance (the Code) during the past year.

### 2. Recommendations

- 2.1. The Committee is invited to consider the report and agree any advice or recommendation to the Board in the context of reporting on compliance with the Code within the Corporate Governance Statement in the Annual Report. A draft statement is included for the Committee's approval and recommendation.

### 3. Background

- 3.1 The Code requires that:

*Each board must state its adoption of the Code in the corporate governance statement contained in its annual financial statement. The chair, on behalf of the board, is expected to report as to how the principles have been applied by the board. Where, for whatever reason, a board's practice is not consistent with any particular principle of the Code, it should make this known to SFC or, if it is an assigned college, the regional strategic body. This should be done immediately they become aware of an inconsistency and, without exception, in advance of publishing the information. An explanation for that inconsistency must be clearly stated in its corporate governance statement. Boards will be expected to offer a clear rationale for exceptions in the context of their college's operational model and to identify mitigations.*

- 3.2 A review of the Code of Good Governance has been ongoing during 2019-20 and it was anticipated that this would be published earlier in the year but final approval and publication has been delayed. The Board is required, therefore, to review and confirm its compliance only with the current version of the Code.

- 3.3 The Committee may wish to note, however, that one of the significant changes to the new Code will be a provision to ensure that non-executive participation in decision-making (ie,

in board or committee membership and quorums) is not less than 50%. This point was considered by GCRB in its 2018-19 committee reviews, and terms of reference were amended where necessary to ensure that this was the case. The Board Regulations, which are due for review on publication of the revised legislation, Code of Good Governance and Code of Conduct (hopefully, in the Autumn of 2020) are not currently explicit on this point but it is nonetheless observed at all meetings of the Board and the regulations will be amended during 2020-21.

- 3.4** There has been no significant change in the Board's governance arrangements between May 2019 and May 2020 and no new points of non-compliance have been identified as having arisen during that period.
- 3.5** The following points are made in the interests of providing a more thoughtful review of how the Board has complied with the Code of Good Governance during the period of the report. Section headings and grey text are taken from the Code.

#### **4. Detail**

##### **A – Leadership & Strategy**

###### *Vision and Strategy*

*A.4: The board is responsible for determining their institution's vision, strategic direction, educational character, value and ethos. Regional strategic bodies must also determine the regional strategy for colleges assigned to them...*

The Board identified during 2019 a need to focus on developing clarity around its vision for GCRB and the region. In August 2019, a strategy event was held, facilitated by an independent expert in FE governance, at which a series of 'big ideas' about future priorities were agreed. The Board also established at that time an Advisory Group with a view to taking forward thinking and consultation on some of those ideas outside the formal context of the boardroom. The work of the group is still in its early stages, and the current Covid-19 restrictions have not only delayed progress somewhat, but have significantly changed some of the external factors in the future direction of GCRB and the region. The Board has demonstrated its commitment during 2019-20 to taking a more progressive approach to determining the regional vision and strategy. A new Executive Director was appointed in March 2020, and a further strategy event will be held during 2020-21.

###### *Corporate Social Responsibility*

*A.10: The board must demonstrate high levels of corporate social responsibility by ensuring it behaves ethically and contributes to economic development while seeking to improve the quality of life of the local community, society at large, and its workforce.*

The Board has agreed to create a new Climate Change Officer post, to identify and co-ordinate projects across the college region. Again, due to the current circumstances, the appointment date has been deferred and priorities for the post are being reviewed, but the Board has demonstrated its commitment to fulfilling GCRB's responsibilities in this area.

*A.13: The board must seek to reflect in its membership the make up of the community through offering maximum opportunity of membership to a range of potential members and removing potential barriers to membership...*

The Board has been progressing plans, in line with its Diversity Succession Plan for 2019-20, to strengthen its diversity, including the range of skills and experience among its members, and its representativeness of the region's community both through its approach to recruitment and through promoting opportunities for co-option. A new Co-opted Member joined the Performance and Resources Committee in 2019, and work has begun to generate interest from other prospective co-optees through the website and social media.

## **B – Quality of the Student Experience**

### ***Relevant & High Quality Learning***

*B.8: The board must seek to secure coherent provision for students, having regard to other provision in the region or college's locality. The board must be aware of external local, national and international bodies and their impact on the quality of the student experience, including community planning partners, employers, skills development and enterprise agencies, and employer bodies. The board must seek to foster good relationships and ensure that the body works in partnership with external bodies to enhance the student experience, including employability and the relevance of learning to industry needs.*

GCRB continues to build and foster relationships with a wide variety of national bodies, including Scottish Funding Council, Colleges Scotland and Skills Development Scotland in order to ensure awareness and contribution to broader strategies and on-going developments, with a particular view to ensuring enhancement to the student experience. GCRB continues to work with SDS on the pilot development of a regional skills strategy, with two phases of the project completed and meetings on-going to plan future steps to support this regional and national ambition.

## **C – Accountability & Delegation**

### ***Audit Committee***

*C.18: At least one member of the audit committee should have recent, relevant financial experience.*

Further to the departure of Mike Ward in 2019, Alastair Milloy was appointed to the Audit & Assurance Committee to ensure compliance with this principle.

## **D - Effectiveness**

### ***Board Members***

*D.3: Each board member is collectively responsible and accountable for all board decisions. Board members must make decisions in the best interests of the college and/or region as a whole rather than selectively or in the interests of a particular group.*

GCRB has demonstrated its awareness that the nature of its membership as a regional strategic body in which college chairs participate is distinct from that of a college, and the Board's regulations include a provision relating to an inherent conflict of interest when funding decisions are being made. In the past year, the board has also considered the implications of the introduction of Trade Unions Members, both in terms of the role of those new members and in terms of the overall scale of the board, which will have a membership of up to twenty-two under the revised legislation. A development session led by the Standards Commission had been scheduled to take place during 2019-20 to provide

an opportunity for the board to discuss and seek advice on supporting best governance practice and collective responsibility. This also has been deferred due to present circumstances but will take place in the new academic year.

#### **Board Secretary**

*D.15: The board must ensure the board secretary...has adequate time and resources available to undertake their role effectively.*

The Board agreed at its meeting in April to extend the working hours of the Board Secretary from 0.4 FTE to 0.5 FTE.

#### **Board Member Appointment, Induction and Training**

*D.20: The board must ensure all board members undertake appropriate training and development in respect of their governance role.*

As a general point, the Board has recognised that, going forward, changed working practices including more remote engagement by Board Members could have implications for development activity. The Board agreed at its April meeting that the Nominations & Remuneration Committee should consider those implications, and different ways of working to ensure the board continues to fulfil its responsibilities in this area.

### **E – Relationships and Collaboration**

#### **Partnership Working**

*E.4: The board must encourage and support effective partnership working and collaboration within and across regions to address local needs and meet national priorities and specialisms.*

From the start of the 2019-20 academic year, GCRB's board meetings have been attended by trade union observers. While the trade unions are not recognised by GCRB itself as an employer, the decision to include trade union observers at meetings was made in the interests both of transparency and of strengthening communications and understanding among key stakeholders in the college region.

### **5. Statement of Compliance**

- 5.1** The following draft Statement of Compliance for inclusion in the Corporate Governance Statement is based on the template provided previously in the Accounts Direction. Accounts Direction for 2019-20 reporting will be issued in July and any change to the template wording will be reflected in the final version. The words in italics are additional, to reflect that some principles apply only to college boards.

**GCRB complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, *except where these apply only to college boards*, and has complied throughout the year ended July 2020.**

### **6. Risk Analysis**

- 6.1.** This report supports mitigation of *GCRB Risk 0013: There is a breach of legislation/guidance/code of practice and this results in a failure of governance.*

## **7. Legal Implications**

**7.1.** There are no legal implications arising from this paper.

## **8. Resource Implications**

**8.1** There are no resource implications arising from this paper.

## **9. Equalities Implications**

**9.1.** No equalities implications have been identified except where reference is made in the report to strengthening leadership in equality and diversity.

## **10. Strategic Implications**

**10.1.** Robust and compliant governance arrangements are essential to the effective delivery of GCRB's strategic objectives and the confidence of stakeholders in the organisation.