

Audit and Assurance Committee

Date of Meeting	Tuesday 1 June 2021
Paper Title	Report on Compliance with Code of Good Governance
Agenda Item	15
Paper Number	AAC6-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 (item 5.0 below) for the Committee's agreement and recommendation to Board.

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 The Code of Good Governance was reviewed during 2019-20, however, finalisation and publication of the revised Code has been delayed. The Board is required, therefore, to review and confirm its compliance only with the current, 2016, version of the Code. It is expected that the revised Code will be finalised and issued within the 2021-22 academic year.
- 3.3 An Externally-Facilitated Effectiveness Review (EER) was completed by Professor Ron Hill early in 2021 and the board considered the report and recommendations in April. The EER is based on an assessment of the Board's performance against the Code so the Committee,

and Board, may take assurance from fact that Professor Hills' report was positive overall, did not identify any areas of non-compliance, and highlighted several areas in which the Board is performing well.

- 3.4** In terms of the governance framework, there has been no notable change to the Board's practices in the past year, although the impact of the pandemic and lockdown should be considered. There has been a small increase in the use of emergency decision-making arrangements, including decisions by correspondence, primarily as a result of additional funds being made available at short notice by the Funding Council in this exceptional year. The Board has initiated action to review urgent/emergency decision-making arrangements. Meetings have been held exclusively online, via Microsoft Teams. The Board has also made increasing use of the online BoardEffect platform which was introduced prior to the start of lockdown. The Nominations & Remuneration Committee has monitored the impact of lockdown on the Board's development plan throughout the year, and received a report on a nationwide review of the impact of lockdown/virtual meetings on college governance. The Board Chair and Committee Chairs have adjusted their approach to chairing meetings online to support participation and effective decision-making and attendance at both board and committee meetings has been consistently high. Opportunities for Members to meet informally (online) with the Chair were introduced in the autumn of 2020.
- 3.5** One of the recommendations arising from the EER was to ***consider the value to governance from considering the impact for governance from compliance with the expectations of the Code. This approach may identify ways to refine governing practice in future.***
- 3.6** This is a broad recommendation and could be approached in different ways, but its central concern is to focus not only on compliance but on the impact of the Board's governance practices. In future years, this should happen primarily through the annual evaluation process, ie, by explicitly focusing on both compliance and impact during that process and in the resulting report/recommendations.
- 3.7** As a first step, the format of the Board's development plan has been revised for 2021-22 to include overarching aims and risk references. The revised plan, which incorporates EER recommendations, will be presented to the Board in June for approval.
- 3.8** Given that GCRB has, for the current year, a thorough-going, independent report that considers the Board's *effectiveness* in terms of its performance against the Code which, in this context, is probably synonymous with *impact*, the following sets out the recommendations from that report in alignment with principles of the Code, to facilitate Committee consideration of the impact that enhanced compliance might be expected to have.

4. EER Recommendations and Governance Impact

- 1** ***To support the implementation of the strategic plan, to develop a comprehensive business report, for presentation to each board meeting, with improved accountability for performance to date and including variances from agreed targets, management interventions where necessary, and anticipated impact.***

Code reference: Vision and Strategy A4 – A9; in particular,

A6: The board provides overall strategic leadership of the region or college. The board is responsible for formulating and agreeing strategy by identifying strategic priorities and providing direction within a structured planning framework.

A7: The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on its website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of the stakeholder are being met.

A9: the roles and responsibilities of the boards of assigned colleges should be undertaken in the context of the roles and responsibilities of their regional strategic body. Assigned college boards must contribute constructively to the development of the outcome agreement led in its region by the regional strategic body and support the regional strategic body to monitor performance in achieving the agreed outcomes.

2 *The creation of a board development programme to support the collective and individual priorities for the board*

Code reference: Board Member Appointment, Induction and Training D19 – 21; in particular,

D20: The Board must ensure all members undertake appropriate training and development in respect of their governance role. The board secretary should support the chair in the provision of relevant training and development opportunities for board members which should be tailored to meet board members' skills and needs. The board secretary must keep records of the development activity of board members including the chair.

3 *Chairing of meetings to include an overview of the agenda business with a focus on decisions to be taken at the meeting.*

Code reference: Accountability and Delegation C7, The Board Chair D1

C7 The board must ensure that its decision-making processes are transparent, properly informed, rigorous and timely, and that appropriate and effective systems of financial and operational control, quality, management of staff, risk assessment and management are established, monitored, continuously improved and appropriately impact assessed. This includes:

- a) the prompt production, dissemination and online publication of board/committee agendas, minutes and papers to the public
- b) every board meeting and every committee meeting having a well-structured agenda circulated timeously in advance
- c) the retention of all key documentation which help justify the decisions made by the board and its committees.

D1 The chair is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The chair is responsible for setting the board's agenda and ensuring adequate time is available for discussion of all agenda items, particularly strategic issues.

4 Consider the development of a stakeholder policy, formed in the light of a stakeholder mapping exercise

Code reference: Section B Relevant and High Quality Learning; Section E Relationships and Collaboration Partnership Working. In particular,

B8 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.

E1 The board must work in partnership to secure the coherent provision of high quality fundable further and higher education in their localities.

E2 The board must ensure effective consultation, local and regional planning and must follow the principles of effective collaborative working: mutual respect, trust and working towards commonly agreed outcomes.

E3 The board must ensure effective partnership working with local and national bodies including businesses, public and third sector organisations to develop commonly agreed priorities following the principles of effective collaborative working.

E4 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.

5 Consider arrangements for a louder, clearer student voice. Also, consideration could be given to observer status for a number of students from the assigned colleges.

Code reference: Section B Student Engagement; in particular,

B1 The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions.

B2 The board must lead by example in relation to openness, by ensuring that there is meaningful on-going engagement and dialogue with students, the students' association and as appropriate staff and trade unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.

B3 The board must consider the outcome of student surveys and other student engagements, and monitor action plans that could impact on the quality of the student experience.

6 Review the Board's role in relation to human resource strategy and development

Note: the recommendation here is to review the Board's role, so impacts are indirect. The following extracts are provided as an indication of relevant Code principles. The Board's role will be discussed at a future Board meeting.

Code reference Vision and Strategy A4, Corporate Social Responsibility A10, Staff Governance C26, Partnership Working E2,

A4 The board is responsible for determining their institution's vision, strategic direction, educational character, values and ethos. Regional strategic bodies must also determine the regional strategy for colleges assigned to them. The board of an assigned college must have regard to the strategy determined by the regional strategic body. Board members have a collective leadership role in fostering an environment that enables the body to fulfil its mission and meet Scottish Government priorities, for the benefit of students and the community it serves.

A10 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

C26 The board must have a system of corporate accountability in place for the fair and effective management of all staff, to ensure all legal obligations are met and all policies and agreements are implemented and identify areas that require improvement and to develop action plans to address them.

E2 The board must ensure effective consultation, local and regional planning and must follow the principles of effective collaborative working: mutual respect, trust and working towards commonly agreed outcomes.

7 Establish core policy statements derived from the purposes of the GCRB and codify systems and controls that support the implementation of these GCRB policies

Code reference: Vision and Strategy A5-A7, Audit Committee C13

A5 The board must develop and articulate a clear vision for the region or college. This should be a formally agreed statement of its aims and desired outcomes which should be used as the basis for its overall strategy and planning processes.

A6 The board provides overall strategic leadership of the region or college. The board is responsible for formulating and agreeing strategy by identifying strategic priorities and providing direction within a structured planning framework.

A7 The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of stakeholders are being met.

C13 The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework.

8 *Review the nature and content of reporting to the GCRB to ensure that all reports are accessible and understandable. This could include clarity of recommendation, inclusion of an executive summary and including 'learner and learning implications' in all reports.*

Code reference: Corporate Social Responsibility A13, Student Engagement B1-2

A13 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, in partnership with its regional strategic body, as appropriate.

B1 The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions.

B2 The board must lead by example in relation to openness, by ensuring that there is meaningful on-going engagement and dialogue with students, the students' association and as appropriate staff and trade unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.

9 *Consider the potential benefit to the Board from the formation of a Committee for Learning and Teaching*

Note: As with Recommendation 6 above, this recommendation is one that requires consideration of the Board's role and responsibilities. Impacts would depend on the outcome and any decision reached to take action. This recommendation will be considered at a future meeting of the Board. The following are provided as an indication of relevant Code principles.

Code reference: Vision and Strategy A4-A9, in particular A7; Student Engagement B1-B3, in particular B3; Relevant and High Quality Learning B8; Quality Monitoring and Oversight B9

A7 The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of stakeholders are being met.

B3 The board must consider the outcome of student surveys and other student engagements, and monitor action plans that could impact on the quality of the student experience.

B8 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.

B9 The board must ensure appropriate mechanisms are in place for the effective oversight of the quality and inclusivity of the learning experience in the college or region. The board must ensure that the college works in partnership with sector quality agencies and other appropriate bodies to support and promote quality enhancement and high quality services for students.

10 Consider the value to governance from considering the impact for governance from compliance with the expectations of the Code. This approach may identify ways to refine governing practice in future.

Code reference: Corporate Social Responsibility A10 to A14 in particular A11; Accountability and Delegation, in particular C5; Board Evaluation D23

A11 The board must exercise its functions with a view to improving economic, cultural and social wellbeing in the locality of the college or region. It must have regard to social and economic needs and social inclusion.

C5 The board also has a wider accountability to a range of stakeholders including students (both current and prospective), its staff, the wider public, employers and the community it serves, for the provision high quality education that improves people's life chances and social and economic well-being.

D23 The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online.

11 The Audit and Assurance Committee would benefit from an assurance map i.e. identifying evidence to satisfy assurance in relation to the strategic plan and strategic risk register.

Code reference: Vision and Strategy A6-A7; Risk Management C12; Audit Committee C13

A6 The board provides overall strategic leadership of the region or college. The board is responsible for formulating and agreeing strategy by identifying strategic priorities and providing direction within a structured planning framework.

A7 The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of stakeholders are being met.

C12 The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the body's significant risks and review the

effectiveness of risk management, business continuity planning and internal control systems.

C13 The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework.

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 2020-21 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 2021.

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.