

# Governance Effectiveness Review

## Forth Valley College

Report compiled by Jan Polley

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## Overview

1. This governance effectiveness review was facilitated independently by Polley Solutions Ltd. This report records the main findings of the review. It was conducted in an open and engaged manner and included:
  - ❖ an initial discussion with the Chair of the Audit Committee and the Board Secretary
  - ❖ observation of an Audit Committee meeting (the Board meeting schedule did not suit the timescales for this review)
  - ❖ one-to-one structured confidential discussions with all board members
  - ❖ a desktop review of the college's governance documentation
  - ❖ a Board discussion of the emerging findings from the review.
2. From this evidence, Forth Valley College has a skilled and experienced Board that works well with its senior management team and Board Secretary. Collectively they have strong processes and effective governance. There is clear evidence of adherence to the Code of Good Governance in almost all respects. The main divergence from the Code (details below) is acknowledged by the Board and is highlighted in the College's Governance Statement.

## Areas of good practice

3. It is clear from this review that the College has very good governance systems and processes, the calibre and mix of board members is excellent and the partnership working between staff and board members is strong. This review identified a number of existing areas of particular good practice including:

<b>Code of Good Governance sections</b>	<b>Examples of good practice</b>
Leadership and strategy	Substantial evidence of the breadth of employer and community engagement used to inform board decisions. In addition to the extensive activity undertaken by the Principal and the Board Chair, individual members bring a range of relevant expertise, take part in the new campus project board and also sit on various local forums
Quality of the student experience	Excellent evidence of a strong relationship between the Board and Student Association and, in particular, the system of buddying that helps student officers to fulfil their role within the Association, with support and mentoring from individual board members
Accountability	Evidence of detailed performance frameworks that show clearly the strategic line of sight from the college's high level strategic objectives through to the individual activity required to deliver them
Effectiveness	An effective induction programme which includes a detailed pack of information that helps new board members understand the governance system and the backgrounds of their fellow board members, as well as the normal information on the business of the college. The programme also involves a full-day induction at which members meet the senior team, including the Principal, and receive a tour of the college campus.

## Future Board development

4. Board members discussed the findings of the review at a board meeting in March 2017, and agreed the main areas for development going forward. (See detailed findings below.) The Board is currently operating without a substantive Chair (the Vice Chair has taken on the role temporarily) and, if possible, board members would prefer to have the new Chair in place before agreeing a detailed governance development action plan. Accordingly, it was agreed that the areas for development identified in the review will be taken forward at a board workshop in June.
5. It was clear from the review that the College benefits from a highly performing senior team with a strong culture of continuous improvement. Board members agreed that they wished to ensure that their collective expertise is being used to best effect to enhance and add value to that culture. Areas identified for further development were:

### Areas of governance development 2017-18

#### Leadership and strategy

- ❖ Use board meetings for more substantive discussions of strategic issues including those related to the core business of learning and teaching.

#### Quality of the student experience

- ❖ Examine the remit and membership of the Strategic Development Committee to ensure it supports the Board and its role is more in line with that of other committees
- ❖ Agree with each board member, as part of their ongoing annual development, how they will engage directly with students for 1-2 days per year in support of their governance role

#### Accountability

- ❖ Review the agendas and purpose/content of board and committee papers to ensure that they make best use of the expertise of board members.
- ❖ Ensure all members of the Remuneration Committee complete the obligatory national on-line training.
- ❖ Take stock of and ensure board members have a range of sources of information on staff views

#### Effectiveness

- ❖ Review board member, including Chair and Principal, appraisal, training and development plan processes to ensure there are clear procedures and systems, with everyone taking part in the appraisal and training required by the sector, and the Board demonstrating leadership of the College's continuous improvement culture.

## Detailed findings

6. This review assessed the Board's performance under each section of the Code of Good Governance. The detailed comments below draw on the governance documentation helpfully provided by the College, the structured confidential discussions held with each board member, the observation of an Audit Committee meeting in March 2017 and the Board discussion held in March 2017.
7. A list of the documentation examined for this review is shown at the end of this report.

## Leadership and strategy

8. Each board member receives an Induction Pack which includes a copy of the Code of Conduct and the register of interests. The need to abide by the Code and Principles of Public Life were set out clearly in documentation for a recent board member recruitment process. Board members are invited to say if they have a conflict of interest at the beginning of each board and committee meeting. Board members with experience on other boards commented favourably on the ethos and ethics of the College board – *‘it is a professional board with protocols as good as I have experienced anywhere’, ‘they have an exemplary approach to issues of gender, sexual orientation and background’*.
9. There is an annual submission of an equalities report to the Board and one of the strategic objectives in the corporate plan relates to embedding the principles of equality and diversity. The performance measures relating to this are tracked by the Strategic Development Committee. It is also clear from speaking to board members and reviewing papers that student welfare is very important to this Board with members supporting a successful Student Association initiative promoting student mental welfare.
10. The College has a clear strategic plan 2014-18 with a detailed performance management framework which cascades the vision into six strategic themes, associated strategic objectives and performance measures. The Board has an annual strategic awayday and progress against the performance measures is reported regularly to the relevant committee (usually the Strategic Development Committee). In discussion board members praised the quality of the strategy and noted that while a great deal of the Board leadership was down to the Principal and Chair, the culture was such that constructive challenge was welcomed and staff were always ready to find ways of taking account of board ideas.
11. Looking ahead to the development of a new strategy, board members said they would be keen to use their expertise to help shape the new goals, as well as the supporting strategies such as commercial income, national/international activity, people and technology. This Board has an excellent range of expertise, including members from partner sectors – academic, community and employer, and all concerned, including the Principal, indicated that they were keen to make the most of this. This was identified at the Board meeting in March as an area for further development. Examples of actions that the Board may wish to explore include -
  - staff bring more initiatives to the Board at an earlier stage of their development in order to benefit from board member expertise
  - review the balance of business being carried out by the Board and its committees to ensure the Board holds substantive debates on its areas of key responsibility

- take the opportunity of the revised Education Scotland quality framework to ensure the Board allocates time to its responsibility for leadership of the provision of high quality learning and ongoing improvement
  - the Board oversees progress against a few key success indicators (not activities) used to monitor the achievement of its main strategic goals.
12. The Regional Outcome Agreement (ROA) assesses the economic and social needs of the area and both staff and board members are engaged directly with three community planning partnerships. The ROA contains details of a wide range of academic, employer and community partners, as well as links to national strategies and priorities. One of the strategic themes in the 2014-18 corporate plan is 'Enhancing our position as the business and community partner of choice' and there are various performance measures related to engagement in strategic partnerships. During the one to one discussions, reference was made to the considerable community engagement that has taken place during the building of the Stirling campus and the planning of the new Falkirk campus. One of the board members said during the one to one discussions that *'our mission statement 'making learning work' is really important to us and we talk to SMT a lot about employability and the changing workplace'*.
13. Eight of the 17 current board members are female, and efforts were made during the recent recruitment round to attract female applicants. A number of members mentioned that they are also very aware of the need to have board members from all three parts of the region and, in recent years, that there has been a shift towards more members of working age. Members also highlighted the range of links with academic partners on the Board. Suggestions made by board members for improving diversity further included potential links to the third sector, ethnic minority communities and younger people.

#### Quality of the student experience

14. Student board members have a standing item on the agenda of each Board meeting and also meetings of the Strategic Development Committee when they are asked to report on their activities. Board members were universally complementary about the contribution of student members –

*'We have a very, very strong student voice'*

*'It is the strongest student association I have worked with – the communications is excellent and great representation'*

*'They are inspiring!'*

15. The Student Association constitution was approved by the Board in March 2016 and the its Operational Plan was tabled at the September 2016 board meeting, with the Student

President confirming that it reflected the sector's Student Association Development Framework. In spring 2016 the Board took the decision to ask the Forth Valley College Foundation to fund the Association in order to protect its independence. The Association has two elected members of staff and is very active, with nearly 200 class representatives who have received training. The Listening To Learner events on each campus, which give an opportunity for students to feedback their views to staff, were highlighted in the Education Scotland Quality Report in May 2016.

16. The College also has an innovative board buddying arrangement that allows Association office bearers to receive mentoring support from a board member. The President has been mentored this year by the Chair and one Vice President has been mentored by a board member to help her develop in that role.
17. While board members are invited to a range of student events, such as graduations, it was clear from discussions that many board members would like more face to face engagement with students. This was welcomed by student board members. This is an important principle of good governance, as it provides board members with a range of sources of information rather than relying solely on what is provided by staff. Board members mentioned a number of ideas during the one to one discussions –

*'Student members are great but we need more contact. Could I pop in and have lunch with students?'*

*'I think it would be useful to spend a day in the college, especially as we have 3 campuses'*

*'I would like board members to have more contact with students – maybe attend our Council meetings?'*

*'Could members provide mentoring for students e.g. on entering the workplace, writing CVs?'*

18. A few board members were concerned that they would not have sufficient time for such engagement but experience elsewhere suggests that as long as it is done systematically with a clear purpose, and involves each member in only 1-2 days per year, it can be a very important addition to good governance. It also tends to make board discussions richer as members gradually build their own perspectives of what is good and not so good on the front line.
19. Almost all of the governance of learning and teaching takes place in the Strategic Development Committee, with the Board agreeing the ROA and its associated KPIs annually. It makes sense for the Committee to support the Board when required, but it is also important that the whole Board gives sufficient time to this core aspect of the business. This is especially important going forward as the new Education Scotland

Quality Framework challenges boards to be able to evidence how they provide strategic support and challenge to staff in order to achieve *'high quality provision and ongoing improvement'* and also assure themselves of the accuracy and balance of the college's own self-evaluations.

20. While members of the Strategic Development Committee clearly value the opportunity to engage with staff and students on a range of issues, a few board members are not on that committee. Comments made during the one to one discussions included –

*'We have a good committee structure but SDC has the most cutting edge and interest – bit jealous!'*

*'The Board has tended to be the sign off and the exciting things are in SDC,; what can we move to the Board?'*

*'SDC's role in providing advice to the Board is less clear than the other committees'.*

20. Board members agreed at their discussion in March 2017 that they would like to take stock of the role of the Strategic Development Committee to ensure the optimum balance between it and the Board. Actions it may wish to explore include –

- ensure its role vis a vis the Board is clearer, and does not inadvertently take on the role of the Board
- reduce the number of members to a number similar to that of other committees
- minimise duplication of discussion taking place at this committee and the Board.

### Accountability

21. As indicated above, the Board and Strategic Development Committee oversee the compilation, delivery and self-evaluation of the ROA each year. The current ROA is included in the Induction Pack for new board members. The Pack also includes a copy of the SFC Financial Memorandum, as well as a range of policies relating to the Board's responsibility as an employer including anti-bribery and corruption, equal opportunities, whistleblowing, prevention of harassment and bullying policies. The Register of Interests for all board members is available on the College's website.

22. The External Auditor's report to the Board in December 2016 provided an unqualified opinion, stating that the 2015-16 financial statements *'give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2016 and of its deficit for the year then ended'.*

23. Board and committee papers are almost always on time and contain considerable detail (some board members wondered if there was too much). The papers use standard templates with headings relating to the purpose of papers and the key facts that

members require, including implications for finances, risk management and equalities. Agendas, minutes and papers for board meetings, and most committee meetings are available on the College's website with any confidential issues redacted. Papers relating to the Remuneration Committee are not published due to the confidential nature of much of its business but the college is considering publishing the committee's remit online. Board members praised the papers in the one to one discussions – *'I think the quality of papers, timing and agendas are a definite strength', 'I am always impressed how Stephen manages to funnel down our discussions for the minutes – but if we ask for more detail that is never a problem' 'Staff are good at making information available if requested'*.

24. As indicated above, board members are keen to ensure that they add maximum value to staff and make best use of their expertise in meetings. I therefore examined, as part of the desktop document review, the agendas and papers to identify any changes that might aid the board in its objective. I confirmed that the quality of papers is excellent but there are perhaps a few small changes which might ensure the Board, in particular, spends its time on the main strategic issues and that committee monitoring of performance focuses on those issues where members can maximum add value to –

- ensure the focus of each meeting is the papers for decision/approval and consider whether other papers can be reduced in size, perhaps making additional background information available on a Board intranet site for those who wish to know more
- review the purpose of papers so that subjects that require the Board to decide if it is content or not (such as the risk register and performance reports) are for board member approval/decision, while minutes of committee meetings are 'for noting' by the Board without discussion (unless a member asks the Chair to discuss it of course)
- papers 'for discussion' should be those where a Board view (as opposed to approval) is clearly required and should contain a set of questions for Board members to answer. Papers 'for discussion' should not be simply a means of informing a Board or keeping members up to date. Such papers are 'for noting and are not normally discussed
- even in papers 'for decision/approval', consider making more use of specific questions and/or set out options for major decisions, in order to gain most value from board members
- focus performance reporting on progress against strategic goals and indicators, with much less on the operational goals undertaken by staff. A strategic board and its committees are not usually interested in monitoring staff actions. Their interest is in knowing whether the effort worked. Demonstrating progress through describing operational activity is generally a proxy for a strategic KPI and can result in the board

member either being pulled into operational discussion or feeling they have nothing to add. A strategic board or committee focuses its discussion on

- a) What do we want achieved?
- b) Is it being achieved?
- c) If not, what needs to change?

25. The Scheme of Delegation is currently under review but the sector's new generic version is included in the board member Induction Pack for their information. The Scheme lists the authority reserved to the Board, the Principal and the Chair as well as the delegated authority of the board secretary. The Induction Pack also includes the committee remits – audit, finance, HR (including nominations), remuneration and strategic development. Board members also sit on the operational Falkirk Campus Project Board given the importance of its work, and the Board receives updates and sees the minutes of its meetings. In most cases, the committee remits show the expected interface with the Board and the minutes of all committee meetings go to the next meeting of the Board. Individual members of SMT are charged with advising each committee.

26. There is a standing item on all Board and committee agendas to allow the identification of any new risks to delivery of the organisations objectives. The External Auditors annual report to the board at their meeting in December 2016 stated -

*'No material weaknesses in the accounting and internal control systems were identified during the 2015/16 financial statements audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Some areas were however identified from our systems controls testing during 2015/16 where controls could be further improved to bring them more into line with good practice. These are being addressed.'*

27. The Audit Committee reviews the risk register at every meeting and it is reviewed by the Board annually. The Internal Audit Annual Report produced in July 2016 noted that all planned reviews for 2015/16 had been completed (with the exception of a risk workshop which the Board plans to hold in the next few months), any significant recommendations were accepted by management and resource limitations did not constrain their activities. The Internal Auditors recorded that the college *'has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of risks, and proper arrangements are in place to promote value for money and deliver best value'*.

28. The annual internal audit plan was approved by the Audit Committee in September 2016 as part of a 3 year 2015/18 Plan. It is linked to the strategic risk. The Committee

provides an annual report to the Board. There is a clear risk management policy and the Audit Committee remit sets out the responsibilities of the Committee consistent with the requirements of the Code. Observation of a Committee meeting in March 2017 provided ample evidence of constructive challenge and open debate between board members, staff and the internal auditors.

29. Committee members are all non-executives and a number of them have audit experience. Internal and external auditors are invited to every meeting and, although the Committee has not recently met them without staff present, the new Chair of the Committee plans to hold such a meeting soon. The requirement for such meetings will also be added to the Committee's remit and built into its forward programme.
30. The remit of the Remuneration Committee makes reference to the Code of Good Governance and the Scottish Public Finance Manual, and states that the Board Chair cannot chair this Committee. The remit and process for appointing the chair of this Committee will be reviewed once the new Board Chair is in post. All committee members intend to complete the relevant sector training.
31. The remit of the Finance Committee refers to the Board's financial duties under the 1992 Act. The External Auditor's report to the Board stated that the financial accounts for 2015/15 were in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. It also stated that the College's management and committee structure included appropriate mechanisms to monitor and manage financial and non-financial performance. In the one to one discussions board members expressed appreciation for the support they receive from staff in this area and it was clear that members on this Committee, and the Campus Project Board, give considerable time to ensuring the sustainability of the College's finances. Looking ahead, board members said that they would like to give more time to issues around commercial income, both testing its resilience and identifying new opportunities.
32. It is clear from the one to one discussions and observing committee business that there is a strong sense of transparency and partnership between senior staff and board members. Staff board members also confirm that they feel valued and welcomed by the rest of their board colleagues. The HR Committee's remit includes the provision of advice to the Board on any matters relating to human resources, health and safety, equalities and industrial relations. The move towards collective bargaining has necessarily reduced the scope of this Committee's role but it considers regular updates on staff development and health and safety. The Committee also received reports on a detailed cultural study undertaken and published in 2016, including remedial action planned by staff.

33. The cultural study showed considerable improvements from the last report undertaken in 2013, and many board members reported that they feel there is an open and honest culture amongst senior managers when it comes to reporting on staffing issues. A number of members did however reflect on the question of whether they really know, or ever meet staff below senior management level –

*'I have little or no engagement with the majority of staff'*

*'Until I joined the Board as a staff member, I had never met a board member'*

*'It might be good to wander round sometimes'. Cultural survey was really good but are we following through at the right level?'*

*'Good to have staff board member on HR committee so get deeper understanding'*

34. While there is no suggestion of any underlying problems amongst staff, as with students, it is a basic principle of good governance, that board members ensure they have a range of mechanisms for knowing what is happening on the front line of the organisation. The Board agreed in March 2017 to include this in areas for development in 2017-18.

#### Effectiveness

35. The Board Chair has recently resigned and the College is waiting for Ministers to appoint a successor. In the meantime, the Vice Chair has taken on the role. The outgoing Chair was viewed as a real strength for the organisation. Comments included

*'Hugh was a great Chair, very empowering and supportive, all clear we have collective responsibility'*

*'All the chairs are good – meetings run on time, efficient and effective'*

*'Meetings are directed and focussed. The Chair has a strong partnership with Principal; we talk about the right things'*

*'We have had a very good Chair – what will need to change when we get a new Chair?'*

*'We need to ensure good induction and training for chairs'*

*'Hugh is a huge loss – he was very engaged in other forums; Anne is good depute'*

36. As indicated earlier in this report, board members provide an excellent range of experience. All concerned commented on the positive and professional nature of the relationship between staff and board members, with clear mutual respect for the respective roles. Looking ahead, some board members noted that there have been a number of new board members recently, and so it will be important that they get to know each other and forge a strong governance team.

37. New members commented favourably on the induction programme provided for them, including the chance to meet their fellow new members at the induction day. A number

of members also mentioned that they value the social time available to them before board meetings and at the Christmas meal – *‘the speed dating table plan was great. I got to know quite a few people’*. As board members are generally very busy people, it is important for them to make best use of any time they have together without staff to build a sense of a collective team, rather than a number of individuals. With so many changes in membership taking place, this may be something the Board wishes to give some thought to once a new Chair is in place.

38. Student and staff members of the Board are recruited in accordance with the requirements of the Code of Good Governance. All concerned take their governance responsibilities seriously. Helpfully all staff members standing for election recently were given a briefing by the Principal beforehand about what was involved in the role. Over the last year there have been no occasions when staff or student members had to withdraw from board discussions.

39. The Principal is highly regarded by everyone spoken to during the one to one discussions, both in terms of his work in the College and how he supports good governance. Comments included –

*‘He gives regular and detailed briefing and ensures we know what he is doing and why’*

*‘SMT are all very helpful and encourage questions’*

*‘Fantastic, inspiring, grounded, integrated with local groups; strong community focus’*

*‘Staff don’t hold back so the culture is open honest and listening.’*

40. The Board Secretary has the required skills and experience but, as Associate Principal and Executive Director of Finance, is a member of the senior management team. The Board reviewed this situation and made a decision at its meeting in December 2016 to continue with it as they had confidence in the ability of the individual to provide impartial governance support to the Board. The Corporate Governance and Planning Officer was appointed as Depute Secretary. The College recognises this is not consistent with the Code of Good Governance and has highlighted this decision in its 2015/16 Annual Report. I suggest this arrangement is kept under annual review by board members, in case views begin to change.

41. Board members complete a self-evaluation proforma in advance of their one to one discussion with the Chair. The system was started in summer 2016 and some, but not all, board members held their discussion with the Chair before his departure. There is also a proforma for members to provide feedback on the performance of the Chair which is passed to the Vice Chair for collation. At present there is no board development plan or system for logging board member training and development requirements. The Board

has not discussed or received any reports on its own development, or results of the annual appraisal process, during 2016. Nor are there agreed written procedure for the appraisal of the Chair or Principal, although the Principal explained that he has had an annual appraisal discussion with the Chair each year. This College also has an unusually large number of board members who have not attended the sector's obligatory induction training.

42. In discussion with board members, a number indicated that they did not feel the need for training or development although they were always happy to ask staff for individual briefings if required. Several did however suggest that the Board should be doing more to take stock of its own development needs and supporting the culture of continuous improvement *'We focus on the College most of the time. Just because it is good, does it mean we are good?' 'I liked the on-line remuneration training. It would be good if we all did this and discussed it.'* *'Our evaluation is very light touch, no objective setting. I would like proper feedback on performance'* *'We could become complacent. We should stand back and reflect'.*
43. A continuous improvement culture is, of course, one where people are always searching for where they can do a little better, evaluating themselves openly against others and looking for improvements. It is a strong feature of the culture of this College and so it is fitting that it should also become a feature of the Board's culture. The Board agreed at its meeting in March to include this in its development plans for 2017-18..

#### Relationships and collaboration

44. As indicated elsewhere in this report, partnership working with local, regional and national stakeholders is a strength of this College. Board members praised staff for their efforts while expressing their wish to support and add value to the ongoing efforts.

#### **Conclusion**

45. Staff and board members have taken part in this review in an open and engaged manner, with all concerned showing a commitment to and enthusiasm for the continuous improvement of the governance of the college.
46. Polley Solutions would like to thank everyone at Forth Valley College for their help and support in the compilation of this report.

## Sources of evidence used in this review

- ❖ One-to-one interviews with all board members
- ❖ Views expressed during a board discussion March 2017
- ❖ Observation of an Audit Committee meeting March 2017

### Written Evidence

- ❖ 2016 Board and committee papers and minutes
- ❖ Standing Orders
- ❖ Financial Memorandum
- ❖ Code of Conduct
- ❖ Scheme of Delegation
- ❖ Committee remits
- ❖ Register of interests
- ❖ Various key Board policies
- ❖ Board member skills matrix
- ❖ Strategic risk register
- ❖ Strategic Plan 2014-2018
- ❖ Operational Plan 2016-2017
- ❖ Regional Outcome Agreement 2016-17
- ❖ Education Scotland Review Report 2016
- ❖ Annual Internal Audit Report
- ❖ External Auditors report to the Board of Management 2015-16
- ❖ Employee Cultural Engagement Survey 2016
- ❖ Annual Report on Institution-Led Review of Quality 2014-15
- ❖ Board self-evaluation documentation 2015-16
- ❖ Performance Framework
- ❖ Board calendar 2016-17
- ❖ Forth Valley Student Association Constitution
- ❖ Governance self-evaluation results
- ❖ Staff member election procedures