Perth College UHI

Externally Facilitated Effectiveness Review May 2020

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Externally Facilitated Effectiveness Review

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1. Introduction

Background

The Code of Good Governance for Scotland's Colleges (the Code) sets out the principles of good governance for colleges in Scotland. All colleges that receive funding from the Scottish Funding Council or a regional strategic body must comply with the Code as a condition of grant. Each board must state its adoption of the Code in its corporate governance statement contained within its annual financial statement.

The five principles set out in the Code provide a framework within which colleges are expected to develop their own policies and procedures.

The Code states that the board must have in place a robust self-evaluation process,

> *'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 every three years.'*

The Guide for Board Members in the College Sector and the Board Development Framework provide additional guidance for board members and board secretaries.

This externally facilitated effectiveness review was undertaken against the 2016 Code of Good Governance for Scotland's Colleges.

At the request of the Chair the scope for the review was widened to cover broader governance considerations. This was in response to issues highlighted in recent events and reports including,

- University of the Highlands and Islands Internal Audit Service report 'Perth College UHI Investigation of Allegations Reported to Audit Scotland'
- Perth College Annual Audit Report by Ernst and Young
- Financial Statements for the year ending 31 July 2019

The purpose of this broader governance review is not to repeat the findings of the above reports, the aim is to
- review how the board has reacted to the recent events
- consider the impact on board interactions and behaviours and implications for future governance arrangements
- identify the learning points that have resulted from these events and make recommendations

Methodology

The effectiveness review included several stages aimed at building up an overview of the board's effectiveness. This comprised,

Phase 1
- Initial meeting with the Chair, Principal and Board Secretary to agree the scope of the review and the project plan
- Observation of the March 18th board meeting
- Board survey to seek members views on governance arrangements
- Desk research to review governance documentation and key reports, including the 2017 External Effectiveness Review and recent audit reports
- Phase 1 interviews with a selection of board members and executive team to explore the boards response to recent events and compliance against the requirements of the Code for Good Governance

Phase 2
- Interviews with the remainder of the board members and executive team to 'pressure test' the findings of Phase 1

2. Executive Summary

It is encouraging to note that there has been a high level of consensus across the evidence gathered, with broad agreement on the key issues and areas to be addressed.

This is a relatively young board with respect to length of service, however the board demonstrates effective team working, and members recognise and respect the skills, experience, and contribution of fellow board members.

The Perth College board, individually and collectively, has taken recent events seriously and is committed to making improvements.

The board has demonstrated great resilience and has taken a mature and pragmatic approach to issues raised. Recent events have been viewed as a positive catalyst for change.

One outcome is a greater appreciation of the importance of scrutiny, and members have demonstrated a greater willingness to question and to have the difficult discussions. However, there is a risk that board discussions could go too far into operational issues, it is important that the focus remains on strategic direction.

There is a culture where every board member feels able to query, challenge, discuss and seek reassurance, and board members generally feel that they have contributed to making improvements.

The Chair is clear about his role, has an inclusive approach, seeking contributions from all members, and works to reach consensus. Members feel that the chair is accessible and open to feedback.

The student experience is genuinely at the centre of board decision making. This is explicit and evident in strategic decision making.

The board sub-committees have clearly defined authorities and appropriate skills and experience to serve specific committees. Any issues that cannot be dealt with at committee level are raised to Board level and usually resolved in a balanced and collegiate way. There is a high level of trust between the board and committees, and the board has confidence in the work undertaken at committee level.

The period since the last External Effectiveness Review in 2017 has been one of significant change, including the appointment of a new Chair and new Principal, and a restructured SMT. Also, most board members have joined post March 2017. These have been challenging times for all involved but seems to have resulted in a more constructive culture where the relationship between the board and the executive is more balanced, honest, and effective.

The combined audit action plan is a key document in delivering improvements, although it is recognised that this is currently a work in progress. The recommendations made in this report are in addition to those in the combined audit plan.

The effectiveness review has highlighted several areas where improvements would enable more effective decision making, these are described in more detail later in this report, but these include,

- Reviewing the level of detail provided to the board and getting the right balance between operational and strategic discussion. There is a risk that lengthy agendas, long meetings and a large volume of board papers could compromise effective decision making. The board should consider if more be delegated to committees
- Ensuring that Is there a robust performance framework in place with a set of integrated KPIs which are monitored
- Providing enough information on ScotGov and SFC priorities to support effective decision making

In addition, the corporate governance statement contained in the annual financial statements reported on some areas of non-compliance with the Code of Good Governance for Scotland's Colleges. These have been addressed and the college expected to be fully compliant by March 2020.

Finally, the Governance Manual, which was last updated in 2016 needs to be updated as a matter of urgency, this is being addressed by the board secretary.

- **Recommendation:** Consideration should be given to setting quorum at 50% or higher and ensuring that the majority in any decision making are non-executive members.

3. Effectiveness Review

3.1 Leadership and Strategy

Board members feel that they effectively contribute to determining the vision, direction and values of the college. The full day and evening development sessions, which are in addition to board meetings, offer a valuable opportunity for board members to discuss key issues. These sessions support strategic discussion and planning while also encouraging teamwork.

However, the understanding of Scottish Government and SFC priorities and how the college contributes to these priorities could be improved.

- **Recommendation**: Members would benefit from brief 'policy digests' summarising the current policy agenda to support decision making.

A requirement of the Code is that the board must ensure that a comprehensive performance system is in place which identifies key performance indicators. Although much work has been invested in this area there is a view that the current performance management framework is still too large and impractical, making it difficult for members to engage effectively with the KPIs presented. Sections of the balanced scorecard have still to be fully populated. The board and SMT agree that this is an area that requires further work.

- **Recommendation:** Continue the work on refining the performance management framework and the identification of an integrated set of set of KPIs which will ensure that all areas of strategic importance to the college are being monitored.

This is a diverse board with an effective mix of skills and experience and broad representation from local stakeholders. It is important to members that this diversity and breadth of representation is maintained when it comes to the recruitment of new members this year.

3.2 Quality of the Student Experience

The quality of the student experience is genuinely at the centre of board decision making, and the board gives close regard to the student voice.

Student members sit on a range of subcommittees including Finance and General Purposes, Audit, Engagement and Academic Affairs.

Student members provide a written report for board meetings.

The college strives to provide coherent provision for students, the Evaluative Report and Enhancement Plan states

> *'Perth College UHI is one of the largest partners in the University of the Highlands and Islands (UHI), a unique tertiary institution and growing university. Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth and Kinross Single Outcome Agreement measures and Community Planning priorities. The College works in partnership with relevant local regional stakeholders to ensure the provision of relevant high-quality curriculum and sector engagement within the Regional Skills Assessment (RSA) area of Tayside, but also shares common overall goals with RSA of Highlands and Islands.'*

3.3 Accountability

The Code of Good Governance for Scotland's Colleges states

> *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.*

There have been issues regarding financial reporting to the board, this was highlighted in the Annual Audit Report 2018/19 by EY. These issues have now been addressed by the SMT with the support of the board to ensure robust financial reports are provided in advance of committee and board meetings.

However, issues have been raised in relation to lengthy agendas, the large volume of board papers and the level of professional analysis provided to support board decision making, which seems to be inconsistent. There are risks that this could impact on member decision making.

Board papers need to be focussed and pitched at the appropriate level, and the narrative which supports board papers needs to provide a professional analysis of the contents of the report and not just a description.

- **Recommendations:**
  - Review the content, structure and length of board meeting agendas to ensure a clear focus on strategic decision making
  - Provide an annual schedule of decisions and approvals for board and committee meetings so that members understand the cycle of decision making and know what papers to expect when
  - Ensure a consistency in the 'front page' narrative to board and committee papers which effectively informs and supports board decision making
  - Conduct a review on what, if anything, could be further delegated to committees, without overloading committee meeting agendas
  - The final standing agenda item for board meetings is a review of the meeting, it would be helpful to add to this a review of the quality of the board papers.

The board sub-committees have clearly defined remits and well-balanced skills and experience to serve specific committees. Committees are effectively supported by members of the management team. Any issues that cannot be resolved at committee level are raised to board level and usually resolved in a balanced and collegiate way. There is a high level of trust in the work undertaken by the committees.

- **Recommendation:** Given the volume of committee minutes consideration should be given to committee chairs providing a written cover paper which, by exception, highlights the key issues for board members attention.

The Audit Committee reviews the risk register in detail before it goes to the board, and there is confidence that all risks are reflected. However, it is felt that the register could be more focussed with less detail on mitigations and management actions. This is a more operational issue rather than a governance issue.

3.4 Effectiveness

This is an effective board which has taken the recent events seriously and is committed to making improvements, and although significant progress has been made there is an appreciation that there is still work to be done.

Members understand collective responsibility and provide constructive challenge and support for the executive team, holding them to account.

The appointment of a new board secretary last year has had a positive impact.

New members receive induction training, which is kept under review, e.g. it has been agreed to strengthen the sections on conflicts of interest and the duties of a charity trustee. Members also have access to the CDN National Board Member Induction Workshops

The chair is effective and promotes a culture of openness and debate. He is clear about his role and encourages contributions from all board members. The chair promotes constructive challenge and support to the executive team.

The chair provides verbal updates on wider sectoral changes, and updates on UHI developments, however members would value this information in advance of board meetings so that they can review any key considerations.

- **Recommendation:** Board members would welcome a brief written report from the chair.

3.5 Relationship and Collaboration

The board understand the importance of collaborative working, and benefits from having broad representation from stakeholder organisations amongst their members.

4. Recommendations

1. When reviewing the Governance Manual, consideration should be given to setting quorum at 50% or higher and ensuring that the majority in any decision making are non-executive members

2. Regarding Scottish Government policy priorities members would benefit from brief 'policy digests' summarising the current policy agenda to support decision making

3. Continue the work on refining the performance management framework and the identification of an integrated set of set of KPIs which will ensure that all areas of strategic importance to the college are being monitored

4. Review the content, structure, and length of board meeting agendas to ensure a clear focus on strategic decision making

5. Provide an annual schedule of decisions and approvals for board and committee meetings so that members understand the cycle of decision making and know what papers to expect when

6. Ensure a consistency in the 'front page' narrative to board and committee papers which effectively informs and supports board decision making

7. Conduct a review on what, if anything, could be further delegated to committees, without overloading committee meeting agendas

8. The final standing agenda item for board meetings is a review of the meeting, it would be helpful to add to this a review of the quality of the board papers

9. Given the volume of committee minutes consideration should be given to committee chairs providing a written cover paper which, by exception, highlights the key issues for board members attention

10. Board members would welcome a written report from the chair.

Annex 1 Document Review

The following documents were reviewed as part of the desk research

- Governance Manual 2016
- Committee Remits
- Financial Statements 2018/19
- External Audit Report 2018/19
- UHI Investigation Report
- Internal Audit Report 2018/19
- Internal Audit Plan 2019/20
- Audit Action Plan
- Board Papers for 18 March 2020 meeting
- Evaluative Report and Enhancement Plan
- Vision 2021 Strategic Plan 2016-21
- Perth College Externally Facilitated Effectiveness Review March 2017