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Guidance

External governance reviews: guide for FE college corporations and designated institutions

How to arrange an effective external review of governance and improve the performance of your board.

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Applies to England

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This guidance explains the purpose and benefits of external governance reviews and how to approach them. It will help you to:

- identify what a review should achieve
- understand how to prepare for and approach a review
- select a reviewer

Who this guidance is for

This guidance is for governors, charity trustees, governance professionals and senior college staff in:

- further education (FE) corporations
- sixth-form college corporations
- designated institutions funded by the Education and Skills Funding Agency (ESFA)

Overview

The [Skills for jobs](#) white paper set out various reforms to strengthen governance. Among them are new funding agreement requirements from 2021 to 2022 onwards, under which FE corporations, sixth-form college corporations and designated institutions must:

- have an external governance review every 3 years
- have an annual governance self-assessment
- share the results and associated actions with the department on request

When to have an external governance review

You must have an external governance review (which should not be a peer or auditor's review) between August 2021 and July 2024, and every 3 years after that.

If you do not already have regular reviews, you are encouraged to arrange one sooner than 2023 to 2024 where possible.

For participants in the Association of Colleges (AoC) and the Education and Training Foundation's (ETF) pilot reviews, your next review will be due 3 years after the pilot exercise.

A governance self-assessment is due every year from 2021 to 2022 onwards, except in the year of an external review.

Benefits of an external governance review

Strong governance is fundamental to:

- delivering high-quality education
- safeguarding funds and assets
- fulfilling the [6 main duties](#) of trustees under charity law

An external governance review independently evaluates governance effectiveness.

The benefits of an external review include:

- an expert, independent view of governance effectiveness, impact and boardroom culture, bringing fresh insight and broader governance perspectives
- stakeholder confidence that a board understands its responsibilities, is accountable and committed to continuous improvement
- an opportunity to build on strengths and to address any identified weaknesses
- encouraging openness and enhancing board members' engagement in governance development and good practice

Preparing for a review

Board members, the governance professional and senior executive staff would be expected to be involved in a planning process before a review is commissioned. Things to consider for the plan include:

- key roles and responsibilities
- terms of reference for the reviewer
- the process for selecting a reviewer
- timing of the review
- costs and budget

The reviewer will need access to people, meetings and documents, so the board will need to think about allowing time for the reviewer to:

- have one-to-one meetings with the chair, a selection of board members, the governance professional and senior executive leaders
- gather views from students, a range of college staff and key external stakeholders
- observe agreed board and committee meetings
- provide regular feedback to the board and governance professional as the review progresses, so findings and recommendations can be tested

Selecting an external governance reviewer

Your board is responsible for choosing a suitable reviewer.

The reviewer should:

- be external, objective and independent
- be an expert with relevant experience or qualifications such as:
 - experience of governance in the charity or education sector
 - an advanced Chartered Governance Institute qualification
 - a track record of carrying out reviews
- have strong communication and interpersonal skills
- offer good value for money

Governance reviews are available from:

- charity or education governance advisory bodies
- independent charity, FE and HE consultants
- professional bodies and the National Council for Voluntary Organisations (NCVO)

Services for charities can be cheaper than those for the private sector. It is good practice not to use the same reviewer for more than 2 consecutive reviews.

The review should not be a peer review process.

Your board should agree the terms of engagement with the reviewer at the outset.

Setting the scope and objectives of an external governance review

At the start of the process, governors should work with the reviewer to help determine the scope of a review, which must be framed by the key principles of the governance code a board uses. However, the review should provide more than a view of how well a board has observed these principles. It should also:

- consider the overall effectiveness of governance, including the impact of board behaviours
- support continuous improvement by recommending actions to strengthen governance culture, policies and practices, where appropriate

As part of consideration of the overall effectiveness of governance, the review may explore areas including:

- how board members discharge their role as charity trustees
- the effect of board culture on decision-making, including encouraging appropriate challenge and contribution, and on the culture and tone of an organisation
- the impact of governance, including policies, practices and structures
- how the board sets and communicates strategy
- how the board models and promotes good diversity practice
- governor recruitment, induction, development and succession-planning
- the role, input and influence of the governance professional
- governor, chair, governance professional and senior leadership team dynamics and effectiveness of working relationships
- the board's interaction with students and stakeholders

Findings and follow-up

The reviewer would be expected to:

- present the review as a report to your board
- have an open discussion with your board about the findings and recommendations

Board members are responsible for:

- implementing the recommendations through an action plan with a clear timetable
- reviewing the plan regularly

Remember to think about board capacity and whether any support will be needed to take forward change.

Sharing the outcomes of a review

Transparency and accountability are fundamental to ensuring public trust and confidence in how a charity is run and to the [Seven principles of public life](#).

Boards are required to report when an external review was carried out, and

by whom, in their annual report and financial statements.

Also, it is recommended that an overview of the review be available on your organisation's website, for example in the annual report. This overview should contain:

- a summary of the review outcomes
- highlights from your action plan, with updates following the annual governance self-assessment

You should invite your reviewer to comment on the summary of the review outcomes before publication.

The Department for Education (DfE) may have discussions with you about:

- your governance review outcomes
- the progress of the action plan to identify good practice that can be shared with other institutions' governing bodies
- how best to support you in addressing areas for development

Feedback

To provide feedback about this guidance, please contact:

FE.GOVERNANCE@education.gov.uk

Further reading and resources

Charity Commission

[The essential trustee: what you need to know, what you need to do](#)

[Conflicts of interest: a guide for charity trustees](#)

Department for Education

[Help and support for colleges](#) (includes active support available from the FE Commissioner)

[Further education corporations and sixth-form college corporations: governance guide](#)

[Skills for jobs white paper](#)

Education and Skills Funding Agency

[Education and Skills conditions of funding 2021 to 2022 \(College\)](#)

[College accounts direction](#)

Governance codes

[Charity Governance Code](#) (CGC Steering Group)

[Code of Good Governance for English Colleges](#) (Association of Colleges)

[UK corporate governance code](#) (Financial Reporting Council)

[Higher Education Code of Governance](#) (Committee of University Chairs)
(note that this is not one of the codes prescribed by ESFA funding terms)

Governance review tools and guidance

Charity Governance Code [diagnostic tool](#) (CGC Steering Group)

[Guidance Note – Conducting Externally Facilitated Effectiveness Reviews](#)
(College Development Network, Scotland)

[Board evaluation in the charity sector](#) (Chartered Governance Institute)

[Specimen charity board evaluation questions](#) (Chartered Governance Institute)

[The board evaluation process – visual aids](#) (Chartered Governance Institute)


[The virtuous circle of good charity governance](#) (Chartered Governance Institute)


[Governance reviews](#) (NCVO Knowhow)

Governance reviewers

[Code of Practice for board reviewers](#) (Chartered Governance Institute)

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