



SCOTTISH EXECUTIVE

# Enterprise and Lifelong Learning

## Review of Scotland's Colleges: Accountability and Governance



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# **REVIEW OF SCOTLAND'S COLLEGES: ACCOUNTABILITY AND GOVERNANCE**

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## EXECUTIVE SUMMARY

### Research Aims

1. DTZ Consulting & Research was appointed to undertake research on Accountability and Governance as part of the Scottish Executive's Review of Scotland's Colleges (RoSCo), with the aim of identifying good practice in accountability and governance by learning from current practice in Scotland's colleges and from the experience of other public and private sector organisations. The aim of the research was also to inform public policy; identify implications for funding decisions; and inform consideration of changes to the accountability and governance arrangements for colleges and for Board member training and development.

### *Overview of Accountability and Governance*

2. **Overall Assessment** – in support of our conclusions from the desk research (see Annex 1), the DTZ Team's assessment is that, in general, the standard of accountability and governance in Scotland's colleges is good. However, practice has ranged from 'average' to the 'very good', indeed 'exemplar' in some cases. Our assessment has been made against the good practice principles and standards specified in the 'Good Governance Standard'<sup>1</sup>.

3. **Good Practice** - based upon the case study colleges that were assessed to have above average Board performance, the following strengths were identified:

- **Skills of board members** – a good skills mix and an extensive range of business and community experience. However, the actual calibre of governance displayed by Board Members is difficult to determine from an assessment of this kind;
- **Commitment of board members** – this is, generally, found to be relatively high for non-remunerated posts. Where there have been problems of commitment this usually relates to LEC Board Members, where they are in place. We conclude this may reflect the fact that there is no competitive screening for such positions, but a nomination from the LEC's 'Skills and Learning Directorate';
- **Understanding of governance** – with the exception of the student Members (for whom the often short duration of such Board positions can be limiting) Board Members' understanding of governance is good. They understand their role is as an independent governor not as a representative from another organisation. The only exception to this is staff Board Members who often adopt a strong representational role on behalf of their Union;

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<sup>1</sup> In 2004, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management established an Independent Commission on Good Governance in Public Services under the Chairmanship of Sir Alan Langlands to develop a common code and a common set of principles for good governance across the public services. In January 2005, the Commission published "The Good Governance Standard for Public Services" which builds on the Nolan Principles by setting out six core principles of good governance for public bodies, each of which has its own supporting principles.

- **Challenger role** – from sitting in on a number of Board meetings, there is good evidence that Boards provide constructive challenge to the Principal and SMT; and
- **Team working** – the Boards do work as teams and there is evidence of networking and informal communication outside the formal Board meetings and sub-committees.

4. **Poor Practice** – as a counterpoint to the above good practice there are areas where the performance of a number of Boards needs to be improved, including:

- A recognition of the importance of **succession planning** and how this can facilitate recruitment, induction and the performance of Board members;
- A more professional and **in-depth induction** process that is integrated into the training and development system;
- Although recruitment is, in general, handled well, LEC nominations are not subject to **a competitive screening process**;
- The **inclusion of the Principal in the appointments process for Board Members is bad practice** and needs to be addressed;
- **A greater time commitment** from Board Members in areas such as more regular attendance at Board meetings, participation in college events, the reading of board papers and attendance at training events; and
- The **quality of information presented to Boards** could be enhanced in a number of colleges – in particular there is a tendency to produce too much information with little attempt to present this in a prioritised and professional presentation.

5. **Scope for Improvement** – in summary, this review has highlighted that although Board performance is relatively good, there is scope to make a significant improvement if a number of the development areas highlighted in this study are addressed. These relate to the structure, systems and procedures of accountability and governance – changes which will further improve the execution of Board governance, and help move the whole sector to the standards of the exemplar colleges we visited. A summary of each of the chapters of the report and the recommendations is set out below:

### **Succession Planning, Recruitment and Skills**

6. **Succession Planning:** Unlike recruitment, there is no systematic approach to succession planning across the Scottish college sector. However, there were a number of examples of good practice that could be built upon and shared within the sector, particularly:

- Co-opting unsuccessful candidates on sub-committees or college academic boards
- Use of ‘shadow’ Board Members – particularly for student and staff Members
- The proactive development of Board Members for future chairing responsibilities – either for the main Board or sub-committees.



7. Given the ‘thin’ market for good calibre board members (see section 2.3 on Recruitment) effective succession planning is all the more important in the college sector, as benefits include:

- A more secure pipeline of Board Members with consequential lower governance risk
- A faster and more cost-effective recruitment process
- A better planned and more effective approach to the filling of positions such as the Chair of the main Board and Chair positions for sub-committees; and
- Board Members that are further up the learning curve on both governance and the college sector prior to taking up appointments.

It is recommended that good practice guidance in succession planning is developed and is disseminated to the college sector.

8. **Recruitment:** The college sector applies a suite of recruitment methods that are fit for purpose including open advertisement, proactive targeting, internal networking and reserve candidates. Good practice examples include:

- The collaborative open recruitment exercise undertaken by the Lothian colleges
- The engagement of colleges with short listed candidates in a social setting e.g. lunch/dinner, to familiarise candidates with the Board and the college;
- The skills audit and proactive targeting of skills gaps

9. The only bad practice issues identified relate to: the engagement of the Principal in the appointments process; and there is also a widely held misconception by Boards that they have to accept candidates from external nominating bodies (specifically LECs) without any screening and competitive selection process.

10. In terms of tenure, the majority of colleges would like to retain a maximum tenure period of 12 years for flexibility in retaining high calibre Board Members, particularly where there is a small and/or dispersed pool of good quality applicants.

11. Our recommendations on recruitment are as follows:

- A sector-led independent review to investigate the pros and cons of remuneration for Board Members to maximise the quality and contribution of Board Members and to assess impact on easing any skills gaps. Remuneration of all Board members is not recommended, not least due to constraints of charitable status. Options for remuneration might include the Chair only or the Chair and Chairs of sub-committees and guidance should also be given on levels of remuneration, should such an option be deemed appropriate.

- The Principal should not sit on the Nominations Committee, nor be involved in any way with the work of the Committee and the nomination of candidates for approval by the Board.
- For external organisations nominating Board Members, specifically LECs, they should be encouraged to put forward more than one candidate and they should be assessed objectively along with other applicants.
- Given the importance of having ‘representation’ from within the staff and student bodies, the process of seeking elected Members from these internal stakeholder groups and numbers should be maintained: one Board Member from the student body and two from the staff (one academic and one support).
- The tenure of Board Members should be retained at a maximum of 12 years. A staggered system of appointments is recommended incorporating the use of split four year terms: for example, an initial two year term, followed by four years, etc.

12. **Recruitment Outcome and the Skills Mix:** A number of colleges in the survey highlighted specific difficulties in recruiting Board members including specific skills’ gaps such as legal and computing /IT; ensuring gender balance; and meeting disability and ethnicity objectives. Overall there was a very good mix of skills across college Boards in Scotland and a balanced age profile, although there is an imbalance in gender profile in favour of males. We recommend that in reviewing Board profiles, the whole range of criteria – skills, experience, and equality and diversity considerations are considered.

## **Induction, Training & Development**

13. **Induction:** Good quality induction is critical to the integration and development of Board Members. Unfortunately, many colleges are still focused on a simplistic one-day event. However, a number of examples of good practice were identified:

- Role shadowing and co-option to sub-committees and academic groups prior to appointment;
- Buddy system once appointed – examples include one-to-one links between Board members and SMT and with academic departments;
- Provision of a high quality induction pack;
- Site visits to departments, both academic and support (as part of an on-going development programme for Board Members)
- Co-ordination (where possible) of board appointments to enable Board Members to attend the Board away-day/residential sessions
- Sitting in on all sub-committees as an observer during the first few months to ‘sample’ the range of responsibilities at sub-committee level.

14. Given the inadequate standards of induction highlighted later in Section 3, it is recommended that good practice induction guidance be developed and disseminated to the sector as an integral element of a wider training and development framework.

15. **Training & Development:** More than 50% of college Chairs identified that there was scope for improvement in ‘the provision of on-going training and development support’. Particular issues facing the college sector are:

- The ‘lack of time’ for training and development – or more accurately the opportunity cost for Board Members with full-time jobs attending training events;
- The infrequency of training events run by ASC. A suggestion was put forward to develop a collaborative training programme with LFHE;
- The failure of Board Members to take personal responsibility for reviewing and addressing their training and development requirements on a regular basis
- The lack of appraisal reviews for individual Board Members to better understand their performance and identify any training and development needs
- The longer term issue of on-going development support for Board Members relating to changing policy context, guidance from SFC, etc., is critical – beyond the induction process which tends to concentrate on governance skills;
- The particular training and development needs of staff and student Board Members should be recognised.

16. DTZ recommends that the whole training and development area be reviewed with the aim of developing a good practice framework for the ‘on-going development’ of Board Members. Specific recommendations include:

- Giving greater recognition to the time commitments required from Board Members if training and development is to be delivered effectively i.e. being honest about the actual time commitments required (with possible implications for remuneration)
- Provision of an integrated governance training programme by ASC and LFHE
- The performance of individual Board Members should be appraised annually, with any training and development needs being identified and addressed
- The development of a bespoke support mechanism to meet the unique training and development requirements of both staff and student Board members
- A revamp of the ASC Guide to reflect the recommended changes.

## Roles & Responsibilities

17. Respective roles and responsibilities between the Board members and executive teams are well understood. While there is variable practice on information provision, Board members are usually sufficiently skilled to work with Principals to improve the quality of information and reports where required. Other points raised were:

- Clarity in decision-making and delegation to Committees and Executive Teams is helped through the production of an explicit scheme of delegation.
- Board members commonly raise the issue of being bogged down with bureaucracy and micro-level KPIs. This appears to be at the cost of having an appreciation for the quality of outcomes and overall impact of the college's work in the wider community.
- There is some confusion over the 'representative role', particularly for staff Board Members.
- Some colleges have appointed independent clerks to the Board, and this can complement the traditional internal Secretary role filled by a college employee.

18. DTZ has few recommendations to make in respect of Board roles and responsibilities, as colleges appear to be working in line with good governance standards. However, we recommend that specific **training is required for staff Board members** in particular to ensure their role at Board level is understood, i.e. not to work at Board level in representing the best interest of staff, but to provide a staff perspective for the benefit of the good governance of the college as a whole. While this principle is also true for student Board members, we did not find the confusion to be so marked for students' role, possibly due to provision of training through Student Participation in Quality Scotland<sup>2</sup> (SPARQS).

## Board Structure & Meetings

19. Board sub structures and the number of meetings vary. The model of inclusion of staff and students on the Board is valuable when the role is properly understood and supported. However, there is a tendency to adopt a 'representational' approach. The use of restricted sessions appears to be common. Recommendations include the following:

- Boards should aim for an efficient structure that enables sufficient scrutiny, while making the most of volunteer members' limited time and ensures strategic rather than micro-management.
- Board size should certainly not increase above 16. If there was to be any move to change the structure of Board numbers there should be a modest reduction in size. However, the scope to reduce size is very limited due to the significant number of sub-committees that have to be serviced (an average of 6 per college).

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<sup>2</sup> The SPARQS project, run by NUS Scotland, and funded by SFC, has, using NUS data, delivered training to over 3,000 class representatives and student association officers since 2002. NUS Scotland has been awarded a further two-year contract to operate the scheme.

- As noted in section four, it is not good governance to adopt a representational model for staff and students, and efforts should be made through training to ensure absolute clarity over their respective roles on the Board.
- The use of restricted meetings should be minimised to nurture Board trust and cohesion. DTZ's working knowledge of other sectors (HEIs and Housing sectors in particular) suggests that while not unknown, restricted Board meetings are uncommon. While it is recognised that there may be occasional restricted sessions, these should certainly be exceptional rather than the rule to ensure that trust between all Board members is nurtured. It is recommended that the college sector develop a consistent policy with regard to the use of restricted meetings, specifically:
  - The Board subjects that make restricted meetings appropriate; and
  - The Members of the Board that should be excluded during a restricted session.
- It is good practice to have Board involvement in setting and monitoring academic and quality standards, and some Boards have recently restructured to achieve this at committee level.

## Evaluation of Board Performance

20. In respect of **Board performance**, we have found that:

- Self-evaluation of Board performance is the norm (92% of colleges). This typically occurs at the Board away-days or residential sessions, and can involve an external facilitator. There is also evidence that the ASC checklist is used.
- Self-evaluation of individual Board Members is much more limited (25% of colleges). Again, colleges can use external specialists. Effective follow-up on training and development implications is critical.
- Peer review of the Chair is the exception rather than the rule (just two colleges claim to review their Chair's performance). DTZ believes that a 360° appraisal of the Chair is good practice and should be introduced across the sector. This reflects the critical importance the Chair plays in the establishment and delivery of good governance.

21. DTZ recommends that good practice guidance be submitted to Boards recommending that Chairs and Chairs of Sub-Committees be subject to peer review (See also recommendations for enhancement of the Community of Practice under dissemination of good practice below).

22. **Powers to Address Poor Board Performance** are currently limited, as set out in Schedule 2 of the Further and Higher Education (Scotland) Act 1992. It is also understood that OSCR intends to scrutinise college constitutions to ascertain whether a trustee who has not acted in the interests of the charity can be dismissed. It is not clear that the current provisions enable such action. Therefore, we recommend that powers of college Boards be strengthened to enable them to address performance problems with Board Members more quickly and effectively than current legislation permits.

## **Strategy, Risk and Finance**

23. **Strategic Planning & Monitoring** - we have found effective strategic planning systems and a good level of engagement of Board Members with the Strategic Planning of the college. These processes are supported by away days which help to inform/revise draft strategic plans, but also allow interaction between academic and support staff and the college Board of Management. Board Members also appear to be very aware of the need to focus on monitoring of strategy and operational plans to ensure the college remains on-track. DTZ has no specific recommendations in this area.

24. **Risk Management** – in general, the majority of Chairs believe that they have ‘effective’ or ‘very effective’ risk management processes (80%). Furthermore, their effectiveness in addressing highlighted risks is assessed to be even stronger at nearly 90%. The case studies supported these findings, with Boards treating the risk management process very seriously. This was evidenced by the range of good practice that was identified. The objective is to encapsulate and share this good practice.

25. DTZ recommends that good practice in risk management be disseminated throughout the college sector. This should draw upon the following good practice findings:

- The role of Audit Committees and the specialist sub-committees in delivering risk management is absolutely critical;
- The use of separate risk registers where significant capital projects introduce a new area of risk;
- Risk registers need to be regularly reviewed, calling upon the sub-committees and executive/senior management team expertise, produced in a format that is simple for non-specialists to understand, perhaps using “traffic light” colour coding;
- Communication of Performance Indicators – either in real time (say via a college intranet) or regular distribution, a short list of the key PIs that are of critical importance to the college, such as recruitment, retention, WSUMs against target and key financial PIs against budget (e.g. cashflow position, as treasury issues are critical), should be communicated.

26. **Financial Management** – in DTZ’s view college financial management appears to be rigorously pursued by Board Members and the strength of the audit culture, the external pressure on funding and the business background of many members has helped significantly in this regard, in keeping it at the forefront of thinking. This is supported by the views of the stakeholders consulted and the survey of college Chairs, of whom > 90% believe that they are either ‘effective’ or ‘very effective’ in monitoring and controlling college finances. The main constraint facing colleges is the annuality of SFC funding and the problems this presents in managing their business.

27. We make the following recommendations in respect of financial management:

- There was a very strong view expressed from the college sector to change the current annual financial cycle to one based on three years and DTZ endorses this as a key recommendation of this study.
- As part of the induction process it is recommended that new Board Members are offered specific training to fully understand the financial systems, ‘jargon’ and acronyms in use in the college sector and the nuances of its supply-led approach (often difficult for Board Members with a private sector background to grasp); and
- The implications of how the External Auditor appointed by Audit Scotland is going to treat pension liabilities is one of the key concerns of colleges. It is recommended that SFC review any implications for the colleges and, in particular, to identify the extent of differential impacts and how they are reported.

## **Accountability & Engagement**

28. **Accountability:** There is clarity amongst Boards and college Principals as to the ‘Accountable Officer’ responsibilities of the Principal to SFC, as per the Financial Memorandum. However, there was less clarity over the legal Accountable Officer status which resides with the Chief Executive of SFC and his subsequent accountability to the Scottish Parliament.

29. In relation to public sector scrutiny, there was an overwhelming response that the level of scrutiny in the college sector is excessive in terms of:

- The number of organisations involved in scrutiny;
- The fact that these organisations are not perceived to be ‘joined-up’, with significant consequential inefficiencies for the sector in terms of resources tied up in duplicated and non-productive tasks; and
- The manner in which failings in governance are pursued. It tends to be an ‘all or nothing’ approach so that when a serious problem is identified the level of investigation is disproportionate.

30. A number of recommendations are made regarding accountability:

- Consideration should be given to the circulation of Accounting Officer Letters to Principals; and
- There should be a rationalisation in the number of bodies which scrutinise the college sector. It is recommended that the various bodies to whom colleges are accountable need to engage with each other, as with the Convergence Steering Group, and ideally agree a standard set of PIs that satisfies all and have one annual collection exercise conducted, and thereafter share that information, with the aim of reducing the bureaucratic burden on colleges.

31. **Engagement** – engagement with internal stakeholders (staff and students) is stronger than for external stakeholders, such as the wider community, local employers and the self-employed. However, there are development issues facing Board engagement across all stakeholder groups:

- Ensuring that governors are sufficiently knowledgeable about, and up-to-date with, the college's core activities and the wider college sector is a key issue for colleges
- Communication between the Board and the staff is typically through line management channels to the senior management team and the Principal and via the college intranets for minutes and agendas, excluding restricted items. College principals typically provide regular debriefings to staff. In general, this seems to work well.
- Engagement with learners is particularly problematic due to the difficulty of securing a student Board Member and this appears to us to be especially acute where students' associations and class representative structures are weak.
- There is also a need to provide training and support for staff Board Members to better understand their role and how best to add value;
- Community engagement is generally weak and various means have been attempted to address this, ranging from using professional PR consultancy to wider engagement in community planning; and
- Business engagement is typically at an executive or departmental level, where the college is customer facing. However in a number of colleges, Board Members with particular expertise have been assigned to advisory boards or for departmental / institute liaison.

32. It is recommended that good practice in stakeholder engagement be disseminated to the college sector, drawing on the evidence from DTZ's research and the wider desk review. Examples of good practice include:

- Improving the 'visibility' of Board Members to internal stakeholders via Departmental visits, attendance at college events, and communication via the college Intranet and newsletter;



- Listening to staff and students' views, through focus groups or conferences held periodically, is an effective way to broaden and devolve college governance;
- Provision of a formal training programme for staff Board Members as part of the induction process, with a focus on core governance skills and behaviour;
- Support for the student Board Member which can include the following: provision of sabbatical posts to support elected (student President) Board Members; co-opted Vice-Presidents to provide moral and practical support to the President; providing dedicated administrative support to the Student Association and President;
- Holding regular presentations by staff at board meetings to develop Members' understanding of the college; and
- Engaging professional PR and communications specialists to work with the Board in the development and implementation of a communications strategy for external stakeholders.

### **Future Drivers & Implications**

33. We conclude that the following key challenges face the college sector:

- It is clear from case study evidence, that from a board perspective, concerns regarding constrained funding will remain, in the short-term at least, the key driver for college strategy. It is our view, informed by stakeholder and college consultees, that this concern will drive requirements for increased focus on economies of scale, either through collaborative delivery of provision, shared services and economies in sharing staff development, or through college-led, rather than SFC-directed, mergers;
- Inter-Board working will become more significant;
- Boards of management may become further imbued with professionalism and this may, against a backdrop of competitive recruitment for governors, give rise to consideration of remuneration in some form for board members;
- Demography will also be highly influential in driving trends in employment and changing the demand profile for college provision;
- The economic development role and value of the college sector will become more explicitly recognised leading to greater engagement in economic development;
- There will be greater emphasis on collaboration between colleges and HEIs, and between colleges and schools;
- There may be significant change within the structure of public sector organisations, along city-region lines, which may impact upon the colleges; and
- There will be a greater requirement for SFC and others to further reduce the bureaucratic burden faced by Boards, as "trust in the sector's capabilities grows".

## Dissemination of Good Practice

34. The study brief requested guidance on ‘how best to disseminate good practice’. A wide range of good practice has been identified throughout the report and in some depth in Section 10. Our dissemination proposals represent the views of DTZ and they have not been ‘tested’ with the sector and, therefore, it is recommended that these proposals be discussed with the principal organisations that would have responsibility for dissemination, specifically the Scottish Executive, ASC, SFEU and SFC, and that an agreed Dissemination Plan is approved for roll-out. However, DTZ recommends a ‘layered approach’ to dissemination:

- **Level 1 – communication of report findings**, to ensure the findings of the ‘Review of Accountability and Governance’ are communicated effectively to the college sector and that there is clarity within the sector on the key findings of the review, and confirmation and further development of the key good practice recommendations that the sector would like to take forward. There are a number of approaches that may be taken:
  - issue of hard copy reports & publication on the Scottish Executive website;
  - holding a seminar in the college sector to which Chairs are invited to review the findings, possibly using break-out groups to review good practice topics; and
  - a high level policy workshop to review high level accountability and governance good practice issues highlighted in this report, e.g. rationalisation of scrutiny and monitoring in the college sector.
- **Level 2 – preparation of ‘good practice pack’** to produce good practice guidance in an easy to communicate and user-friendly format. A publication complementary to, and supportive of, the ASC Guide, taking those good practice recommendations that the sector wishes to take forward, summarising them in a high quality folder format with inserts. In theory there might be one page per good practice theme, with the top half covering good practice guidance and the bottom half giving real life examples, such as:
  - Sources of information on governance for Board Members;
  - Risk register with traffic light system; and
  - Model examples of sub-committee reports, colour coded for each of the committees, containing high quality management information and statistical presentation in a very user-friendly format.

- **Level 3 – training and development support** - to disseminate and embed good practice through training and development, through:
  - ASC/SFEU to embed good practice in their course provision; and
  - Establish communication channels between ASC and the Leadership Foundation for Higher Education (LFHE), to assess the feasibility of integrated course provision across the university and college sectors to achieve economies of scale, and to exchange good practice for the benefit of both sectors.
- **Level 4 – continuous improvement** - to ensure that the momentum of this Review is maintained through a process of continual challenge to, and enhancement of, accountability and governance in the college sector and to ensure the sector is at the forefront of good practice. This might involve formation of an **enhanced ‘Community of Practice’ (CoP)**, built upon the current model involving Secretaries to the Board, to take ownership and lead the on-going development of good practice in accountability and governance. It is recommended that representation also includes Chairs of Boards and be drawn from those colleges that are demonstrating good practice and where there is real commitment to lead from the front and exchange good practice. A number of specific initiatives might be pursued by such a group:
  - Chairs sitting in on other college Boards to share good practice – this could work both ways: an exemplar Chair helping a struggling Board; or the Chair of a struggling Board attending a good practice Board.
  - Chairs from good practice colleges presenting at events, seminars or annual meetings of ASC
  - Regional task groups being formed to share good practice and learn from each other such as in the good practice model in the Lothians where colleges collaborate in recruitment of Board Members and board member development;
  - Sectoral task groups being formed to share good practice and learn from each other – for example those with an agri-rural focus; or those with a specialist focus such as the Glasgow city centre colleges, etc; and
  - Creation of an electronic ‘notice board’ via a CoP extranet to enable Board Members to share experience across the college network as part of a process of continuous improvement, on a restricted access basis. For example, via this medium, it would be possible to post ‘Accountable Officer’ circulars from the Scottish Executive.



## **CHAPTER ONE                      INTRODUCTION**

### **Research Aims**

1.1     DTZ Consulting & Research was appointed to undertake research on Accountability and Governance as part of the Scottish Executive's Review of Scotland's Colleges.

1.2     The aims of the research as stated in the research specification were:

*...to identify good practice in accountability and governance by learning from current practice in Scotland's colleges and from the experience of other public and private sector organisations."*

1.3     The aim of the research was also to inform:

- Public policy;
- Implications for funding decisions;
- Consideration of changes to the accountability and governance arrangements for colleges;
- Board member training and development.

### **Project Management & Study Team**

1.4     DTZ Consulting & Research was commissioned by the Scottish Executive to undertake this review. A Research Advisory Group (RAG) chaired by the Executive, but comprising representatives from relevant stakeholders including the Association of Scottish Colleges (ASC), the Scottish Funding Council (SFC), NUS Scotland and the STUC managed the work. The full list of the RAG members is detailed in Annex 5.

1.5     The DTZ study team comprised senior level consultants with experience of governance in a range of sectors such as higher education, social housing and the non-for-profit sector. A number of the team members also had a detailed knowledge of the college sector. We invited Ralph Leishman of 4-Consulting to join our team. He provided further sector knowledge from within the HE and FE sectors and has extensive governance experience.

1.6     The review was conducted over the period August to October 2006.

## Methodology

### 1.7 The research has involved four main strands.

- **Desktop review:** analysing literature on public and private sector governance standards; a review of the background and current position in accountability and governance specifically in the Scottish College sector; and a summary of good practice examples of accountability and governance, again, drawing from different private and public sectors.
- **Stakeholder consultations:** a series of 10 in-depth interviews were conducted at a senior level with the main stakeholder organisations relevant to a review of Scotland's college sector: see Annex 5 for a full list of the organisations consulted.
- **A survey of colleges Chairs:** the objective of the survey was to provide a consultation opportunity, canvassing views of the Chairs of colleges on accountability and governance in individual colleges, but also views on practice in the sector as a whole. The survey was addressed to the Chair in each of the colleges with a request that they complete the survey, as the individual with overall responsibility for accountability and governance. The survey form was issued (by hard copy and electronically) to the Chairs of all 44 colleges<sup>3</sup> and 36<sup>4</sup> were returned – an 82% return rate. The key findings are incorporated into the main body of the analysis in this report.
- **Case studies:** the large proportion of the research work was undertaken through eight case studies of Scottish colleges. The objective was to explore in more detail examples of practice in accountability and governance. Case study colleges were sampled at random on the basis of criteria agreed with the Research Advisory Group which were college size, geography (urban, rural and remote), merged versus non merged, and Non-SFC/Commercial income generation. In order to maintain the integrity of the research, it was further agreed with the Advisory Group that the identity of the case study colleges would be kept confidential – both through the course of the research and in reporting. The case studies involved:
  - one-to-one interviews with the Chair, Principal, Secretary (or in some cases the Clerk where relevant), and another board member;
  - two focus groups – one with a group of staff including staff Board members, and one with a group of students including the student Board member;

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<sup>3</sup> The survey was issued to 39 incorporated colleges and 4 unincorporated colleges (Newbattle, Orkney, Shetland and Sabhal Mor Ostaig).

<sup>4</sup> One additional survey form was returned following the return cut off date (bringing the total to 37, 84% return rate) but was not incorporated into the analysis due to reporting deadlines.

- where there was the opportunity a member of the DTZ team sat in as an observer at a Board meeting or sub-committee meeting. This was achieved in four colleges; and a
- review of relevant documents.

## **Robustness of research findings**

1.8 It is important to highlight the limitations of the research work conducted by DTZ, as our work has been based on a limited sample of colleges and a self-assessment by college Chairs. In particular, our assessment was heavily influenced by the case studies, which means that, despite careful sampling, there are risks in scaling up the findings from eight case studies to the 39 incorporated colleges in the sector. Readers must therefore take care in the interpretation of our findings and recommendations at the conclusion of each Section, and over overall assessment in Section 10.

## **Report Structure**

1.9 This Final Report comprises the analysis of the DTZ Team's research findings. It is organised by the key themes of accountability and governance, with a separate Section for each major heading:

- Section 2 – Succession Planning, Recruitment and Skills
- Section 3 – Induction and Training & Development
- Section 4 – Roles and Responsibilities
- Section 5 – Board Structure & Meetings
- Section 6 – Board Performance
- Section 7 – Strategy, Risk & Financial Issues
- Section 8 – Accountability & Engagement
- Section 9 – Future Drivers
- Section 10 – Summary & Conclusions

1.10 Each Section concludes with a summary and recommendations. The Report also includes a number of annexes, which separately set out various components of the research as follows:

- Annex 1 – desktop and good practice review
- Annex 2 – case study sampling methodology
- Annex 3 – college survey questionnaire
- Annex 4 – bibliography
- Annex 5 – list of consultees
- Annex 6 – glossary of terms & acronyms

## CHAPTER TWO

### SKILLS

## SUCCESSION PLANNING, RECRUITMENT &

### Introduction

2.1 This section covers three key areas of governance – succession planning, recruitment and skills.

### Succession Planning

2.2 In common with many other sectors, succession planning is ad hoc rather than systematic across the college sector. It was interesting that we could find no overt reference to succession planning in governance guidance documents such as the ASC Guide<sup>5</sup> and the Good Governance Standard<sup>6</sup>. The only reference we found was in the Combined Code<sup>7</sup>:

*“The Board should satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management....”*

2.3 There is variable performance, from some colleges doing little if any formalised succession planning, to others providing examples of very good practice. The examples below demonstrate the range of succession planning tactics that are employed from five out of the eight case studies:

#### Succession Planning Good Practice Examples

- **Board Members** – unsuccessful applicants (but perceived as high quality and with relevant skills for possible future Board Member posts) are encouraged to engage with the College in a non-Board Member capacity. Examples include:
  - Joining one of the College’s Academic Advisory Boards or its sub-committees
  - Being co-opted as a special adviser to one of the Board sub-committees – for example, project specific committees for estates development.

<sup>5</sup> “2006 Guide for College Board Members”: Association of Scottish Colleges

<sup>6</sup> In 2004, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management established an Independent Commission on Good Governance in Public Services under the Chairmanship of Sir Alan Langlands to develop a common code and a common set of principles for good governance across the public services. In January 2005, the Commission published “The Good Governance Standard for Public Services” which builds on the Nolan Principles by setting out six core principles of good governance for public bodies, each of which has its own supporting principles.

<sup>7</sup> “The Combined Code on Corporate Governance”: July 2003, based on the Derek Higgs Report – ‘Review of the Role and Effectiveness of Non-Executive Directors’ – Jan 2003; and a review of the audit committees led by Sir Robert Smith – ‘Audit Committees Combined Code Guidance’ – Jan 2003



- This type of involvement prior to being offered a Board appointment is a win-win for both parties. Specific advantages include:
  - It enables both the candidate and the college to learn more about each other. The candidate will be able to determine whether this type of role is something they are interested in; and the college can evaluate the skills and governance competencies of the individual;
  - It provides an important learning and induction function, so that if the individual is offered a Board position in the future, they are already well up the learning curve;
  - It starts to build commitment within the candidate – the process of engagement with the college is very helpful in ‘opening eyes’ as to the values, objectives and contribution of the college;
  - When the next vacant Board position arises, the ‘co-opted’ individuals can be sounded out (if relevant to the position) to see if they are interested and they can then enter the open recruitment process as a fast-track candidate.
- A good practice example from one of the case studies highlights the benefits of effective succession planning:
 

*“The board as part of its self evaluation process takes cognisance of the need to succession plan. The strategy of co-opting members has proved to be effective both in terms of providing additional expertise to the board, but also in providing potential full members with a detailed insight into the work of the college and its corporate governance”*
- An alternative ‘lighter touch’ approach adopted by one college was to keep the CVs of unsuccessful Board Members on file, and to maintain active communication via correspondence and invitations to college events.
- **Chair Positions** – good practice was identified whereby the Chair of the Board would be overseeing the development of one or more Board Members for future succession to the Chair. For example, this would include the assignment of aspirant Chairs to positions as chairs of key sub-committees.
- **Secretary** – in one college the Assistant Principal, who is Secretary of the Board, is being shadowed by the HR Manager. Not only does this provide cover for the Secretary and resilience in this function, but it is also part of their succession planning process.
- **Student Board Member** – given the nature of the college sector and short course durations, colleges have found it difficult to provide effective and consistent representation from the student body on the Board. Examples of succession planning to help overcome these problems include:
  - Ensuring the Student President is elected prior to the end of the academic session (ideally May). This will ensure there is some handover time between the outgoing President and the newly appointed person. It also enables the new President to attend NUS and ASC training events over the summer/autumn – see later sub-section on ‘Induction’.

- Providing students with exposure to governance prior to appointment to President:
  - Allowing the Student Vice-President to attend Board meetings as an observer alongside the President
  - Ensuring there is at least one student representative sitting on each of the Board sub-committees.
- **Retired Board Members** – as an adjunct to succession planning, the scope to retain key skills from retiring Board Members has also been used through co-option. For example, in one college the retiring Board Member had such specialist knowledge and skills in relationship to capital development that he was co-opted back onto the Project Management Group.

## Recruitment Process

2.4 In overall terms the effectiveness of the recruitment process was considered to be ‘effective’ or ‘very effective’ by two-thirds of the college chairs surveyed. However, one third thought that there was some scope for improvement: see Figure 3.1 in Section 3. Drawing upon the evidence from the case studies the efficacy of the recruitment process is examined under the following headings:

- Targeting skills
- Securing applications
- Screening process
- Appointment process
- Retention

2.5 **Targeting Skills** – all of the case study colleges undertook a skills audit on a regular basis to determine:

- The supply of governance skills on the Board; versus
- The demand for governance skills given the priorities in the Strategic Development Plan and the issues facing the college now and in the future.

2.6 Furthermore, they were all involved in the proactive targeting of any identified skills gaps when recruiting for new Board Members. The evidence would therefore suggest that the college sector is complying with the Good Governance Standard<sup>8</sup>:

*“It is good practice to review continually the range of expertise needed on the governing body, so that any gaps can be filled when posts become vacant and when training and development plans are made. A skills audit of the members of a governing body is a useful way of identifying their strengths and any skills gaps.”*

The success of this recruitment process in meeting skills gaps is reviewed in sub-section 2.3 entitled ‘Recruitment Outcome’.

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<sup>8</sup> The Good Governance Standard for Public Services (Jan 2005)

2.7 **Securing Applications** – colleges devote a lot of effort to maximising the applications from high calibre candidates with relevant skills. Colleges adopt four main routes in securing applications for available Board posts:

- Open advertisement
- Specific targeting
- Informal networking
- ‘Reserve’ candidates

2.8 *Open Advertisement* – it is the norm for colleges to engage in an open advertisement process, which is good practice in terms of:

- Ensuring the recruitment process is open and transparent
- Maximising the pool of candidates which, given the recruitment difficulties for some colleges, is essential
- Securing the highest calibre board possible.

2.9 Local/regional press tend to be used to advertise posts outside the Central Belt, but in Edinburgh and Glasgow the Scotsman and Herald are favoured. There was an example of good practice in Lothian, where the colleges work collaboratively in the recruitment process. Because there is a relatively small pool of suitable candidates and the colleges are competing for the same/similar skills they have recognised that it is better to join forces and co-ordinate rather than compete in their recruitment efforts. This involves an integrated approach to the placement of adverts, open evenings and information sessions for potential candidates. This maximises the ‘reach’ of the colleges and reduces the unit costs of the recruitment process– a real ‘win-win’.

2.10 It should be noted that other than this regional recruitment initiative, we did not come across the sharing of applicants between neighbouring colleges – something that would be beneficial – nor the movement of Board Members between colleges.

2.11 *Specific targeting* is where particular bodies are targeted to fill specific skill gaps. Examples include:

- Institute of Chartered Accountants in Scotland – for financial skills
- Law Society of Scotland – for legal skills
- Chamber of Commerce – for business skills
- Local university faculties – targeted at specific skill areas
- Regeneration and community development bodies – for local economic, regeneration and community development knowledge and experience.

2.12 As seen below, one review of the college sector in England also identified ‘specific targeting’ as a good practice example:

**Good Practice from the English College Sector - Recruitment**

Every year one college writes letters to 10 umbrella organisations based in the region, including the local Chamber of Commerce, the Racial Equality Council and a Black and Asian Business Group, to ask them to send out the call for governors. In this way, the college is targeting the relevant organisations rather than individuals; those organisations then went on to target their own members. This was deemed to be a relatively successful method of reaching a more diverse audience. The clerk of this college commented: *‘People like to be asked, that’s part of the dynamic’*. The same college has also been successful at recruiting governors through open advertisements in the local press – a general advert goes in once a year. A governor recruited in this way reported on the importance of seeing the advert, commenting *‘Before I saw the advert I believed you would have to know someone who would nominate you’*.

**Source:** Ellis, A. and Brewis, G. (2005)

2.13 *Informal Networking* - in addition to advertising, all of the colleges consulted engaged in ‘informal networking’. This typically involves the current Board Members sounding out individuals that they think are relevant and who may be interested. This can cascade via their contacts to a wider layer of networking. This is in effect ‘informal head-hunting’ where potentially suitable candidates are invited to submit an application via the open recruitment process. For colleges based in rural areas the networking and targeting routes are essential as the market is so ‘thin’ that open advertisement sometimes yields few, if any, suitable candidates.

2.14 *‘Reserve’ Candidates* – finally, for those colleges that are actively involved in a co-option succession planning process, the individuals that formerly applied and who have been working on sub-committees or academic committees, etc. can be invited to submit an application.

2.15 The Good Governance Standard<sup>9</sup> stresses the importance of maximising the ‘reach’ of the recruitment process:

*“Good governance means drawing on the largest possible pool of potential governors to recruit people with the necessary skills. Encouraging a wide range of people to apply for appointed positions or to stand for election will develop a membership that has a greater range of experience and knowledge.”*

2.16 Through the mix of recruitment methods used, the college sector meets this good practice standard. Informal networking is also a valid and complementary recruitment method, with the important corollary that all applications received are treated equally and go through the same robust and impartial screening process.

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<sup>9</sup> Ibid

**2.17 Screening Process** – although there are variations between colleges, the following elements of the screening process were common to most:

- *Stage 1 – review of written applications* (which are usually a combination of CV and a written statement as to why the individual is interested in becoming a Board Member and what they can contribute to the college). The aim is to weed out any obviously unsuitable candidates. It should be noted that the use of informal checking and sounding out of candidates is undertaken by some colleges at this stage.
- One college identified the difficulty of securing effective representation from minority groups because disclosure by the candidate is voluntary in areas such as disability and ethnicity.
- *Stage 2 – interviews with short listed candidates* – these interviews can be conducted by the Principal, Chair, other Board Members or an ‘Appointments Panel’. Good practice involved a wider social/communication event where candidates are invited to lunch, shown round the college and then interviewed. This ensures there is good quality two-way communication with the result that the screening and appointments process is likely to be more effective.
- *Stage 3 – making nominations* – this is usually the reserve of a special Nominations Committee or Appointments Panel. Good practice involved the use of an external recruitment person on the Panel to ensure independence and objectivity. The short listed candidates from Stage 2 are submitted to the Panel for their assessment. Sometimes the Panel itself does the interviewing as part of Stage 2.

**2.18 Appointment Process** – the sub-committee or Panel makes its recommendation, which is submitted to the main Board for approval. The only issue of bad practice relates to the involvement of the Principal. It is the responsibility of the Board to appoint the Principal and to monitor his/her performance. Hence, the Principal should not be involved in the appointment of Board Members who will subsequently be assessing his/her performance. There is possibly a valid role for the Principal to provide an input into the screening of applications, but he/she should not be involved in the appointments process. In one case the Principal was involved in the appointments process and had voting rights – in another he did not. The Principal should not be involved in the final appointments process at all.

**2.19** The only other issue relates to nominations to the Board from external and internal bodies – specifically the LEC, staff and student bodies. In the case of the LECs, typically a single nomination is put forward from the LEC, which is accepted by the Board as a matter of routine. This can result in unsuitable Board Member appointments of which there was evidence in a couple of the case studies. Good practice guidance suggests the following approach:

- “*Bodies that nominate governors for other organisations are advised to present more than one nominee for interview.*” Good Governance Standard<sup>10</sup>

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<sup>10</sup> The Good Governance Standard for Public Services (Jan 2005)

- *“Where other organisations nominate people to become governors, the governing body should set out clearly to the nominating body the set of skills and perspectives that would be most helpful.”* Good Governance Standard<sup>11</sup>
- The Commissioner for Public Appointments in Scotland has stipulated that such candidates should be screened objectively along with the other external candidates. The Code for *Public Appointments in Scotland*, effective from April 2006, states that statutory nominations to public bodies should follow the same process as other applications:
  - Including completion of an application form setting out how they perceive that they meet the specification for the position;
  - Their application must be assessed along with all other applications;
  - Only if the agreed threshold is met does the nominee proceed to interview with other short listed candidates;
  - If the nominee fails to be appointed on the grounds that they do not adequately match the specification for the position, the nominating body is asked to nominate an alternative person that offers a better match.

2.20 We believe that this good practice guidance is appropriate for the LEC Board Member position. However, these nomination principles present specific challenges for internal Board Member appointments from the staff and student bodies. For good reason, the 1992 Act<sup>12</sup> stipulates that the staff and student Members should be elected/nominated from their respective bodies:

*“a person appointed by being elected by the teaching staff of the college from among their own number;*

*a person appointed by being elected by the non-teaching staff of the college from among their own number;*

*a person appointed by being nominated by the students' association of the college from among students of the college.”*

2.21 This is the most appropriate mechanism for the staff and student Members and one that should be retained. It is based on ‘internal competition’ in that the candidates are voted by their respective bodies who are best placed to do this. A process of putting forward multiple candidates for screening and selection by the Nominations Committee of the Board is not considered appropriate. In the case of student Members this would present particular challenges, as it is difficult enough to secure a single student nomination for the Board.

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<sup>11</sup> Ibid

<sup>12</sup> “Further and Higher Education (Scotland) Act 1992”, ISBN 0105437921  
[http://www.opsi.gov.uk/acts/acts1992/Ukpga\\_19920037\\_en\\_10.htm](http://www.opsi.gov.uk/acts/acts1992/Ukpga_19920037_en_10.htm)

2.22 **Retention** – a linked issue to recruitment is the question of retention and the tenure of Board Members. Under the 1992 Act, Board Members are allowed to serve a maximum of 12 years. From the case studies there was unanimous support for the retention of this system – there was no appetite for the proposal to move to an 8 year maximum. The reasons in support of the status quo were linked to:

- the retention of high quality board members (particularly acute for rural areas where the market for board members is ‘thin’); and
- to give sufficient time for the recruitment of the Chair and to give them a full four-year term as Chair

2.23 The Good Governance Standard<sup>13</sup> indicates that a balance needs to be struck between refreshing Boards with ‘new blood’ and ensuring stability and continuity:

*“Governance is also likely to be more effective and dynamic if new people with new ideas are appointed regularly, but this needs to be balanced with the need for stability to provide continuity of knowledge and relationships.”*

2.24 There was also an issue for those colleges that have a system of appointing Board Members to the time period remaining on the vacating Board Member post – hence, if there was two years remaining on a four year term, the new Board Member would effectively serve a two year block, a four year block and a four year block. This results in the simultaneous departure of a larger than usual number of Board Members, which gives problems in both succession planning and recruitment, compared to a staggered schedule of Board Member departures.

2.25 However, it would appear that there is some confusion amongst colleges as to exactly what their powers are in the appointment terms of new Board Members. The 1992 Act does in fact give colleges the flexibility to appoint Board Members on a 2 year: 4 year: 4 year: 2 year phasing as opposed to a 4 year: 4 year: 4 year phasing. We found evidence of this staggered approach and it was recognised to be effective by the colleges concerned.

## **Recruitment Outcome**

2.26 The impact of the recruitment processes is now examined in terms of the ease with which Boards have been able to recruit Members with the required skills and experience, and the implications for possible remuneration. The characteristics of boards are also reviewed in terms of:

- Board size
- Skills mix
- Age profile
- Gender balance

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<sup>13</sup> The Good Governance Standard for Public Services (Jan 2005)

2.27 **Ease of Recruitment** - notwithstanding the strengths of the recruitment process, there was considerable evidence that colleges do find it difficult to recruit Board Members.

**Comments from Chairs on Recruitment (from College Survey):**

*“Very difficult to recruit local community activists”*

*“The geographic nature of the area makes it difficult to attract board members in general”*

*“Finding a representative from the Local Authority with enthusiasm for the college and its aims is often difficult”*

*“We really struggle with achieving progress with ethnic/women additional members”*

*“Advertising has not been very useful in recruitment”*

*“Difficult to find quality board members from Edinburgh as so many agencies based in Edinburgh can pay board members”*

*“The capacity to give the necessary time (unpaid) can be a problem at times”*

2.28 Consultation highlighted the problems stemming from:

- Competition with remunerated board positions in other sectors
- The relatively ‘thin’ market for high calibre Board Members, especially in rural areas
- The difficulty of securing representation from minority groups. For example, ASC’s research into the composition of college Boards<sup>14</sup>, identified that only six colleges have a Board Member with a disability and the same number have a Board Member from an ethnic minority. This represents only 1.4% of Board Members in the college sector in Scotland.

2.29 **Remuneration** - this raises the thorny issue of whether Board positions in the college sector should be remunerated. There probably is no ‘correct’ answer. Indeed, the Good Governance Standard<sup>15</sup> assesses the pros and cons and concludes that it is down to each sector to determine the model that best meets their needs:

*“Paying governors for their time (as well as meeting expenses) is controversial in some sectors. Considering the advantages and disadvantages can help organisations decide whether payment will strengthen the membership and performance of the governing body or undermine its values.”*

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<sup>14</sup> “Scotland’s Colleges Board of Management Composition”; ASC Executive, 1<sup>st</sup> Oct 06

<sup>15</sup> The Good Governance Standard for Public Services (Jan 2005)



2.30 We found through consultation that some colleges are aware of a series of pressures that could move the college sector towards remuneration of Boards – pressures which will only intensify over time:

- Increasing levels of scrutiny
- Increasing pressures on maximising college performance
- Increased self-regulation – encompassing individual as well as overall Board performance
- Increased business complexity – reflecting the likely consolidation within the sector and larger business units.

2.31 It is interesting that the majority of those consulted are happy with the status quo although one college did comment that attitudes were changing:

*“Five years ago remuneration would not have been considered. However, today the views of our Board are probably split 50:50”*

2.32 **Board Size** – drawing upon the ASC’s data on Board composition, the average number of non-executive positions across the 39 colleges surveyed was 11, close to the legal maximum of 12. From the case studies we also know that a number of the student positions are not filled, so for many colleges the effective Board size at any one time is likely to be around 14 to 15 Members (11 non-execs, two staff Members, the Principal, with the appointment of a student Member being uncertain). This lies towards the upper end of the permissible Board size, which has to lie between 10 to 16. This would imply that any problems experienced in recruiting Board Members is not impacting on the numbers actually recruited.

2.33 **Skills Mix** - despite the recruitment concerns listed above, the actual skills mix achieved within Boards is very good: see Table 2.1. The main skills gap relates to legal and computing /IT: see also Figure 2.1.

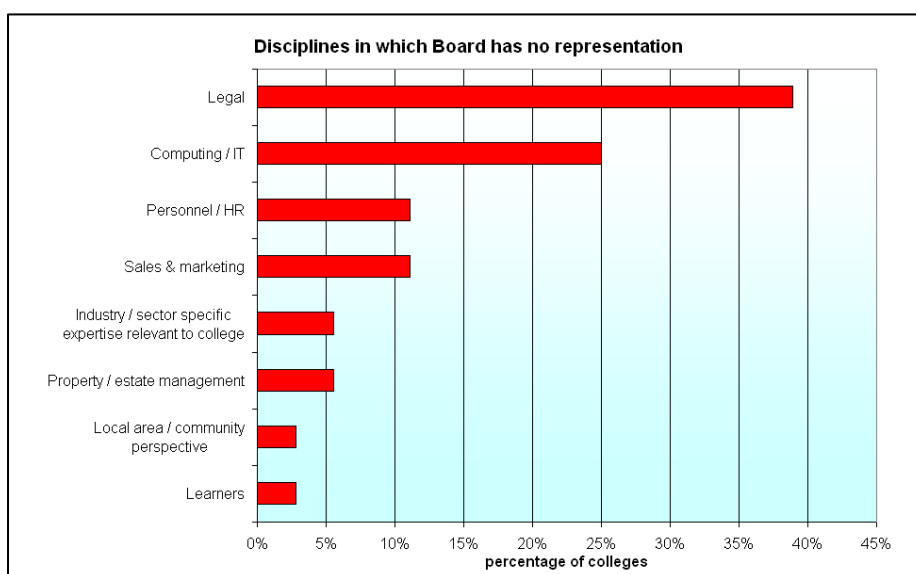
**Table 2.1 Skills and Expertise of Board members**

| Skill set / expertise                                  | % of colleges where member has expertise |                                      |               |
|--------------------------------------------------------|------------------------------------------|--------------------------------------|---------------|
|                                                        | Chair                                    | Principal, staff and student members | Other members |
| Strategic management / leadership                      | 97%                                      | 89%                                  | 83%           |
| Previous private sector / governance experience        | 92%                                      | 75%                                  | 97%           |
| Finance / accountancy                                  | 47%                                      | 58%                                  | 94%           |
| Legal                                                  | 17%                                      | 14%                                  | 47%           |
| Sales & marketing                                      | 36%                                      | 50%                                  | 75%           |
| Property / estate management                           | 44%                                      | 61%                                  | 81%           |
| Personnel / HR                                         | 44%                                      | 64%                                  | 83%           |
| Computing / IT                                         | 28%                                      | 61%                                  | 56%           |
| Further & adult education                              | 39%                                      | 92%*                                 | 78%           |
| Learners(primary, secondary and tertiary)              | 25%                                      | 89%*                                 | 75%           |
| Local area / community perspective                     | 72%                                      | 83%                                  | 86%           |
| Industry/sector specific expertise relevant to college | 53%                                      | 64%                                  | 89%           |

**Notes to table:**

\* These responses do not add up to 100%, due to inaccurate survey completion by three and four colleges respectively.

**Figure 2.1 Scottish College Sector Skills Gaps**



2.34 However, as discussed above, the college sector has highlighted problems in recruiting Board Members, which conflicts with the lack of skills gaps. Explanatory factors include:

- The time and resources colleges have to commit to securing Board Members, which is disproportionate to the task;
- The governance calibre of Board Members being lower than desired. For example, they may have the required experience and skills in accountancy, property, etc., but still lack the competencies to deliver good governance.

2.35 We have not been able to reconcile these conflicting views within the scope of this study, and a recommendation is presented at the conclusion of this section to research the whole issue of skills gaps, remuneration and recruitment in more detail.

2.36 **Age Profile** – the ASC survey<sup>16</sup> highlighted the balanced age composition in the Scottish college sector and the fact that it has a significantly younger age profile compared to the higher education sector in the UK: see Table 2.2. This is an encouraging finding in that Scottish Colleges are able to draw upon a balanced blend of youth and dynamism versus age and experience.

**Table 2.2 Age Composition of Boards: Colleges vs. Universities**

| Age Range | Scotland's Colleges              | UK Universities |         |
|-----------|----------------------------------|-----------------|---------|
|           |                                  | Pre-92          | Post-92 |
|           | % of Non-Executive Board Members |                 |         |
| < 50      | 37                               | 15              | 26      |
| 50 - 60   | 40                               | 33              | 41      |
| > 60      | 23                               | 52              | 33      |
| TOTAL     | 100%                             | 100%            | 100%    |

Source: ASC Executive, 1<sup>st</sup> Oct 06

2.37 **Gender Balance** – compared to the age profile, the representation of women on college Boards is not so good. Only a quarter of Non-Executives are female. Clearly there is more effort required to improve gender balance in the Scottish college sector. However, this is still better than that achieved in local government in Scotland, and significantly better than the FTSE 250: see Table 2.3.

**Table 2.3 Gender Profile of Boards: Colleges vs. other sectors**

|                                                   | Male               | Female |
|---------------------------------------------------|--------------------|--------|
|                                                   | % of Board Members |        |
| Scottish Executive Public Appointments (Aug 2006) | 63                 | 37     |
| Scotland's Colleges (Oct 2006)                    | 74                 | 26     |
| Scottish Councillors (Dec 2003)                   | 78                 | 22     |
| FTSE 250 (Nov 2004)                               | 94                 | 6      |

Source: ASC Executive, 1<sup>st</sup> Oct 06

<sup>16</sup> "Scotland's Colleges Board of Management Composition": ASC Executive, 1<sup>st</sup> Oct 06

## Summary & Recommendations

### *Succession planning*

#### *Summary*

2.38 Unlike recruitment, there is no systematic approach to succession planning across the Scottish college sector. However, there were a number of examples of good practice which could be built upon and shared within the sector, particularly:

- Co-opting unsuccessful candidates to sub-committees and academic groups in the college
- The use of ‘shadow’ Board Members – particularly important for student and staff Members
- The proactive development of Board Members for future chairing responsibilities – either for the main Board or sub-committees.

#### *Recommendations*

2.39 Given the ‘thin’ market for good calibre board members (see section 2.3 on Recruitment) succession planning is all the more important in the college sector. If delivered effectively it can provide a range of benefits to colleges, including:

- A more secure pipeline of Board Members with consequential lower governance risk
- A faster and more cost-effective recruitment process
- A better planned and more effective approach to the filling of positions such as the Chair of the main Board and Chair positions for sub-committees; and
- Board Members that are further up the learning curve on both governance and the college sector prior to taking up appointments.

It is recommended that good practice guidance in succession planning is developed and disseminated to the college sector. Such guidance should draw upon the good practice that has been identified.

## ***Recruitment***

### *Summary*

2.40 The college sector applies a suite of recruitment methods which are fit for purpose including open advertisement, proactive targeting, internal networking and reserve candidates. Good practice examples include:

- The collaborative open recruitment exercise undertaken by the Lothian colleges
- The engagement of colleges with short listed candidates in a social setting e.g. lunch/dinner, where candidates get the opportunity to mix with the Board and are shown round the college;
- The skills audit and proactive targeting of skills gaps

2.41 The only bad practice issues relate to the engagement of the Principal in the appointments process (specifically identified in two of the case study colleges). There is also a widely held perception by Boards that they have to accept candidates from external nominating bodies (specifically LECs) without any screening and competitive selection process.

2.42 In terms of tenure, colleges would like to retain a maximum tenure period of 12 years as this gives them the flexibility they need in retaining high calibre Board Members, particularly where there is a dearth of good quality applicants.

### *Recommendations:*

- The college sector to undertake an independent review to investigate the pros and cons of remuneration for Board Members, with the objective of maximising the quality and contribution of Board Members. In particular, the evidence of skills gaps, the speed and ease of filling positions, and the calibre and commitment required of Board Members now and in the future should be assessed in reaching a view on the merits of introducing remuneration. The options for remuneration include the Chair only; and the Chair and Chairs of sub-committees (note: there is no option to extend remuneration to all Board Members, because under current charities' legislation 50% or more of Board Members must be in non-remunerated posts to retain charitable status). Guidance should also be given on levels of remuneration that are appropriate, should such an option be deemed appropriate.
- The Principal should not sit on the Nominations Committee, nor be involved in any way with the work of the Committee and the nomination of candidates for approval by the Board.

- For external organisations nominating Board Members, specifically LECs, they should be encouraged to put forward more than one candidate and they should be assessed objectively along with other applicants. However, with regard to appointing Members from the staff and student bodies the current practice of seeking elected/nominated candidates should be retained, as per the terms of the 1992 Act.
- Given the importance of having ‘representation’ from within the staff and student bodies, the process of seeking elected Members from these internal stakeholder groups should be maintained: one Board Member from the student body and two from the staff (one academic and one support).
- The tenure of Board Members should be retained at a maximum of 12 years. A staggered system of appointments is recommended incorporating the use of split four year terms: for example, an initial two year term, followed by four years, etc.

### ***Recruitment Outcome***

#### *Summary*

2.43 A number of colleges in the survey highlighted specific difficulties in recruiting Board members including specific skills’ gaps such as legal and computing /IT; ensuring gender balance; and meeting disability and ethnicity objectives. Overall there was a very good mix of skills across college Boards in Scotland and a balanced age profile, although there is an imbalance in gender profile in favour of males.

#### *Recommendation*

- In reviewing Board profiles, members should consider the whole range of criteria – skills, experience, and equality and diversity considerations.

## Induction

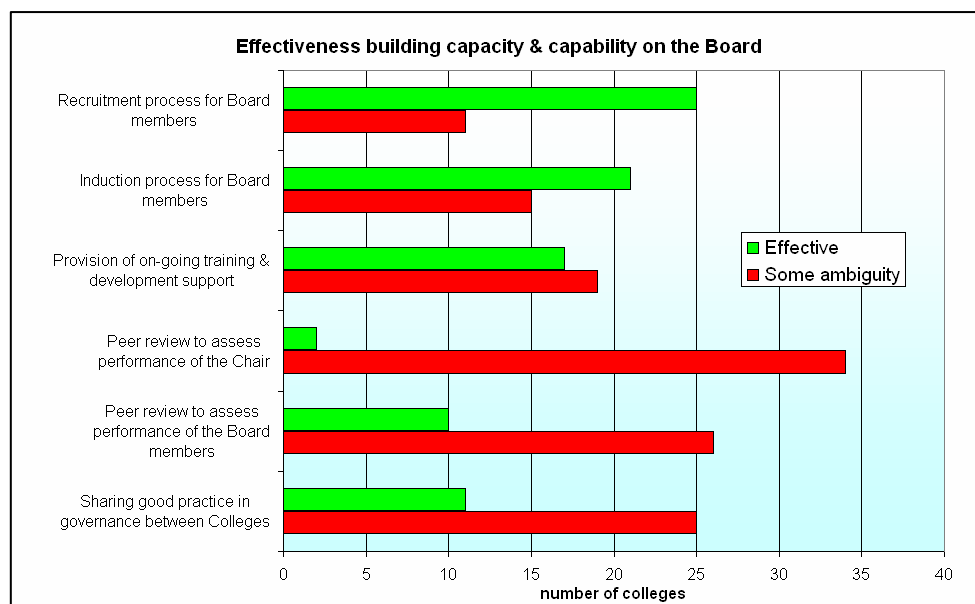
3.1 **Overview of Induction** – the Good Governance Standard<sup>17</sup> highlights the importance of induction:

*“New governors should receive a thorough induction that is tailored to their role in the organisation.”*

3.2 However, in general, induction is one of the weaker areas of the governance model in the Scottish college sector. For a number of colleges it can best be described as a simplistic ‘one day induction process’. In such cases it tends to be ‘light touch’ and superficial involving one-to-one discussions with one or more of the following: the Chair, Principal or Secretary; and a tour of the college campus. In such colleges the holistic concept of ‘induction’ as an intensive formalised process stretching over months has not been grasped. Yet it is clear from our discussions that a number of the case study colleges recognise the limitations of their induction systems and there are plans to address the situation.

3.3 **Survey Results** - the college survey also highlighted these limitations with 15 out of 36 respondent Chairs (42%) indicating that there was scope to improve performance: see Figure 3.1. However, it is not all bad news as the case studies identified some exemplars in the induction process.

**Figure 3.1 Scottish College Sector - Governance HR Systems<sup>18</sup>**



<sup>17</sup> The Good Governance Standard for Public Services (Jan 2005)

<sup>18</sup> The survey data is reported throughout using 2 categories formed by combining the 7 categories in the survey form (see Annex 3).

3.4 **Good Practice in Induction** – specific examples of good practice that should be highlighted from the case studies include:

- Shadowing roles and co-option to sub-committees/academic groups prior to appointment to the Board (see discussion under ‘succession planning’ in Section 2)
- Briefing materials – there were a number of excellent documents that were bespoke to individual colleges concerning the following:
  - Scheme of Delegation
  - Code of Conduct
  - Governance Guidance Manual
- Board Development Sessions – one college had an annual programme of four 1.5 hour sessions bolted onto the back of Board meetings, at which internal (e.g. staff) or external (e.g. NUS Scotland, the LEC, Community Partnership) presentations are made to inform and stimulate discussion. [Note: this is as much part of on-going training and development as it is induction]
- Sampling Sub-Committees – new Board Members are encouraged to sit in as observers in all of the sub-committees to learn what they are about. This also gives them an informed position when it comes to selecting the sub-committee(s) that they wish to sit on: those they find most interesting and where they can give the greatest contribution. Two case study colleges adopted this system.
- Schedule of Site Visits – one college has an annual programme of six site visits to different departments. The schedule of dates are set well in advance and Board Members are encouraged to attend these Departmental visits (they usually manage at least 3 or 4 p.a.). They find them very informative as they get to meet the staff and students in an informal setting (note: attendance at these events is ongoing beyond the induction period as part of a process of continuous education and information for Board Members). The visits include administrative and support functions (e.g. Records and Bookings) as well as academic departments:

**Good Practice – Rolling Programme of Departmental Visits**

*“You see the facilities and equipment and learn what needs to be done to keep it up-to-date; and the contribution from the investment the College has made.”*

*“The visits allow you to speak directly with the staff and students – those at the coalface of education.”*

*“It is so important to see education at work – it fires up your enthusiasm.”*

*“It is great to see the enthusiasm of staff and to hear what students actually think of courses. You get feedback on the contribution of education to the lives of students and their support for the College.”*

*“You learn a huge amount from the visits and this increases your commitment and buy-in to the ethos and principles of the College.”*



- Buddy Systems – one college is in the process of developing a ‘Link Programme’ which links each Board Member to a member of the Senior Management Team. This is a two-way communication programme where there is mutual support, information sharing and an accountability route according to the skills of the Board Member. Another college has a system whereby each Board Member is assigned to one of the College’s committees, so they become familiar with at least one functional area.
- Student Induction – the residential course run by NUS Scotland was considered excellent by those Presidents consulted in the case studies. It provides a tailored course called the “Board of Management Training Forum”, which all Presidents are encouraged to attend. As one college President stated: “*You would be lost without this.*” The problem occurs for those students that are not appointed until after the residential course.

3.5 Drawing upon the good practice review in Annex 1, the English college and university sectors also provide some excellent approaches to induction that the Scottish college sector could learn from:

**Good Practice from the English College Sector – Rolling Induction Process**

Matching its regular cycle of recruitment, one college reported having set up a rolling induction process. Not only was the induction programme open to new recruits, it was also frequently opened to all members to attend. They have found that quite a few governors take up the opportunity to ‘freshen up’ on different aspects of governance, and it provides a more informal forum for new and existing governors to meet and mix.

**Source:** Ellis, A. and Brewis, G. (2005)

**Good Practice from the English University Sector – Staged Induction Programme**

CUC surveys between 2000 and 2004 show that universities and colleges have continued to develop and refine their induction processes for governors. *Leeds Metropolitan University* operates a comprehensive three-stage approach to induction. The first stage involves a briefing from the vice-chancellor, registrar and secretary and the chair of the governing body. This introduces the university, its aims and strategic direction, identifies the formal responsibilities and personal liabilities of governors, provides formal information from the CUC and the university, and describes the Board’s membership, its role and the university’s expectations of governors. A follow-on meeting with deputy vice-chancellors provides more detailed information about the core activities of the university. The second stage of the process requires attendance at the CUC’s induction seminar and the third stage involves the allocation of a mentor from among the experienced Board members. Governors are also provided with information about the full CUC programme of training and events and are encouraged to attend. The chair of governors follows this up by discussing with individuals their ability to access and gain benefit from this programme.

**Source:** Committee of University Chairmen (2004)

**3.6 Importance of Induction** – getting induction ‘right’ is critical to the success of governance in the college sector. This is due to:

- The steep learning curve that Board Members have to go through in terms of understanding:
  - The college sector and how it operates
  - Their particular college
  - Governance and accountability issues
- The benefits that good quality induction can confer in terms of:
  - Improving the knowledge and understanding of Board Members more quickly than would otherwise be the case, hence improving their contribution at Board Meetings/sub-committees; and
  - Building the commitment of the Board Members through a more active engagement with the college. This should also improve productivity in terms of attendance at meetings, improved preparation, etc.
- The problems facing the staff and student Members in particular, whose tenure on the Board tends to be of a much more limited duration and their need for an intensive and effective induction programme is therefore all the more acute.

**3.7** As a number of colleges stated: *“It takes at least one to two years for a new Board Member to find their feet.”* Through good quality induction this time period can be condensed and the commitment of Board Members enhanced as part of an on-going training and development programme.

## **Training & Development**

### ***Training & Development Provision***

**3.8** Training and development in the college sector can be classified into four main types:

- Induction
- Internal training
- External courses
- Training & development documents

**3.9 Induction** – the training and development involved in induction has been covered in Section 3.1 above. As explained, it is a grey area as to when induction finishes and on-going training and development starts – it is really a continuum. The elements of good practice that, as a minimum, should be considered for the development of a systematic induction programme as part of an on-going process of development include:

- The engagement of Board Members with their colleges through site visits to academic and support departments; and

- A buddy system where Board Members are matched with members of the Senior Management Team, academic groups, etc.

3.10 **Internal Training** – there is no single ‘model’ of internal training and development within the college sector – rather, colleges have adopted a range of provision which best meets their requirements. A range of good practice examples drawn from the eight case studies is presented below:

#### **Internal Training & Development – Good Practice Examples**

- Internal Training Courses - Board Members are invited to attend internal college courses run for staff – an example included the European Computer Driving Licence (ECDL) course attended by Board Members in one college where their IT skills required development;
- Residential Board Events – during these one or two day events, there is an element of ‘development’ and sometimes formal ‘training’ built in. In one college an external facilitator was used to support the skills development of Board Members.
- Briefings from Principal – in one college the Principal briefs Board Members on one-off topics before Board meetings
- Review of Training & Development Requirements – in another college the Board Members are required to review their training and development requirements with the Vice-Principal who is responsible for HR in the college. This discussion is informed by the self-evaluation process which the Board goes through annually
- NUS Scotland Presentation – the student President arranges for national officers of NUS Scotland to present to the Board. *“This is probably unique in Scotland – and both parties find the session very helpful.”*
- Mentoring Support – as discussed below the training and development requirements for the student Member are particularly acute due to the short lead-time and duration of their appointment to the Board. To address this issue one college appointed a ‘Student Services Co-ordinator’. She acts as a mentor to the President, provides informal coaching/guidance and covers for Board meetings that he cannot attend. In the words of the President: *“She is an anchor, and provides support for all of the Student Association Members. The informal relationship I have with her is the key to its success – she is a friend as well as a colleague.”*

3.11 This good practice is mirrored in examples from the English university sector, which demonstrate the importance of induction, training and development as an on-going process:

**Good Practice from the English University Sector – Training & Development as an On-going Process**

At *Oxford Brookes University* during most of the 6 meetings a year of the governing body, members receive a short briefing on some aspect of academic activity (including developments in learning and teaching). Each governor sponsors and makes regular visits to an academic school or support directorate and it is planned to introduce a programme of visits for all governors to different parts of the university's activities. In order to help members understand their role better, as well as producing a substantial governors' handbook, the clerk prepares briefing notes describing their responsibilities in relation to specific issues such as equality and diversity legislation. New governors are told when they join that their time commitment is expected to be 15 days per annum.

**Source:** Committee of University Chairmen (2004)

3.12 **External Courses** – frequent reference was made to the courses run by ASC in areas such as internal audit and governance responsibilities. Such courses are well regarded in terms of quality, duration and depth. The only issue relates to the frequency with which such courses are run. Depending on the timing of the training need being identified, it can be up to a year before the next course is run. Ideally, it would be good to have courses run at least twice per annum.

3.13 The courses organised by NUS Scotland for student Presidents received a very strong endorsement from those consulted. Delivered jointly by SPARQS and NUS Scotland, they are highly relevant to the needs of a new President taking up their position on the Board.

3.14 Common to both ASC and SPARQS were the benefits derived from networking at these events. Board Members and Presidents really appreciated meeting representatives from other colleges in the same position as themselves. The benefit of this informal communication should not be under-estimated in the design and structuring of external courses.

3.15 **Training & Development Documents** – reference was made in Section 3.1 above to the range of helpful documentation that is made available to Board Members – a lot of which is bespoke to individual colleges. The most relevant national document is the ASC “Guide for College Board Members” (2006). Feedback on this core document was mixed. Although the content was endorsed its user-friendliness was questioned, especially for new Board Members.

- For experienced Board Members there was a feeling that it was slightly patronising in that they knew a lot of this already, though it should be remembered that the objective is to support those Board Members who need guidance); and
- For the inexperienced a more serious issue was raised that the sheer scale of the document was too daunting. This acts as a ‘turn-off’ and the utilisation of the document will be lower than if a more concise and focused document was presented instead of the ‘Bible’ approach. Indeed, some of the colleges consulted

had developed their own more user-friendly version. This could serve as the basis of good practice and be drawn upon by ASC.

ASC raised the fact that it is not possible to produce a very concise Governance Manual given the amount of regulation and guidance that has to be covered. However, they recognise the problem and are addressing it through the production of a companion Summary Document.

3.16 However, there was strong evidence that the Guide is used: Board Members tend to ‘dip into’ the document to check particular issues; and there was also evidence that a number of colleges use the self-evaluation checklist at their away days /residential sessions.

### ***Training & Development Issues***

3.17 **College Survey Feedback** – from the results presented in Figure 3.1, 19 Chairs out of 36 (> 50%) identified that there was scope for improvement in ‘*the provision of on-going training and development support*’. Some of the issues that may explain this response are discussed below, drawing upon the case study evidence.

3.18 **Commitment to Training & Development** - in terms of intent there was widespread recognition amongst Chairs, Principals and Board Members of the importance of training and development. However, the following barriers were identified, which can result in sub-optimal investment in training and development:

- **‘Lack of Time’** – Board Members usually have full-time jobs and the opportunity cost of attending external and internal training courses is high – this results in a lower level of training than is required. This raises questions over the time commitment expected of Board Members and what one can realistically expect from non-remunerated posts;
- **Timing of Courses** – as mentioned, there can be problems in securing the course at the time it is needed – it tends to be a lottery as to whether the ASC course is being run at the time of need. Having to wait a number of months may result in lower up-take than would otherwise be the case. There may be scope to improve frequency if ASC were to work collaboratively with the Leadership Foundation for Higher Education (LFHE)<sup>19</sup> in the delivery of governance courses. This could generate a triple win-win outcome with the following benefits being derived:
  - Economies of scale which should enable more courses to be run per annum and also more cost-effectively;
  - Cross-fertilisation of ideas and good practice in accountability and governance between the HE and FE sectors; and
  - Improved communications between the two sectors with the benefit of networking for Board Members.

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<sup>19</sup> Formerly, responsibility for governance training rested with the Committee of University Chairmen (CUC), and only recently has LFHE taken over this responsibility.

- Personal Commitment – notwithstanding their recognition of the importance of training and development, Board Members must take ownership and personal responsibility to actually review and address their own training needs. They need to put into practice the principles that they know to be correct:

*“All governors should have opportunities to develop further skills and to update their knowledge throughout their period of membership of the governing body, and **should take seriously their responsibilities to identify and address their development needs.**”*

Good Governance Standard

**3.19 Classification of Training & Development** – the needs of Board Members can be classified into two main groups:

- Governance Training – this is a priority at the time of Board appointment. Board Members have to get up to speed quickly on their responsibilities as governors. The priority is to provide the training as quickly as possible, either before or soon after appointment. However, one of the characteristics of this training is that it tends to be ‘one-off’ – as part of the induction process; and
- On-going Development – this relates to the wide range of development support that Board Members require to keep abreast of the following:
  - Government policies and SFC guidance, reporting requirements, etc.
  - Trends in the college sector
  - Understanding of your own college and proposed changes, property developments, etc.

**3.20** This is a vital element of the training and development equation, and unlike governance training it is on-going. Board Members must be well informed on the changing environment, changing regulations and guidance from SFC, etc., if the Board is to make a meaningful contribution to the development of strategy and to provide guidance to the SMT. If the SMT is left alone to do much of this, it becomes claustrophobic and too internalised. Board Members need to be sufficiently well informed to ask the “Have you considered?” and “Why are you doing this?” questions. If not, then the value of governance is to a large extent lost. It is in this area that the Scottish college sector has to ensure a much more systematic and consistent approach.

**3.21 Identification of Training & Development Needs** – a systematic approach to the identification of the training and development needs of Board Members was not evident in the Scottish college sector. There was often a strong emphasis on reviewing the training requirements when board Members join as part of the induction process, and in some colleges as part of the self-evaluation by the Board. However, a regular annual review of training requirements at the level of the individual Board Member was missing. This goes against the good practice described in the Good Governance Standard:

*“An appraisal and performance review of individual governors demonstrates that their role and contribution is important and valued and **provides an opportunity for them to take stock of their own development needs.** The governing body can improve its collective performance by taking time to step back and consider its own effectiveness.”*

**3.22** This gap in appraisal and performance review is discussed in more detail in Section 6. **Needs of Staff and Student Members** – the training and development needs of staff and student Board Members present particular challenges that should be recognised. These challenges relate to:

- The relatively short time periods that they participate on the Board (particularly the student President)
- The lack of knowledge on governance matters (external Board Members often come to the governance role with significant business experience)
- The lack of time to devote to learning up on governance – especially for student Presidents, many of whom are not on sabbatical appointments, having to juggle studying, part-time jobs and their governance role.

**3.23** All of the research evidence points to the need for a bespoke support mechanism for staff and student Board Members. Reference was made in our discussions with colleges to the system pre-incorporation, where Strathclyde Regional Council funded NUS Scotland to employ a support officer for elected student Members in colleges in its area. Perhaps there is a role for SFC to develop a similar system at a Scottish level. Another model we came across in one college was the appointment of a Student Liaison Officer to support the President and Student Association. It received very favourable feedback from the President and student representatives on the Student Association.

**3.24 Use of IT** - the connection of Board members into the college IT network is critical to ensuring effective communication which can support the development of Board Members. Reference was also made by one of the rural colleges to the importance of technologies such as video-conferencing, which they believe would facilitate the cost-effective delivery communication between Board Members and training and development events.

## ***Summary & Recommendations***

3.25 **Induction** – good quality induction is critical to the integration and development of Board Members. Unfortunately, many colleges are still focused on a simplistic one day event. However, a number of examples of good practice were identified:

- Role shadowing and co-option to sub-committees and academic groups prior to appointment;
- Buddy system once appointed – examples include one-to-one links between Board members and SMT and with academic departments;
- Provision of a high quality induction pack;
- Site visits to departments, both academic and support (as part of an on-going development programme for Board Members)
- Co-ordination (where possible) of board appointments to enable Board Members to attend the Board away-day/residential sessions
- Sitting in on all sub-committees as an observer during the first few months to ‘sample’ the range of responsibilities at sub-committee level.

## ***Recommendations***

3.26 Given the inadequate standards of induction highlighted in Section 3, it is recommended that good practice induction guidance be developed and disseminated to the Scottish college sector as an integral element of a wider training and development framework.

3.27 **Training & Development** – more than 50% of college Chairs identified that there was scope for improvement in ‘*the provision of on-going training and development support*’. Particular issues facing the college sector are:

- The ‘lack of time’ for training and development – or more accurately the opportunity cost for Board Members with full-time jobs attending training events;
- The infrequency of training events run by ASC. A suggestion was put forward to develop a collaborative training programme with LFHE;
- The failure of Board Members to take personal responsibility for reviewing and addressing their training and development requirements on a regular basis
- The lack of appraisal reviews for individual Board Members to better understand their performance and identify any training and development needs
- The longer term issue of on-going development support for Board Members relating to changing policy context, guidance from SFC, etc., is critical – beyond the induction process which tends to concentrate on governance skills;



- The particular training and development needs of staff and student Board Members should be recognised.

### *Recommendations*

3.28 DTZ recommends that the whole training and development area be reviewed with the aim of developing a good practice framework for the ‘on-going development’ of Board Members. Specific recommendations include:

- Giving greater recognition to the time commitments required from Board Members if training and development is to be delivered effectively i.e. being honest about the actual time commitments required (with possible implications for remuneration)
- Provision of an integrated governance training programme by ASC and LFHE
- The performance of individual Board Members should be appraised annually, with any training and development needs being identified and addressed
- The development of a bespoke support mechanism to meet the unique training and development requirements of both staff and student Board members
- A revamp of the ASC Guide to reflect the recommended changes.



## CHAPTER FOUR

## ROLES & RESPONSIBILITIES

### Understanding the Board's Roles and Responsibilities

#### *Overview*

4.1 From the desktop review of governance standards, we know that the governing body should be the predominant influence on the affairs of an organisation. All the literature reviewed, including the most recent Good Governance Standard<sup>20</sup>, agrees that the 'Board' should be responsible for providing leadership and strategic direction, control and, managing risk. Further, for those Boards leading public sector funded organisations, they should balance the public interest, bringing about positive outcomes for service users as well as providing good value for money for the taxpayers who ultimately, fund the service. The Good Governance Standard<sup>21</sup> clearly sets out respective roles of executives and non-executive Board members.

4.2 In general, it has been found that the College Board members and the executive teams have a clear understanding of their respective roles and responsibilities. There is clarity that the Board has a strategic role, to determine the overall direction and objectives of the Colleges, and to delegate management to executives – a role not inferred by the current term 'Board of Management' which a number of Colleges suggested should be changed (e.g. to 'Board' or 'Board of Governance' or 'Governing Board'). Like any sector, there are differences in how this governance role happens in practice with some adopting a lighter touch and others a more frequent / hands-on presence; the latter usually an essential requirement of change or crisis management where the executive team rightly requires more Board support.

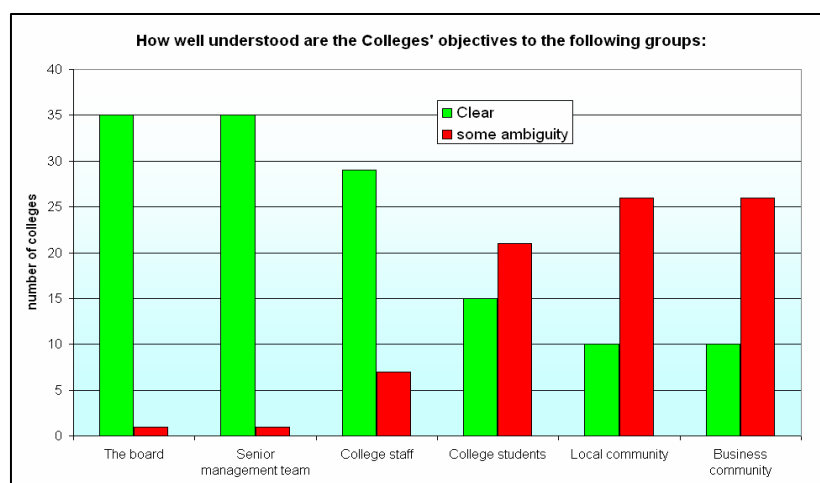
4.3 Perhaps not surprisingly, the survey showed that there is a good level of understanding of college strategy and objectives amongst the Board, senior management team and staff, but less so amongst students, the local community and business community. Issues over accountability and communication are discussed further in section 8.

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<sup>20</sup> The Good Governance Standard for Public Services (Jan 2005)

<sup>21</sup> Ibid

**Figure 4.1 Scottish College Sector**



**4.4 Setting Strategy** – The case studies and the survey showed that many Colleges use at least one ‘Away Day’ each year to reflect on performance, plan ahead and to review the college strategy and direction. These days are also commonly used for Board team building, and to have presentations from external partners to brief the Board on developments in the external environment.

#### Comments on setting strategy

*“The Board engages with senior managers on an annual basis to define and agree the updated purpose and strategic direction of the College. The Board receives regular reports at its meetings in order to monitor the College’s performance in accordance with the strategic plan”*

*“The Board has an annual strategy event – usually held over 2 days and involves the Board and senior staff. This is an important date in the Board calendar”*

**4.5** In the majority of colleges considered, the Board’s consideration of policy and strategic direction is supported by a robust strategic planning process, often with staff involvement at all levels in the full spectrum of planning review - Strategic plans, Operational plans and Curriculum plans.

**4.6 Information and decision-making** – The Good Governance Standard<sup>22</sup> is clear in relation to information provision:

*‘The governing body should ensure that it is provided with information that is fit for purpose. It should be tailored to the functions of the governing body and not too detailed operational or management issues, with which the governing body should not, in general, be concerned. Information should provide a robust analysis and not obscure the key information by including too much detail’.*

<sup>22</sup> Ibid

4.7 The Colleges involved in the case studies were asked to provide samples of Board meeting agendas and minutes, and in some cases DTZ was able to review Board papers and attend Board meetings. It was commonly noted by Board members that there was too much of the wrong information, and insufficient of the right information provided to members (“less is more”), and many mentioned that they have been working with the Principals to ensure more concise and focused reports to aid decision making. Examples included production of executive summaries and recommendations at the beginning of reports (with more detailed backing information enabling members to delve more deeply into the remainder of reports as they saw fit), and the use of traffic light systems to highlight level of risk. Meeting agendas were often said to be ‘clogged’ by what was perceived ‘public sector’ bureaucratic compliance-related information. Two examples show how colleges approach this information provision in different ways – in one example the secretary sifts pertinent information for dissemination to the Board, in another every single piece of correspondence / information which could be of relevance is passed to the Board. Given the voluntary nature of the Board and members’ time pressures, it is good practice for College staff to invest considerable effort and judgement to this editorial role to ensure the most pertinent and relevant information is passed to Board members to enable appropriate scrutiny and decision making.

4.8 The exception to this perceived ‘overload’ in information appeared to be in financial and management information. Here there appears to have been considerable investment over the last few years to improve the standard of information. Almost all those Board Members consulted were now generally satisfied with the financial information provided, the skills at Board level to interpret it, and the scrutiny flowing from this. Some argued that if anything, there has been too great a focus on the financial systems and performance to the detriment of holistic oversight of performance of the college i.e. quality of the product and outcomes for the local community and economy (discussed more fully in section 7.3)

#### **Comments on information for the Board**

*“A considerable amount of Board members have significant expertise in public sector funding, financial management and risk management and we do ensure that they have good quality information available for decision-making”*

*“Management information submitted to the board is improving, but there is still some way to go...”*

*“We have sufficient expertise on the Board to ensure good quality decision making”*

*“Effectiveness of financial monitoring relies totally on the provision of accurate information. This has been lacking but has been, and is being effectively addressed”*

*“We are constantly reviewing the nature and relevance of information brought to the board, and we constantly strive for improvement. Very often the board gets ‘cluttered’ with procedural stuff from SFC or Scottish Executive. Prioritising this with local college issues can prove a difficult balance to achieve within the time we have available.”*

*“Professional advisers are used to provide independent advice to the Board”*

4.9 The scope of this research does not extend to an assessment of the quality of Board decision-making outcomes in the Scottish College sector. Rather, DTZ has collected evidence of the nature of, and tools for, decision-making. The most important variable is the skills of Board members (discussed in Section 2), and the information provided to them, which should be driven through agreement between the executive team and Board Members' opinion on what is required, as discussed above. In terms of style in decision-making, the research team saw evidence of a good level of debate, challenge and questioning at the four Board /Sub-Committee meetings attended, with emphasis on consensus rather than voting to make decisions. We did not see any evidence of 'rubber stamping'. This was confirmed in consultation where attendance at meetings was not possible.

4.10 One particularly useful tool for defining respective roles and responsibilities in decision-making can be a scheme of delegation which sets out matters which are reserved for the Board, and those where the Executive team are delegated authority within defined policy and expenditure limits. This is in line with good practice guidance as set out in the Good Governance Standard.

4.11 Finally, Board members must remember their right to have meetings in private or to restrict attendance in meetings as appropriate (see also section 5). This is particularly relevant in Audit Committees where the Chair should not be a member or attend, and it is good practice to ask the Principal to withdraw from the meeting (usually at the end) in order to give members the opportunity to raise any matters of concern in private. This practice was evidenced in the case study research.

#### **Examples of good practice in decision-making**

*Use of a scheme of delegation which clearly sets out matters reserved for decision by the Board, and matters delegated (with policy and financial limits) for the executive team to conduct without reference to the Board*

*Restricted sessions in Audit Committees, asking the Principal to leave the meeting to give members the opportunity to freely raise any matters of concern, and ask specific questions from professional advisers.*

4.12 **Quality and Standards** – DTZ found that key performance indicator (KPI) information is regularly provided to Board meetings covering financial performance, staff and student performance. Consultees commented on the number of KPIs stating that these have relatively recently been rationalised by the SFC but that there are still in the region of 100 indicators. Some Board members cannot see the link between this 'voluminous and bureaucratic paperwork', feel that they are 'remote' from the real work of the college and its students, and do not have a good understanding of actual individual and local economic/community outcomes. It is essential that an organisation's governing body has a good understanding of the quality of the product it is delivering, and in the context of colleges which are public sector funded, knowing what broader impact it is making for individuals and the local economy. Examples of how some colleges seek to address this gap are set out below. In addition, some colleges are establishing a stronger governance link to the academic board where it did not previously exist (see section 5).

### **Establishing links between governance and college work and outcomes**

*'Link programme' which establishes an individual link between each Board member and a member of the Senior Management Team, to provide direct knowledge transfer, and mutual support.*

*Rolling programme of on-site departmental visits including meeting students*

*Topic specific briefings including presentations from local businesses where they input on business requirements from the college, and feedback on work readiness of leavers*

**4.13 Representation** – In the majority of case study visits DTZ found that the two staff Board members (excluding the Principal) interpret their role as actually 'representing' the staff on the Board, perhaps in a similar way as perhaps a Union representative (although with a broader remit). All good governance standards are clear that each Board member is elected to the Board to work in the best interest of the organisation as a whole and not to represent a particular group or constituency. The distinction for staff, and indeed student members, is that they come to the Board with a particular experience and perspective which should be of value to the Board, and thus to aid decisions to be made in the best interest of the college as a whole. This was understood in some but not all the colleges visited.

### **Chair**

**4.14** The case study research demonstrated clear understanding of the role of the Chair and that it is taken seriously, with the high time commitment that this infers. The role was defined well beyond managing Board meetings, to be one that extended to supporting the Principal, representing the college at strategic meetings and events, and taking responsibility for the effectiveness of the Board as a whole.

**4.15** Some Board members noted the critical importance of the Chair / Principal relationship and were aware of the risks if this did not work, or alternatively when it was too close. A strong Audit Committee and the Clerk role were mentioned as methods to provide checks and balances on this relationship. Other countervailing checks to the role of the Chair and /or Principal referenced by one college, involved:

- The provision of high quality factual performance data on the college, which are submitted direct to Board Members in highly professional board papers colour-coded to the different sub-committees; and
- The use of external advisers who report direct to Board Members, usually via the sub-committee system. This college places considerable emphasis on the engagement of the best professional advice available in a range of areas outside audit, including legal, property, performance management and HR.

## Principal

4.16 In all cases the Principal, as chief executive, is seen as the senior accountable officer to the Board. The Principal is also an important conduit in the accountability relationship between the Board and the Scottish Funding Council and Scottish Executive. The debate and confusion found through the research over the matter of the ‘Accountable Officer’ is considered in full in Section 8.

## Secretary / Clerk

4.17 There is varying practice in relation to the Board Secretary and Clerk to the Board. These are:

### **Board Secretary / Clerk roles**

*A secretary only - who is usually a senior manager who has an administrative role in relation to collation and distribution of papers, organisation of the Board calendar, and general advice on Board functions.*

*Combination of Secretary and Clerk to the Board – as above, the secretary takes the administrative role. The Clerk is independent, usually employed as a consultant to the Board and provides independent advice over the conduct of the Board within and outwith meetings, and compliance issues.*

*Clerk only – performs the more legalistic functions, but may also be involved in some of the administration.*

4.18 A number of case study colleges which have either or both these functions, have recently moved to the clerk role (only) or have imminent plans to move to the clerk only function. Those that have both see considerable advantages – the independent advice and compliance role provided by a specialist consultant married with the administrative function with a college sector specialist, as illustrated by this quote from one of the colleges:

*“The appointment of an independent clerk to the board, with a legal background, has been an important and invaluable level of support”*

4.19 Some of those that have a clerk only thought the functionality of having an in-house administrator is lost, whilst one that is moving to a clerk only role (supported by the college’s own administrative support) felt the independent role to be of critical importance to ensure suitable checks and balances.



## **Summary and Recommendations**

### ***Summary***

- Respective roles and responsibilities between the Board members and executive teams are well understood.
- There is variable practice on information provision, but Board members are usually sufficiently skilled to work with Principals to improve the quality of information and reports where required.
- Clarity in decision-making and delegation to committees and executive teams is helped through the production of an explicit scheme of delegation.
- Board members commonly raise the issue of being bogged down with bureaucracy and micro-level KPIs. This appears to be at the cost of having an appreciation for the quality of outcomes and overall impact of the college's work in the wider community.
- There is some confusion over the 'representative role', particularly for staff Board members.
- Some colleges have appointed independent clerks to the Board, which is seen to add considerable weight to the traditional internal Secretary role, who is an employed member of staff.

### ***Recommendations***

4.20 DTZ has few recommendations to make in respect of Board roles and responsibilities – based on the case studies, the colleges appear to be working in line with good governance standards.

4.21 However, there is one key recommendation to be considered under the 'representational' model for staff and student Board members. More specific training is required for staff Board members in particular to ensure their role at Board level is understood – not to work at Board level in the best interest of staff, but for the college as a whole. Awareness raising amongst the wider staff body may assist in clarifying the staff Board member role. This principle is also true for student Board members, although the research team did not find the confusion to be so marked for the students.



## CHAPTER FIVE

## BOARD STRUCTURE & MEETINGS

### Structure

5.1 The 36 colleges responding to the survey have a Board structure comprising the main Board and on average 6 committees (ranging from three to twelve committees). In all cases this includes a standing audit committee, and thereafter practice varies on how the Board business is organised between the main board and its committees. For example, some Boards do not have a separate finance committee, but prefer reserving financial matters for the full board, whereas others prefer to scrutinise finance issues in detail at sub-committee level and then have minutes approved by the Board. Similarly, some Boards have devolved scrutiny of large estate projects to a committee with approval by the Board, whereas others reserve this type of business to the full Board and have re-structured their meeting calendars to ensure its full consideration.

5.2 In terms of good practice there is no one model recommended for a Board structure, and there are advantages and disadvantages to adopting a devolved compared to a more centralised approach, depending on an organisation's circumstances. However, it is good practice to occasionally review the governing body structure through the strategic planning process. This should ensure the model is fit for purpose, and structured so that those members with the relevant skills are scrutinising the right topics, and that the whole Board assesses those matters which have the highest risk.

### Meetings

5.3 The colleges have an average of 27 Board and committee meetings per annum, ranging from 8 to 74 between the institutions (note: DTZ questions the accuracy of the lower figure of 8 meetings per annum, and suspect that this college misread the question and excluded meetings of its sub-committees). Some of the respondents to the survey included all ad-hoc meetings which explain the very high numbers of meetings at the top of the range, while others did not. It is generally recognised<sup>23</sup> that the more meetings held, the greater tendency that governing body members will have to move into micro-management rather than remaining firmly based in strategic management. Bearing in mind the sector is served by voluntary Board members, colleges should be aiming to make the best use of members' time through the development of the most efficient structure, and holding a reasonable number of meetings. Case study consultation suggested that generally, anything over two meetings per month was unreasonable for those in employment or with other voluntary commitments.

5.4 Most colleges operate by scrutinising and debating detail at committee level and then passing recommendations to the main Board for approval. Practice varies as shown below

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<sup>23</sup> Practice endorsed by recent study of the Scottish housing association sector: Communities Scotland Governance Review, 2005.

### **Committee / Board relationships**

*“The Board approves committee minutes without much debate”*

*“The committee chair persons are asked to make a five minute verbal presentation of the committee’s consideration for question and challenge by other Board members”*

5.5 DTZ found evidence that a scheme of delegation, or set of standing orders may usefully set out roles and responsibilities between the Board and its committees.

5.6 **Restricted sessions** – The structure of college Board and the statutory inclusion of staff and student members on the Board means inevitably that there will be meetings where the confidential nature of the business requires restricted Board meetings to be held. We found that it is common for staff and student Board members to leave meetings, although the way in which this is managed varies, as described in these two examples:

### **Restricted meeting practices**

College 1 - the change management process in one college means that there are regularly private and confidential matters discussed at meetings. Meetings are split into Part 1 and Part 2 and the staff, student and executive team members are asked to leave the meeting for Part 2. By asking all the staff including executive team members to leave (except the Principal), the ‘them and us’ mentality is minimised.

College 2 - staff and student Board members are asked to leave meetings only when an HR matter relates to a named individual whether staff or student.

## **Board Composition**

5.7 Schedule 2 to the Further and Higher Education (Scotland) Act 1992 forms the Constitution of college boards of management. Section 12(3)(2) states:

5.8 The board shall include -

- (a) the person who is, for the time being, the principal of the college;
- (b) a person appointed by being elected by the teaching staff of the college from among their own number;
- (c) a person appointed by being elected by the non-teaching staff of the college from among their own number;
- (d) a person appointed by being nominated by the students' association of the college from among students of the college.

5.9 Section 12(3)(3) states:

Not less than one half of the total number of members of the board shall be appointed by the board from among persons, not being members of the staff or full-time students of the college, appearing to them to have experience of, and to have shown capacity in, industrial, commercial or employment matters or the practice of any profession; and one such person shall be a person nominated by the local enterprise company for the area in which the college is located.

***Representation***

5.10 This therefore allows for so called ‘representatives’ from staff, students and the local enterprise company. The representation role from staff and student bodies was accepted as good practice by those consulted. Also, when opinions on the numbers of staff and student Board Members were expressed, the general view was that representation is sufficient to obtain their perspective on matters, and there is no requirement to change the number of representatives.

5.11 As noted in the previous section, in some colleges there are problems for staff in understanding their Board member role. However, where the role is conducted properly, other Board members value it, and it is thought to be in the right proportion to the size of the whole Board.

5.12 All colleges involved in the case study research experience problems with achieving an effective contribution from student Board members. The key to the problem appears to be around the tenure of students in the college sector, how long they are able to commit to the Board compared to how long (any) Board member needs to settle down into their role before they become effective. Colleges have tried a number of routes to getting a more satisfying experience for both student and the Board. These methods include:

**Good practice in supporting student Board Members**

- Paid sabbaticals, either full or part time. However, it is not clear whether this is sufficient in itself to make the difference between success and failure at Board level.
- Support from the Board through a buddying system combined with support from the students’ association staff or other staff
- Combination of both of the above
- Recruitment in May / June before the full year of Board duty commences
- A shadow buddying period where one student member is shadowed by another

5.13 There appears to be some confusion over the interpretation of statute over the requirement for a local enterprise company ‘representative’, although this is clearly stipulated in the Further and Higher Education (Scotland) Act 1992 (as described at the beginning of Section 5.3). Some colleges see this as a requirement, whereas others do not. In either case there are varying views as to their value on the Board (see further discussion of this in Section 2.3).

## **Size**

5.14 The maximum size of 16 Board members is seen by college Board members as ‘about right’, and certainly should be no larger.

5.15 The desk research undertaken as part of this study suggests that very large Board sizes reduce efficient decision-making, but given the voluntary nature of the Board members, there must be flexibility for absences at meetings.

## **Quality and Standards**

5.16 As discussed in the previous section, the governing body should have an understanding of the teaching and learning quality the college is delivering and be able to make a link between the college’s financial/business performance and the standards and outcomes it is achieving for individuals and the local community, i.e. what value for money is being delivered?

5.17 Some colleges have recently restructured to ensure that there is some Board representation on their academic committee / boards (in addition to other methods to gain understanding of quality and outcomes). This should be seen as a positive move away from a traditional approach which suggested that academic and curriculum planning was reserved for staff (as is the case in the HE sector).

## **Summary and Recommendations**

### ***Summary***

- Board sub structures and the number of meetings vary.
- The model of inclusion of staff and students on the Board is valuable when the role is properly understood (particularly by staff) and supported (particularly for students). However, there is a tendency to adopt a ‘representational’ approach.
- The use of restricted sessions appears to be common.
- The size of Boards at a maximum of 16 is accepted, but should not be increased.

## ***Recommendations***

- Boards should aim for an efficient structure which enables sufficient scrutiny, but which optimises voluntary members limited time and ensures strategic rather than micro-management.
- The size of Board should certainly not increase above 16. If there was to be any move to change the structure of Board numbers there should be a modest reduction in size. However, the scope to reduce this by more than one or two posts is very limited due to the significant number of sub-committees that have to be serviced (an average of 6 per college).
- As noted in section four, it is not good governance to adopt a representational model for staff and students, and efforts should be made through training to ensure absolute clarity over their respective roles on the Board.
- The use of restricted meetings should be minimised to nurture Board trust and cohesion. DTZ's working knowledge of other sectors (the HE and housing associations sectors in particular) suggests that while not unknown, restricted Board meetings are uncommon. While it is recognised that there may be occasional restricted sessions, these should certainly be exceptional rather than the rule to ensure that trust between all Board members is nurtured. It is recommended that the college sector develop a consistent policy with regard to the use of restricted meetings, specifically:
  - The Board subjects that make restricted meetings appropriate; and
  - The Members of the Board that should be excluded during a restricted session.
- It is good practice to have Board involvement in setting and monitoring academic and quality standards, and some Boards have recently restructured to achieve this at committee level.





## CHAPTER SIX

## BOARD PERFORMANCE

### Introduction

6.1 To address the topic of ‘Board Performance’ the following three questions much be answered:

1. How do Boards monitor and assess their performance?
2. How do Boards perform?
3. How can Boards address shortcomings in performance?

6.2 The following notes are important in understanding the scope of this section:

- Firstly, the nature of this study was not to come to a definitive conclusion on Board performance across the Scottish college sector. The research methodology does not enable us to do this as only eight case studies have been undertaken and these were not ‘audits’ but rather an attempt to identify issues, good practice and lessons for the future (see ‘Research Warning’ in Section 1.3 – Methodology); and
- Secondly, a lot of evidence on the quality of governance is included in the other sections of the report. The intention is therefore not to repeat this information in addressing Question 2. Instead, the DTZ Team’s overall assessment of Board Performance is included in Section 10 – Summary & Conclusions.

This Section therefore addresses questions 1 and 3, and the reader is referred to Section 10 to obtain DTZ’s overall assessment of Board performance.

### Methods of Assessing Board Performance

6.3 **External Scrutiny** – the Scottish college sector is subject to extensive scrutiny by numerous organisations, the following being some of the most important: HMIE, SFC, Audit Scotland, Scottish Quality Management System (SQMS)<sup>24</sup> and Investors in People (optional). Indeed, as will be discussed in Section 8 – “Accountability and Engagement” – the sector believes that it is over-scrutinised and that there is scope for further rationalisation of inspection to deliver a more cost-effective outcome.

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<sup>24</sup> On 21 April 2006, in Circular SFC/27/06, Scotland’s colleges were informed that, with effect from September 2006, they will no longer be expected to demonstrate compliance with quality assurance processes associated with SQMS standards as a contractual requirement for funding of vocational training by the Scottish Enterprise Network. SFC and its partners in the Convergence Steering Group (CSG) - Scottish Enterprise, Highlands & Islands Enterprise, SQA, HMIE and SQMS Scotland - have now agreed that the processes operated by the Council and HMIE constitute a robust and comprehensive regime of externally moderated quality assurance, and that these processes can be recognised by SE and HIE as equivalent in scope and rigour to their own contractual requirements for quality assurance.

6.4 **Self-Evaluation of the Board** – the ASC Guide sets out a detailed self-evaluation system, one component of which stipulates, “*There is a regular assessment of the Board*”. The college survey results indicate that the vast majority of Chairs (92%) believe that their college complies with this requirement: see Table 6.1.

**Table 6.1 Self-Evaluation across the Scottish College Sector**

|                                                                          | Positive Responses |
|--------------------------------------------------------------------------|--------------------|
|                                                                          | No. of Colleges    |
| There is self-evaluation of governance as a whole?                       | 33 (92%)           |
| There is self-evaluation of the performance of the chair?                | 9 (25%)            |
| There is self-evaluation of the performance of individual Board Members? | 9 (25%)            |

6.5 There is also evidence from the case studies that a number of colleges are using the ASC checklist to undertake the self-evaluation process, sometimes with external consultants being used to facilitate/lead the process. The self-evaluation is often conducted at the Board away day/residential session.

6.6 One college uses the Scottish Executive’s ‘On Board’ guide<sup>25</sup>, which historically was also based on a checklist approach. However, the Board had already taken the decision to try an alternative, more discursive approach, based on the Good Governance Standard<sup>26</sup>, when the Scottish Executive issued a revised edition of ‘On Board’ taking account of the Standard. The intention now is to use the checklist and discursive approaches in alternate years.

6.7 A number of colleges made reference to the importance of learning from others. In their view there is insufficient exchange of information and cascade of good practice to support a process of continuous improvement. Examples from the case studies of proactive learning include:

- One college reviews all of the reports from the Scottish Parliament Audit Committee investigations into specific colleges to see what lessons, if any, there are for them; and
- Another college invited the Chair of a different college to attend its Board meeting.

6.8 **Self-Evaluation of Board Members** – the ASC self-evaluation checklist also stipulates “*There is a regular appraisal of the Board Members’ performance, including the identification of training and support needs.*” This reflects one of the supporting principles within the Good Governance Standard. However, it is clear from Table 6.1 that this is the exception rather than the rule with only one in four colleges undertaking any form of self-evaluation of individual Board Members. There is some evidence of good practice from the case studies:

- “*Board Members complete a self-evaluation questionnaire every year and the results are discussed at the annual development day held each February. Attendance of Board Members is also monitored. The system is better than on any other Boards of which I have had experience.*”

<sup>25</sup> ‘On Board: A Guide for Board Members of Public Bodies in Scotland’: Scottish Executive, April 2006

<sup>26</sup> The Good Governance Standard for Public Services (Jan 2005)

- *“The Board members undergo a self-evaluation programme which was facilitated by an external specialist. The Board Members were slightly intimidated by the prospect, but the event proved very successful and is now a routine part of governance which happens annually.”*

6.9 However, the norm is for no self-evaluation of individual Board members:

- *“We have not introduced any system for formally evaluating the performance of individual board members. By exception, if a member continually fails to attend board or sub-committees, or is considered to have done or said anything detrimental to the effective running of the college, then the performance of that Board Member would be evaluated.”*

6.10 **Peer Review** - one aspect that was missing almost universally was peer review. As illustrated in Figure 3.1, only two colleges claim to undertake a peer review to assess the performance of their Chair. This is a significant gap in the performance assessment system. The advantage of peer review over self-evaluation is that it provides objective evidence from colleagues in a 360° appraisal – an assessment which can give the individual a much better understanding of their performance. This is particularly important for the position of the Chair, and it is good practice in many other sectors. There is also an argument that the peer review process is extended to the Chairs of standing committees as well.

6.11 However, in terms of mainstream Board Members the view generally from the sector is that it is expecting too much of non-remunerated Board Members to be subjected to detailed appraisals involving peer reviews.

### **Powers to Address Board Performance Problems**

6.12 Given their commitment to continuous improvement, a number of Boards commented on the problems they face in addressing poor performance amongst Board Members. The Board has powers to remove a member from office if any of the following conditions apply:

- if any of the statutory disqualifications set out in Paragraph 7 of Schedule 2 of the Further and Higher Education (Scotland) Act 1992 come to apply;
- if the member fails to comply with the statutory requirements in respect of conflict of interest (Paragraph 14 of Schedule 2) or confidentiality of information (Paragraph 15 of Schedule 2); or
- if the Board Member has been absent, without the permission of the board, from all meetings of the board or any committee of theirs to which he/she has been appointed for a period longer than six consecutive months.

6.13 One college consulted had exercised this last rule but it was clear that a number of Boards do not believe that they currently have adequate powers to address performance problems.

6.14 This view accords with an issue raised in respect of the application of the Charities and Trustee Investment (Scotland) Act 2005, which makes clear that if a charity trustee is in serious or persistent breach of the requirement to act in the interests of the charity, then it is the responsibility of all the other charity trustees to initiate procedures for removing them from their position as trustee. We understand that the Office of the Scottish Charity Regulator (OSCR) has made it known that it intends to scrutinise closely the constitutions of all the charities subject to its regulation, including colleges, in this regard. The question was raised with us as to whether the Constitution of colleges as set out in Schedule 2 of the Further and Higher Education (Scotland) Act 1992 meets this requirement.

## **Summary & Recommendations**

### ***Evaluation of Board Performance***

- Self-evaluation of Board performance is the norm (92% of colleges). This typically occurs at the Board away-days or residential sessions, and can involve an external facilitator. There is also evidence that the ASC checklist is used.
- Self-evaluation of Board Members is much more limited (25% of colleges). Again, colleges can use external specialists. Effective follow-up to identify the training and development implications and their delivery is critical.
- Peer review of the Chair is the exception (only two colleges claim to review the Chair's performance). DTZ believes that a 360o appraisal of the Chair is good practice and should be introduced across the sector. This reflects the critical importance the Chair plays in the establishment and delivery of good governance.

6.15 Recommendations – there is a need to improve the sharing of good practice between colleges, so that they can learn from one another. A lot of effort is expended in self-evaluation, but it is recommended that a new 'Community of Practice' for accountability and governance be formed with high-level representation from Chairs and Principals (building on the current model in the college sector which comprises Secretaries to college Boards). This Group should be tasked with coming forward with suggestions for how good practice can be identified and shared more systematically and effectively across the college sector (DTZ's suggestions on dissemination are discussed in more detail in Section 10.5). It is also recommended that good practice guidance be submitted to Boards recommending that Chairs and Chairs of Sub-Committees be subject to peer review.

### ***Powers to Address Poor Board Performance***

6.16 These are currently limited, as set out in Schedule 2 of the Further and Higher Education (Scotland) Act 1992. It is also understood that OSCR intends to scrutinise college constitutions to ascertain whether a trustee who has not acted in the interests of the charity can be dismissed. It is not clear that the current provisions enable such action.

6.17 Recommendation – the powers of college Boards be strengthened to enable them to address performance problems with Board Members more quickly and effectively than current legislation permits.



**Strategic Planning, Corporate Values and Behaviours**

7.1 All colleges consulted adopted some form of strategy away day as a means of drawing value from the expertise of Board Members. Inevitably, the development of a strategic plan is iterative and involves staff, senior managers and Board Members. However, the format for engagement of Board Members in developing the strategic plan and operating plan falls into one of two formats with the timing of staff engagement being the only key difference:

- **Up-front staff engagement:** Following development of a draft strategic plan by the SMT, staff workshops are held and staff review strategic priorities and implications for the strategic development plan. Thereafter the SMT revise and further develop the draft plan, which is submitted for Board review at a residential strategy session or away day(s). Inputs from the Board are used to finalise the Strategic Plan which is then considered / adopted by the Board; or
- **Top-down model:** Alternatively, and our impression is that this is the norm among case study colleges, following reflection upon performance against the previous corporate plan, and identification of key changes and drivers of performance going forward, the SMT will draft a revised plan and present their draft ideas at a strategy day or days (again these often involve a residential format) to the Board. The Board then ratifies or amends the strategic goals for the year ahead. These strategic objectives and themes for the year ahead are then passed to SMT who revise the Draft Plan and circulate to departmental heads and other senior teaching and support staff who then lead development of the operational plan complementing the strategic plan.

7.2 A key aspect of these strategy sessions is that, regardless of whether they are on-campus or off-campus, and regardless of whether they are of one or two days duration, they allow an opportunity for the Board to interact with senior managers and departmental managers, hear presentations on market outcomes / performance and departmental objectives and plans. Moreover, the events allow Board Members to interrogate senior managers on performance against the outgoing strategic and operational plans in order to enhance and/or validate their understanding and inform their strategic thinking.

7.3 This event can also be used to inform staff of the Board's view of values and behaviours expected of staff and to ensure staff understand the strategic direction the Board wish the college to pursue. In parallel, the away day can also help new Board Members to get a feel for the strategic context and key personnel within the college.

7.4 Aside from this, the away day(s) can help the Board to review the self-evaluation undertaken at Board level, with outputs (remediation) feeding into the operational plan and corporate plan.

7.5 While it is not always the case that Boards have viewed the strategic planning process as ideal, with one commenting that their previous college strategic plan was not strategic at all, but rather “*ad hoc operational*” (subsequently being addressed in the 2006/08 plan), our impression is that the colleges in general have made effective use of their Board’s time and expertise in strategic planning, recognising that Board Members are volunteers who have competing time commitments.

7.6 Ideas from the sector to improve the Board’s effectiveness in strategic planning include use of the strategic planning process to incorporate portfolio planning.

#### **Selected Responses to Open Questions (Survey): Strategy, Values and Behaviour**

*“The Board clearly owns the values and behaviours which it sets through the Strategic Plan of the College. However it sees the transmission of these values as being, primarily, the role of its Executive Team and its interest becomes one of monitoring the effectiveness of the implementation and continuing dialogue with the Executive to ensure continuing relevance”*

*“The Board conducts an annual self-evaluation exercise as part of the development planning process in order to review the effectiveness of its work over the previous session.”*

*“Board participates in a strategic away day to start to initiate changes in the strategic plan. Annually two Board Members participate in the SMT away day.”*

*“The college undertakes a comprehensive consultation exercise with key stakeholders, including (the) Council and (the LEC), as part of the development planning process. The college is represented by the Principal on both the community planning partnership boards within its catchment area and other senior staff participate in sub-committees of these boards.”*

7.7 What is also clear is that Boards are acutely aware that once the strategic planning cycle is completed their role in monitoring performance becomes critical to the delivery of those goals and values. Hence, audit and risk management are examined below.

### **Risk Management in the College Sector**

#### ***Developing and Monitoring of Risk Registers***

7.8 A critical function of Boards of Management is to oversee development of a central risk register for the college in consultation with the SMT and sub-committees of the Board. In a number of cases, we have also been made aware of the development of a separate risk register for major capital projects, which we would regard as good practice.

7.9 The Audit Committee, as described elsewhere in this report, is critical to developing an effective risk management process, and compliance with relevant policies and procedures. Where there is a strong audit culture, this can play a pivotal role in development of the college, as one respondent stated:



*“A strong Audit Committee and an effective audit ethos are important. Audit must not be seen as part of a blame culture, as it too often is in the public sector. Rather it should be seen as constructive, setting out how to do things better.”*

7.10 The relationship between the Audit Committee, the Internal Auditor, the sub-committees and the full Board is critical in identifying and assessing emerging risks to the college, be they financial or in terms of its wider performance. Our impression based upon the case studies is that Audit Committees, in practice, are providing such a role. ASC training and the recently published guidance for College Board Members has helped cement the audit culture.

7.11 As an example, one Chair of Audit consulted, following attendance at a training session held by ASC, had initiated a restricted session in Audit Committee for which the SMT, Principal and minutes secretary (in this case, the Principal’s PA) were excluded. The session observed was a useful opportunity for the Audit Chair and lay members to interact with the internal auditor and receive guidance and serves as a useful approach for other colleges to adopt.

7.12 However, responsibility for risk management does not fall solely upon the Audit committee and its Chair, as a comment from one college highlighting the relationship and interdependence is typical of practice in the sector between Audit and the board and sub-committees shows:

*“The Audit committee prepares an annual audit needs assessment which takes full account of the college’s value-for-money agenda, perceptions of financial (and other risk) and governance. Audit reports by internal auditors are also reviewed routinely by appropriate standing committees to utilise the specialist skills and knowledge of members.”*

7.13 The key role played by the sub-committee structure underpinning the Board was highlighted by one college that stated:

*“A great deal of Board business is undertaken via the Board’s standing committees. This is reported to the board, including issues that relate to the management and monitoring of risk.”*

7.14 In general, based upon our case study consultations, it does appear that sub-committees will look after or oversee variance against risks in their respective areas of influence, e.g. health and safety, WSUM count against target, recruitment and retention against target, financial outturn against budget, compliance with procedures (e.g. in relation to HR, and the overall staff complement), among other measures. The members participating with sub-committees have access to specialist expertise and also develop their own knowledge within the area and act as the first line of defence for the full Board.

7.15 Utilisation and understanding of the risk register, where it involves or implies specialist understanding, is limited by the somewhat dense nature of these sometimes very detailed documents. It has been indicated by a number of consultees that moving to a system incorporating a “traffic light warning system” with green for “healthy”, “amber for warning” and red for “high risk / significant variance” has been hugely beneficial in allowing all Board Members to have an at-a-glance view of the level of risk to the college at any one time, while still allowing the Audit Committee and Sub-committees to oversee in more detail their area of influence.

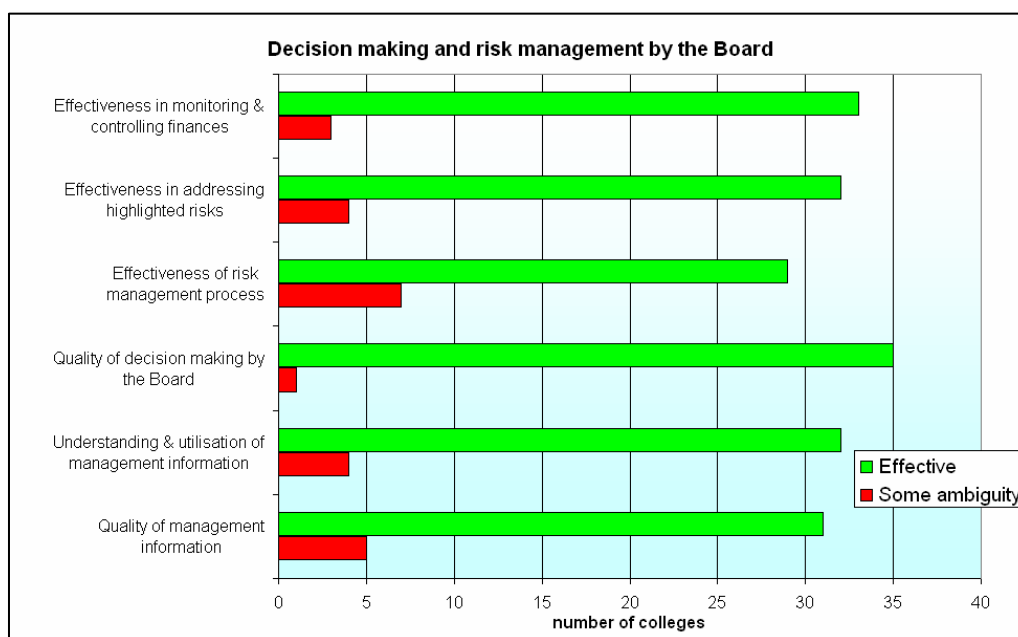
7.16 Moreover, evidence suggests that at least two of the eight case study colleges do not regularly visit their risk register and indeed in one case a new Board Member had at no point prior to being interviewed seen the college risk register or been introduced to it during induction. Clearly, while possibly an isolated case, this is an unsatisfactory state of affairs and suggests improved accessibility and greater rigour in scrutiny at Board level may be required in some colleges.

### ***Survey Findings – Risk management and decision making***

7.17 The College survey indicates that colleges are generally satisfied with the effectiveness of their monitoring procedures, identification of risk, risk management, understanding and utilisation of management information and the quality of decision making.

7.18 The aspect of risk management that was considered to have the greatest scope for improvement was in respect of the effectiveness of risk management processes. For that measure, one-in-five colleges responding found their arrangements in this area to be less than effective. Also, one-in-seven did not give a strong endorsement of the quality of the management information received.

**Figure 7.1 Perceived Effectiveness of Aspects of Risk management and Decision Making**



Source: DTZ College Survey, Question 4.1

7.19 Qualitative feedback from the survey of Chairs highlights the seriousness with which Boards engage with the risk assessment process:

**Selected Responses to Open Questions : Risk Management:**

*“The appropriate board-standing committees routinely consider the minutes of the Health & Safety Committee and the Risk Management Group. The college risk register is reviewed annually both by each standing committee and by the Board as part of the development planning process. A separate risk register is maintained for the major capital project with this document being reviewed monthly at the meetings of the project management group.”*

*“There are regular risks and financial problems which are beyond the ability of the board to control”*

*“Risk assessments are given a high priority by the Board and the SMT.”*

*“College risk matrix is presented to Audit Committee in some detail. Variance on key factors is discussed in detail. In addition specific projects having their own subset of risk material associated with them”*

*“The importance of risk management is well understood by the board, much time is devoted in debate to such matters and there is no hesitation in seeking further reassurance if some particular issue warrants it. I feel we have a robust risk management system in place. We have sufficient expertise on the board to ensure good quality decision-making.”*

*“A considerable amount of Board members have significant expertise in public sector funding, financial management and risk management and they do ensure that they have good quality information available for decision – making.”*

*“Risk Assessment & Moderation Plans embedded.....The budget revision process is driven by heads of department, therefore board intervention is naturally post facto”*

*“Board is a bit more risk taking than my Executive...Management tends to be risk adverse, and this sometimes slows down innovation.”*

**Good Practice in Risk Management:**

- Regular review of the college risk register throughout the year
- Separate risk registers for any significant capital projects
- Communicate the risk register via incorporation within the College Strategic Plan
- Monthly one-page updates on key PIs critical to college performance and/or real-time updates via college Intranet
- Facilitate Internal Auditor and External Auditor communication
- Hold restricted sessions to allow Internal Audit specialist and Audit Committee to meet to discuss issues outwith the presence of the Principal and SMT
- Introduction of a “*traffic light*” system to help non-specialists on Board understand, at a glance, when performance is at a significant level of variance from target /budget & overcome issues of jargon
- An independent Clerk (in addition to a secretary) assists in ensuring compliance
- Regular scenario planning sessions within sub-committees to anticipate impacts and develop contingency planning

**Financial Management in the College Sector**

7.20 As Figure 7.1 above indicates, the overwhelming majority (33 of 36) of respondents indicated that they have effective monitoring and control of their college finances. Based upon the evidence provided by the colleges consulted and the interviews with Board Members, Principals, staff and students we are satisfied that college Boards in general do take considerable effort and attach a high degree of importance to a detailed scrutiny of their finances. In fact, as well as most colleges citing financial management as a strength, a number of college staff and students indicated that perhaps the financial stability of the college was such an over-riding concern of their board that the quality of the learning experience and / or the range of programmes available were neglected.

7.21 Feedback from consultees throughout the study has highlighted the significant financial progress that has been made in recent years, driven by a period of relative consolidation in WSUMs growth, declining access to European Structural Funds and colleges’ actively seeking to diversify their income base away from SFC dependency.

7.22 Feedback from the case studies has highlighted the problems colleges face in the annuality of funding. Unlike business in the private sector, colleges have an annual funding allocation that restricts the scope to plan over a three or five year time horizon, and a methodology and financial monitoring agreement that presents significant difficulties and uncertainties for all colleges, particularly those with ‘lumpy’ student / WSUM numbers due to market conditions. Funding is supply-led rather than following the learner and hence current arrangements restrict a college’s ability to carry over WSUMs, as well as stifling the ability of the college to be entrepreneurial, as the annual claw back arrangements produce risk aversion / responsiveness to demand. There was a very strong view from colleges to change the current annual financial cycle to one based on three years.

7.23 Another considerable area of concern is the uncertainty of the impact of treatment of pension liabilities arising from participation within local government pension schemes prior to Incorporation. These now appear to be under-funded given investment market performance. A considerable degree of nervousness exists as the treatment of this issue will be settled by the External Auditor appointed by Audit Scotland and it has the scope, if interpreted too pessimistically, to put all colleges into an on-paper deficit position, due to the adjustment / allowance that may be required to the income and expenditure account for the college. In theory this will be treated uniformly, but colleges are concerned as to how this will be applied across a diverse sector with the risk that they face being pilloried in the press for what is largely an accounting adjustment.

7.24 However, their concerns notwithstanding, the colleges visited seemed to be taking adequate and effective steps to examine the financial impact of this change and to ensure that appropriate action was taken. Across the piece, the research team was impressed by the level of financial diligence of Boards and their willingness to challenge negative budgets or question the business rationale underpinning investment proposed by senior managers.

### ***Monitoring Financial Performance***

7.25 College financial monitoring appears to be rigorously pursued by Board Members and the strength of the audit culture, the external pressure on funding and the business background of many members has helped significantly in this regard, in keeping it at the forefront of thinking.

7.26 If there is a concern, it is in the ability of new members to get to grips with the financial jargon and peculiar nature of college sector funding, while a number of colleges cited the financial management accounting information as being an area where improvements in terms of clarity and real-time accuracy of information can be enhanced.

7.27 A number of colleges cited keeping on top of the SFC circulars on funding as one of the key challenges they face.

7.28 However, a number of good practice examples are evident, many of which are also integral to effective conduct of risk management:

**Good Practice in Financial Management:**

- Monthly updates on key financial PIs critical to college performance and/or real-time updates via management accounts information available via a college Intranet
- Access to college e-mail systems and copying in on all financial notes/papers internal to senior management
- Facilitate Internal Auditor and External Auditor communication to make sure both have full knowledge of information in their possession
- Provision of a key contacts list so that Board Members can speak directly to departments and or financial managers to query results
- Provision of a list of alternative contacts for information on topics including finance, to empower Board members in understanding and challenging financial information
- Hold restricted sessions to allow Internal Audit specialist and Audit Committee to meet to discuss issues without the presence of the Principal and SMT
- Introduction of a “*traffic light*” system to help non-specialists on Board understand, at a glance, when financial performance is at a significant level of variance from target /budget and overcome issues of jargon

**Summary & Recommendations**

**7.29 Strategic Planning & Monitoring** - we have found effective strategic planning systems and a good level of engagement of Board Members with the Strategic Planning of the college. These processes are supported by away days which help to inform/revise draft strategic plans, but also allow interaction between academic and support staff and the college Board of Management. Board Members also appear to be very aware of the need to focus on monitoring of strategy and operational plans to ensure the college remains on-track. DTZ has no specific recommendations in this area.

**7.30 Risk Management** – in general, the majority of Chairs believe that they have ‘effective’ or ‘very effective’ risk management processes (80%). Furthermore, their effectiveness in addressing highlighted risks is assessed to be even stronger at nearly 90%. The case studies supported these findings, with Boards treating the risk management process very seriously. This was evidenced by the range of good practice that was identified. The objective is to encapsulate and share this good practice.

## ***Recommendations***

7.31 - it is recommended that good practice in risk management be disseminated throughout the college sector. This should draw upon the following good practice findings:

- The role of Audit Committees and the specialist sub-committees in delivering risk management is absolutely critical;
- The use of separate risk registers where significant capital projects introduce a new area of risk;
- Risk registers need to be regularly reviewed, calling upon the sub-committees and executive/senior management team expertise, produced in a format that is simple for non-specialists to understand, perhaps using “traffic light” colour coding;
- Communication of Performance Indicators – either in real time (say via a college intranet) or regular distribution, a short list of the key PIs that are of critical importance to the college, such as recruitment, retention, WSUMs against target and key financial PIs against budget (e.g. cashflow position, as treasury issues are critical), should be communicated.

7.32 **Financial Management** – in DTZ’s view college financial management appears to be rigorously pursued by Board Members and the strength of the audit culture, the external pressure on funding and the business background of many members has helped significantly in this regard, in keeping it at the forefront of thinking. This is supported by the views of the stakeholders consulted and the survey of college Chairs, of whom > 90% believe that they are either ‘effective’ or ‘very effective’ in monitoring and controlling college finances. The main constraint facing colleges is the annuality of SFC funding and the problems this presents in managing their business.

## ***Recommendations***

- There was a very strong view expressed from the college sector to change the current annual financial cycle to one based on three years and DTZ endorses this as a recommendation of this study.
- As part of the induction process it is recommended that new Board Members are offered specific training to fully understand the financial systems, ‘jargon’ and acronyms in use the college sector and the nuances of its supply-led approach (often difficult for Board Members with a private sector background to grasp); and
- The implications of how the External Auditor appointed by Audit Scotland is going to treat pension liabilities is one of the key concerns of colleges. It is recommended that SFC review any implications for the colleges and, in particular, to identify the extent of differential impacts and how they are reported.





## CHAPTER EIGHT

## ACCOUNTABILITY & ENGAGEMENT

8.1 This section sets out to review the degree to which Boards of Management in conducting governance of the colleges are accountable to key audiences and, further, to review the relative strength of the engagement with key stakeholders and to draw out examples of good practice.

### Accountability

8.2 A key element of the College Survey was to capture views on accountability. Chairs of college boards of management were asked to consider whether they agreed with a number of statements regarding accountability and college engagement with stakeholders. In respect of Accountability, the college Chairs gave the following responses (percentage of respondents in brackets):

**Table 8.1 Attitudes to Accountability in the College Sector**

| Statement                                                                                            | Strongly agree | Agree    | Neutral | Disagree |
|------------------------------------------------------------------------------------------------------|----------------|----------|---------|----------|
| <i>"Responsibility is clear cut in terms of who is 'Accountable Officer' for the College sector"</i> | 21(60%)        | 9 (26%)  | 4 (11%) | 1 (3%)   |
| <i>"Accountability in the college sector is working effectively"</i>                                 | 11 (31%)       | 20 (57%) | 3 (9%)  | 1 (3%)   |

**Source:** DTZ College Survey 2006, Question 6.2

8.3 While a similar overall percentage (88%) either agree or strongly agree that accountability in the college sector is working effectively, only 31% strongly agreed with the statement, with 57% giving their agreement. Given that 12% provided either a neutral response or disagreed, while there is general agreement that arrangements work effectively, this should not be interpreted as evidence that there is no scope for refinement.

8.4 It is clear from the responses given that the overwhelming majority of College respondents agree or strongly agree (86% in total) that responsibility is clear-cut in terms of who is the Accountable Officer for the sector. However, despite a clear-cut response in our survey of colleges, our case study consultations revealed greater confusion over the role of the Accountable Officer than was evident in the quantitative research. This is examined below.

### ***Who is the Accountable Officer?***

8.5 Accountable Officers are personally answerable to the Scottish Parliament. The essence of their role is a personal responsibility for the propriety and regularity of the public finances for which they are answerable and for the economic, efficient and effective use of all available resources.

8.6 During the initial years following incorporation, when colleges were funded directly by The Scottish Office<sup>27</sup> and subsequently the Scottish Executive, the college Principal was the designated non-statutory Accounting Officer. Following responsibility for college funding moving to the newly created Scottish Further Education Funding Council in 1999, the Chief Executive of that body became the Accountable Officer for the body that funds the sector.

8.7 Currently, the Scottish Funding Council imposes obligations on the chief executives of the institutions it funds that are analogous to the responsibilities of an Accountable Officer. This role has been addressed in detail by a paper on “Designation of College Accountable Officers” produced by ETLLD<sup>28</sup>. The paper has been presented to the Accountability and Governance Working Group of the Review of Scotland’s Colleges for their consideration.

### ***Information for Accountable Officer Role***

8.8 A key issue raised with us during our research was that Principals, when they were designated as non Statutory Accounting Officer, received copies of all Accounting Officer Letters enabling them to see what accountability and governance issues had arisen elsewhere in the public sector. Following formation, in 1999, of the SFEFC, college Principals no longer receive such correspondence. An experienced, long-standing Principal expressed the view that this has cut Principals off from a very useful source of regular information that previously kept issues of accountability in the public sector at the forefront of their thinking.

### ***Accountability to Government – Scottish Executive, Scottish Funding Council, etc.***

8.9 Colleges are accountable to a number of Government departments, agencies and non-departmental public bodies, including:

- Audit Scotland who commission an annual external audit of the financial health of all Scotland’s 39 incorporated colleges from a panel of approved auditors. Their accounts are submitted to the Audit Committee of the Scottish Parliament;
- HM Inspectorate of Education (HMIe) in Scotland undertakes inspections of the quality of the provision within colleges, and the learning environment, building upon providers’ self-evaluation;
- SQA as a key awarding body/accreditor of SVQ provision and a wide range of other awards throughout the college sector;
- Scottish Further and Higher Education Funding Council (SFC);
- Through SFC, the Scottish Executive Enterprise and Lifelong Learning Department and ultimately Scottish Ministers who are in turn accountable to the Scottish Parliament; and

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<sup>27</sup> Further Education Funding Unit within the Scottish Office Education and Industry Department

<sup>28</sup> “Designation Of College Accountable Officers” Scottish Executive Enterprise, Transport & Lifelong Learning Department’s Accountability and Governance Working Group (page 18)

- The Audit Committee of the Scottish Parliament also has powers to call colleges to give evidence relating to enquiries they may make on college finances and governance.

### ***Accountability to Other Agencies and Stakeholders***

8.10 In addition to these bodies, colleges undertake internal audit through the services of a chartered accountancy practice and, typically, are accountable for their performance to a number of other external stakeholders, such as:

- Scottish Quality Management System<sup>29</sup> – assessed by SQMS Scotland, this kite mark is a necessity when engaging with clients to deliver training or learning on their behalf, e.g. vocational delivery to school pupils for which this will be a core requirement;
- Other awarding bodies, such as City and Guilds; and
- Investors in People – although this is voluntary, it is a recognised benchmark for employee care and career development and plays a role in recruiting and retaining staff and getting value from them

### ***Is the Sector Burdened by Too Much Scrutiny?***

8.11 It is perhaps unsurprising that one case study college Principal described the range of engagement in audit and inspection by external bodies as being “*audited to death*”, with similar comments from a number of others.

8.12 We have detected a clear desire among colleges that the various bodies to whom colleges are accountable need to engage with each other, and ideally agree a standard set of PIs that satisfies all and have one annual collection exercise conducted, and thereafter share the information. This would have an aim of reducing the bureaucratic burden to fulfil external requirements, often for the same information time and again, and allow Boards and senior managers to devote more time to strategy, governance and audit internally. It was argued that, preferably, any common list would yield some rationalisation of unnecessary performance measures and a focus on key measures of real value to the college and stakeholders.

8.13 In our opinion, this sentiment gives clear support and significance to the work of SFC and its partners in the Convergence Steering Group (CSG) - Scottish Enterprise, Highlands & Islands Enterprise, SQA, HMIE and SQMS Scotland in their efforts to actively promote convergence of quality assurance systems as a means of reducing the audit burden on institutions.

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<sup>29</sup> At the time of our consultation among colleges, SQMS accreditation was still seen as involving a significant workload. As set out in Section 6, a SFC circular (SFC/27/06) sets out that from September 2006, as a consequence of evolution of the HMIE audit methodology and scope to include, for example, LEC-funded provision, Scotland's colleges will no longer be expected to separately demonstrate compliance with quality assurance processes associated with the Scottish Quality Management System (SQMS) standards.

8.14 It is not only the number of agencies involved and the impact this has on the efficiency of the scrutiny function, but also the outcomes of scrutiny that cause concern. For example, in terms of its effect on the recruitment of board members college consultees have conveyed concern over what one college Board Member deemed a “*disgraceful treatment of Inverness College*”<sup>30</sup> in reference to pillorying of volunteer Board Members for their role in the financial difficulties faced by the college.

8.15 Some consultees, while understanding the circumstances, questioned the logic of this approach and the potentially damaging impact upon the morale and ability to recruit Board Members, particularly where financial difficulties are known – e.g. rural areas, where there is a high delivery cost. One Board Chair stated in respect of the treatment of Inverness Board Members that current or future board members would be thinking, “*there but for the grace of God go I*”.

8.16 It is important to emphasise that there was no suggestion from college consultees of equating volunteer status with taking an amateurish approach to governance, but rather that their part-time, voluntary status gives rise to time constraints and that this places a limitation on the amount of scrutiny that can be expected. Concern was also raised in respect of events at Inverness College, regarding the negative impact upon recruitment of requiring Board Members to appear in public to be “*grilled*” by the Audit Committee of the Scottish Parliament.

8.17 As a measure of the workload in undertaking scrutiny of the colleges, the Chairs were asked to agree/disagree with a number of qualitative statements illustrated in the following table (percentage of respondents in brackets):

**Table 8.2 Attitudes to Accountability in the College Sector**

| Statement                                                                                     | Strongly agree | Agree    | Neutral  | Disagree |
|-----------------------------------------------------------------------------------------------|----------------|----------|----------|----------|
| “There are too many organisations involved in the scrutiny of the college sector”             | 16 (46%)       | 9 (26%)  | 8 (23%)  | 2 (6%)   |
| “The high level of compliance costs relating to scrutiny is <b><i>not</i></b> cost-effective” | 8 (23%)        | 13 (37%) | 12 (34%) | 2 (6%)   |

**Source:** DTZ College Survey 2006, Question 6.2

8.18 In terms of the current level of scrutiny and responsibility, some 72% of respondents therefore are in agreement that there are too many organisations involved in the scrutiny of the college sector, while only 2 colleges (6% of respondents) disagreed. Given the fact that almost half ‘strongly agree’ with the statement, this is a very important finding. What is also clear is that most colleges ‘strongly agree’ or ‘agree’ that scrutiny places too high a compliance cost on the colleges for the benefit received. Qualitative feedback from the Chairs further supports this view:

<sup>30</sup> SE/2006/16, *A Report By The Auditor General For Scotland Under Section 22(3) Of The Public Finance And Accountability (Scotland) Act 2000: The 2004/05 Audit Of Inverness College* and subsequent evidence taken by the Audit Committee of the Scottish Parliament

**Selected Responses to Open Questions :Accountability:**

*“It is not so much that there are ‘too many organisations’ involved in scrutiny – but the weight, volume and minute detail of the scrutiny is unnecessarily burdensome and costly in terms of constraints and time to the College’s staff and Board. Too much micro-management instead of macro-management.”*

*“The sheer number of reviews, audits and inspections means that staff are spending a considerable amount of time preparing for reviews. This obviously has a detrimental effect on the time staff are then able to devote to teaching students”*

*“A one-shop approach to accountability is needed. Numerous factions seem to be empowered by the [Scottish] Executive to gather information & investigate some aspect of accountability. Answering the inevitable questionnaire can only be achieved by any college at a cost – both in terms of financial & time penalty.....to answer them, college resources are diverted away from the prime college function”*

*“The opportunity cost in preparing information in the variety of formats required by external organisations is considerable and therefore not cost-effective”*

*“Operating in a highly regulated environment, it can be difficult to meet our compliance obligations, whilst seeking to run an effective operation. It is a demanding balance to strike”*

*“Unfortunately due to recent events at Moray & Inverness there may be a need to build up trust in the sector but over-regulation can be as damaging to the relationship between SFC & colleges as well as making future recruitment difficult due to the onerous nature of a voluntary task.”*

*“I believe both accountability and governance is strong”*

8.19 In terms of Audit Scotland’s role in selecting an External Audit contractor for all colleges, with no input from colleges individually or the sector as a whole, this is a cause of friction with the sector. Some colleges maintain that this is symptomatic of the external perception that colleges are not to be trusted, and their ambiguous status, being neither fully incorporated (in which case they could choose their own external auditor) nor being entirely controlled by the public sector. Colleges in short, are *“neither fish nor fowl”*.

8.20 The following quotation is fairly typical of those comments heard within the case studies and from a number of respondents to the College Survey:

*“The standard of accountability and governance in the college sector is high across Scotland. There have been only a small number of failures in governance. Colleges should expect the same high standards from all its stakeholders and funders. The Association of Scotland’s Colleges has worked effectively with colleges to assist in the development of expertise and strength in governance.”*

## Stakeholder Engagement

### *Who do Colleges Engage with?*

8.21 This research among Scotland's colleges has covered their degree of engagement with:

- **Internal Stakeholders** – ensuring effective communication with, and accountability to, the two main internal stakeholders – students and staff (and their respective union representatives); and
- **External Stakeholders** – it is also vital that any college engages with the wider community within which it operates and the business community and voluntary sector in areas of relevance to the College strategy. Colleges should, as good practice, engage in effective communication with, and accountability to, the main external stakeholders: the SFC, the rest of the College sector, the HEI sector, Sector Skills Councils, development agencies, schools, Community Planning Partnerships, the wider public sector, private sector (particularly the business community served by the curriculum) and the local/ regional community within which the college is located, and which includes potential learners, Board Members and/or employees and the voluntary sector.

### *Perceived Benefits from Stakeholder Engagement*

8.22 There are a number of benefits to colleges from developing their engagement with key stakeholders. If delivered effectively, stakeholder engagement can provide benefits to colleges and learners that might include:

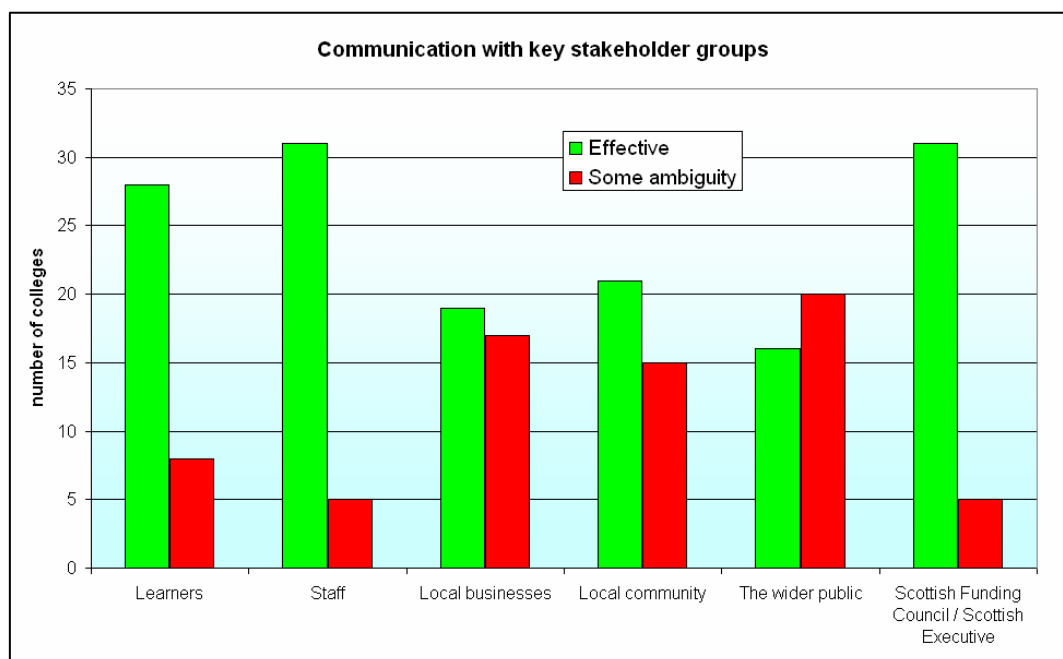
- Improved market intelligence and understanding of the external environment to ensure greater success in curriculum planning;
- Improved understanding of how the range and quality of college services are perceived and factors underlying learner recruitment, retention and department performance;
- An input to the economic development of the area/region with down-stream opportunities;
- Improved ability to develop placement opportunities and to understand employer requirements (skill gaps and shortages);
- Better linkages to employers and, therefore, potential clients;
- Better engagement with local schools and / or HEIs in aiding progression and/or transition arrangements
- Greater linkages to potentially share risk/cost of capital-intensive courses (for example, where workshops/labs/specialist facilities are required or distance/blended learning delivery, which can be relatively expensive); and

- Greater employee engagement can deliver productivity improvements, improved morale, entrepreneurial behaviour, better staff retention and provide a positive impact upon the bottom line.

### ***Communication with Key Audiences***

8.23 Generally speaking, the college Chairs thought there were good internal communications with staff and learners, as shown in Figure 8.2, with case study colleges identifying that these groups have access to college Intranets, but weaker links with the wider community and businesses. The majority also thought that communications with the Funding Council were ‘effective’ or ‘very effective’, shown as “effective” in the chart.

**Figure 8.1 Communications with Key Stakeholder Groups**



Source: DTZ College Survey, Question 1.1

8.24 As a consequence of poor external communications, stakeholder groups such as local businesses and local community groups have a relatively poor understanding of colleges’ objectives and development plans.

8.25 This suggests that there is scope for review / improvement amongst the Board Members who are responsible for acting as the conduit between the college and these wider stakeholders, such as the lay members, who while engaged as individuals could provide a vital communication channel to business and community organisations.

### ***Engagement with Learners***

8.26 There was a clear message coming from the case study consultations, and consultation with NUS Scotland, that current arrangements do not, in the majority of cases, pass muster as providing satisfactory accountability to students. A number of criticisms have been identified with regard to student engagement, including:

- Students feel that colleges need to speed up implementation of changes in response to student requirements / concerns. The reason cited for this is that at present it is often the case that by the time the changes are implemented, the students that were disadvantaged or raised the issue have long since qualified and/or graduated, or indeed may have been lost to the college or sector. This problem has been overlooked in some cases and is particularly acutely felt in respect of student welfare issues.
- There can often be a lack of administrative and or mentoring support (e.g. Student Liaison Officer or Student Services Manager) to help the student member, typically the President of the Student Association, to engage with class representatives, his/her Student Association and to liaise with senior managers and support staff. This also limits the ability to identify and feed student views to and from the Board.
- A number of colleges have a non-viable or stricken Students Association and/or struggle to identify an interested student to sit on the Board. In addition, case studies indicate that Students' Associations are not always well integrated with the class representative system/network;
- As many student Presidents are only at their college for a limited time, they may not be able to facilitate a hand-over to the following Board Member;
- It is the case that some elected Student Presidents are relatively young (one example was 16 years of age) and it has been suggested that the experience of sitting amongst more senior individuals, many of whom are very high profile individuals or leading business figures, can be somewhat daunting and at the extremes, intimidating which limits the contribution that is made; and
- Conflict with academic, social pressures and possibly part-time working, as well as lack of access to private transport, can all limit the availability of student members to attend board meetings and subcommittees.

8.27 A number of potential solutions/best practice ideas to address these student engagement issues have already been highlighted in Section 5.3.



8.28 We are aware from one case study visit and separate representations by NUS Scotland to Review of Scotland's Colleges (RoSCo)<sup>31</sup> that sabbatical posts have been established and have been viewed as highly successful in at least three colleges to date. However for other colleges, there has been a lack of success, principally in attracting candidates. This is attributed, by College management and Board Members, to the different outlook of college sector students, most of whom will be part-time students, and most will wish to complete their courses in one or two years (or less) and thereafter enter/re-enter the labour market.

8.29 One student workshop suggested that a defined outcome, either as part of a course in governance, or in certification of the experience to add to an individual's CV, might help to generate greater interest. Another college's management suggested establishment of a shared student support post at an area level, as used to be funded by Strathclyde Region and shared between the then Strathclyde Colleges, as a source of professional support.

**Literature Review good practice example: Student Engagement**

*"One college discussed the structures that had been put in place to engage a wider range of students in the broad governance and running of the college. Regular focus groups were held to listen to students' concerns, and action was taken to address these issues. These focus groups were followed up with an annual conference for students at which students explored the issues further and worked to develop an action plan. This was felt to be an effective way of ensuring that students' views were voiced, listened to and acted upon. As yet the link between this group and the governors was not felt to be strong, but there was potential to develop this in the future."*

**Source:** Ellis, A. and Brewis, G. (2005)

***Engagement with Staff***

8.30 Recruitment of Board Members and their roles and responsibilities are dealt with separately in the report. However, it is clear that the misconceptions of the role of staff members has a significant bearing on how staff engagement is perceived by the staff, with some frustration evident at the lack of consultation and direct staff representation.

8.31 However against this, staff members are members of the Board not as representatives, but as full Board Members, who should be objective but call upon their knowledge and experience as members of staff to inform the Board. As discussed elsewhere in this report, there appears to be a degree of procedural misinterpretation, based upon our case study consultations, where Boards are too readily resorting to discussing matters of policy (rather than individual pay, conditions and personal matters) via restricted sessions. The case studies indicate that where this occurs it has led to resignations from the Board and/or the staff believe the Board are treating Staff Members of the Board as "*second class Board Members*".

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<sup>31</sup> In respect of case studies submitted to the Staffing, Learners and Learning Environments (SLALE) Working Group of RoSCo

8.32 It is clear that, based upon the perception of lay members of boards, staff Board Members themselves, the wider staff body and Chairs interviewed that there is a degree of confusion over the role of staff members. It is also evident that there are weaknesses in some colleges' procedures for induction, covered earlier in this report, and ,when combined, this indicates there may be a need for a similar scheme to SPARQS, but specifically for staff members. This could be provided either through ASC, or alternatively the trades unions, to educate staff appointees about the role, their responsibilities, how to get the best value from their participation and set out good practice in tackling the issue of "representation".

8.33 The unions (mainly EIS) are lobbying strongly for a representative role for Members and it is clear that there is considerable frustration among staff as to limitations of Members to represent them. Furthermore, a number of comments were made throughout the case studies regarding the ability of staff to add agenda items on subjects such as quality and student welfare.

8.34 It is clear too, that staff feel that Board Members could be more visible/approachable. Some staff consultees stated that too often Board Members are "*anonymous*" and, in one case, a newly appointed Chair was applauded for addressing staff as this had been the first time it had happened. In other cases the Chair and Board Members can be highly visible figures within the college. This is due to:

- Their attendance at key events such as graduations, conferences and meet-the-staff sessions;
- Board Member profiles being included in newsletters and college Intranets;
- Board Members contributing an article to the college newsletter once a month; and
- In one case study, the Board holds an annual semi-social meeting with all college staff.

8.35 The college Principal and other senior managers are the key conduit to and from the Board, to inform staff through structured cascade presentations about change programmes and emerging strategy and progress against objectives. This is the main route via which staff hear of Board decisions and the route by which they comment on them, although at least one college gives access to an online staff forum to Board Members so they can read staff views on developments. However, it was perceived that in general the degree of engagement is to a large extent dependent upon the relationship between the SMT and staff.

**Good practice example from literature on the HE sector - Engagement with Staff:**

*“Ensuring that governors are sufficiently knowledgeable about and up-to-date with the university’s core activities and the wider higher education context is a key concern of institutions. At the University of Brighton opportunities for mutual learning between lay members and the senior management team have involved the development of regular seminars on topics chosen either by governors or the senior management team. One of the most successful involved staff from all parts of the university where everyone gained insight into a new policy area and how it was developing on the ground. The seminars are popular, with a 75% attendance rate as the norm. A briefing pack is sent in advance and a record is created for those who could not attend. Recent topics have included tuition fees post-2006, risk management, services to business and student finance.”*

**Source:** Ellis, A. and Brewis, G. (2005)

***Engagement with the Community and Voluntary Sector***

8.36 Colleges engage with the wider community in a number of ways, ranging from formal engagement of PR consultants to “get the message across”, to participation in formal structures such as Community Planning fora. Colleges also try to recruit community representatives at Board level to aid engagement with the Voluntary Sector. However, it is increasingly apparent that there are implications for Boards in that they require access to specialist skills to engage with external groups.

8.37 It is clear that, alongside business linkages, this is the area that Boards feel they have the greatest need to address, despite the overwhelming majority of Boards having community experience/knowledge spread throughout the Board.

**Example of Tackling Community, Staff and Student Engagement in a Large College**

*“One large college [in England] with multiple campuses discussed its system of governing board and college councils. Each college council is chaired by a member of the board, but made up of members of the local community, students and staff. While the main governing body has a strategic role and is made up of individuals mainly from large corporations, the councils operate more locally with an advisory and consultative role and are made up of a wider range of community members and the criteria for involvement was more relaxed. This structure, therefore, enabled much wider involvement in the college and was seen as a way of representing the local community in a larger college.”*

**Source:** Ellis, A. and Brewis, G. (2005)

### ***Engagement with the Business Community***

8.38 Our case study colleges typically have good local knowledge and engagement with their local business community, and this has proved to be especially strong in relation to specialist college provision, such as that provided by Scotland's land-based colleges<sup>32</sup> or where clear sector strength exists locally. However, where SMEs predominate, colleges are guilty in some cases of taking a conscious decision to concentrate upon community links at Board Level rather than on engagement with the business community (leaving departments / industry facing institutes within the college to engage directly with SMEs).

8.39 Another source of business linkages is via LEC representation or college representation on LEC Boards. In the case of the former, the LEC may nominate a member, but not all colleges will have a LEC representative and some that do have openly questioned the contribution of the attendee (see Section 5.3).

8.40 Table 8.3, below, indicates that Chairs are more likely to have local area/ community links and knowledge, than industry or sector specific expertise relevant to the college, while lay members of the Board are extensively used to provide sector specific knowledge of relevance to the academic curriculum.

**Table 8.3 Skills and Expertise of Board Members (extract)**

|                                                          | <b>No of respondents<br/>(and % of colleges where member has expertise)</b> |                                               |                      |
|----------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------|----------------------|
| <b>Skill set / expertise</b>                             | <b>Chair</b>                                                                | <b>Principal, staff &amp; student members</b> | <b>Other members</b> |
| Local area / community perspective                       | 26 (72%)                                                                    | 30 (83%)                                      | 31 (86%)             |
| Industry / sector specific expertise relevant to college | 19 (53%)                                                                    | 23 (64%)                                      | 32 (89%)             |

**Source:** DTZ College Survey, Question 6.1

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<sup>32</sup> Scotland's land-based colleges, while having traditionally provided courses relating to agriculture, now have diverse provision serving a number of land-based academic areas, including small animal care, forestry, conservation management, tourism/hospitality and greenkeeping and golf course management among other subjects. This group includes Oatridge College, Elmwood College and The Barony College.

### **Engagement - Good Practice Examples**

- Provision of informal events for Board Members to meet the staff
- Workshops on capital projects involving staff members for a bottom-up approach
- Board Member profiles within staff and student newsletters or college intranet
- Board Members submitting articles to the college magazine/newsletter
- Providing a commitment to formal feedback on matters raised by staff and/or students in a timely fashion
- Board Members to adopt a department (teaching or support) or academic institute to learn about how they operate and the context to help inform strategy (“not to represent or champion but to understand”) or rolling programme of departmental visits
- Access to Staff/Student Intranet and e-mail for Board Members
- Regular presentations by departments to the Board to help build mutual trust and understanding
- Opportunities for matters raised by Staff, that affect strategy, to be discussed by the Board, i.e. “similar to a private member’s bill ballot”
- Where possible sabbatical posts, “buddy system” or co-opted Vice President as non-voting member, and administrative support, to ensure high level of student engagement and effective handover to elected Student Presidents
- Student Association engagement with class representatives and high take-up for class representatives and office bearers of SPARQS training.

### **Selected Responses to Open Questions : Engagement**

*“Chair and principal encourage Board Members to attend student events to get the feel of student and staff attitudes”*

*“This [student engagement] is an area we are conscious of as being a weakness. Our Students Association is in turmoil. Even when it wasn’t thus, we’ve struggled to get committed student Board Members”*

*“The college undertakes a comprehensive consultation exercise with key stakeholders, including the Council and Scottish Enterprise as part of the development planning process”.*

## **Summary & Recommendations**

8.41 **Accountability** – there is clarity amongst Boards and college Principals as to the ‘Accountable Officer’ responsibilities of the Principal to SFC, as per the Financial Memorandum. However, there was less clarity over the legal Accountable Officer status which resides with the Chief Executive of SFC and his subsequent accountability to the Scottish Parliament.

8.42 In relation to public sector scrutiny, there was an overwhelming response that the level of scrutiny in the college sector is excessive in terms of:

- The number of organisations involved in scrutiny;
- The fact that these organisations are not ‘joined-up’, with significant consequential inefficiencies for the sector in terms of resources tied up in duplicated and non-productive tasks; and
- The manner in which failings in governance are pursued. It tends to be an ‘all or nothing’ approach so that when a serious problem is identified the level of investigation is disproportionate.

### ***Recommendations***

- Consideration should be given to the circulation of Accounting Officer Letters to Principals; and
- There should be a rationalisation in the number of bodies which scrutinise the college sector. It is recommended that the various bodies to whom colleges are accountable need to engage with each other, and ideally agree a standard set of PIs that satisfies all and have one annual collection exercise conducted, and thereafter share the information. This would have the aim of reducing the bureaucratic burden to fulfil external requirements, often for the same information time and again, and allow Boards and senior managers to devote more time to strategy, governance and audit internally. It was argued that, preferably, any common list would yield some rationalisation of unnecessary performance measures and a focus on key measures of real value to the college and stakeholders.

8.43 **Engagement** – engagement with internal stakeholders (staff and students) is stronger than for external stakeholders, such as the wider community and local employers and the self-employed. However, there are development issues facing Board engagement across all stakeholder groups:

- Ensuring that governors are sufficiently knowledgeable about, and up-to-date with, the college’s core activities and the wider college sector is a key issue for colleges
- Communication between the Board and the staff is typically through line management channels to the senior management team and the Principal and via the college intranets for minutes and agendas, excluding restricted items. College principals typically provide regular debriefings to staff. In general, this seems to work well.
- Engagement with learners is particularly problematic due to the difficulty of securing a student Board Member and this appears to us to be especially acute where students’ associations and class representative structures are weak.
- There is also a need to provide training and support for staff Board Members to better understand their role and how best to add value;

- Community engagement is generally weak and various means have been attempted to address this, ranging from using professional PR consultancy to wider engagement in community planning; and
- Business engagement is typically at an executive or departmental level, where the college is customer facing. However in a number of colleges, Board Members with particular expertise have been assigned to advisory boards or for departmental / institute liaison.

### ***Recommendations***

8.45 it is recommended that good practice in stakeholder engagement be disseminated to the college sector, drawing on the evidence from DTZ's research and the wider desk review. Recommended good practice includes:

- Improving the 'visibility' of Board Members to internal stakeholders via Departmental visits, attendance at college events, and communication via the college Intranet and newsletter.
- Listening to staff and students' views, through focus groups or conferences held periodically, is an effective way to broaden and devolve college governance.
- Provision of a formal training programme for staff Board Members as part of the induction process, with a focus on core governance skills and behaviour
- Support for the student Board Member which can include the following: provision of sabbatical posts to support elected (student President) Board Members; co-opted Vice-Presidents to provide moral and practical support to the President; providing dedicated administrative support to the Student Association and President.
- Holding regular presentations by staff at board meetings to develop Members' understanding of the college
- Engaging professional PR and communications specialists to work with the Board in the development and implementation of a communications strategy for external stakeholders.





## **CHAPTER NINE            FUTURE DRIVERS**

9.1     This section sets out our views, based upon the college case studies and stakeholder consultations, but also informed by the DTZ team's wider experience in the sector, of some of the key drivers influencing college strategy and management going forward.

### **Demography**

9.2     A number of dynamic changes are currently working through the Scottish population. This is manifested in structural change occurring in the workplace, with an ageing workforce and a continued requirement for up-skilling. This change in the underlying population and among the workforce means that the nature of demand is changing quite significantly and, thus, adapting to demographic change will be a key challenge for the sector going forward. While demand will continue to be robust, we anticipate that the nature of the market will continue to evolve with time and colleges will need to refresh their thinking, keeping abreast of change. It is DTZ's view that Boards will play a key role in influencing a responsive strategy, and specifically in ensuring that their organisations anticipate change and take a proactive rather than reactive approach to it.

### **Funding**

9.3     The influence of the funding regime and the means by which funding is allocated are of critical importance to the sector. There is a requirement from a college perspective to see a change in approach to allow colleges to move away from allocation of funding on a year-by-year basis, to allow planning over the medium term, perhaps through allocation of funding for a three year time horizon. The merger to form SFC has also meant that there is encouragement from within the college sector to harmonise funding, particularly in respect of advanced level provision, such as HNC/D provision, where funding in the college sector is significantly lower per headcount than in the HEI sector.

9.4     The current formula funding methodology was inherited when the Scottish Further Education Funding Council came into being in 1999. The funding method is recognised as having its limitations, not only by colleges but also by some policy makers, not least in the lack of scope it has to allow exceptional growth to be funded where there is evidence of particular need or demand in relation to supply. Effectively the methodology historically only awarded exceptional / above average growth in funding to those colleges able to grow more quickly than the sector average and so grab a larger slice of the cake.

9.5     The Funding Council has set out a period of consultation as part of a review of the funding methodology for colleges and HEIs. The Council aims to ensure that going forward the methodology used should be: effective; responsive and adaptable; equitable; predictable; transparent; able to encourage efficiency within fundable bodies; and efficient to operate.

9.6 The SFC Circular on funding<sup>33</sup> indicates that while the Council's ongoing overall review of funding methodology for colleges and HEIs will take effect from 2009/10, there is a possibility of changes to the funding methodology during the course of the study:

*“ the Council agreed to conduct a review of the funding premiums within our funding methodologies. They include.....three college premiums (entry cost, social inclusion and achievement). This review of premiums is an integral part of our wider review of our funding methodologies. If we conclude that there are straightforward and justified changes we can make easily and quickly we will inform the sector of our proposals in the autumn.....The wider review will also look at the funding premiums not covered by Learning for All.”*

9.7 As a minimum, financial imperatives arising from a tight funding environment and the likelihood of this being a feature for the medium term, as well as an inducement from SFC for colleges to collaborate to unlock additional funding, will encourage closer collaboration going forward. After an initial period of strong competition between colleges following Incorporation, encouraged by a funding model that at the time encouraged colleges to grow at a rate above the sector average, colleges have been for many years collaborating in a fairly informal way. In recent years collaboration and networking has become increasingly engrained and some formal structures have emerged, such as Principals' Forum groupings and regular meeting of senior managers and principals at Area level.

9.8 Currently, the allocation of strategic growth funding to regions, i.e. Lanarkshire (4 colleges), Dunbartonshire (2 colleges) and West Highlands<sup>34</sup> (1 college) is indicative of how in future SFC may seek to address pockets of low participation or areas of high need.

9.9 What is less clear to Board Members and SMT representatives is what impact there will be of increasing engagement with provision of vocational, alternative learning opportunities within schools for pupils aged 14 and above and to what extent the provision, and funding, will be channelled via the college sector or through the schools themselves. However, it is our opinion that school-college collaboration is likely to increase, driven by Scottish Executive and SFC policy, and in particular in regard to a key strategic aim to reduce the proportion of pupils leaving school but not entering further or higher education, employment or a training programme.

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<sup>33</sup> “Review of college and HEI teaching funding methodologies” – SFC, 2 June 2006 (SFC/03/2006)

<sup>34</sup> North Highland is to act as the banker and key delivery partner for delivery in two areas: Lochaber College (a non-incorporated brokerage of learning and SQMS accredited provider of a number of streams of training) and HIE Lochaber in Lochaber; and Skye and Lochalsh Learning Centre Network and HIE Skye and Wester Ross in Skye, Lochalsh and Wester Ross

## **Achieving Economies of Scale**

9.10 Clearly economies of scale play a huge part in helping colleges to overcome financial pressures and to deliver efficiencies. In a number of cases, at the micro-level this has meant combining classes into more generic groupings in order to allow provision in subjects to continue where otherwise there would be no likelihood of generating 12 or more learners per class (as a rule of thumb for the minimum efficient scale of delivery). Another means by which the minimum efficient scale can be achieved, without combining subjects, is to work collaboratively to deliver by non-traditional means, such as blended learning or using virtual learning environments. Initiatives such as Colleges Open Learning Exchange Group (COLEG) have played an important role in this, alongside bilateral partnerships (e.g. Aberdeen with Banff and Buchan) or other collaborative consortia (e.g. through the UHI network). Work of this nature is likely to become increasingly important to circumvent the challenging economics of college sector delivery, particularly in rural areas and to dispersed market segments, such as the tourism sector.

## **Opportunities for Shared Services**

9.11 Shared services and collaboration in areas such as procurement, market research, staff and Board Member training and professional development are likely to become areas where closer collaboration is undertaken between colleges. The signs of this are already evident, with very close engagement between Fife and Lothian colleges in Board Member development and sharing best practice, but also in terms of examples such as Glenrothes, Fife and Elmwood collaboration in Engineering provision and Fife and Glenrothes having initially appointed a joint Finance Director, prior to identifying that merger was an attractive option.

## **Opportunities for Further Mergers**

9.12 While a number of mergers have occurred prior to 1993, since Incorporation, there have been three mergers of incorporated colleges, in all cases involving merger of just two colleges<sup>35</sup>:

- Glasgow College of Building and Printing and Glasgow College of Food Technology to form Glasgow Metropolitan College.
- Fife College of Further and Higher Education (Kirkcaldy) and Glenrothes College, to form Adam Smith College.
- Clackmannan College and Falkirk College of Further and Higher Education to form Forth Valley College.

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<sup>35</sup> Initially the Glasgow Metropolitan College merger discussions also involved Central College of Commerce, but the Board of the college declined the opportunity to merge at the due diligence stage.

9.13 While there have been a number of proposed mergers that have been rejected by one or more partner, for example Barony College having twice rejected merger with Dumfries and Galloway College, we are not aware at this time of any other proposed college mergers among incorporated colleges.

9.14 However, as time passes and if the newly merged colleges are able to demonstrate greater financial security and/or learner benefits, then this may stimulate further interest among colleges to investigate full merger. Prior to establishment of the Scottish Further Education Funding Council in 1999, the Scottish Office had refrained from a strategy of directed merger. This policy has been continued by SFEFC and this is likely to remain the case under the newly merged SFC, with college mergers more likely to be driven by the strategic requirements of the colleges themselves, i.e. where there is felt a case to be made on grounds of facilitating academic development and/or to achieve greater financial viability.

### **Inter Board Working**

9.15 We have detected that there is likely to be a greater role for inter-board working in future. This already occurs in respect of training and development, shared best practice and in facilitating collaboration in academic matters, shared services and indeed as a precursor to merger through shadow boards or less formal, bilateral collaboration working groups.

9.16 In future, building upon ASC's role in facilitating networking of Boards at training events and seminars, there may well be a greater need for national or regional events of this type. However, it is clear that it is insufficient to restrict this to Chairs only, as we have uncovered evidence of significant benefits to other Board Members, interested in areas such as Audit and Finance, while some form of shared best practice between staff members is lacking at present, other than through the valuable contribution of ASC's recently published guidance, developed in partnership with the community of practice for secretaries to the Boards (who in turn are supported by SFEU).

### **College Sector linkages with the HEI Sector**

9.17 A feature of the future that is likely to come to the fore, from both a college and HEI perspective, is that of collaboration between colleges and HEIs. Our consultations suggest that this is already happening formally and informally, for example:

- Land based colleges are now working closely with Scottish Agricultural College to avoid duplication and to facilitate progression and joint marketing;
- Dumfries and Galloway College's relocation to Crichton Campus to share a site with Bell College, University of Paisley, and University of Glasgow will create a tertiary campus and is likely to increase joint working and progression opportunities;
- Borders College and Heriot-Watt University collaboration in delivery of a revamped Netherdale campus will, too, create a tertiary campus;

- UHI continues to grow towards gaining University title and has fully absorbed, for funding purposes, all advanced level provision previously managed by the individual colleges, but with colleges continuing to provide academic leadership through a joint academic board;
- University of Abertay has a representative from Adam Smith on its Senate and has well embedded joint degrees and collaborative working and engagement with stakeholders in areas such as health; and
- GCU and Glasgow Met, and GCBP and GCFT prior to merger, have had a close working relationship with a number of jointly delivered degree programmes and formal articulation routes.

9.18 Given that colleges maintain there has been increasing encroachment by HEIs into market segments that would traditionally have been attracted to advanced level provision, and the need to ensure that learners are retained and not lost to the system by being pitched at the wrong level (by being recruited direct to degree programmes when they are ill-prepared), there would seem to be a case for increased collaboration on a 2+2 model for degree programmes.

9.20 However, the perceived barrier of the impact of collaboration on HEI teaching quality assessments and minimum entry standards remains a barrier to some HEIs collaborating more closely with colleges within their region.

### **Significant Change in the Wider Public Sector**

9.21 While not a clearly defined probability, the possibility of significant change within the organisation of the Enterprise Networks, and particularly Scottish Enterprise may yet have a significant bearing on the colleges. In many cases LECs are key clients for colleges, with considerable income derived from delivery of national training programme related activity. Any major structural change in the Enterprise networks and their functions, such as the loss of training responsibilities and funding either to the SFC itself or in some limited capacity to Careers Scotland would imply significant changes in the dynamic of partnership working with the college sector.

9.22 Similarly, there is a possibility that policy makers may push for further collaboration and, potentially, reorganisation of local government and health services in future years, as means to more effectively deliver a city-region approach to delivery of services.

9.23 However, the outcome of the 2007 elections for the Scottish Parliament and any consequent partnership agreement required to form an administration are very much unknown at this stage and this will play a very significant role in determining the extent of structural change. However, if such changes were to occur there would be significant pressure upon colleges to look to reflect these changes, and to deliver further efficiencies or regional collaboration and this may provide a push factor towards further mergers.

9.24 It is also likely that this would yield greater impetus for College-HEI collaboration.

## **Greater Recognition of Colleges' Role in Economic Development**

9.25 Colleges, aware of the work being undertaken by RoSCo in respect of the recent published work highlighting the economic value of the work undertaken by colleges and the returns to learners from participation, believe that the role of the college sector in delivering local, regional and in some respects national economic development will receive increasingly explicit recognition and be addressed by stakeholders. College projects have been and will no doubt continue to be at the forefront of regeneration projects, such as has been the case in the context of physical regeneration in areas such as Ravenscraig and Granton, and in community regeneration and inclusion in areas as diverse as Easterhouse, Campbelltown, Leven, Barrhead (proposed), Kirkintilloch and Kilwinning.

## **Reduction in Bureaucracy**

9.26 Colleges believe there is a pressing need to rationalise and simplify scrutiny of the college sector so as to reduce the levels of bureaucracy it has to face. It is ever growing, as indicated in the section covering accountability, and from a college perspective the cost of servicing the bureaucracy is becoming unbearable and ties down a significant proportion of management resources that could be utilised in developing strategy and monitoring operational matters. SFC itself is a major source of “red tape” and it is likely colleges will lobby for some rationalisation in data submissions. This is a point recognised by SFC and they have recently moved away from requiring mandatory mid-year returns from colleges in favour of only requiring them if there is significant variance. The colleges recognise that in order to reduce further the requirements, they have to continue to demonstrate progress and further build trust in the sector's capabilities.

## **Increased “Professionalism” of Boards and Remuneration**

9.27 We have no doubt, and this is evident from our case study consultations and college survey responses, that the workload faced by boards of management has grown significantly and that training and development of members is more proactive than was the case previously. The application of a skills matrix, the high calibre of individuals sought and recruited, the expectations of high levels of commitment and ethical standards, and the degree of compliance in audit of college business, all suggest that governance is becoming increasingly professional and time-intensive, despite the volunteer status of Board Members and office bearers.

9.28 The issue of payment for board members is dealt with elsewhere in this report, but it is clear that, especially where colleges are competing for skilled Board Members with organisations that do pay board members, colleges may be at a disadvantage. While recognising this, existing college Board Members themselves seem for the most part reluctant to accept payment at this time. It is clear to us that one strength of the current arrangements, particularly from a staff and student perspective, is that payment does not constitute a motivation for Board Members putting themselves forward, and this is seen by some internal stakeholders as a positive sign of altruism on the part of Board Members and evidence of their commitment to the college.

9.29 However, regardless of motivation, in some cases Board Members may be specifically forbidden under their contracts of employment from accepting paid employment elsewhere. To introduce payments, even if only in a limited fashion so as to satisfy OSCR regulations in relation to charitable status, while potentially widening the pool of individuals interested in participating, may also render it impossible for some senior and highly qualified individuals to serve in those remunerated posts.

9.30 However, if payment of a salary or even an honorarium is not acceptable to Board Members, there remains the option of compelling Board Members to accept out of pocket expenses, to ensure that those who can't afford to be Board Members, perhaps due to travel or childcare expenses, are not out of pocket and do not feel stigmatised in accepting payment. This may help to widen the range of individuals coming forward to serve as Board Members, by removing one possible disincentive to volunteer.

## Summary

9.31 A summary of the key drivers impacting upon the sector are set out below and their implications for accountability and governance are examined in some depth in section 10.4.

- It is clear from case study evidence, that from a board perspective, concerns regarding constrained funding will remain, in the short-term at least, the key driver for college strategy. It is our view, informed by stakeholder and college consultees, that this concern will drive requirements for increased focus on economies of scale, either through collaborative delivery of provision, shared services and economies in sharing staff development, or through college-led, rather than SFC-directed, mergers;
- Inter-Board working will become more significant;
- Boards of management may become further imbued with professionalism and this may, against a backdrop of competitive recruitment for governors, give rise to consideration of remuneration in some form for board members;
- Demography will also be highly influential in driving trends in employment and changing the demand profile for college provision;
- The economic development role and value of the college sector will become more explicitly recognised leading to greater engagement in economic development;
- There will be greater emphasis on collaboration between colleges and HEIs, and between colleges and schools
- There may be significant change within the structure of public sector organisations, along city-region lines, which may impact upon the colleges; and
- There will be a greater requirement for SFC and others to further reduce the bureaucratic burden faced by Boards, as *“trust in the sector’s capabilities grows”*.





## CHAPTER TEN

## SUMMARY & CONCLUSIONS

10.1 This section provides a summary of DTZ's findings, recommendations and conclusions. It is structured under the following headings:

- **Overview** – drawing upon the research evidence DTZ presents a high level assessment on the standard of accountability and governance in Scotland's colleges
- **Priorities** – drawing upon the research findings, a summary of the key development priorities to further enhance the college sector's accountability and governance is presented
- **Challenges** – the key drivers facing the college sector and the challenges this will present for accountability and governance in the future are discussed
- **Implications** – the higher level implications of these challenges and the review findings are highlighted, particularly in relation to how they might influence public policy.
- **Dissemination** – finally, DTZ gives some guidance on the dissemination of the research findings and the production of an Action Plan.

10.2 As discussed in Section 1.3, DTZ is not in a position to provide a definitive assessment of accountability and governance across Scotland's colleges as our work has been based on a limited sample of colleges and a self-assessment by college Chairs. In particular, the reader should be aware of the limitations in interpreting the findings from eight case studies to a population of 39 incorporated colleges.

### Overview of Accountability and Governance

10.3 **Overall Assessment** – in support of our conclusions from the desk research (Annex 1), the DTZ Team's assessment is that, in general, the standard of accountability and governance in Scotland's colleges is good. However, practice has ranged from 'average' to the 'very good', indeed 'exemplar' in some cases. Our assessment has been made against the good practice principles and standards specified in the 'Good Governance Standard'<sup>36</sup>.

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<sup>36</sup> The Good Governance Standard for Public Services (Jan 2005)

10.4 **Good Practice** - based upon the case study colleges that were assessed to have above average Board performance, the following strengths were identified:

- Skills of board members – a good skills mix and an extensive range of business and community experience. However, the actual calibre of governance displayed by Board Members is difficult to determine from an assessment of this kind.
- Commitment of board members – this is relatively high for non-remunerated posts, although there is scope for improvement in a number of the colleges (we believe this can be addressed through governance systems and leadership). It is interesting that where there have been problems of commitment this usually relates to LEC Board Members, where they are in place. This may reflect the fact that there is no competitive screening for such positions, but a nomination from the LEC's 'Skills and Learning Directorate'.
- Understanding of governance – with the exception of the student Members (which can be problematic due to the often short duration of such Board positions) Board Members' understanding of governance is good. They understand their role is as an independent governor not as a representative from another organisation. The only exception to this is staff Board Members who often adopt a strong representational role on behalf of their Union.
- Challenger role – from sitting in on a number of Board meetings, there is good evidence that Boards provide constructive challenge to the Principal and SMT. "We have a strong Board who are questioning and challenging. For example, they have been unhappy with the college setting a deficit budget for 2006/07 and have been harrying to get this overturned."
- Team working – the Boards do work as teams and there is evidence of networking and informal communication outside the formal Board meetings and sub-committees.

10.5 Drawing upon a couple of the exemplar colleges reviewed gives a flavour of what can be achieved in this sector:

#### **Quotes from Exemplar Colleges**

- *"I am impressed by the consciousness of the college of the need to 'do corporate governance' and I don't think this could be better, as it is uppermost in the minds of the SMT. They ensure appropriate Board of Management involvement with a view to doing it right. There is a genuine articulation between the strategic and operational work of the college and the Board of Management."* (View of Clerk to the Board)
- *"Governance at the college is 'absolutely tremendous' with the Board of Management working very well. The quality of papers is excellent. The span of skills is good. Board members are kept informed. There is good succession planning. In general, governance is much better than the experience in HE from only a few years' ago."* (Views of Board Members)
- *"There is a buzz amongst staff that the Board of Management is important and that it impacts on them, which is necessary for the Board of Management to be effective."* (Views of Board Members)

- *“There is trust between Governors and management. There is team spirit and camaraderie – respect and harmony. The quality of decision-making is unsurpassed – the Principal has excellent foresight” (Vice-Chair)*
- *“You go into the classrooms and see the students at work – it is so important to see education at first hand – it fires up your enthusiasm.” (Vice-Chair)*
- *“There is a feeling of openness – you know that you can approach the Chair or Principal at any time, indeed anyone in the College. There is a comprehensive information flow from the SMT to the Board – this includes the bad as well as the good news. The information in the Board papers is extremely detailed, robust and presented in a very professional format.” (Board Member)*

**10.6 Poor Practice** – as a counterpoint to the above good practice there are areas where the performance of a number of Boards needs to be improved, including:

- A recognition of the importance of succession planning and how this can facilitate recruitment, induction and the performance of Board members.
- A more professional and in-depth induction process that is integrated into the training and development system.
- Although recruitment is, in general, handled well, LEC nominations are not subject to a competitive screening process.
- The inclusion of the Principal in the appointments process for Board Members is bad practice and needs to be addressed.
- A greater time commitment from Board Members in areas such as more regular attendance at Board meetings, participation in college events, the reading of board papers and attendance at training events
- The quality of information presented to Boards could be enhanced in a number of colleges – in particular there is a tendency to produce too much information with little attempt to present this in a prioritised and professional presentation.

**10.7 Scope for Improvement** – in summary, this review has highlighted that although Board performance is relatively good, there is scope to make a significant improvement if a number of the development areas highlighted in this study are addressed. These relate to the structure, systems and procedures of accountability and governance – changes which will further improve the execution of Board governance, and help move the whole sector to the standards of the exemplar colleges we visited. These priorities for development are listed in the next sub-section.

## **Priorities for Development**

10.8 The objective of this sub-section is to highlight the key areas for the development of accountability and governance. They are drawn from the summary and recommendations presented at the end of Sections 2 – 8. DTZ has taken an holistic approach in bringing together development issues that often span two or more headings relevant to accountability and governance.

### ***Recruitment***

- Given the ‘thin’ market for high calibre Board Members, good practice guidance in succession planning should be developed and disseminated
- The Principal should not sit on the Nominations Committee, nor be involved in any way with the work of the Committee and the nomination of candidates for approval by the Board.
- Where there are external nominations, specifically from LECs, more than one nomination should be put forward and they should be assessed objectively along with other external applicants.

10.9 **Training & Development** – increased effort should be devoted to the training and development of Board Members. It is recommended that good practice guidance be developed encompassing the following:

- A formal induction programme that is structured over 6 – 12 months and integrated as part of an on-going development programme for Board Members
- The performance of individual board Members should be appraised annually, with any training and development needs identified and addressed
- The development of a bespoke support mechanism to meet the unique training and development requirements of both staff and student Board Members

10.10 **Roles & Responsibilities** – in general, Board Members have a very good understanding of their accountability and governance responsibilities. However, there is a need to address the misunderstanding within some of the nominated positions, specifically those from the staff body. There is a tendency for Staff Board members to see themselves as the representative of staff or their Union, rather than acting as a Board Member in an individual capacity.

10.11 **Board Structure** – the overall Board structure is working well in terms of size and we recommend that the maximum size of 16 Members be retained. In terms of composition, the system of having one student Board Member and two staff Board Members is satisfactory. With regard to LEC nominations, they should be assessed formally alongside other external applicants in a competitive format.

**10.12 Restricted Board meetings** – the case of specified Members being asked to leave the meeting at key points should not be the norm, as it appears to be in some colleges. Such cases should be exceptional and involve discussion of Board topics that relate to their own performance or contribution (specifically personal information that would be sensitive in a public setting), or where there is a conflict of interest. However, for all other information Board Members should be entitled to participate fully. If there is confidential information being discussed about third parties then there is a duty of care for Board Members to treat all such information as 100% confidential (this is where the role of Board Members as ‘representatives’ can raise major problems and, historically, this has been one of the main drivers for the exclusion of Board Members from all or part of meetings). It is recommended that the college sector develop a consistent policy with regard to the use of restricted meetings, specifically:

- The Board subjects that make restricted meetings appropriate; and
- The Members of the Board that should be excluded during a restricted session.

**10.13 Board Performance** – in addition to self-evaluation of Board Members it is recommended that the powers of college Chairs be enhanced to allow them to address any poor performance of Board Members more quickly and effectively than the current legislation allows.

**10.14 Risk Management** – it is recommended that good practice in risk management be disseminated throughout the college sector. This should draw upon the following good practice findings:

- The role of Audit Committees and the specialist sub-committees in delivering risk management is absolutely critical;
- The use of separate risk registers where significant capital projects introduce a new area of risk;
- Risk registers need to be produced in a format that is simple for non-specialists to understand, perhaps using “traffic light” colour coding;
- More effective communication of Performance Indicators – specifically, focusing on a short list of the key PIs that are of critical importance to the college, such as recruitment, retention, WSUMs against target and key financial PIs against budget

## **Financial Management**

- The current annual financial cycle for the college sector should be changed to one based on three years. This will facilitate strategic planning and the management of the college business.
- As part of the induction process it is recommended that new Board Members are offered specific training to fully understand the financial systems, ‘jargon’ and acronyms specific to the college sector and the nuances of its supply-led approach

- SFC should review the financial reporting implications, if any, of Audit Scotland's review of pension liabilities for the college sector

10.15 **Accountability** – there should be a rationalisation in the number of bodies which scrutinise the college sector. It is recommended that the various bodies to whom colleges are accountable need to engage with each other, and ideally agree a standard set of PIs that satisfies all and have one annual collection exercise conducted, and thereafter share the information. In addition, consideration should be given to the circulation of Accounting Officer Letters to Principals, reinstating the former practice when prior to the formation of SFEFC, college Principals were non-Statutory Accountable Officers.

10.16 **Engagement** – there is a need to improve the 'visibility' of Board Members to internal stakeholders via Departmental visits, attendance at college events, and communication via the college Intranet and newsletter. Formal methods of communication between the Board, staff and students also need to be considered such as briefings of staff, workshops and conferences for major projects or communications' intensive issues. The governance skills of both student and staff Board members also need to be enhanced if internal communication and engagement is going to be maximised.

10.17 Regarding external communication, it is recommended that colleges consider the engagement of professional PR and communications specialists to work with the Board in the development and implementation of a communications strategy for external stakeholders. This could be particularly helpful where such skills are lacking in the Board and Senior Management Team.

## Challenges Facing the College Sector

10.18 The 'future drivers' discussed in Section 9 highlighted the following key challenges facing the college sector:

- **Financial pressures** – constrained funding will in the short term be a key driver for college strategy. This will drive requirements for an increased focus on economies of scale, either through collaborative delivery of provision, shared services and economies in sharing staff development, or through college-led, rather than SFC-directed, mergers.
- **Economic development** - the economic role and value of the college sector will become more explicitly recognised leading to greater engagement in economic development.
- **Demographic trends** - these will be highly influential in driving trends in employment and changing the demand profile for college provision.
- **Board Performance** – the pressures on Board's to 'perform' will only increase over time. This will be correlated to a tight financial environment and the pressures for public sector reform being led by the Executive. The continual scrutiny of the college sector and the current RoSCo review is evidence of the latter.

- **Networking & collaboration** – the requirements for Boards to network and to engage in inter-Board working will become more significant. There will also be greater emphasis on collaboration between colleges and HEIs, and between colleges and schools

The key question is what are the implications of these challenges for accountability and governance in Scotland's colleges?

### Implications of Future Drivers

10.19 The overriding message is that the demands being placed on the delivery of high quality governance in the college sector are only going to increase in the future. They are already high, but the future drivers will only increase the pressure for good governance. DTZ's assessment reflects the fact that:

- Financial management is going to be central to the future sustainability of colleges as the competition for resources intensifies. The longer term pressures in public sector finances will see increased pressure for financial savings in the college sector from shared services, collaborative estates development and merger.
- Strategy is going to come more and more to the forefront as colleges grapple with the complex policy, financial and market environment.
- College scale and complexity is going to increase - particularly over the long term as collaboration and mergers drive the sector.
- Effective communication and networking will be the hallmarks of success in the sector.

10.20 The implications for accountability and governance in the college sector are quite fundamental and include the following mutually reinforcing requirements:

- **High Level Skills** – the demands for high calibre Board Members will increase over time. This will reflect not just a simplistic skills audit to fill professional skill gaps, but rather high-level governance skills in terms of strategic thinking and direction. Governors will be expected to have strong visionary, strategic and leadership skills.



- **Training & Development** – the requirement for high calibre governance has implications for the recruitment, induction and training and development of Board Members, and also their succession planning. Colleges will need to be very professional in the attraction, development, retention and succession planning for Board Members.



- **Time Commitment** – as the pressures to maximise the performance of Board Members increase, in particular the performance of the Chair of the Board of Management and the Chairs of the sub-committees, the time pressures and commitment expected from them will increase.

In particular this relates to the time they will need to devote to responsibilities outside formal Board meetings and sub-committee meetings, including:

- Training and development
- Self-evaluation and peer review
- Preparatory and background reading in advance of Board meetings
- Communication with stakeholders – in particular the internal staff and student bodies.

It was noticeable that the exemplar colleges expected a much higher time commitment from their Board compared to ‘average’ performers. In short, performance is directly correlated to time commitment.



- **Remuneration** – although colleges are not generally supportive of remuneration at present, there is likely to be a sea change in the future as the responsibilities and time pressures on college Boards increase. It is our understanding that to retain charitable status at least 50% of Board positions must be non-remunerated (note: the Executive is currently seeking legal advice that could cast further light on this topic). However, in the case of a full Board complement of 16 this would enable remuneration to be provided for up to 8 Members, which would cover the Chair and Chairs of sub-committees. Given the importance of attracting, motivating and retaining high performing Board Members it is recommended that an independent review be commissioned to review the pros and cons of remuneration in the college sector and to produce suggested remuneration levels for different Board positions and responsibilities.



- **Board Powers** – to ensure the maintenance of high standards and commitment from Board Members, the Chairs must have the powers to take disciplinary action where standards fall below what is acceptable. Chairs must also have a rigorous system of evaluating Board performance through self-appraisal and peer review.

10.21 It is reassuring that this ‘top-down’ assessment has highlighted similar areas for development that have been already been addressed in DTZ’s ‘bottom-up’ recommendations to enhance accountability and governance in the college sector.

10.22 Some may view the above profile of accountability and governance as rather extreme and that the unpaid, and more relaxed, ‘volunteer’ philosophy that has worked in the past should also be fit for the future. However, we would argue that the challenge is in being able to look into the future, being prepared to acknowledge that the environment will be significantly different and that this will have important implications for accountability and governance. One only needs to look back to the year 2000 and the standards that were being applied then, to see what progress has been made in the last six to seven years. We would argue that Scotland’s colleges should embrace the future vision outlined in our Report, be proactive and plan for change. By acting on the recommendations of this review the sector has the opportunity to establish itself at the forefront of good practice in the UK. This would position the college sector as the model for others to follow.



## Dissemination of Good Practice

10.23 The study brief requested guidance on ‘*how best to disseminate good practice*’. A wide range of good practice has been identified throughout the report and this concluding sub-section provides DTZ’s advice on how best to disseminate it, drawing upon the views expressed by consultees and from our experience of what has worked in other sectors. Our dissemination proposals represent the views of DTZ and they have not been ‘tested’ with the sector. Therefore, it is recommended that these proposals be discussed with the principal organisations that would have responsibility for dissemination, specifically the Scottish Executive, ASC, SFEU and SFC, and that an agreed Dissemination Plan is approved for roll-out.

10.24 DTZ recommends a ‘layered approach’ to dissemination:

- Level 1 – communication of report findings
- Level 2 – preparation of ‘good practice pack’
- Level 3 – training and development support
- Level 4 – continuous improvement

### ***Level 1 – Communication of Report Findings***

10.25 **Objective** – to ensure the findings of the ‘Review of Accountability and Governance’ are communicated effectively to the college sector.

*Tasks:*

- 1.1 Issue of hard copy reports to the colleges with a covering letter from the RAG – responsibility of the Scottish Executive
- 1.2 Publication on the Scottish Executive website – responsibility of the Scottish Executive
- 1.3 Holding a seminar in the college sector to which Chairs are invited to review the findings. Possible use of break-out groups to review good practice topics and their further development dissemination. Responsibility of ASC.
- 1.4 Holding a high level workshop, chaired by SFC and involving the Executive, Audit Scotland, HMIE and ASC to review and ‘sign-off’ on the high level accountability and governance good practice issues highlighted in the report – for example, rationalisation of scrutiny and monitoring in the college sector. Responsibility of SFC.

10.26 **Outputs** – clarity within the sector on the key findings of the review, and confirmation and further development of the key good practice recommendations that the sector would like to take forward.

## ***Level 2 – Preparation of Good Practice Pack***

10.27 **Objective** – to produce good practice guidance in an easy to communicate and user-friendly format.

### *Tasks:*

- 2.1 Select the good practice recommendations that the sector wishes to take forward and summarise them in a high quality folder format with inserts – one page per good practice theme, the top half covering good practice guidance and the bottom half giving real life examples. This publication should be complementary to, and supportive of, the ASC Guide. It should be communicated via hard copy to the colleges and available on-line. It can also be used in training and development courses. Responsibility of ASC.
- 2.2 Production of ‘good practice documentation’ that colleges can learn from. Examples highlighted in the course of the review include:
  - Sources of information on governance for Board Members
  - Risk register with traffic light system
  - Model examples of sub-committee reports, colour coded for each of the committees, containing high quality management information and statistical presentation in a very user-friendly format.

10.28 Good practice documentation should be communicated via hard copy to the colleges and available on-line. It can also be used in training and development courses. Responsibility for production and dissemination to lie with ASC. (DTZ to input examples it has identified in the case studies, subject to agreement from the colleges concerned).

10.29 **Outputs** – ready access to a range of good practice guidance, case studies and documentation which can be used in the induction, training and development of Board Members and at Board away days.

### ***Level 3 – Training & Development Support***

**10.30 Objective** – to disseminate and embed good practice through training and development

*Tasks:*

- 3.1 ASC to liaise with SFEU in reviewing the implications of the good practice guidance for training and development in the college sector, and to embed good practice in their course provision. Responsibility of ASC.
- 3.2 ASC to open up communication channels with the Leadership Foundation for Higher Education (LFHE), which now has responsibility for governance training in the higher education sector. The objective would be to assess the feasibility of integrated course provision across the university and college sectors to achieve economies of scale, and to exchange good practice for the benefit of both sectors. Responsibility of ASC.

**10.31 Outputs** – the college and university sectors working collaboratively in the exchange of good practice in governance and embedding this within their course provision and guidance material.

### ***Level 4 – Continuous Improvement***

**10.32 Objective** – to ensure that the momentum of this Review is maintained through a process of continual challenge to, and enhancement of, accountability and governance in the college sector.

*Tasks:*

- 4.1 Formation of a ‘Community of Practice’ (CoP) to take ownership and lead the on-going development of good practice in accountability and governance. The CoP should be built upon the current model involving Secretaries to the Board. However, it is recommended that Chairs should be involved, as this group needs to be led from the top. It is recommended that representation be drawn from those colleges that are demonstrating good practice and where there is real commitment to lead from the front and exchange good practice. The CoP would meet on a regular basis. Responsibility of ASC.
- 4.2 Dissemination of good practice from the CoP could involve all of the following:
  - Chairs sitting in on other college Boards to share good practice – this could work both ways: an exemplar Chair helping a struggling Board; or the Chair of a struggling Board attending a good practice Board.
  - Chairs from good practice colleges presenting at events, seminars or annual meetings of ASC

- Regional task groups being formed to share good practice and learn from each other – along the lines of the good practice model in the Lothian colleges where they collaborate in the recruitment of Board Members
- Sectoral task groups being formed to share good practice and learn from each other – for example those with an agri-rural focus; or those with a specialist focus such as the Glasgow city centre colleges, etc.

4.3 It is recommended that the CoP use an electronic ‘notice board’ via an extranet. This would enable Board Members to share experience across the college network as part of a process of continuous improvement on a restricted access basis. Thought would have to be given as to the access restrictions and the other organisations and representatives that could share in this communication medium. For example, it would be possible to post ‘Accountable Officer’ circulars from the Scottish Executive.

10.33 **Outputs** – an embedded culture of continuous improvement within the college sector, that recognises the importance of accountability and governance, allocates responsibility and ensures effective action is taken to keep the college sector at the forefront of good practice.

## ANNEX 1 DESK REVIEW

### Introduction

The desk review comprises three elements:

- **Review of governance standards** – this section reviews the main standards that have application to the college sector in Scotland and reaches a conclusion on their fitness for purpose. “The Good Governance Standard for Public Services”<sup>37</sup> has been used in the main report as the principal benchmark against which the standards in the college sector have been assessed.
- **Historic review of accountability and governance** – based on a desk review of previous internal and external research studies on accountability and governance in the Scottish College sector, DTZ has assessed this evidence as the starting position for the current review exercise. However, the conclusions and recommendations contained in the Main Report have been based upon the primary research, which DTZ conducted via the eight case studies and the survey of college Chairs, not the historic information of where the college sector has been. Hence, this section of the desk review is included in the Annex 1 for background information only.
- **Governance good practice examples** - drawing from different private and public sectors DTZ has summarised a range of good practice examples. These have been drawn upon extensively in the Main Report. The bibliography of sources is contained in Annex 4.

The reader should be aware that the Desk Review was completed in advance of the primary research, which forms the basis of the Main Report. Hence, Annex 1 provides supporting information to that which is contained in the Main Report.

### *Governance Standards*

Over the last 15 years, concern over governance in the public and private sectors has driven a series of reviews and commissions to raise standards.

Public concern over organisational governance, in the first instance prompted by allegations of parliamentary misconduct, led to the establishment in 1994 of the Committee of Standards in Public Life. In the corporate sector widespread concern about the conduct of company boards focusing on remuneration rewards, financial reporting and accountability, has led to the establishment of a number of official reviews. The recommendations from three committees of enquiry – Cadbury (1992), Greenbury (1995) and Hampel (1998) - have laid the foundations for corporate governance in listed companies.

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<sup>37</sup>“The Good Governance Standard for Public Services”: The Independent Commission on Good Governance in Public Services, 2004

Following the Enron and WorldCom affairs in the USA, the UK Financial Reporting Council (FRC) commissioned two committees to review UK corporate governance. The Higgs Report on Non Executive Directors and the Smith Report on Audit Committees were both published in January 2003. The major recommendations of these two reports together with the guidance in the Turnbull Report (1999) were integrated into a new Combined Code (2003) setting out principles of good governance. This Code sets out expectations for the operation of company boards, and since the incorporation of colleges in 1992, the Code contains recommendations with clear relevance to the college sector.

These developments have led to a plethora of publications of a number of reports setting out the standards organisations should achieve in the governance field and specifying examples of good practice in governance arrangements.

Specifically, in the Scottish College sector, in 2002 the Scottish Executive instigated a review of accountability and governance arrangements which led to a number of recommendations for change based on a wide-ranging consultation exercise. One of these was for the Association of Scotland's Colleges (ASC) and Scottish Further Education Unit (SFEU) to provide guidance to Board Members. The first edition was published in 2003, with the most recent edition published in August 2006.

### ***What is Good Governance?***

Most of the literature reviewed eschews any authoritative definition of governance and instead sets out to explain why good governance matters and then to describe the features that best exemplify well-governed organisations. Despite the absence of any one agreed definition there is remarkable similarity between the standards proposed across the private and public sectors.

The Scottish Executive in its publication 'On the Board – A Guide for Board Members of Public Bodies in Scotland' (2003) provides a useful overview of the concept. It suggests that corporate governance is concerned with the structures and processes for decision-making and accountability, controls and behaviour at the top of organisations. The 'board', which could take a variety of forms, is identified as the group to which the principles of corporate governance apply given that it should be responsible for:

- providing leadership and strategic direction
- defining control mechanisms to safeguard public resources
- supervising the overall management of the bodies activities
- reporting on stewardship and performance.

The Good Governance Standard for Public Services (2004) confirms this definition stating that governing body members are responsible for the leadership, direction and control of their organisations. Accountability is more explicitly defined stating that governors must work in the public interest, bringing about positive outcomes for service users as well as providing good value for the taxpayers who fund the services. They should balance the public interest with their accountability to government and an increasingly complex regulatory environment, and motivate front-line staff by making sure that good executive leadership is in place. This document breaks down the good governance by six Standards<sup>38</sup> and provides practical application suggestions and good practice examples.

The ASC (2006) sets out a comprehensive Guide for College Board Members. It sets out the key principles of governance, roles and responsibilities of the Board, Committees, individual Board members (including relationships within the Board and between the Chair and Principal), accountability relationships to students, and briefly describes how Boards should work with and provide information to the Scottish Funding Council, Audit Scotland and Local Enterprise Companies. It also provides a number of good governance tools – Audit Committee and Good Governance checklists, and a self-evaluation framework.

It has been agreed that Scottish Colleges will retain their charitable status. The Office of the Scottish Charity Regulator (OSCR) has recently published new guidance for charity trustees, outlining their duties under the Charities and Trustee Investment (Scotland) Act 2005. The definitions of the trustees are consistent with those of the governing body members i.e. to maintain general overall control of the charity, ensure that it is administered effectively and is able to account for its activities and outcomes both to OSCR and to the public. The new OSCR publication explains general duties, such as: acting in the interests of the charity; operating in a manner consistent with the charity's purposes; acting with care and diligence; and collective or corporate responsibility. In addition, specific duties are detailed, including: reporting to OSCR; financial records and reporting; and providing information to the public. The guide also provides a checklist with examples of good practice.

In conclusion – there is a considerable volume of governance good standards literature which set out the principles and theory of organisational governance. In recent years this has evolved into good practice guides which clearly break down the elements and themes of governance and how this should be applied through good practice examples. It is also evident that there has been considerable work in this area in the Scottish College sector, notable through the most recent ASC Guide for College Board Members. This is now complemented by the OSCR guide. All of this literature provides an extensive and very firm foundation on which College Board Members should base their understanding of governance standards.

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<sup>38</sup> The six Standards are summarised here as: Focusing on the organisation's purpose; performing effectively in clearly defined functions and roles; promoting values for the whole organisation; taking informed, transparent decisions and managing risk; developing capacity and capability of the governing body; engaging with stakeholders and making accountability real.

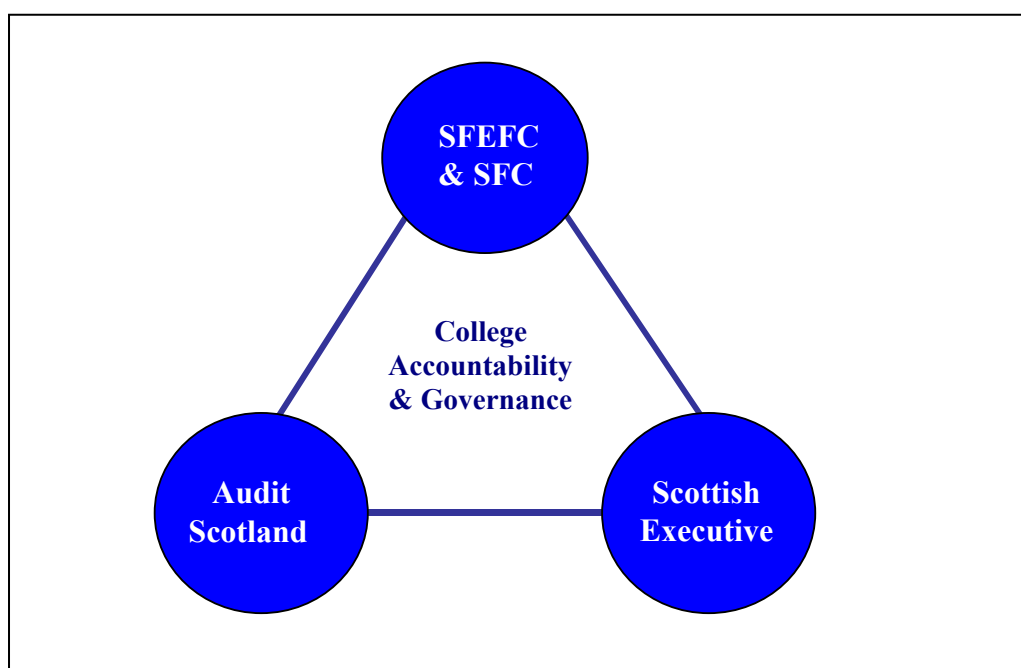
### ***Accountability and Governance in the Scottish College Sector***

The objective of this sub-section is to examine the historic performance of governance in the Scottish college sector focusing on the evidence from the late 1990s to 2006. The aim is to answer the following questions:

- What has been the performance of accountability and governance in the Scottish college sector?
- What trends in performance, if any, can be identified over this period?
- What recommendations to improve performance have been identified?

To answer these questions we have drawn upon the three organisations which have been actively engaged in reviewing accountability and governance over this period: see Figure A1.1.

**Figure A1.1 Main Reviewers of Accountability & Governance**



The key documents that have been included in our review are summarised in Table A1.1. It provides the chronological sequence, the scope of the reviews and their triggers, and an outline of their key findings. We have purposely not included information from HMIE for two reasons:

- Their focus is on the quality of education provision (subject and college review elements) and information relating to accountability and governance is indirect;
- The evidence reviewed is very supportive of what the sector is achieving in quality terms:



*“...the assessments for the most recent cycle, completed in 2004, show the sector to be performing well. For college-wide reviews, 88% of grades awarded were good or very good, with less than 0.4% assessed as unsatisfactory. For subject-specific reviews, 86% were assessed as good or very good, with 0.5% assessed as unsatisfactory.”<sup>39</sup>*

It should also be noted that evidence drawn upon by SFC in self-evaluations undertaken by the college sector itself has been included.

**Table A1.1 Review of Accountability & Governance in the Scottish College Sector: 2000 – 2006, Summary of Key Documents**

| <b>Date</b> | <b>Title</b>                                                                                                                  | <b>Scope/Trigger</b>                                                                                     | <b>Findings/Outputs</b>                                                                                                                                                                                                   |
|-------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aug 2000    | <i>“Report on the Review of Management of Scottish FE Colleges”</i> – SFEFC                                                   | To identify and promote best management practice throughout the college sector                           | “Much good governance and management practice in place”. Recommendations re. board member involvement in strategic planning and their training requirements.                                                              |
| June 2001   | “Governance and financial management at Moray College” – Audit Scotland                                                       | Financial problems at Moray College highlighted by SFEFC                                                 | Problems of poor governance at Moray College. Also, wider issues over accountability and governance for the sector as a whole.                                                                                            |
| May 2002    | <i>“Governance and Accountability in the FE Sector”</i> – consultation paper published by Scottish Executive                  | Problems in Moray College and response of Audit Committee in Parliament and Auditor General for Scotland | Consultation responses were fed into the Ministerial Review.                                                                                                                                                              |
| March 2003  | <i>“Report of the Ministerial Review of Governance and Accountability in the Further Education Sector”</i> Scottish Executive | As above                                                                                                 | Proposals for the introduction of new measures under 8 headings including length of board membership; skills mix; induction, training & development of members; Ministers’ powers to remove members; and powers of SFEFC. |
| Sept 2003   | <i>“SFEFC – Performance management of the further education sector in Scotland”</i> – Audit Scotland                          | Preceding issues in the sector relating to accountability, governance & financial controls               | Review of the sector’s performance, the key performance indicators used to monitor performance and specific recommendations relating to enhanced performance management.                                                  |
| June 2005   | Review of Scotland’s Colleges (ROSCO) announced by Deputy First Minister                                                      | “...the most fundamental and wide-ranging review of the college sector in Scotland has ever seen”        | To provide a robust evidence base and, where appropriate, informed recommendations for change. Accountability and governance is one of four research strands.                                                             |

<sup>39</sup> Scottish Further Education Funding Council: A progress report (Jan 2006), Audit Scotland

| Date       | Title                                                                                | Scope/Trigger                                                                                                                | Findings/Outputs                                                                                                                                                                                                                                                            |
|------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jan 2006   | “SFEFC – A progress report” – Audit Scotland                                         | An update of Audit Scotland’s 2003 report on SFEFC                                                                           | A commentary on the performance of the sector and detailed recommendations.                                                                                                                                                                                                 |
| March 2006 | “Report on the review of colleges’ self-evaluation of Management Action Plans” – SFC | Colleges’ self-evaluation of their current position in relation to the seven themes <sup>40</sup> of the ‘Management Review’ | “...since 2000 the college sector has brought about a significant improvement in the overall quality of its governance and management arrangements and that it seeks to maintain that improvement”. Progress against the 7 themes is reported with ‘challenges’ identified. |

## Performance Assessment

The key findings from our review are grouped under three headings: good practice, problem areas and continuous improvement:

- **Good Practice is Widespread** - an overarching picture of good practice emerges from the evidence examined. The Scottish college sector could now be held up as an exemplar of good practice and this reflects the high level of scrutiny, combined with the efforts of the Funding Council and the colleges themselves. Examples include:
  - “An important overall message to have emerged from the study is that there is much good governance and management practice already in place in Scottish FE colleges. This was found to be the case by the researchers and also came to light in gathering evidence from wider sources. Moreover, the good practice that exists was readily apparent and did not need to be unearthed by the study.” (SFEFC, August 2000)
  - Good practice has been *identified* in the following areas through the self-evaluation process:
    - Appropriate board structure, sub-committees and reporting arrangements
    - Use of ASC Guide for induction and on-going development of board
    - Regular use of self-evaluation frameworks
    - Board involvement in setting the college’s vision
    - Regular schedule of board meetings throughout the year
    - Receipt of a wide range of management information
    - Recognition of need to recruit suitably experienced board members
    - CPD events provided for board members
    - Use of risk management techniques
    - Clarity in the role of the clerk to the board
    - Ongoing review of policies and procedures

(SFC, March 2006)

<sup>40</sup> The seven themes were Corporate Governance; Strategic and Operational Planning; Quality Assurance; Marketing; Human Resources; Financial Management; Estates and Facilities Management.

- **But, there have been Problems** – the main category of problems impacting on the college sector have related to financial management. These resulted from a combination of the funding mechanism, poor financial management systems, and problems in the accountability relationship between SFEFC and the colleges and poor governance. It is noticeable that the problems highlighted over the period 1999 – 2002 which impacted on umpteen colleges have now been addressed satisfactorily:
  - *“Since its inception in 1999, SFEFC has done much to encourage and support individual colleges to respond to the needs of the communities they serve and to wider policy objectives. The performance results presented in its corporate plan provide a record of continuing improvement in key areas such as student activity and financial management.”* (Audit Scotland, Sept 2003)
  - *“Good progress has been made on the campaign for financial security with the sector operating surplus continuing to rise and the number of colleges in deficit continuing to decline.....Financial stewardship in the incorporated colleges is sound.....none of the auditors reports on the 2003/04 and 2004/05 accounts were qualified.”* (Audit Scotland, Jan 2006)
- Other problem areas have tended to be ‘college-specific’ such as Inverness and Moray Colleges. These have tended to relate to the problems of governance – specifically the performance of the respective boards. As such these are one-offs rather than symptomatic of any endemic problems in the sector.
- **Evidence of Systematic Improvement** – the Scottish college sector has been very successful in embracing the concept of ‘continuous improvement’. There is very strong evidence of what has been achieved in terms of enhanced accountability and governance over the last six years:
  - *“Our conclusion overall, based on the evidence of the college self-evaluations together with other evidence cited in the report, there has been a significant improvement in the quality of the governance and management arrangements in the sector.”* (SFC, March 2006)
  - *“A great deal has been done by the Department and other bodies in recent years on the basis of lessons learned from the experience of individual colleges in difficulty.”* (Scottish Executive, March 2003)

In summary, the college sector, with the support of the scrutiny bodies, has demonstrated an ability to identify its weaknesses in accountability and governance and to take proactive steps to address such shortcomings. The consequence is that based on the desk review evidence, the performance of the sector can be viewed as good practice in terms of structure, systems and implementation. As with any sector there will always be one or two exceptions where governance problems arise – but we would argue that out of a population of 41 organisations this is likely to be no worse and, in some cases, may be better than comparable sectoral groupings in the public and private sectors.

## Areas for Improvement

Notwithstanding this overall positive endorsement, and in the spirit of continuous improvement, the sector has identified a number of areas where there is scope to improve performance in accountability and governance. The key challenges and areas to be reviewed are summarised in Table A1.2.

**Table A1.2 Areas for Possible Improvement in Accountability & Governance in the Scottish College Sector**

| Date       | Title                                                                                                                           | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 2003 | <i>“Report of the Ministerial Review of Governance and Accountability in the Further Education Sector”</i> - Scottish Executive | Most of the recommendations in the 2003 Report have been addressed. However, the following recommendation remains outstanding: <ul style="list-style-type: none"> <li>• Appointment of a maximum term of 8 years for board members (except in ‘exceptional’ circumstances)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Jan 2006   | “SFEFC – A progress report” – Audit Scotland                                                                                    | “Progress in areas where strategic influence is required has been slower and there is scope for further improvement in: <ul style="list-style-type: none"> <li>• eliminating accumulated deficits in seven colleges and addressing concerns about the financial health of two colleges;</li> <li>• agreeing the strategic direction for further education to resolve apparent tensions such as the need to ensure that supply and demand for further education is matched in a manner which addresses the ministerial priorities;</li> <li>• developing strategic leadership to ensure that the benefits of mergers and collaboration in areas such as Glasgow are achieved; and</li> <li>• continuing to encourage colleges to achieve benefits from improved performance information and to continue to build on the quality of the information.</li> </ul> |
| March 2006 | <i>“Report on the review of colleges’ self-evaluation of Management Action Plans”</i> – SFC                                     | The following challenges were identified by the Colleges in their self-evaluations: <ul style="list-style-type: none"> <li>• Difficulties experienced in the recruitment of members of the board of management with an appropriate mix of skills and experience, along with the need to support induction and ongoing training and development;</li> <li>• Further development of the risk management framework and the engagement of the board of management in the risk assessment process;</li> <li>• Awareness of governance issues among managers, most usually at middle level in the college; and</li> <li>• The impact of the requirements imposed by, and compliance with, new and developing legislation.</li> </ul>                                                                                                                                |

In addition we would like to address the issue surrounding accountability, first highlighted by Audit Scotland in its report on Moray College<sup>41</sup>:

<sup>41</sup> “Governance and financial management at Moray College” – Auditor General, June 2001

*“There are also limits to the powers of the chief executive of SFEFC, in his capacity as accountable officer, to ensure propriety and value for money in the stewardship of funds allocated to individual colleges.”*

Our understanding of the current position is as follows:

- College principals are accountable to their governing bodies, and, under the terms of SFC’s financial memorandum to the Funding Council and its chief executive. They may also be called to appear before the Scottish Parliament. Colleges’ accounts are audited by the AGS and are laid in Parliament.
- However, the Chief Executive of the SFC is still the Accountable Officer for the proper use of funds derived from Scottish ministers and is also accountable to the Scottish Parliament.

The extent to which this system of accountability works in practice will be reviewed during the course of the DTZ study. The research will consider this aspect of accountability, as well as general accountability arrangements for wider stakeholders.

### **Good Practice Examples**

The following provides evidence of practical examples on the key governance themes. This is work in progress and more examples will be sourced through the course of the study and through the case studies.

A number of *governance themes* have been identified for the purpose of this good practice exercise. These are as follows:

1. Recruitment methods;
2. Remuneration for Board members;
3. Board composition;
4. Induction, training and development methods;
5. Understanding of the role and remit of Board members;
6. Developing appropriate working relationships;
7. Refreshment of Board members;
8. Assessment of Board performance – appraisal and self-evaluation techniques;
9. Probity and Ethical issues; and
10. Accountability tools & engagement with stakeholders

The following paragraphs summarise a number of good practice examples set against the 10 themes outlined above.

## 1. Recruitment

### *Recruitment Methods: Web site advertisements & Targeted approaches*

One college reported having created a special governance section on their website. This explains the governance structure of the college and includes photos of existing governors with associated notes about why they joined. The page provides more information about the roles and responsibilities of college governors and includes an open invitation for anyone interested to contact the clerk to find out more.

From having this standing advert on the website, the college has received four expressions of interest in the past few months. As the clerk commented '*We were quite surprised at the high response from what is basically quite a passive form of recruitment*'. It was felt that by posting information on the web, a greater number of people had access to the information and could gain an insight into the role, leading to a greater diversity of people expressing an interest.

Every year one college writes letters to 10 umbrella organisations based in the region, including the local Chamber of Commerce, the Racial Equality Council and a Black and Asian Business Group, to ask them to send out the call for governors. In this way, the college is targeting the relevant organisations rather than individuals; those organisations then went on to target their own members. This was deemed to be a relatively successful method of reaching a more diverse audience. The clerk of this college commented: '*People like to be asked, that's part of the dynamic*'. The same college has also been successful at recruiting governors through open advertisements in the local press – a general advert goes in once a year. A governor recruited in this way reported on the importance of seeing the advert, commenting '*Before I saw the advert I believed you would have to know someone who would nominate you*'.

Source: Ellis, A. and Brewis, g. (2005)

### *Identifying and Making Best Use of Governors' Specialist Skills and Knowledge*

Like most universities, the *University of Sussex* seeks council members with specialist skills that fit the university's particular needs. Experience of chairing other public bodies is a useful pre-requisite for a chair of council, while expertise and experience in the finance sector is valuable for the role of treasurer. Lay members' specialist expertise assists the university with the development of its policies and strategies. Educational expertise has contributed to the university's teaching and learning strategy, in-depth knowledge of human resources practice has fed into the HR strategy – as has specific lay interest in equality and diversity issues. Business expertise has informed the university's innovation and outreach work. The academic schools also gain from the targeted use of specialist skills. Knowledge of the media has helped in developing a strategy for the creative and performing arts, while expertise in medical manufacturing has benefited the School of Life Sciences. In addition, lay expertise is valued in the management of change. Clear lines of communication between Schools and council members have assisted in making the recent debate on academic re-structuring an open and inclusive process.

Source: Committee of University Chairmen (2004)

## 2. *Remuneration*

NCHTG (New Charter Housing Trust Group) has revised the remit of its the operations committee – to advise the parent board and each subsidiary board on the appointment of new board and committee members and on other key human resource issues. Amongst its duties, the operations committee is responsible for recommending *any* remuneration package for the Non-Executive Body or for any individual Non-Executive Director – should this be introduced.

Source: DTZ Pidea Consulting (2004)

## 3. *Board composition – further research needed to provide more good practice examples regarding board composition*

### *Board size*

Association X has decided to reduce its board size from 15 to 9 members. The process had been relatively straightforward, consensus being achieved through a number of factors:

- The existence of robust tenant involvement processes means local people recognise they can influence service delivery without necessarily having a place on the board.
- Current practice of the local authority is to appoint only two places on the boards of comparable organizations, so a reduction from 5 to 3 was uncontroversial.
- Good practice advice supported the proposals being made.
- Given that the new NHF (National Housing Federation) governance code (currently in draft) sets the maximum at 12, the idea of a reduction was not questioned.
- Change was limited – 'constituency representation' remained unchanged with the 1/3: 1/3: 1/3 split of membership between tenants, LA nominees and Independents. This narrowed the options in term of board size as realistically they could only have reduced to nine or 12. The former was preferred as, even then, with the executive team in attendance, there can be as many as 18 people around the board meeting table.

Source: DTZ Pidea Consulting (2004)

In Action for Business Limited, a trust based in Bradford, the board is made up of 15 members from the main 1991 5 groups, including Pakistanis, Bangladeshis, Indians, African Caribbean's and white Europeans. To maintain an equal number of directors from the mix of the community, there is only up to 3 members from each group. The board has also the power to appoint new members or re-appoint retiring members based on the ethnic groups and skills required to manage the enterprise (e.g. solicitor, accountant) but all live or work locally.

Source: DTA (2006)

#### 4. *Induction, training and development methods*

##### *Use of mentoring schemes: Enhancing peer support*

One college reported having established a successful mentoring scheme. After attending their first meeting, new governors are asked to select an individual they would like to be matched with, or an area they feel they might need help in which could be provided through the mentoring scheme. The staff governor mentors the student governor, and this includes them attending training together. The buddy scheme was felt to be successful in helping new governors to integrate into the team, in acting as an informal training system, and in building governors' confidence to contribute in meetings.

In order to enhance and support the role of student governors, one college reported on a system they had established whereby a member of staff from the student support team has been paired with the student representative, and they attend meetings together. The college is also looking at how the student council could feed more effectively into the governing board.

##### *Rolling induction programmes*

Matching its regular cycle of recruitment, one college reported having set up a rolling induction process. Not only was the induction programme open to new recruits, however, it was also frequently opened to all members to attend. They have found that quite a few governors take up the opportunity to 'freshen up' on different aspects of governance, and it provides a more informal forum for new and existing governors to meet and mix.

**Source:** Ellis, A. and Brewis, G. (2005)

##### *Comprehensive Induction Processes*

CUC surveys between 2000 and 2004 show that universities and colleges have continued to develop and refine their induction processes for governors. *Leeds Metropolitan University* operates a comprehensive three-stage approach to induction. The first stage involves a briefing from the vice-chancellor, registrar and secretary and the chair of the governing body. This introduces the university, its aims and strategic direction, identifies the formal responsibilities and personal liabilities of governors, provides formal information from the CUC and the university, and describes the Board's membership, its role and the university's expectations of governors. A follow-on meeting with deputy vice-chancellors provides more detailed information about the core activities of the university. The second stage of the process requires attendance at the CUC's induction seminar and the third stage involves the allocation of a mentor from among the experienced Board members. Governors are also provided with information about the full CUC programme of training and events and are encouraged to attend. The chair of governors follows this up by discussing with individuals their ability to access and gain benefit from this programme.

**Source:** Committee of University Chairmen (2004)



## 5. *Understanding of the role and remit of Board members*

### *Helping members to understand their role better*

At *Oxford Brookes University* during most of the 6 meetings a year of the governing body, members receive a short briefing on some aspect of academic activity (including developments in learning and teaching). Each governor sponsors and makes regular visits to an academic school or support directorate and it is planned to introduce a programme of visits for all governors to different parts of the university's activities. In order to help members understand their role better, as well as producing a substantial governors' handbook, the clerk prepares briefing notes describing their responsibilities in relation to specific issues such as equality and diversity legislation. New governors are told when they join that their time commitment is expected to be 15 days per annum.

Source: Committee of University Chairmen (2004)

## 6. *Developing appropriate working relationships*

### *Board Cohesion and Dynamic and Informal Decision Making*

In the 1900s, the *University of Strathclyde* consolidated schools and departments into four major faculties, devolved budgetary authority and responsibility to deans, reduced the number of committees, and created a University Management Group (UMG) of academics and administrators. Strathclyde's UMG demonstrates a number of important best practices with regard to management teams. First, they meet either weekly or bi-monthly to ensure important decisions that need consultation are not delayed unnecessarily. Second, they are made up of senior managers from both the academic and administrative sides of the university. Third, they practise cabinet-style, collective decision-making. Individuals act in the interest of the institution and not that of the group they represent. In Strathclyde, the five deans of the university all sit on the UMG, and, unusually, two lay members of the governing body (the chair and the treasurer) and the head of the student union are invited to attend. The collective and transparent nature of executive management at Strathclyde has created a broad level of trust in the senior team.

Source: HM Treasury (2003)

The Work Foundation conducted in 2005 a year-long research project in which 3,000 firms were surveyed. The study concluded that:

- *High performing firms* usually have a higher degree of informality and continued dialogue supported by simple processes that allow faster decision-making; openly share information between peers and networks of managers that need timely and accurate information in order to get the best job done; and have visible and accessible leadership and management, combined with high expectations from those in decision-making roles.

- In *low performing firms* discussions about culture and performance are dominated by bureaucratic process and internal structure rather than customer satisfaction or end product; leadership is focused more on 'what the numbers say' rather than how top managers behave and interact with others and interactions are more formal.

Source: Work Foundation (2005)

## *Relationship between the Chair and Chief Executive*

In one RSL (Registered Social Landlord), the chief executive initiated a structural review of the organisation on his appointment. The chair and chief executive developed what was thought to be a good working relationship from the outset. However, external scrutiny criticised the RSL with particular attention focusing on the role of the chief executive in keeping the chair and the board informed. The chief executive's actions were found to be justified but it was recognised by the chair and chief executive that this incident "could have been testing." Both confirmed that their agreed working relationship forged and cemented the relation. This confirmed their perception that the relationship had been well founded from the start.

In another RSL, the chief executive felt unsupported by the chair in a process of organisational development early on in their relationship. The chief executive felt in a vulnerable position and some staff expressed concerns about the role of the chair and chief executive in this process. The board investigated and took a more executive role than it had done before. Relations did become strained on all sides. The chief executive felt that this incident was a "defining moment" for the relationship and the chair described it as a "salutary lesson." Partly because the issue of complacency has been challenged, their relationship, they feel, is now more "demanding" than before. Though not without its negative impact on their personal and business life, the incident did strengthen their relationship. It also instilled the idea in them that it is healthy to review the relationship once every 2 to 3 years, even without the difficulties posed by a critical incident.

**Source:** DTZ Pieda Consulting (May 2004) and Exworthy, M. (August 2000)

## **7. *Assessment of Board performance***

### *A Range of Evaluation Activities*

*The Southampton Institute* has an established approach to the continuous review and evaluation of its governance arrangements. Four components are involved: an annual questionnaire to governors; an annual review of each governing body committee undertaken as an agenda item at the last meeting of the year; a two yearly review of the performance of the governing body against a standard set of external requirements suggested by HEFCE (Higher Education Funding Council for England); and a 'fundamental review of governance' conducted every four years and involving a review committee of the governing body supported by an independent external element.

**Source:** Committee of University Chairmen (2004)

## *Surveys to Review Governing Self-evaluation by Governing*

### *Body Effectiveness    Body Members*

Like many universities, *Brunel University* has used a survey of its council members as part of its effectiveness review process. The survey form (which was attractively and professionally produced) covered a range of areas on how governance could be made more effective, and sought the views of individual governors on what should be the strategic priorities of the university for the next three to five years. A report was produced on the results of the survey, and the implications discussed at an 'away day'. Numerous issues concerning the effectiveness of both the council and the governance system, as a whole were identified, and council processes are being redesigned. Substantial changes to university statutes are also planned.

At *Glasgow Caledonian University* the performance of the court is evaluated annually through a questionnaire of which the second part is a self-evaluation form completed by individual members. It asks 22 questions (using a seven point rating scale) which cover a number of issues, concentrating on the knowledge of members of key aspects of the work of the court and members' behaviour. A major outcome of the self-evaluation form is to guide the provision of training, briefing and support needs of court members.

**Source:** Committee of University Chairmen (2004)

## **8.     *Probity and Ethical issues***

### *Codes setting out expected personal conduct*

Sunderland Housing Group has five subsidiary 'local' housing companies. Membership of these local boards is open to all tenants and elections are held and supervised by the housing company. Advertisements are put in a range of media including the tenants' newsletter. Individuals who express an interest are sent a letter explaining the process and giving details of how to get help with completing the short application form and election statement – essentially why they are standing and what they hope to achieve. An information pack sets out in Plain English how the process works and gives a succinct description of the role of board members. The pack emphasises: The requirement of board members to demonstrate their support for the organisation by signing a statement to uphold the code of conduct; the strategic role of the board; and the code of conduct – which includes a statement of compliance that all members sign.

**Source:** DTZ Piedad Consulting (2004)

## 9. *Accountability tools & engagement with stakeholders*

### *Engagement with stakeholders*

One large college with multiple campuses discussed its system of governing board and college councils. Each college council is chaired by a member of the board, but made up of members of the local community, students and staff. While the main governing body has a strategic role and is made up of individuals mainly from large corporations, the councils operate more locally with an advisory and consultative role and are made up of a wider range of community members and the criteria for involvement was more relaxed. This structure, therefore, enabled much wider involvement in the college and was seen as a way of representing the local community in a larger college. One college discussed the structures that had been put in place to engage a wider range of students in the broad governance and running of the college. Regular focus groups were held to listen to students concerns, and action was taken to address these issues. These focus groups were followed up with an annual conference for students at which students explored the issues further and worked to develop an action plan. This was felt to be an effective way of ensuring that students' views were voiced, listened to and acted upon. As yet the link between this group and the governors was not felt to be strong, but there was potential to develop this in the future.

### *Mutual Learning*

Ensuring that governors are sufficiently knowledgeable about and up-to-date with the university's core activities and the wider higher education context is a key concern of institutions. At the *University of Brighton* opportunities for mutual learning between lay members and the senior management team have involved the development of termly seminars on topics chosen either by governors or the senior management team. One of the most successful involved staff from all parts of the university where everyone gained insight into a new policy area and how it was developing on the ground. The seminars are popular, with a 75% attendance rate as the norm. A briefing pack is sent in advance and a record is created for those who could not attend. Recent topics have included tuition fees post-2006, risk management, services to business and student finance.

**Source:** Ellis, A. and Brewis, g. (2005)

In conclusion, the case studies outlined above seem to suggest that:

- Creating a special governance section on the college website can induce a greater diversity of people to apply for jobs within the college;
- Periodically contacting different organisations and bodies based in the region and asking them to send out the call for governors helps to reach a more diverse audience;
- Also advertising new positions in the local or national press may help to reach a more diverse audience;
- Setting up rolling induction processes for new recruits, in which the existing members can also participate, provides a good opportunity for existing board members to meet and mix;

- Providing new governors with a mentor can assist to help new governors to integrate into the team;
- Ensuring that governors are sufficiently knowledgeable about and up-to-date with the college's core activities and the wider college sector is a key concern of institutions: for this purpose, holding frequent seminars on topics chosen either by governors or senior management team, in which staff from all parts of the college participate, may be useful;
- Briefing lay members before meetings increases the productivity of the meetings in terms of the quality of the debate and understanding of the issues;
- Setting a range of key performance indicators and measuring performance against these indicators (and potentially writing an annual report summarising the indicators and their performance) is an essential tool to strengthen the governing body's role in performance monitoring and measurement;
- Understanding surveys on how governance could be made more effective and seeking the views of individual governors on what should be the strategic priorities of the college;
- Using self-evaluation forms helps strengthen governance; and
- Listening to staff and students' views, through focus groups or conferences held periodically, is an effective way to broaden and devolve college governance.



## ANNEX 2 CASE STUDY SAMPLING

The sampling criteria was discussed with the Research Advisory Group at the Inception Meeting. It was emphasised that the case study colleges will be selected through a random selection process to ensure research credibility.

The sampling criteria was discussed with the Research Advisory Group. The group was satisfied with the criteria set out in the DTZ research methodology, but with the proposal and agreement to add ‘source of income’ to the criteria i.e. those with higher / lower proportion of commercial income generation.

In making the sample, DTZ has first applied four core sample criteria, the definitions for which are set out below:

- **College size** – large, medium and small: the convention by which colleges are categorised by size is through use of WSUMs (weighted student units of measurement). This is effectively a measure of the resource intensity of teaching activity<sup>42</sup> at each college and is a reasonable guide as to the scale of the organisation. Large colleges were deemed to be those with 1.25 times or more the average number of WSUMs for the sector. In 2004/05, the average for the 39 incorporated colleges was 54,660 WSUMs. Small colleges were deemed to be less than 0.75 times the average size, while medium sized colleges were 0.75 to 1.24 times the average, inclusive.
- **Urban, rural and remote rural (island):** DTZ classified rural colleges according to whether 50% or more of their students (headcount) were from small accessible towns, small remote towns, accessible rural areas or remote rural areas<sup>43</sup>, i.e. all areas excluding large urban or other urban areas. This definition was flexed for Oatridge College<sup>44</sup> and Angus College<sup>45</sup>, both of which DTZ has defined as rural. Those among the “urban” grouping were separated into *urban community colleges* (e.g. John Wheatley, North Glasgow, Langside, Anniesland, Cardonald) vs the *remainder of urban colleges*.
- **Merged vs. non-merged:** Colleges were categorised in terms of those formed from mergers post-1992 (3 colleges = Adam Smith College, Forth Valley College, Glasgow Metropolitan College), those that had formally considered mergers but whose boards had rejected merger (Barony College and Dumfries and Galloway College, and Central College of Commerce) and those who were not known to have formally examined mergers to the point where a full case had been proposed to college Boards (35 incorporated).

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<sup>42</sup> Effectively each Student Unit of Measurement (SUM) measures units of 40 student-hours. The number of SUMs delivered falling within each of 18 funding subject groups (also known as dominant programme groups) is then re-weighted according to an SFC assessment of the resource intensity (weighting) of each dominant programme group, to produce weighted SUMs (WSUMs). The more resource intensive programmes such as ‘engineering’ receiving a higher weighting, which in turn will result in greater SFC resourcing for those courses than for relatively low-cost programmes, such as ‘social studies’ and ‘business and management’.

<sup>43</sup> Students were identified through the SFC Infact database.

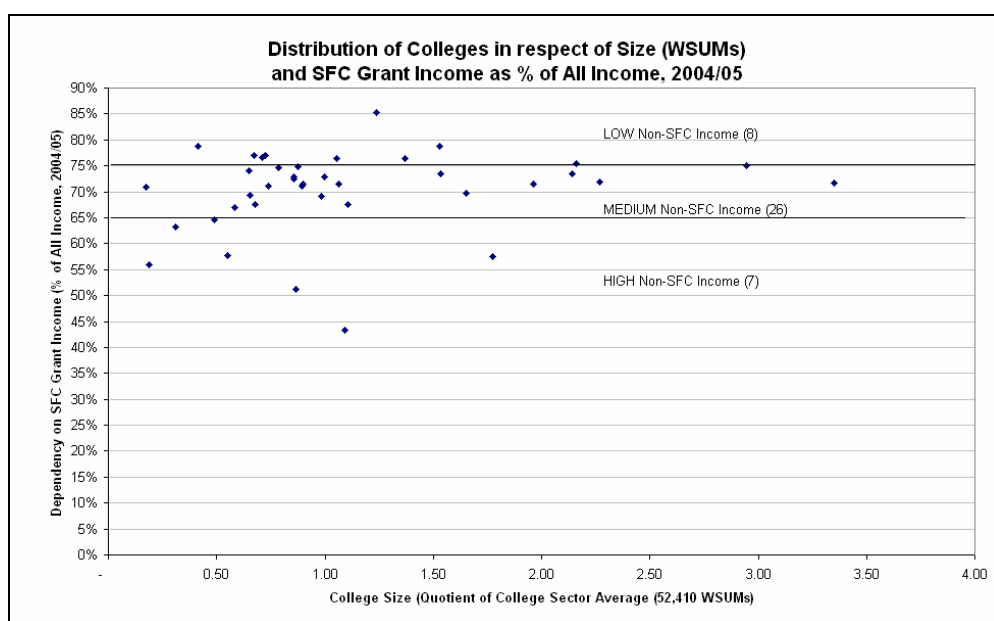
Small accessible towns, small remote towns, accessible rural areas or remote rural as defined by SFC.

<sup>44</sup> 49.4% of Oatridge headcount numbers are rural

<sup>45</sup> 36% of Angus headcount numbers are rural, but this college is termed as rural for SFC benchmarking purposes and so have been included in DTZ’s definition of rural.

- **Non-SFC / Commercial Income generation:** The proportion of income coming from sources other than Funding Council grants in the SFC 2004/05 Financial Indicators was used as a measure to establish colleges with high, medium or low income arising from sources other than SFC. This was plotted on a scatter gram and the distribution is indicated below:

**Figure A2.1**



*Colleges for which 76%+ of their income came from Funding Council grants were deemed to have 'low' commercial/non-SFC income, while those with 65% or less dependency on Funding Council grants were deemed to have 'high' commercial/non-SFC income. Others were classified as 'medium'. The distribution was 8 colleges with 'low' non-SFC income, 7 with high non-SFC income and 24 with medium income from non-SFC sources.*

In refining the sample, the following criteria have also been considered:

- **UHI Academic Partner Colleges / HEI Collaboration:** These criteria were combined to distinguish those colleges known to have strong, formal, well developed linkages to HEIs as exemplars. Colleges that were academic partners within the UHI network were noted, while in addition colleges with formal articulation routes / joint delivery of degrees were also flagged as having strong HEI linkages.
- **College Sector Collaboration:** While much collaboration takes place within the sector that does not get publicised, an assessment was made of college engagement with SFC supported financial benchmarking groups as well as regional (i.e. SFC Area groupings) and key sector collaborative groups (biotechnology, micro-electronics, COLEG (e-learning development), etc., as a proxy for a more formal measure of engagement in College Sector collaboration.



## ANNEX 3 REVIEW OF SCOTLAND'S COLLEGES: SURVEY QUESTIONNAIRE

### ABOUT THIS SURVEY

This survey is issued as part of the Scottish Executive's Review of Scotland's Colleges, the most wide-ranging look at the college sector since incorporation in 1993. The Review will provide a robust evidence base for the 2007 Spending Review, and where appropriate, informed recommendations for change. It was announced by the then Deputy First Minister on 10 June 2005 at the Annual Conference of the Association of Scotland's Colleges. It will conclude in the spring of 2007.

**DTZ Consulting & Research** has been appointed by the Scottish Executive to undertake research for the Accountability and Governance workstream. The overall aim of the research is to identify good practice in accountability and governance by learning from current practice in Scotland's colleges, and from the experience of other public and private sector organisations.

A **Research Advisory Group** has been formed to oversee DTZ's research work, including the Association of Scottish Colleges and the Scottish Executive among its members. The Group has requested DTZ to assess the Scottish College sector against the six core principles of good governance as specified in the *"Good Governance Standard for Public Services"*.

This survey represents one element of DTZ's research programme. Later in the research, case studies will be undertaken to provide more in-depth evidence from a random sample of eight Scottish colleges. **The survey is completely confidential. DTZ is the repository of all information collected through this survey.** DTZ will be synthesising all findings and reporting only the key themes from the survey to the Scottish Executive. Nothing will be reported to the Scottish Executive or other agencies on an individual college basis. We therefore request that the Colleges respond by giving a **frank and honest assessment** of their performance. Only through a robust self-evaluation will the survey yield meaningful aggregated results.

Because this is about accountability and governance we are keen that the survey is completed by the **Chair of the College** so that we have the perspective from those charged with leading the strategic direction of the organisation. In the absence of the Chair, the Vice-Chair should complete it.

This survey is a very important element of our study and your views will provide an invaluable insight into how accountability and governance works in practice within the College sector in Scotland. The questionnaire is presented in an easy to complete format and should take no longer than 15-20 minutes to complete. We hope that you will take the time to participate in this important exercise.

If you wish to discuss the research, or any aspects of the questionnaire and its completion, please phone **Anna Evans on 0131 222 4595**. The survey can be completed and returned either in hard copy or by e-mail. Please complete and return the questionnaire by **Friday 22nd September 2006** to:

Pat Beaton  
DTZ Consulting & Research  
One Edinburgh Quay  
133 Fountainbridge  
Edinburgh  
EH3 9QG

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**For Completion by the Chair (or Vice-Chair if not available)**

**Background Information**

|                                                             |                                   |
|-------------------------------------------------------------|-----------------------------------|
| College Name                                                | <input type="text"/>              |
| Respondent Name                                             | <input type="text"/>              |
| Respondent Contact Telephone                                | <input type="text"/>              |
| Your position on the Board of Management (if not the Chair) | <input type="text"/>              |
| Period on Board                                             | No. of years <input type="text"/> |

**Board structure** (Please use a diagram to illustrate your Board and sub-committee structure.)

**Board Meetings**

How often do you hold meetings of the Board and its committees?

|                                               |                            | Average No. of meetings per annum |
|-----------------------------------------------|----------------------------|-----------------------------------|
| Board                                         |                            | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Sub-committee                                 | Name: <input type="text"/> | <input type="text"/>              |
| Chair/VC meetings with Principal (approx no.) |                            | <input type="text"/>              |

## 1. College Purpose & Performance

1.1 How well understood are the strategic objectives of the College to the following groups:

| Please mark a single response per question | Very Clear | Clear | Fairly Clear | Neither Clear<br>no Unclear | Fairly unclear | Unclear | Very Unclear | Don't Know |
|--------------------------------------------|------------|-------|--------------|-----------------------------|----------------|---------|--------------|------------|
| a) The Board?                              | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |
| b) The Senior Management Team (SMT)?       | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |
| c) College staff?                          | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |
| d) College students?                       | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |
| e) Local community?                        | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |
| f) Business community?                     | 1          | 2     | 3            | 4                           | 5              | 6       | 7            | 8          |

1.2 How effective is your Board in contributing to the quality of service provided by the College?

| Please mark a single response per question                                     | Very Effective | Effective | Fairly Effective | Neither Effective<br>nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|--------------------------------------------------------------------------------|----------------|-----------|------------------|--------------------------------------|--------------------|-------------|------------------|------------|
| a) Setting the quality of service their learners <b>should</b> receive?        | 1              | 2         | 3                | 4                                    | 5                  | 6           | 7                | 8          |
| b) Understanding the quality of service that learners <b>actually</b> receive? | 1              | 2         | 3                | 4                                    | 5                  | 6           | 7                | 8          |
| c) Supporting the SMT in addressing any quality problems that arise?           | 1              | 2         | 3                | 4                                    | 5                  | 6           | 7                | 8          |

1.3 How effective is your Board in monitoring and assessing the Value-for-Money (VFM) of the College's activities?

| Please mark a single response per question          | Very Effective | Effective | Fairly Effective | Neither Effective<br>nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|-----------------------------------------------------|----------------|-----------|------------------|--------------------------------------|--------------------|-------------|------------------|------------|
| a) Monitoring and assessing VFM on a regular basis? | 1              | 2         | 3                | 4                                    | 5                  | 6           | 7                | 8          |
| b) Taking prompt action should VFM issues arise?    | 1              | 2         | 3                | 4                                    | 5                  | 6           | 7                | 8          |

1.4 College Purpose & Performance – Additional views or comments on current practice (if any)

|  |
|--|
|  |
|--|

## 2. Board Performance

2.1 This Section examines the Board's performance at the level of individual Board members, sub-committees and the Board as a whole

| Please mark a single response per question                             | Very Good | Good | Fairly Good | Neither Good nor Bad | Fairly Bad | Bad | Very Bad | Don't Know |
|------------------------------------------------------------------------|-----------|------|-------------|----------------------|------------|-----|----------|------------|
| a) Board members' understanding of their role?                         | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| b) Contribution from <b>all</b> Board members?                         | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| c) Balanced contribution from Chair and Principal versus rest of Board | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| d) Level of commitment from Board members?                             | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| e) The support provided by the Secretary to the Board?                 | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| f) The contribution of the Board's sub-committees?                     | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| g) Ability of the Board to work as a team?                             | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |
| h) Effectiveness of the relationship between the Board and SMT?        | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |

2.2 **Board Performance** – Additional views or comments on current practice (if any)

## 3. The College's Values & Behaviour

3.1 This Section examines the effectiveness of your Board in helping to establish the College's values & behaviour

| Please mark a single response per question                                    | Very Effective | Effective | Fairly Effective | Neither Effective nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|-------------------------------------------------------------------------------|----------------|-----------|------------------|-----------------------------------|--------------------|-------------|------------------|------------|
| a) Providing a clear articulation of the College's values & behaviour?        | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| b) Ensuring these values and behaviours are instilled throughout the College? | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |

3.2 **Values & Behaviour** – Additional views or comments on current practice (if any)

#### 4. Decision Making and Managing Risk

4.1 This Section examines the effectiveness of your Board's decision-making and management of risk

| Please mark a single response per question                                              | Very Effective | Effective | Fairly Effective | Neither Effective nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|-----------------------------------------------------------------------------------------|----------------|-----------|------------------|-----------------------------------|--------------------|-------------|------------------|------------|
| a) The quality of the management information submitted to the Board?                    | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| b) The Board's understanding & utilisation of this management information?              | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| c) The quality of the decision-making by the Board/Chair?                               | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| d) The effectiveness of the College's risk management process?                          | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| e) The effectiveness of the Board in addressing risks that are highlighted?             | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| f) The effectiveness of the Board in monitoring and controlling the College's finances? | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |

4.2 **Decision-making & Managing Risk** – Additional views or comments on current practice (if any)

#### 5. Capacity and Capability of Board of Management

5.1 What **skills & expertise** do Board members have:

- Chair's areas of expertise?
- the expertise of the Principal, staff & student members?
- the expertise of the other Board members?

(You may tick more than one skill area for each column - please ✓)

|                                                                  | The Chair's areas of expertise | Principal, staff & student members' areas of expertise | Other Board members' areas of expertise |
|------------------------------------------------------------------|--------------------------------|--------------------------------------------------------|-----------------------------------------|
| Strategic management/leadership                                  | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Previous private or public sector governance experience          | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Finance/accountancy                                              | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Legal                                                            | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Sales & marketing                                                | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Property/estate management                                       | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Personnel/HR                                                     | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Computing & IT                                                   | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Further & adult education                                        | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Learners                                                         | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Local area/community perspective                                 | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Industry / sector specific expertise of relevance to the College | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |
| Others (please specify)                                          | <input type="checkbox"/>       | <input type="checkbox"/>                               | <input type="checkbox"/>                |

5.2 How effective is your Board in building its own capacity & capability?

| Please mark a single response per question                          | Very Effective | Effective | Fairly Effective | Neither Effective nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|---------------------------------------------------------------------|----------------|-----------|------------------|-----------------------------------|--------------------|-------------|------------------|------------|
| a) The effectiveness of your recruitment process for Board members? | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| b) The effectiveness of your induction process for Board members?   | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| c) The provision of on-going training and development support?      | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| d) Peer review to assess the performance of the Chair?              | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| e) Peer review to assess the performance of Board members?          | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| f) Sharing good practice in governance between Colleges?            | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |

5.3 Are there any gaps in the skills and experience of your Board that you have had difficulty in filling through recruitment?

| Please mark a single response per question                   | Yes | No | Don't Know |
|--------------------------------------------------------------|-----|----|------------|
| a) Specific skills' gaps (e.g. finance, property, HR, etc.)? | 1   | 2  | 3          |
| b) Governance experience and knowledge?                      | 1   | 2  | 3          |

5.4 If you have experienced problems, please specify:

- Specific skills shortages

\_\_\_\_\_

- Governance knowledge/expertise

\_\_\_\_\_

\_\_\_\_\_

5.5 What is your assessment of the overall quality of your Board members?

|                          | Very Good | Good | Fairly Good | Neither Good nor Bad | Fairly Bad | Bad | Very Bad | Don't Know |
|--------------------------|-----------|------|-------------|----------------------|------------|-----|----------|------------|
| Quality of Board members | 1         | 2    | 3           | 4                    | 5          | 6   | 7        | 8          |

5.6 Does the Board carry out any form of **self-evaluation** at the following levels:

|                                          | Self-Evaluation<br>(please ✓) |    |
|------------------------------------------|-------------------------------|----|
|                                          | Yes                           | No |
| Governance as a whole?                   |                               |    |
| Performance of the Chair?                |                               |    |
| Performance of individual Board members? |                               |    |
| If yes, please specify                   |                               |    |
|                                          |                               |    |
|                                          |                               |    |
|                                          |                               |    |
|                                          |                               |    |

**5.7 Capacity & Capability of Board of Management** – Additional views or comments on current practice (if any)

## 6. Accountability & Communication

**6.1** How effectively does your College **communicate** with its key stakeholder groups to help inform the Board and improve its decision-making?

| Please mark a single response per question      | Very Effective | Effective | Fairly Effective | Neither Effective nor Ineffective | Fairly Ineffective | Ineffective | Very Ineffective | Don't Know |
|-------------------------------------------------|----------------|-----------|------------------|-----------------------------------|--------------------|-------------|------------------|------------|
| a) Learners?                                    | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| b) Staff?                                       | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| c) Local businesses?                            | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| d) Local community (excl. businesses)?          | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| e) The wider public?                            | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |
| f) Scottish Funding Council/Scottish Executive? | 1              | 2         | 3                | 4                                 | 5                  | 6           | 7                | 8          |

**6.2** How far do you agree or disagree with the following statements:

| Please mark a single response per statement                                                    | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree | Don't Know |
|------------------------------------------------------------------------------------------------|----------------|-------|----------------------------|----------|-------------------|------------|
| a) There are too many organisations involved in the scrutiny of the College sector             | 1              | 2     | 3                          | 4        | 5                 | 6          |
| b) Responsibility is clear-cut in terms of who is 'Accountable Officer' for the College Sector | 1              | 2     | 3                          | 4        | 5                 | 6          |
| c) The high level of compliance costs relating to scrutiny is not cost-effective               | 1              | 2     | 3                          | 4        | 5                 | 6          |
| d) Accountability in the College sector is working effectively                                 | 1              | 2     | 3                          | 4        | 5                 | 6          |

**6.3 Accountability & Communication** – Additional views or comments on current practice (if any)

## 7. Overview of College Governance

7.1 In summary, what are your views on accountability and governance **in your College**?

|                       |
|-----------------------|
| Strengths             |
| Weaknesses            |
| Ideas for improvement |

7.2 What views, if any, do you have on accountability and governance in the College sector **across Scotland**?

|                       |
|-----------------------|
| Strengths             |
| Weaknesses            |
| Ideas for improvement |

Thank you for completion of this survey





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## **ANNEX 5 STAKEHOLDER CONSULTATION - LIST OF ORGANISATIONS**

Audit Scotland

Association of Scotland's Colleges\*

NUS Scotland\*

STUC\*

Scottish Executive  
Further and Adult Education\*

Scottish Executive  
Public Service Reform

Scottish Funding Council\*

Scottish Further Education Unit

Scottish Group of Committee of University Chairs

**Note:** \* Represented on Research Advisory Group



## ANNEX 6 GLOSSARY OF TERMS AND ACRONYMS

| <b><u>Acronym or Term</u></b> | <b><u>Meaning or Definition</u></b>                                                                                                                                        |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advanced level                | Higher Education level                                                                                                                                                     |
| AS                            | Audit Scotland                                                                                                                                                             |
| ASC                           | Association of Scotland's Colleges                                                                                                                                         |
| Chair                         | Chair of the College Board - see Section 4.2 of this report for definition                                                                                                 |
| CIPFA                         | Chartered Institute of Public Finance and Accountancy                                                                                                                      |
| Clerk                         | Clerk to the College Board - see section 4.17                                                                                                                              |
| COLEG                         | Colleges Open Learning Exchange Group                                                                                                                                      |
| Community of Practice         | Secretary to Board Community of Practice                                                                                                                                   |
| CoP                           | See Community of Practice                                                                                                                                                  |
| CPAS                          | Commissioner for Public Appointments in Scotland                                                                                                                           |
| CSG                           | Convergence Steering Group                                                                                                                                                 |
| CUC                           | Committee of University Chairmen                                                                                                                                           |
| CV                            | Curriculum Vitae                                                                                                                                                           |
| ECDL                          | European Computer Driving Licence                                                                                                                                          |
| EIS                           | Educational Institute of Scotland – a trade union serving teaching staff in the education sector                                                                           |
| ESF                           | European Social Fund                                                                                                                                                       |
| External Auditor              | Auditor appointed by Audit Scotland to review the financial accounts and governance of the college in fulfilling its statutory responsibilities to the Scottish Parliament |
| FES                           | Further Education Statistics – an annual statistical return made by colleges to SFC                                                                                        |
| Headcount                     | Count of individuals studying through the college, rather than enrolments (some individuals may enrol on more than one course in an academic year)                         |
| HEI                           | Higher Education Institution                                                                                                                                               |
| HIE                           | Highlands and Islands Enterprise                                                                                                                                           |
| HMIE                          | Her Majesty's Inspectorate of Education                                                                                                                                    |
| HND/HNC                       | Higher National Diploma / Higher National Certificate                                                                                                                      |
| HR                            | Human Resources (function)                                                                                                                                                 |
| ICAS                          | Institute of Chartered Accountants in Scotland                                                                                                                             |
| IiP                           | Investors in People (accreditation)                                                                                                                                        |
| Internal Auditor              | Auditor appointed by the college to audit accounts / financial health of the college                                                                                       |
| KPIs or PIs                   | Key performance indicators / performance indicators                                                                                                                        |
| LEC                           | Local Enterprise Company – part of either the Scottish Enterprise or Highlands and Islands Enterprise Networks                                                             |

| <b><u>Acronym or Term</u></b> | <b><u>Meaning or Definition</u></b>                                                                                                                                                   |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LFHE                          | Leadership Foundation for Higher Education                                                                                                                                            |
| LSS                           | Law Society of Scotland                                                                                                                                                               |
| Non-advanced level            | Further Education level                                                                                                                                                               |
| NUS                           | National Union of Students                                                                                                                                                            |
| OSCR                          | Office of the Scottish Charity Regulator                                                                                                                                              |
| PR                            | Public Relations (function)                                                                                                                                                           |
| Principal                     | College Principal - see section 4.16 for role description                                                                                                                             |
| RAG                           | Research Advisory Group                                                                                                                                                               |
| Remuneration                  | Payment                                                                                                                                                                               |
| Restricted session            | See Section 5.6                                                                                                                                                                       |
| RoSCo                         | Review of Scotland's Colleges                                                                                                                                                         |
| Secretary                     | Secretary to the College Board - see Section 4.17                                                                                                                                     |
| SEETLLD                       | Scottish Executive Enterprise, Transport and Lifelong Learning Department                                                                                                             |
| Self-regulation               | Where an individual, body, organisation or entire sector is responsible for monitoring his/her/its own conduct and performance and acting upon any failings identified.               |
| SEn                           | Scottish Enterprise Network                                                                                                                                                           |
| SFC                           | Scottish Funding Council, i.e. Scottish Further and Higher Education Funding Council                                                                                                  |
| SFEFC                         | Scottish Further Education Funding Council (prior to merger with the Scottish Higher Education Funding Council to form SFC)                                                           |
| SFEU                          | Scottish Further Education Unit – a development agency for Scotland's colleges                                                                                                        |
| SMT                           | Senior Management Team of the College                                                                                                                                                 |
| SPARQS                        | <u>S</u> tudent <u>P</u> articipation in <u>Q</u> uality <u>S</u> cotland training programme                                                                                          |
| SQA                           | Scottish Qualifications Authority                                                                                                                                                     |
| SQMS                          | Scottish Quality Management System                                                                                                                                                    |
| SSCs                          | Sector Skills Councils                                                                                                                                                                |
| STUC                          | Scottish Trades Union Congress                                                                                                                                                        |
| SUM/WSUM                      | One SUM (student unit of measurement) is equivalent to 40 hours of teaching received by a student. Each SUM is then weighted (i.e. to become a WSUM) to reflect the relative resource |
| TGWU                          | Transport and General Workers' Union.                                                                                                                                                 |

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