Audit Committee

Date of Meeting	Tuesday 29 May 2018
Paper Title	GCRB Compliance with Code of Good Governance
Agenda Item	18
Paper Number	AC4-N
Responsible Officer	Penny Davis, Board Secretary
Recommended Status	Disclosable
Action	For Decision

1. **Report Purpose**

    1.1. The purpose of this report is to provide the Audit Committee with a basis on which to advise the Board on GCRB's compliance with the Code of Good Governance (the Code) during the past year.

2. **Recommendations**

    2.1. The Committee is invited to **consider** the report and **agree** any advice or recommendation to the Board in the context of reporting on compliance with the Code in the Corporate Governance Statement in the Annual Report.

3. **Background**

    3.1. The Code requires that:

    Each board must state its adoption of the Code in the corporate governance statement contained in its annual financial statement. The chair, on behalf of the board, is expected to report as to how the principles have been applied by the board. Where, for whatever reason, a board's practice is not consistent with any particular principle of the Code, it should make this known to SFC or, if it is an assigned college, the regional strategic body. This should be done immediately they become aware of an inconsistency and, without exception, in advance of publishing the information. An explanation for that inconsistency must be clearly stated in its corporate governance statement. Boards will be expected to offer a clear rationale for exceptions in the context of their college's operational model and to identify mitigations.

    3.2. Between December 2017 and March 2018, the Board underwent an external evaluation, in line with the requirement set out in the Code to undergo such an evaluation at least once every three years. The assessor used the sector's evaluation framework in conducting his evaluation, which is based on the Code, and his report relates to the year ending 31 March 2018. Therefore, the report provides a high level of assurance to the Committee and the Board in relation to GCRB's compliance with the Code during 2017-18, and is the principal reference point in the following report.

4. Detail

4.1. 2017-18 has been both the first full year of GCRB's fully operational status as the funding body for the Assigned Colleges, and a year of significant change in leadership further to the departure of the previous chair in July 2017, a six month interim arrangement, and the public appointment of a new chair in January 2018.

4.2. In that context, an independent, external review of governance and compliance with the Code at the turn of the year has been a well-timed and valuable exercise.

4.3. The external assessor observed the Board meeting on 18 December 2017, and interviewed all Board Members between December and February. The Board reviewed his report in detail on 26 March prior to the report being submitted to the SFC and published on the GCRB website. The following extracts from the report provide a high level summary of the assessor's findings.

- The Board has already demonstrated a clear commitment to good governance through the production of a Board Development Plan and Diversity Succession Plan, both approved in 2017.

- 11 of the 17 Board Members completed the Self-Evaluation questionnaire and the positive engagement of all 17 Board Members interviewed demonstrates a collective commitment to delivering good governance, which bodes well for future self-evaluation exercises.

- The one-to-one discussions (and the subsequent pressure testing) confirm high levels of compliance across all five sections of the updated Code. Our assessment against the requirements of the updated Code highlighted several areas of strength spanning all 5 sections of the Code. Some additional areas for improvement were identified through the one-to-one discussions, which would enhance Board arrangements in the context of the updated Code.

- Whilst recognising the areas identified for improvement, and the work already underway to refine the existing governance arrangements as GCRB approaches the end of its first full year as a body with Fully Fundable status, our work did not identify any areas of material non-compliance with the relevant parts of the Code of Good Governance for Scotland's Colleges.

- Several of the issues highlighted during the one-to-one discussions had already been identified as potential improvement areas by the Board.

- Reports to the Board demonstrate GCRB's commitment to ongoing monitoring and review of the actions required to maintain and improve he existing governance arrangements, in a manner which integrates with the production of the Annual Governance Statement as part of the GCRB Annual Report.

4.4. The Board approved a Development Plan at its March meeting, which incorporated the ten recommendations made by the external assessor in his report. The Nominations and Remuneration Committee will, at its June meeting, agree a detailed action plan to achieve development plan objectives and will monitor progress and report to the Board over the course of the coming year.

4.5. A subsequent review of compliance with the Code by the Board Secretary, taking account of developments in recent months including recruitment and appointments activity, has identified no other items of concern to bring to the attention of the Committee at this time in relation to compliance with the Code.

4.6. The following is a summary of developments identified by the Board Secretary's review, to supplement the external assessor's findings and provide a more detailed basis for the Chair to report, in accordance with the Code, on how principles have been applied over the course of the year (headings in bold refer to the Code, and bullet points outline developments relating to particular principles listed under those headings).

A – Leadership & Strategy

Conduct in Public Life

- The Board reviewed and confirmed its adherence to the Model Code of Conduct at its March 2018 meeting.

Vision and Strategy

- The Board approved its first Strategic Plan in 2017, articulating its vision for the region.

Corporate Social Responsibility

- The Board approved its two-yearly Equalities Report in March 2018, setting out its role in relation to the leadership and promotion of equality and diversity objectives in the region.

- In undertaking the recruitment and appointment of new non-executive members and extending the appointments of existing members, the Board complied fully with equalities requirements set out in the Ministerial guidance and adhered to its Diversity Succession Plan. The gender balance among non-executive members, and overall, further to the new appointments is 50/50.

- A new Senior Independent Member has been designated further to the departure of Grahame Smith.

B – Quality of the Student Experience

Student Engagement

- Steps have been taken to enhance the engagement of Student Members in their Board and committee roles by introducing briefing meetings with the members of the Executive and the Board Secretary prior to meetings.

- The Board reviewed and endorsed an amended Glasgow Colleges Regional Student Executive constitution at its March meeting.

Relevant & High Quality Learning

- Central to the monitoring and review of Regional Outcome Agreement (ROA) delivery and planning for future curriculum delivery has been consideration of curriculum alignment to economic and social needs and the effectiveness of this delivery in terms of learner outcomes. This analysis included consideration of a range of stakeholder evidence, and consultation with internal and external partners.

- Each meeting of the Performance and Resources Committee reviewed in-year ROA delivery progress reports and the full Board considered a formal evaluation of the 2016-17 ROA at its October 2017 meeting.

- At its December 2017 meeting, the Board considered evaluative reports from regional Curriculum Hubs on the future development priorities for each economic sector. In the context of intensification of outcome agreements, the Board also considered in depth a range of performance data and potential future year targets relating to improving the quality of learning provided.

C – Accountability

Accountability and Delegation

- A review of GCRB's powers and accountability was undertaken in 2017 to provide a wider perspective on GCRB's role and the legislation and regulation with which it must comply. A report was considered by the Audit Committee in October. Steps have been taken in the intervening months to ensure compliance with key requirements including those arising from the General Data Protection Regulation and Freedom of Information legislation.

- The Board appointed a permanent Finance and Resources Director in 2017, to ensure an appropriate level of executive leadership and reporting in that area further to the award of full funding body status.

Risk Management

- Further to a joint session with Assigned College audit committees earlier in 2017, risk management arrangements have been enhanced, including improved monitoring and reporting by the executive, and routine reporting of Assigned Colleges' top risks to the GCRB Audit Committee.

D - Effectiveness

Board Members Appointment, Induction & Training

- All recruitment and extension activity in the first months of 2018 has been conducted in accordance with the relevant Ministerial guidance.

- Enhanced induction arrangements have been put in place for new Members.

- The Board agreed at its March meeting arrangements for the election of Staff Members, which must take place by July 2018.

- The Board also reviewed progress over the past year against the Development Plan approved in 2017, which showed a high level of completion of planned actions.

5. **Risk Analysis**

   5.1. This report supports mitigation of risk 012: There is a breach of legislation/guidance/code of practice and this results in a failure of governance.

6. Legal Implications

    6.1.   There are no legal implications arising from this paper.

7. Resource Implications

    7.1.   There are no resource implications arising from this paper.

8. Strategic Implications

    8.1.   Robust and compliant governance arrangements are essential to the effective delivery of GCRB's strategic objectives and the confidence of stakeholders in the organisation.