

BOARD EFFECTIVENESS REVIEW OF SOUTH LANARKSHIRE COLLEGE

REPORT

1. Introduction

1.1 On 09 May 2017, On Board Training and Consultancy Ltd (On Board), was commissioned to undertake an 'externally facilitated Board effectiveness review' of South Lanarkshire College (the College).

1.2 The Code of Good Governance for Scotland's Colleges (2016) states that:

"The Board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years. The Board must send its self-evaluation (including an externally facilitated evaluation) and Board Development Plan to its funding body and publish them online" (D.23)

1.3 In August 2016, the Good Governance Steering Group published 'Guidance Note – Conducting Externally Facilitated Effectiveness Reviews' to provide more detailed guidance to Colleges on conducting an externally facilitated evaluation of Board effectiveness.

1.4 This new approach, as set out in the Guidance Note, has raised the bar significantly in terms of the expectations of Board performance and the need for high quality Board evaluations to be undertaken by Colleges.

2. The process

2.1 There were five key stages involved in undertaking the Board effectiveness review of South Lanarkshire College:

- Design and issue of a Board effectiveness self-assessment questionnaire to all Board Members and Members of the College Management Team (CMT) and analysis of the returned forms
- Interviews conducted with Board Members and Members of CMT
- Facilitation of a Board effectiveness workshop
- Pressure testing the integrity of the findings emerging from the workshop by reviewing a range of governance documentation (agenda, minutes, Board papers, Terms of Reference, Risk Register etc.) and observing a Board meeting in practice
- Development of an Action Plan for Improvement

Self-assessment questionnaire

2.2 At the outset of the review, On Board developed a Board effectiveness self-assessment questionnaire which was agreed by the Chair of the Board prior to being issued to all Board Members and Members of CMT for completion and return in advance of the interviews.

2.3 The questionnaire was in four key sections, covering all of the Code of Good Governance criteria set out in the Guidance Note, as follows:

- Discharging the Board's roles and responsibilities effectively
- Operating effectively as a Board

- Managing relationships with stakeholders and partners (including the quality of the student experience)
- Building, developing and evaluating the Board

The self-assessment questionnaire is attached at Annex 1 to this Report.

- 2.4 The purpose of the questionnaire was to enable Board Members and Members of CMT to assess and comment on the performance and effectiveness of the Board against the best practice standards of a high performing Board (as set out in the Code of Good Governance, Guidance Note and internationally recognised best practice).

Interviews

- 2.5 On Board subsequently interviewed 10 out of the 14 Board Members of the College, including the Principal, and those Members of CMT who were available for interview (Annex 2).
- 2.6 At interview, Board Members etc. were able to clarify, elaborate on and/or justify some of the views and comments that they had made in their questionnaire responses. The focus of the interviews was on highlighting areas where the Board was performing well but also on identifying areas where there was room for improvement.

Board effectiveness workshop

- 2.7 Following the interviews, a Board effectiveness workshop was held with Board Members (including the Principal) and Members of CMT in Glasgow on 10 October 2017.
- 2.8 At the Board effectiveness workshop, the focus was on agreeing practical recommendations to address any weaknesses (or areas where things could be done better) highlighted in the interviews and questionnaire responses.

2.9 At the workshop, the Board agreed a number of actions to take the Board forward. These actions etc. form the basis of the Action Plan for Improvement which is enclosed at Annex 3.

3. Areas of high performance

3.1 The review identified several areas where the Board is performing well. The questionnaire responses, interview evidence and discussion at the Board effectiveness workshop highlighted the following areas where the Board was considered to be performing strongly:

- A strong and unrelenting focus on 'students' and student outcomes
- A culture of openness between the Board and the Principal with a 'no surprises' environment
- Strong financial management
- Good risk management
- Strong leadership on equality and diversity
- High standard of conduct of Board Members at meetings
- An inclusive environment for student and staff representatives and excellent support for the former in terms of induction and in preparation for Board and Committee meetings
- An excellent Audit Committee
- A sound Committee structure which provides the Board with high levels of assurance
- A strong focus on governance and a high performing Board Secretary

4. Areas for improvement

(1) Strategic leadership

4.1 The Board recognises that although it is strong on the retrospective (e.g. monitoring of performance), it does not spend enough time on the prospective (looking ahead at the opportunities and challenges for the College).

4.2 As a result of dealing with the immediate financial challenges facing the sector post restructuring, the College has not been able to invest properly in its infrastructure or in its staff in recent years.

Action 1

4.3 The Chair will ensure that the Board has regular opportunities during Board meetings and workshops to engage in forward thinking (long term market scanning, horizon scanning, scenario planning, etc.).

Action 2

4.4 As part of its forward planning, the Board will ensure that the College invests in its infrastructure, business development and in its staff to ensure its long term sustainability.

Action 3

4.5 The Board will consider ways in which it can incentivise and reward staff (within current budgetary constraints) to encourage innovation, retain goodwill, maintain morale and demonstrate that staff are valued highly by the Board/College.

(2) Board engagement with stakeholders

4.6. The Board does not have a Stakeholder Engagement Strategy and there was a widespread recognition that a more structured and substantive engagement was needed with key stakeholders.

4.7 Some Board Members believe that they are not being used effectively as ambassadors for the College and (with the exception of the Chair and Principal) do not play any meaningful role in engaging with key stakeholders including staff and students.

Action 4

4.8 The Board will develop and agree a Stakeholder Engagement Strategy for the College and formally monitor stakeholder relationships on a more regular basis.

Action 5

4.9 The Depute Principal will codify simple, positive messages about the College (e.g. its Unique Selling Points, top ten facts/achievements) and provide this in bookmark or other summary form to Board Members to support them in their role as ambassadors for the College.

Action 6

4.10 The Chair and Principal will agree ways in which Board Members can increase their profile and engagement with staff (and other key stakeholders) without undermining the Principal. This may include:

- More attendance at events
- Organised visits/increased contact with staff
- Inclusion of Board Member profiles in the College Newsletter
- Publication of key decisions/outcomes from Board meetings

Action 7

- 4.11 The Chair will use her performance appraisal interviews with Board Members to explore ways in which their skills, expertise and contacts can be put to best use in furtherance of the College's objectives.

(3) Committees

- 4.12 The Committees of the Board are generally very effective and provide a high level of assurance to the Board. However, on key issues and/or where problems have arisen, there was a perception that the CMT do not always engage with the Committee (or Board) at an early enough stage.
- 4.13 It is a requirement of the Code of Governance that each Committee conducts an annual review of its effectiveness which then feeds into the Board's review of its own effectiveness. This is not done within the College.
- 4.14 The Audit Committee currently produces an annual report on its work for inclusion in the Annual Report but no other Committee does this.
- 4.15 There have been several reports in recent years on financial and governance problems in other Colleges (and public bodies) within Scotland. However, there is no formal mechanism whereby the Board ensures that the lessons to be learned from these cases are applied in the College. [The Principal does this on an informal basis.]

Action 8

- 4.16 The Principal should ensure early and substantive Board/Committee engagement on all major issues and that the Board/Committee is not presented with a fait accompli. Likewise, senior managers should be encouraged to be open with the Board about any service issues and challenges, in the manner that the Principal currently does.

- 4.17 Each Committee will undertake an annual review of its own effectiveness which will include a review of its Terms of Reference and the information needs of the Committee.

Action 9

- 4.18 Each Committee will produce an annual report on its work which will form part of the College's annual report.

Action 10

- 4.19 Any key reports on financial and governance problems in other Colleges (and public bodies) within Scotland will be drawn to the attention of the Audit Committee which will report to the Board on any relevant lessons for the College.

(4) Use of technology

- 4.20 There was a consensus that attendance at Board and Committee meetings is good and that Board meetings are well chaired and effective. However, the Board has not fully embraced the use of technology in relation to paperless meetings and remote attendance.

Action 11

- 4.21 Two Board Members (from the Development Committee) will investigate the potential uses of technology in relation to video conferencing, paperless meetings and social media/networking and present a report to the Board in March 2018. [However, there is still an expectation that Board Members will be present **in person** at the vast majority of Board and Committee meetings and attendance by way of video or tele-conferencing will be the exception rather than the rule]

5. Pressure-testing the findings

- 5.1 To test the integrity of the findings and recommendations emerging from the Board effectiveness workshop, On Board observed a Board meeting and carried out a desktop review of a range of governance documentation.
- 5.2 In overall terms, the results of this testing support the findings and recommendations in Sections 3 and 4 of this Report.

(1) Observation of Board meeting on 19 September 2017

- 5.3 On Board Associate, Professor Frank Clark CBE, attended and observed a scheduled Board meeting of the College on 19 September 2017. His report is as follows:

Attendance at and observation of the Meeting of the Board of South Lanarkshire College on Tuesday 19 September 2017

General

The meeting was well attended and conducted in an appropriate environment.

Papers

I received a comprehensive set of papers five days in advance of the Board meeting. The papers were each of an appropriate length and conveyed sufficient information to enable Board Members to understand the issues being addressed and to arrive at conclusions which could be defended and justified if required.

Conduct of the Board meeting

The meeting was conducted efficiently and effectively with each Board Member (and in particular each Committee Chair) being afforded the opportunity to contribute. Queries from Members were encouraged and satisfactory answers or clarification given.

The Student Association was effectively represented by the President who was encouraged to participate.

Committees

There was strong (although not inappropriate) use of Committees. I would have liked (and expected) to see more 'challenge' from Board Members but it was clear that there were no controversial issues and there was a good understanding of the business being conducted.

Risk

Board Members showed a good level of awareness of Risk and this appeared to be well addressed both as part of the Strategic Audit Plan and in relation to performance management. The Chair was keen to achieve more of a "risk is everyone's business" approach and in that regard proposed that consideration be given to "Risk" featuring as an item on each Committee's agenda. This was well received and it was agreed that this proposal should be developed further.

Conclusion

It was encouraging to observe a well-run Board which clearly took its governance responsibilities seriously.

(2) Review of governance documentation

5.4 On Board reviewed the following documentation:

- Board and Committee Terms of Reference
- A sample of Board and Committee minutes, agendas and papers over the period from November 2016 to September 2017
- The current Strategic Plan and supporting strategies
- The Risk Register, a sample of Internal Audit reports over the last two years and the External Audit reports for these years

- Student surveys over the last two years

Board and Committee, terms of reference, minutes, agendas and papers

- 5.5 Terms of Reference are in place for all Board Committees and were reviewed and updated in December 2016 and March 2017. In each case, these set out clearly the scope, authority and reporting responsibilities and reflect recent major changes (e.g. references to the Scottish Government Audit Committee Handbook and the Scottish Public Finance Manual).
- 5.6 On Board noted that, with the exception of the Audit Committee and Remuneration Committee (where membership is not allowed), the Principal is a member of all other Board sub-Committees and that the quorum for these is set at two. This could lead to a situation where Committee decisions are taken with only one independent Member of the Board present which could create the perception of weakened (independent) governance oversight.
- 5.7 On Board reviewed a sample of Board and Committee minutes, agendas and papers over the period from November 2016 to September 2017. Our findings are as follows:
- Board/Committee papers (including agendas and minutes) are well presented with decisions and follow-up actions clearly recorded
 - Board and Committee minutes provide a clear account of the issues presented and the resultant discussion led by the Independent Board Members. The College is to be commended for its policy on publishing the full version of Board and Committee agendas and minutes on its website
- However, Board papers are not made public. The publication of Board papers is a requirement set out in the Code of Good Governance although On Board notes that non-compliance with this practice is not uncommon in Colleges across Scotland

- Contribution from the Students Association is a standing item on Board agendas and it is evident from our review of papers and minutes that the Board welcomes and values this, and the wider contribution from students

Alignment between corporate objectives, supporting strategies and performance reporting

- 5.8 The current Strategic Plan covers the period 2014-20 (“20/20 Vision”) and identifies three high level strategic priorities and associated KPIs. The Strategic Plan is aligned to the Regional Outcome Agreement. The College has supporting Financial, HR and Estates Strategies and the Board, largely through its Committees, receives regular progress across these key areas.

Risk Register and audit reports

- 5.9 The College has well developed risk management arrangements. The presentation of the Risk Register is comprehensive and to be commended. The commentary which accompanies the Risk Register provides clear evidence that the Executive is actively reviewing and managing risks to reflect the changing environment in which the College operates.
- 5.10 Internal Audit services are provided by Scott Moncrieff and External Audit by Mazars, the latter being appointed by Audit Scotland. Audit reports are considered by the Audit Committee and there is good evidence of detailed discussion at the Committee and subsequent reporting to the Board.
- 5.11 On Board reviewed a sample of audit reports and found them to be of a high standard and providing assurance as to the operation of governance, internal control and risk management within the College.
- 5.12 Internal audit undertook a review of corporate governance at the beginning of 2017, focusing on the requirements of the Financial

Memorandum (FM) between The Lanarkshire Board and South Lanarkshire College. The FM is a key governance document within the regional structure (compliance with the FM is a condition of funding) and therefore the decision to have this independently reviewed was very prudent. The overall conclusion from this review was that:

“SLC has adequate and effective controls in place to comply with the additional corporate governance requirements documented within the Financial Memorandum between the College and The Lanarkshire Board”.

Board Member development plans and skills matrix

5.13 The College has an excellent performance appraisal system for Board Members which has a number of key features, as follows:

- The Board Member completes the self-assessment part of the form and passes it to the Chair who uses this as the basis for the formal appraisal meeting
- The self-assessment form has 11 key criteria which cover all the key elements set out in the Code of Good Governance and other guidance
- The formal appraisal meeting between the Chair and Board Member covers the self-assessment along with any training and development needs identified. The Chair and Board Member also agree personal objectives for the Board Member for the year ahead
- Following the formal appraisal meeting, the Chair writes up the performance appraisal, records the agreed Training & Development Plan and the Personal Objectives of the Board Member
- The Chair and Vice-Chair prepare a summary of the appraisals of all Board Members (including the Chair) which forms part of the Board’s annual effectiveness review

- One of the outputs of the process is a Board Training and Development Plan

The performance appraisal system was introduced in September 2017 and was implemented for the first time in October 2017.

5.14 The Board undertook formal induction training which included an On Board corporate governance training session on 7 February 2017. Board Members have also attended training provided by the College Development Network.

5.15 The recruitment process for new Board Members was based on an informal skills matrix. On Board noted that the most recent recruitment exercise produced new Board Members with specific expertise in law, marketing, accountancy, PR/media and with senior management and Board experience in a range of private, public and voluntary sector bodies.

Staff, student and stakeholder surveys

5.16 On Board reviewed the following:

- Student satisfaction and engagement national survey for 2015/16 and 2016/17
- Survey of college wide themes dated May and November 2016, and June 2017

5.17 On Board noted that the results from the various surveys were very positive although performance against some indicators dipped in 2017, the most notable being “Student Voice” which dropped from 81% to 65%.

5.18 On Board noted that the reporting of student surveys goes to the Academic Board but we could find no evidence in the papers or minutes of student surveys being considered at Board or Committee level.

5.19 It was also not clear from the review of Board papers and minutes, the extent of the Board's consideration of, and response to, survey results generally.

(3) Recommendations

5.20 As a result of the observation of a College Board meeting by Professor Frank Clark CBE and our desk top review of governance documentation, On Board recommends that:

- The Chair should ensure that the assurance provided by the College's Committees is not relied on by the Board without question and should encourage (and indeed expect) constructive and respectful challenge from other Board Members
- The Board should consider the option of increasing the quorum for its Committees to three
- The College should publish all Board papers in line with the requirements of the Code of Good Governance
- The Board and relevant Committee(s) should consider, and respond to, the results of student and staff surveys

6. Conclusion

- 6.1 This Report is presented to the Board of South Lanarkshire College for its consideration and approval.

David Nicholl

27 November 2017