

2007

SUMMARY GUIDE FOR COLLEGE BOARD MEMBERS

Association of Scotland's Colleges

Summary Guide for College Board Members

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This summary guide is intended to help board members of Scotland's Colleges carrying out their non-executive role. I am pleased to see that this guide concentrates on key principles as this is consistent with the approach the Scottish Funding Council have taken with our Financial Memorandum.

The role of external board members is fundamental in both the governance and strategic management of our colleges. I and my fellow Council members are very appreciative of the time spent and experience brought to college boards by these members. Since becoming Chair of the Scottish Funding Council I have also been greatly impressed by the dynamism and commitment to excellence demonstrated throughout Scotland's colleges. In general standards of governance and management are high.

Boards have ultimate responsibility for the institution they govern. The key principles of ASC's *Guide for College Board Members* is that every college in Scotland should be headed by an effective board of management. The board is unambiguously and collectively responsible for overseeing the college's activities. I recognise both the time commitment involved and the time pressures which external board members face in exercising these responsibilities.

We in the Council are committed to help you in this role through supporting activities and to working with you to ensure that the highest standards of governance are met.

John F McClelland CBE

Chair of the Scottish Further and Higher Education Funding Council



CHAPTER 1

Introduction

Summary Guide

This Summary Guide, which condenses the main sections of the Association of Scotland's Colleges *Guide for College Board Members*, has been prepared to enable users, be it existing or prospective Board members, to review the principles of good governance in Scotland's Colleges and to provide an understanding of the duties of the College Board and its members or to act as an aide memoir.

The aim of the Summary Guide is to highlight the key provisions of the main Guide in relation to the roles and responsibilities of the Board as a whole and of individual Board members. To this end the Summary Guide lays out the general principles of good governance in Scotland's Colleges and then summarises this in a Statement of Key Principles.

The full Guide is a reference document, which can be obtained from the Association of Scotland's Colleges whilst the Summary is intended for wider distribution.

Introduction

Acknowledgement

This summary guide for Board members has been developed by Baker Tilly on behalf of the Association of Scotland's Colleges (ASC).



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General Principles of Good Governance

Role of the Board of Management

Introduction

The Board is responsible for the overall functioning and strategic direction of the College. It is responsible for ensuring the effective management of the College and for planning its future development. It has ultimate responsibility for all the affairs of the College. As the Board is publicly accountable for the College's stewardship of public funds the nature of the Board's role demands the highest standards of corporate governance.

The Board

The following table summarises the role of the Board and the related functions:

Role	Functions
To provide strategic leadership, direction, support and guidance for the College.	To oversee the development and review of strategies, plans and policies and monitor their implementation within an agreed timetable and reporting structure. To ensure appropriate and experienced people are recruited for key management roles and as new Board Members.
To promote commitment to the College's core values, policies and procedures.	To ensure the effectiveness of arrangements for risk management, internal control and governance processes and ensure that these are communicated throughout the College. To ensure proper financial and other management of the College, to ensure economy, efficiency and effectiveness of the College's activities;
To ensure the overall proper functioning of the College.	To ensure educational demand is met where possible; To oversee the development and review of performance targets, including key financial targets; and To provide continuity of direction and management by making appropriate arrangements for delegation.

General Principles of Good Governance

Role of the Board of Management (cont)

Role	Aims and Tasks
<p>To ensure the College provides suitable and efficient further education to its students.</p>	<p>To ensure appropriate activity levels are achieved by the College;</p> <p>To ensure an appropriate curriculum is offered to students;</p> <p>To ensure accessibility with a variety of media is maximised; and</p> <p>To ensure adequate and suitably experienced academic staff resource is available to deliver the approved curriculum and activity level.</p>
<p>To ensure regularity of spend of funds received from Scottish Funding Council (SFC).</p>	<p>To comply with the Financial Memorandum agreed by the College with SFC;</p> <p>To implement clear guidelines and authorisation procedures and a culture of good governance; and</p> <p>To receive regular reports from management in respect of this.</p>
<p>To ensure proper stewardship of funds, ensuring probity of spend and delivery of value for money in the use of the College's resources.</p>	<p>To ensure effectiveness of the internal control systems;</p> <p>To obtain appropriate internal audit reports, effective Key Performance Indicator (KPI) reports and monitor performance of the senior management team;</p> <p>To ensure that the financial statements are true and fair and that the College's income and expenditure is regular;</p> <p>To ensure economy, efficiency and effectiveness of the College's activities; and</p> <p>To establish and promote the College's role in the community.</p>

General Principles of Good Governance

Role of the Board of Management (cont)

The Board of Management must ensure that the College complies with:

- The Further and Higher Education (Scotland) Acts 1992 and 2005;
- Each College's own Standing Orders;
- The Financial Memorandum with the Scottish Funding Council ; and
- The Charities and Trustee Investment (Scotland) Act 2005 and regulations thereunder. All legally self-standing Scottish-based colleges are registered Charities in Scotland and therefore subject to the regulation requirements of The Office of the Scottish Charity Regulator.

The Board of management is responsible for:

- The appointment of the Chair and a Secretary to the Board
- The grading, suspension, dismissal and determination of the pay and conditions of service of the Secretary.

Conduct of Business

The Board is the supreme decision-making body of a College. Funds provided to the College by the SFC are in effect the responsibility of the Board. The Board **must** demonstrate that, in the exercise of its functions, it conducts its public business properly at all times.

The principles applying to the conduct of meetings of the Board will be the same as those applying to any well-conducted meeting of any Committee, listed company Board of Directors, or any similar Board of a not for profit organisation.

Each College's Standing Orders will contain detailed guidance on the conduct of meetings and will lay down specific rules regarding:

- The minimum frequency of meetings (normally quarterly but may be more frequent);
- The notice required to summon them;
- The circumstances in which special meetings may be called;
- The circulation of papers for meetings;
- Minimum proportion of Board members required to form a quorum.

The Chair will be expected to use his/her judgement in the detailed conduct of each meeting, with advice from the Secretary as appropriate.

General Principles of Good Governance

Role of the Board of Management (cont)

Committees of the Board

SFC and good practice suggests that the Board **should** establish relevant Committees to deal with particular areas of interest allowing for debate by individuals with specialist skills. Committees **required** by SFC are as follows:

- Audit Committee
- Remuneration Committee

Other **suggested** committees are:

- Finance Committee
- Estates Committee
- Learning and Teaching Committee
- Nominations Committee

Each Committee which is appointed by the Board, **should** have detailed terms of reference and consist of at least three individuals.

The tables on the following pages summarise the key roles and responsibilities of the Committees detailed above.

General Principles of Good Governance

Role of the Board of Management (cont)

Audit Committee

Roles and Responsibilities

- To ensure systems are in place to promote efficiency, effectiveness and economy and to ensure that activities are managed in accordance with legislation and regulations.
- To review internal processes and systems and work closely with internal and external auditors to obtain reports on these.
- To appoint, monitor and agree the remuneration of internal and external auditors.
- To ensure compliance with corporate governance requirements.
- To suggest examples of good practice in risk management, governance, internal control.
- Ensure a system of risk management has been established and is being maintained.
- To report to the Board as **required** – minutes of meetings **should** be circulated to the Board.
- Establish a Whistleblowing policy.
- Agree Internal Audit Plan and review audit reports and annual report.
- Agree letter of engagement with external auditor and review report to management.
- Provide an annual report to Board on Internal Financial Control prior to the signing of financial statement.

Remuneration Committee

Roles and Responsibilities

- To determine and review the salaries, terms and conditions (and, where appropriate, severance payments) of the Principal and other senior staff.
- Should ensure efficient and effective use of public funds.
- Reports to Board as **required**, – minutes of meetings **should** be circulated to Board.

General Principles of Good Governance

Role of the Board of Management (cont)

Finance Committee*

Roles and Responsibilities

- To approve all key decisions taken in relation to finance.
- To approve the annual budget and to monitor actual performance against budget and KPIs.
- Making recommendations to the Board on capital expenditure, investments and borrowing.
- Set tuition fee levels.
- Consideration of annual accounts and recommendation of these for approval.
- Overseeing system of financial control and delegated authority.
- Liaison with external audit to ensure accounts show a true and fair view and exhibit regularity of spend.
- Report to the Board as **required** – minutes of meetings **should** be circulated to Board.

* See also Learning and Teaching Committee and Estates Committee.

Estates Committee*

Roles and Responsibilities

- To approve capital projects, co-ordinate the estates strategy and deal with all estates business.
- Comply with Financial Memorandum.
- Safeguard and maintain the College's estate.
- Ensure Health and Safety requirements are met.
- Report to Board as **required** – minutes of meetings **should** be circulated to Board.

* See also Learning and Teaching Committee and Finance Committee.

General Principles of Good Governance

Role of the Board of Management (cont)

Learning and Teaching Committee*

Roles and Responsibilities

- To provide guidance on issues related to development of the College's Academic Programme.
- Setting the College's academic aims and objectives.
- To oversee all matters relating to the academic progress and achievement of students.
- Review of the work of the Academic Board.
- To review provision made by the College's student support services and to approve financial issues relating to student support as well as monitoring the College's use of funds specifically provided for student financial support.
- Consideration of curriculum.
- Review and evaluation of curriculum policies.
- Report to Board as **required** – minutes of meetings **should** be circulated to Board.

* Note that commonly these 3 committees are grouped together into one Committee normally called the Finance and General Purposes Committee. This depends on the size and complexity of the College.

Nominations Committee

Roles and Responsibilities

- To review the composition of, and succession to the Board.
- Considers experience and skills of individuals who may be suitable as Board members.
- Recommends to the Board appointments of members following a formal and rigorous review process.
- Ongoing assessment of the overall balance and performance of the Board and its individual members.
- Should take account of existing and proposed governance requirements and emerging best practice in the sector.

General Principles of Good Governance

Role of the Board of Management (cont)

Other Committees

Committees may also be set up to deal with specific aspects of the Board's role, the most common of which are:

- Staffing
- Policy
- Development

The Board may establish a Committee for any purpose, if this enables them to conduct their business in a constructive way more efficiently and effectively than taking the relevant area in detail through the whole Board.

The Board's Responsibilities in Relation to Students

The Board is responsible for the admission, assessment, examination and discipline of students and for ensuring the production of a College Charter. In addition to this the Board is responsible for monitoring the activities of the Students' Association.

- The Board **must** ensure that the College provides suitable, efficient and effective education to students of the College.
- Establishment of an Academic Board will aid this process.
- The Board has a statutory duty to ensure that the Students' Association operates in a fair and democratic manner and fulfils its responsibilities.
- The College is required to prepare a Students' Charter.
- There are certain statutory requirements in relation to provision of education for students with learning difficulties and/or disabilities and the Board has a statutory duty to have regard to, the requirements of persons over school age with disabilities.
- The Board is responsible for the educational character of the College and as such should have an overview of the College's curriculum with the Principal being responsible for the planning, delivery and development of the curriculum.
- The Board, in conjunction with the Learning and Teaching Committee, determines the policies and procedures in relation to student discipline, appeals and complaints.

Students **should** collectively be involved in the development of the academic policies of the College and **are required** to be represented on the Board.

The Board's responsibilities to students are further expanded upon in the main guide.

General Principles of Good Governance

Role of the Board of Management (cont)

Equality and Diversity

The Board has a duty to ensure non-discriminatory practices are followed throughout the College and **must** ensure compliance with relevant legislation.

- Equality is a social state of affairs in which certain different people have the same status in a certain respect.
- Diversity can be defined as the visible and non-visible differences that characterise people.
- The Board **needs** to ensure that non-discriminatory practices are followed in all areas of the College, and that action plans are progressed.
- The Board **is required** not to discriminate against disabled students and other disabled people – The Special Educational Needs and Disability Act 2001 imposes duties on the College to make 'reasonable adjustments' for disabled people.
- Recruitment procedures **must** be robust to ensure that all appointments are made on merit and do not discriminate either directly, or indirectly on the grounds of race, sex, age or disability.
- The Board **has a duty** to ensure freedom of speech within the law for College students and staff and also for visiting speakers.
- The Further and Higher Education (Scotland) Act 2005 **requires** the College to have regard to the desirability of ensuring academic freedom.

Equality and diversity has become an increasingly important area for Scotland's Colleges to consider due to new legislation, an increased focus on equal opportunities in recent years and also due to the fact that the Scottish Executive has adopted a Diversity and Equality Strategy and the principles within it apply to Colleges.

Considerations for the Board

The Board **should** give specific consideration to the impact on equality of opportunity when developing policies and making decisions. The Board **should** also look at how information can be presented to different groups in formats that best suit their needs and find ways of consulting effectively with people with different needs.

General Principles of Good Governance

Role of the Board of Management (cont)

Colleges should therefore continuously review their culture, core values, policies and procedures to ensure that they promote behaviours and attitudes which combat discrimination. It is the responsibility of College managers to **ensure** that these policies and procedures are both understood and complied with by all staff and students of the College.

The Board **should** ensure that the College has an Equal Opportunities policy in place.

Strategic Planning

The Board has a duty to put in place, plans to enable the College to achieve and develop its mission and primary objectives of learning, teaching and research. This responsibility includes considering, approving and monitoring implementation of the College's Strategic Plan, which sets its academic aims and objectives and identifies the financial and staffing strategies necessary to achieve these objectives.

- The future direction of the College and its financial health, for which the Board is responsible, are both determined by sound strategic planning.
- The Board has a duty to enable the College to achieve and develop its mission and primary objectives of learning and teaching. This responsibility includes considering and approving the College's Strategic Plan.
- The next planning level down after the Strategic Plan involves devising plans or strategies to implement the aims and objectives at operational level, i.e. operational plans.

The Strategic Plan

The strategic plan sets the College's academic aims and objectives and identifies the financial, physical and staffing strategies necessary to achieve these objectives.

General Principles of Good Governance

Role of the Board of Management (cont)

The Board's Role and Responsibilities

The Board is responsible for the educational character, management and financial health of the College, having particular concern for the development and pursuit of the medium to long-term aims and objectives. To this end the Board is responsible for the approval of the College's rolling 3-year Strategic Plan.

In addition to this the Act requires the Board to submit an annual Development Plan in respect of their College to SFC.

Corporate Governance and Risk Management

The Board is responsible for the College's systems of internal control and for reviewing their effectiveness. The Board has a responsibility to ensure that the College has complied with good practice and in particular that it has complied with the principles set out in Section 1 of the Financial Reporting Council's *Combined Code on Corporate Governance*.

The Board has a responsibility to ensure that there is a formal ongoing process in place for identifying, evaluating and managing the College's significant risks and **must** review the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

- In order to achieve the objectives identified in the Strategic Plan, risks associated with not achieving these objectives **must** be identified.
- The Financial Memorandum with the SFC requires Scotland's Colleges to include a statement of internal control in the corporate governance section of the audited financial statements, explaining the risk management arrangements operated by the Board.

General Principles of Good Governance

Role of the Board of Management (cont)

Risk Management

It is imperative that the College adopts a risk-based approach to strategic planning. In order to achieve its objectives, the Board **must** identify the risks associated with not achieving these objectives. The Board then has the responsibility for matching controls to these risks in order to monitor, minimise or avoid these risks altogether and assigning responsibilities for the controls. The Board is also charged with the responsibility for implementing these controls, and monitoring their effectiveness and continued relevance, however it is likely that this will be partially delegated to the Principal.

The College's Audit Committee is required to provide advice to the Board annually on risk management, control and governance in advance of the Board approving the audited financial statements.

Internal Controls

The Financial Memorandum with the SFC requires Scotland's Colleges to include a statement of internal control in the corporate governance section of the financial statements, explaining the risk management arrangements operated by the Board. This is required in order to comply with best practice as recommended by the *Turnbull Guidance on Internal Control*.

As such the Board are required to review, at least annually, the effectiveness of all controls, including financial, operational and compliance controls. The Board needs to show that they have established and maintained effective and on-going procedures for identifying, evaluating and managing business risks.

Corporate Governance Statement

The Accounts Direction published by the SFC requires Colleges to include in their financial statements a statement covering responsibilities of the Board in relation to corporate governance. The statement is required to indicate how the College has complied with good practice in this area and in particular in relation to effective risk management. All Colleges should now be in a position to make a full compliance statement.

General Principles of Good Governance

Role of the Board of Management (cont)

Finance, Financial Planning and Management and Monitoring

The Board is responsible for ensuring the solvency of the College, safeguarding its assets, approving the financial strategy/budget, ensuring regularity of spend and ensuring that there are adequate management controls in place to enable the Board to discharge its other responsibilities.

The Board is responsible for directing and overseeing the College's arrangements for internal and external audit.

- The Board is required to oversee the financial planning aspects of the plan and the management and monitoring of the plan as a whole.
- The College should have an internal manual of financial procedures and regulations specifying the financial responsibilities and authority of the Board, its committees, and staff.
- The Board has a number of financial responsibilities deriving from the Further and Higher Education (Scotland) Acts 1992 and 2005, the Charities and Trustee Investment (Scotland) Act 2005, the Financial Memorandum and each College's Financial Regulations.
- In order to fulfil its financial responsibilities the Board is required to build financial planning information, i.e. budgets, into its Strategic Plan and **must** ensure that the financial plans are managed and monitored.
- The Board should ensure that robust systems are in place to monitor performance against key targets.
- The Financial Memorandum with SFC specifies certain financial transactions of which Colleges are required to inform SFC or, for which they must obtain formal consent from SFC.
- The College's annual accounts are subject to scrutiny by external audit and the Board is responsible for approving the annual accounts.
- The Board **must** ensure that there is an adequate IT strategy in place.

The Board's financial responsibilities are detailed below. In order to fulfil these responsibilities the Board is required to build financial planning information, i.e. budgets, into its Strategic Plan and should ensure that the financial plans are managed and monitored.

General Principles of Good Governance

Role of the Board of Management (cont)

The Boards' Financial Responsibilities:

Ensuring the solvency of the College and safeguarding its assets.

Approving the financial strategy.

Approving annual operating plans and budgets which should reflect the College's strategic plan, ensuring key risk areas are considered, for example:

- Increasing employer costs in relation to pensions;
- Income recognition rules around European Funding;
- Recognition of income in relation to students.

Ensuring that funds provided by the SFC are used in accordance with the terms and conditions specified in the Funding Council's Financial Memorandum.

Ensuring the existence and integrity of risk management, control and governance systems and monitoring these through the audit committee.

Receiving and approving the annual accounts (audited financial statements).

Typically the Board will be responsible for the approval stages in the process, approving the Strategic Plan and annual budgets before submission to the SFC. The financial forecast is an integral part of a College's strategy and should always be considered as part of the Strategic Plan. The Board has a statutory responsibility for approving the annual budget, ensuring the solvency of the College and safeguarding assets. These responsibilities cannot be met without having appropriate financial forecasting and monitoring in place.

The Board:

- **Must** approve the financial forecast sent to the SFC.
- **Must** consider the full financial consequences, including one off and recurring costs, of any decisions, (for example whether to undertake building projects), and will need financial forecasts to help them to do this.
- **Must** form a view on the financial health of the College and whether specific action needs to be taken to improve the position.
- Should be involved in agreeing financial objectives, targets and milestones in reaching those objectives and in reviewing their implementation through receipt of regular management accounts.
- Might, depending on the financial situation of the College, wish to review underlying financial plans, for example, for specific departments or areas of activity.

General Principles of Good Governance

Role of the Board of Management (cont)

Quality and Standards

Ultimately the Board is responsible for the educational character and the quality of education provided by the College and **must** ensure that sound arrangements are in place to ensure the quality and standards of the College's work.

- A College's main grant funding may be adversely affected should expected standards of quality not be maintained.
- The Board **must** ensure that sound arrangements are in place to ensure the quality and standards of the College's work.
- The Board **must** monitor the quality of the College's performance and should ensure that appropriate action is being taken to address any areas of concern.
- SFC, through Her Majesty's Inspectorate of Education (HMIE), conducts independent reviews under their Quality Framework.
- Colleges can gain quality assurance via other means of external assessment and evaluation e.g. external and internal audit and SUMS audit.

Raising standards and improving the quality of students' experiences **should** be a prime aim in all Colleges.

Ultimately the Board is responsible for the educational character and the quality of education provided by the College and so **must ensure** that sound arrangements are in place to ensure the quality and standards of the College's work.

In order to ensure that standards are maintained, or indeed raised, the Board **should** monitor the College's performance and ensure that any changes necessary to bring about improvement are implemented.

Specifically the Board will also be involved in approving the College's quality assurance and improvement strategies. The Board will also receive regular reports from the Principal on quality and standards matters, as described below, and **must** ensure that appropriate action is being taken to address any areas of concern highlighted.

General Principles of Good Governance

Role of the Board of Management (cont)

Learning Environment and Estates

The Board is responsible for oversight of the strategic management of the College's land and buildings. As part of this responsibility it **should** consider, approve and keep under review an estates strategy that identifies the property and space requirements needed to fulfil the objectives of the College's strategic plan, and also provides for a planned programme of maintenance.

The Board **must** also ensure that all Health and Safety regulations are met.

- The Board is responsible for oversight of the strategic management of the College's land and buildings and **must** keep its property assets under review.
- The Board should consider, approve and keep under review an estates strategy.
- The establishment of, and delegation of estates business to an Estates Committee to co-ordinate the estates strategy is recommended.
- The Principal is responsible for the implementation of the Strategic Plan, which includes the estates strategy.
- The risks of not achieving the Estates Strategy should be considered as part of the overall Risk Management process.
- Capital funding is in place from SFC to enable Scotland's Colleges to have sufficient annual funds to enable them to maintain, reinvest and replace their physical assets on a sustainable basis.

The Board is responsible for oversight of the strategic management of the College's land and buildings and **must** keep the property assets under review, with the aim of providing an environment that will facilitate high-quality research, teaching and learning. As part of this responsibility it should consider, approve and keep under review an estates strategy that identifies the property and space requirements needed to fulfil the objectives of the College's strategic plan, and also provides for a planned programme of maintenance.

The Board itself should agree how it wants to be involved in the estates strategy planning process, however common practice amongst Scotland's Colleges is the establishment of, and delegation to, an Estates Committee (sometimes encompassed in the Finance and General Purposes Committee) to co-ordinate the estates strategy and deal with all estates business with this Committee reporting to the Board on a regular basis.

General Principles of Good Governance

Role of the Board of Management (cont)

SFC requires that all Colleges have in place such a strategy, the main purpose of which is to ensure that they have an appropriate estate to meet the current and anticipated needs of academic and support functions.

The Board as Employer

The Board, as the employer of the individuals who work for the College, has a responsibility to ensure that the College meets its moral and legal obligations as an employer.

The Board has responsibility for the College's human resource and employment policy. This includes ensuring that pay and conditions of employment are properly determined and implemented for all categories of employee. The Board is also responsible for appointing and setting the terms and conditions for the Principal and such other senior posts as it may from time to time determine.

- The Board has responsibility for all of the College's employment policies. All policies and procedures relating to staffing and employment issues **must** be developed in consultation with staff.
- The Board is responsible for meeting all legal requirements relating to the employment of staff.
- The Board **must** ensure that there are policies and procedures in place for the promotion of equal opportunities in the employment field.
- The Board has a responsibility for ensuring that the College is a healthy and safe environment in which its employees can work.
- The Board has a duty to ensure that applicants for child care positions are not on the list of individuals considered unsuitable to work with children.
- All Colleges should have appropriate channels through which staff can raise issues or allegations about perceived irregularities in the running of the College or the activities of colleagues within the College.
- The Board should ensure that the recruitment process is as open and transparent as possible.
- The Board should directly influence and establish management development programmes for the Principal and other senior post holders if appropriate.
- The Board should recognise the important role played by trade unions in the College's environment.

General Principles of Good Governance

Role of the Board of Management (cont)

In summary the Board's detailed responsibilities are:

- Setting a pay and conditions framework for all staff;
- Appointing, grading, suspending, dismissing and determining pay and conditions of the Principal and other senior post holders and the Secretary to the Board;
- Designating senior posts;
- Appraising the performance of the Principal and the Secretary to the Board. This process should include setting the probationary period for new appointments;
- Ensuring that overall the payments systems in use are fair and comply with relevant legislation;
- Hearing appeals relating to the dismissal for disciplinary reasons of other staff;
- Hearing staff grievances not resolved at earlier stages of the procedures;
- Agreeing management development programmes for senior post holders;
- Being aware of legislation affecting the employment of staff; and
- Being aware of the contract of employment between themselves and their employees that sets out the detailed terms and conditions on which an employee is employed.

General Principles of Good Governance

Role of the Board Member

Introduction

While the Board as a whole has certain roles and responsibilities in the management and future direction of the College, each individual Board member also has a role to play and important responsibilities to be aware of.

- A Board member of a College is a holder of public office and must abide by *The Seven Principles of Public Life* ('Nolan Principals') in discharging their duties.
- The *Ethical Standards in Public Life etc (Scotland) Act 2000* requires Boards to adopt a Code of Conduct based on the Model Code of Conduct for Members of Devolved Public Bodies – members **must** abide by this in undertaking their duties.
- Training and development – there is an onus on individual members to keep themselves informed and updated.
- The Chair is responsible for the effective leadership of the Board and for ensuring its roles and responsibilities are fulfilled.
- The Secretary is responsible for ensuring that business is conducted smoothly and efficiently.
- The Principal is responsible for the executive management of the College and the day-to-day direction, organisation and leadership of its staff and for reporting to the Board as required.
- Board members **must** act honestly and in good faith at all times.

Code of Conduct

Under the terms of the *Ethical Standards in Public Life etc (Scotland) Act 2000* College Boards **must** adopt a Code of Conduct based on the *Model Code of Conduct for Members of Devolved Public Bodies* as approved by the Scottish Parliament.

Board members have a personal responsibility to ensure that they are familiar with, and that their actions comply with, the provisions of the Code of Conduct.

In making decisions there is an obligation on Board members, to act reasonably with regard to natural justice. As a publicly funded body, a decision made by a Board may be subject to detailed public scrutiny, including scrutiny by the Parliament and its committees.

General Principles of Good Governance

Role of the Board Member (cont)

Induction, Training and Development of Board Members

Induction

It is the responsibility of the Chair of the Board (working with the Secretary as appropriate) to ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and are made aware of the responsibilities placed on them for the proper governance of the College. This should take the form of a formal induction session, which will also cover the functions of the Board and the strategic objectives of the College. New Board members should also receive copies of all relevant documentation, at the time of their appointment e.g. College Prospectus, Annual Financial Statements, Report on Risk Management list of internal advisors, information from ASC, SFC, NUS, HMIE and a list of relevant websites for further information as required.

Training and Development

Following initial induction it is important that Board members receive regular, training and information as necessary, to allow them to stay up to date with developments in the Sector and in the College itself and to ensure that they can discharge their responsibilities with confidence. There is also an onus on individual members to keep themselves informed.

Expenses and Remuneration

The Board cannot pay allowances that remunerate the members for their services as Board members. Normal practice is for the Board to be paid only such incidental travelling, subsistence or other allowances as it may determine reasonable.

General Principles of Good Governance

Role of the Board Member (cont)

Individual Roles within the Board

There are certain roles within the Board that are of particular importance in ensuring that the Board's overall role is fulfilled. These are:

- The Chair
- The Secretary (NB Secretary while not a Board Member has a key advisory role)
- The Principal

The specific roles and responsibilities of each of these are summarised in the following tables.

Chair

Roles and Responsibilities

- Effective leadership of the Board and ensuring that the Board fulfils its duties, roles and responsibilities.
- Ensuring members work together effectively and efficiently and have confidence in the procedures laid down for the conduct of business and that the views of all members are sought at meetings.
- Ensuring the efficient conduct of the business of meetings of the Board by following established procedures for the conduct of business.
- Ensuring members have a proper knowledge and understanding of their roles and responsibilities.
- Developing an effective and mutually supportive working relationship with the Principal and other senior staff, agreeing their annual targets, overseeing the way they implement Board decisions and undertaking performance assessment of the Principal.
- Ensuring that the Board observes the principles of public life and that any Committees established report back to the Board on a timely and efficient basis.
- Suspension and dismissal of senior post holders.
- Calling meetings and approving minutes of meetings prior to publication.
- Can exercise the right of a second or casting vote in situations where there is an equal division of votes.

General Principles of Good Governance

Role of the Board Member (cont)

Secretary

Roles and Responsibilities

- Ensuring that the business of the Board is conducted smoothly and efficiently and in compliance with Statutory Instruments, Standing Orders and the Scheme of Delegation.
- Ensuring that the Board operates within its powers and follows agreed and proper procedures and takes appropriate action if required.
- Ensuring that principles of corporate governance are followed and advising the Board accordingly.
- Ensuring the meetings of the Board are properly run, that members receive appropriate advice and that the proceedings of the Board and its Committees are recorded fully and accurately.
- Identifying when there is a quorum and ensuring appropriate ratification of non-quorate meetings.
- Ensuring the conduct of the business of the Board, and of individual members, accords with the high standards expected of those in public office.
- Maintaining an up to date register of interests.
- Planning the business of the Board and its Committees, which will involve timetabling meetings in advance, preparation of agendas and commissioning and distribution of papers.
- Taking minutes of meetings and ensuring they clearly identify actions, responsibilities and matters arising.
- Ensuring that Board members are appointed and replaced in accordance with the College's Constitution.
- Continuing development of Board member's expertise.

General Principles of Good Governance

Role of the Board Member (cont)

Principal

Roles and Responsibilities

- **Must** ensure that public funds are spent only on the purposes for which they are given and in accordance with any terms and conditions attached to them.
- **Must** alert the Board if any actions or policy under consideration would be incompatible with the terms of the Financial Memorandum.
- Member of the Board with full voting rights.
- Responsible for the executive management of the College and the day-to-day direction, organisation and leadership of its staff.
- Overall responsibility for the College's Personnel function including composition of the Senior Management Team and staff structure.
- Proper management of the budget and resources of the College.
- The Board's professional adviser on the running of the College.
- Initiate discussion and consultation on proposals concerning the College's future development at the appropriate time and with relevant advice from suitable professionals.
- Implement the decisions of the Board or ensure that they are implemented through the relevant part of the College's management structure.
- A lead role in the development and update of the Strategic Plan.
- Responsible for decisions relating to academic activities including student discipline.

General Principles of Good Governance

Role of the Board Member (cont)

Personal Liability

The code of conduct includes a statement about each Board member's personal liability. The law relating to the personal liabilities of Board members is complex and its interpretation is ultimately a matter for the courts. Basically, provided that each Board member has acted honestly and in good faith no individual cost should be incurred, should an individual Board member incur a civil liability in the course of carrying out their responsibilities for the Board.

This indemnity does not protect a Board member who acts recklessly or in bad faith. Each Board member should consider whether all activities are in line with the College's objectives.

It is desirable for Colleges to take out insurance against the costs of any charge of negligence that may be brought against Board members in carrying out their duties.

Statement of Key Principles

Role of the Board of Management

Each college's Board of Management is essential to the development and achievement of the strategic aims and objectives of that College. The key principals relating to this are:-

1. Every College in Scotland should be headed by an effective Board of Management, which is unambiguously and collectively responsible for overseeing the College's activities, determining its future direction and fostering an environment in which the College Mission is achieved and the potential of all learners is maximised. The Board of Management must ensure compliance with the statutes, ordinances and provisions regulating the College and its framework of governance and, subject to these, take all final decisions on matters of fundamental concern to the College.
2. The Board of Management shall meet sufficiently regularly and normally not less than four times a year, in order to discharge its duties effectively. Members of the Board of Management shall attend regularly and actively participate.
3. The College's Board of Management should adopt a Statement of Primary Responsibilities which should include provisions relating to:
 - Approving the mission and strategic vision of the College, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of the stakeholders;
 - Appointing the head of the College as chief executive of the College and putting in place suitable arrangements for monitoring his/her performance;
 - Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest;
 - Monitoring College performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other colleges.
4. This statement of Primary Responsibilities should be published widely, including on the internet and in the annual report, along with identification of key individuals (i.e., Chair, Deputy Chair, Head of the College, and Chairs of the key committees) and a broad summary of the responsibilities which the Board of Management delegates to management.

Statement of Key Principles

Role of the Board of Management (cont)

5. The structure of the Board of Management is set out in statute.
6. Appointments should be managed by a nominations committee, normally chaired by the Chair of the Board of Management. To ensure rigorous and transparent procedures, the nominations committee should prepare written descriptions of the role and the capabilities desirable in a new member, based on a full evaluation of the balance of skills and experience of the Board of Management. When vacancies arise they should be widely publicised both within and outside the College. When selecting a new Chair, a full job specification should be produced, including an assessment of the time commitment expected, recognising the need for availability at unexpected times.
7. The proceedings of the Board of Management shall be conducted in as open a manner as possible, and information and papers restricted only when the wider interest of the College or public interest demands, including the observance of contractual obligations.
8. The Board of Management must keep its effectiveness under regular review. Not less than every five years it should undertake a formal and rigorous evaluation of its own effectiveness, and that of its committees. Effectiveness shall be measured both against the Statement of Primary Responsibilities and compliance with this guide. The Board of Management shall revise its structure or processes accordingly.
9. In reviewing its performance, the Board of Management shall reflect on the performance of the College as a whole in meeting long-term strategic objectives and short-term KPIs. Where possible, the board of Management shall benchmark College performance against the KPIs of other comparable Colleges.
10. The results of these reviews of effectiveness, as well as of the College's annual performance against KPIs, shall be published widely, including on the internet and in its annual report.

Statement of Key Principles

Role of the Board Member

Board members have the following main roles:

- To advise on strategy;
- To help management make judgements on matters that are material to the College;
- To ensure that management operate within the law and within the College's constitution;
- To ensure good governance.

Board members need to bring particular skills, knowledge and experience to the Board. They should question intelligently, debate constructively, challenge rigorously and decide dispassionately, and they should listen sensitively to the views of others.

The key principles in relation to the role of the individual Board member are:

1. Individual Board members and Boards of Management themselves must at all times conduct themselves in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
2. All members should exercise their responsibilities in the interests of the College as a whole rather than as a representative of any constituency. The College shall maintain and publicly disclose a register of interests of members of the Board of Management.
3. The Chair shall be responsible for the leadership of the Board of Management, and be ultimately responsible for its effectiveness. The Chair shall ensure that the College is well connected with its stakeholders.
4. The Principal shall be responsible for advice on strategic direction and for the management of the College, and shall be the designated accounting officer, in respect of the use of Scottish Funding Council funds. The Principal shall be accountable to the Board of Management which shall make clear, and regularly review, the authority delegated to him/her as chief executive.

Statement of Key Principles

Role of the Board Member (cont)

5. The Chair shall ensure that new members receive a full induction on joining the Board of Management, that opportunities for further development for all members of the Board of Management are provided regularly in accordance with their individual needs, and that appropriate financial provision is made for support.
6. The Secretary to the Board of Management shall be responsible for ensuring compliance with all procedures and ensuring that papers are supplied in a timely manner with information in a form and of a quality appropriate to enable the Board of Management to discharge its duties. All members shall have access to the advice and services of the Secretary to the Board of Management, and the appointment and removal of the Secretary shall be a decision of the Board of Management as a whole.

Documents for Other Key Requirements and Useful Websites

As a College of Further Education

Further and Higher Education (Scotland) Act 2005

Further and Higher Education (Scotland) Act 1992

College's own Constitution and Standing Orders

Statement of Recommended Accounting Practice (SORP): 'Accounting in Further and Higher Education'

Code of Audit Practice

As a Public Sector Body

The Ethical Standards in Public Life (Scotland) Act 2000

Public Finance and Accountability (Scotland) Act 2000

As a Charity

Charities and Trustee Investment (Scotland) Act 2005

The Charities (Accounts and Reports) Regulations 2005

Trust Deed/Scheme

APPENDICES

Documents for Other Key Requirements and Useful Websites (cont)

Useful Websites for further reading

www.ascol.org.uk	The Association of Scotland's Colleges
www.sfc.ac.uk	The Scottish Funding Council
www.scotland.gov.uk/hmie	Her Majesty's Inspectorate of Education
www.scotland.gov.uk	The Scottish Executive
www.opsi.gov.uk	Office of Public Sector Information (details of legislation)
www.eoc.org.uk	Equal Opportunities Commission
www.cre.gov.uk	Commission for Racial Equality
www.drc-gb.org	Disability Rights Commission
www.audit-scotland.gov.uk	Audit Scotland

Financial Memorandum with SFC

The financial memorandum has an effective date of 1 January 2006.

Preamble

1. This memorandum sets out the formal relationship between the Scottish Further & Higher Education Funding Council ('the Council') and 'the institution'. The foundation of the relationship is provision of funding by the Council to the governing body of the institution, according to statute.
2. The constitutional arrangements for the relationship are laid down in the relevant statutes and instruments of governance which establish the autonomy of the institution and the powers and duties of the Council.
3. For these arrangements to be effective the Council and the institution have to work in partnership to assist the delivery of the Scottish Executive's policies for further and higher education and to secure best value from the investment of funds derived from Scottish Ministers. The ultimate purpose of all these partnerships, policies and investments is to secure further and higher education in Scotland which meets the nation's economic, social and cultural needs by providing excellent learning opportunities for students and outstanding research. The Council recognises that the institution may also undertake activities and have to comply with legislation and regulation which fall outside the scope of this partnership.

Purpose of the memorandum

4. Accordingly, this memorandum sets out the expectations of the institution and the requirements which are a condition of the Council's funding. It also sets out the agreed expectations which the institution, in the spirit of constructive partnership, has a right to have of the Council.

What the institution can expect of the Council

5. The Council will conduct its affairs at all times to the highest accepted standards for public sector bodies. It will act reasonably on the basis of the fullest available evidence and objective analysis. Subject to any legal requirement to observe confidentiality, it will be open and transparent with the institutions it funds and other stakeholders, and will give or be prepared to give a public justification of all its decisions.
6. The Council will maintain a policy on openness which sets out the work of the Council, the services it aims to provide and how to complain or appeal if something goes wrong.

APPENDICES

Financial Memorandum with SFC (cont)

7. The Council will maintain regular and frequent dialogue with institutions and their representative bodies where it seems appropriate to:
 - (i) promote a shared understanding of the aspirations, needs and concerns of the various stakeholders;
 - (ii) support the beneficial impact of institutions' collaborative activities; and
 - (iii) better enable it to provide the information, advice and assistance Scottish Ministers require of it.
8. The Council will not substitute its judgements for those which are properly at the discretion of institutions. In particular, the Council will seek to maximise the discretion of institutions to use grants provided by the Council.
9. In discharging its duty to monitor and publish the performance of the institution generally and on specific projects, the Council will, as far as possible, rely on the data and information used by the institution for its own purposes.
10. The Council will allocate and pay grant to the institution in accordance with current published policies and procedures. The institution will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.
11. The accountable officer of the Council is required to be satisfied that the institution has put in place the organisation and procedures necessary to ensure compliance with this memorandum, including the achievement of best value from funds derived from Scottish Ministers. The Council will obtain evidence from the institution, which will include undertaking reviews (but only by prior arrangement), to provide the assurances required to discharge this responsibility.
12. Where the Council has concerns or insufficient information to provide the assurance required, the Council will, in the first instance, seek to resolve matters with the chief executive officer of the institution. Where this has not proved possible, the Council's accountable officer will inform the chair of the governing body and the institution's chief executive officer in writing and without delay of any significant concern of the Council about the conduct of the institution. Only after such notification and where the circumstances warrant it, the Council's accountable officer may suspend the payment of any or all grants to the institution. Where the concern relates to the financial support which the institution receives (or might receive) from the Council, the Council may also use its powers to attend and address a meeting of the governing body.

Financial Memorandum with SFC (cont)

What the Council can expect of the institution

13. The following paragraphs state the expectations of the institution and the requirements which are a condition of the Council's funding.
14. The Council must be able to rely on the whole system of governance, management and conduct of the institution to safeguard all funds of the institution deriving from Scottish Ministers and to achieve the purposes for which those funds are provided. As a recipient of public funds, the governing body of the institution will strive to achieve at all times good practice in the governance, management and conduct of the institution.
15. The governing body will ensure that it has in place and effectively implemented the proper arrangements for governance, leadership and management of the institution as required by statute, its instrument and articles of governance. This includes the appointment of the chief executive officer. As well as being directly accountable to the governing body for the proper conduct of the institution's affairs, the chief executive officer of the institution is also directly accountable to the chief executive officer of the Council for the institution's proper use of funds deriving from Scottish Ministers and its compliance with this memorandum.
16. Respecting the primacy of the institution's own statutory and constitutional obligations, the governing body will ensure that:
 - (i) there is effective planning and delivery of the institution's education programmes, research and related activities, in accordance with its mission;
 - (ii) it obtains sufficient data and information of a quality to enable it to determine how well the institution is achieving its goals across the full range of its activities and that the institution is adjusting its strategies as necessary for the delivery of these goals. Such information will be made available to the Council on request as necessary for the exercise of its statutory functions;
 - (iii) public funds are used in accordance with relevant legislation and only for the purposes for which they are given;
 - (iv) the institution strives to achieve best value from its use of public funds from all sources;
 - (v) the institution takes appropriate account of Scottish Ministers' priorities as expressed in the Council's further and higher education policies and drawn to the institution's attention by the Council;

APPENDICES

Financial Memorandum with SFC (cont)

- (vi) the institution is actively engaged in seeking continuously to enhance the quality of its programmes and services and to involve students and other stakeholders in these processes;
 - (vii) there are in place up-to-date and readily accessible procedures for handling complaints by students, staff and others;
 - (viii) its and the institution's activities are conducted in an appropriately open, transparent and fully accountable manner;
 - (ix) the institution plans and manages the deployment of its resources in a sustainable way;
 - (x) it and the institution adheres to the Council's mandatory requirements (as notified to the institution in circular letters) and that the institution takes account of relevant good practice in the management of all its activities and resources including its:
 - staff, human resources and industrial relations practices;
 - estates and equipment; and
 - finances, and risk and internal control procedures.
17. The chief executive officer of the institution must inform the accountable officer of the Council without delay of any circumstance that is having or is likely to have a significant adverse effect on the ability of the institution to maintain its capacity to deliver relevant education programmes, research and related activities.



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