

Foreword

Colleges in Scotland thrive in the heart of their communities, serving the interests of those communities, students, employers, governments and their agencies and other stakeholders. They have an essential and valuable role in Scottish society. In 2013, they delivered learning to over 230,000 students and, over the past eight years, have contributed over £1 billion to the Scottish economy. Colleges are also a major employer with 13,500 directly employed staff.

Colleges receive substantial public funding and also operate in an increasingly commercial and enterprising way. They are expected to innovate, pursue new opportunities and take measured risks in delivering what is best for their stakeholders. In recent times, they have gone through major transformational change, embracing regionalisation and post 16 education reforms.

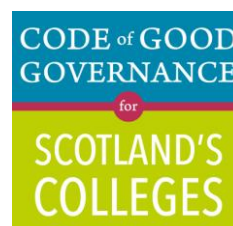
Against this background, it is right and proper that the highest standards of governance and propriety are expected of our colleges and those individuals who serve them. This Code of Good Governance codifies the principles of good governance that already exist in our colleges and promotes accountability and continuous improvement in how colleges are governed.

The Code was developed collaboratively with a wide range of stakeholders including representatives of students and staff. It has been subject to extensive consultation. The Code is based on key principles and has been written in a way that is mandatory and anticipates compliance. All Colleges that receive funding from the Scottish Funding Council and regional strategic bodies will be expected to comply with the Code, exceptions should be rare and will have to be explained publicly.

The Code will be reviewed formally every three years but given the transformational changes that have been underway in the college sector specifically, and developments in good governance more generally, the Code will be kept under ongoing review. It will be supported by supplementary guidance designed to embed and operationalise the principles set out in the Code. Colleges Scotland will act as custodian of this process but, in keeping with the way that the Code was created, the broad church of stakeholders who drew up the Code will be engaged fully in its development and revision.

Colleges have an important individual and collective role to play in promoting economic, social and cultural well-being. We expect this Code of Good Governance to provide the essential underpinning to help discharge that role to the highest standards possible.

Hugh Hall, Chair of the Code of Governance Steering Group



Code of Good Governance for Scotland's Colleges

Governance and the Code

Corporate governance:

- is the way in which organisations are directed and controlled
- defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation
- determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set
- provides the means of achieving those objectives and monitoring performance.

Scotland's colleges refers to colleges either funded by the SFC or by a regional strategic body for the provision of education. Such colleges can be incorporated or non-incorporated. The overarching purpose of good governance for Scotland's Colleges is to:

- Lead the college and set its strategic direction and values
- Ensure effective management and financial controls to support the student experience within a framework of public accountability and transparency
- Deliver high quality of learning and outcomes.

The Code of Good Governance for Scotland's Colleges has been developed, and is owned, by the college sector. Colleges are required to comply with it as a condition of grant from either the Scottish Funding Council or their regional strategic body. It establishes standards of good governance practice for all college boards and provides the essential foundations for compliance within the legislative framework set out by the further and higher education acts.

There is an expectation that regional strategic bodies will also embrace this Code where relevant.

Boards must not only follow the letter but also the spirit of the Code to ensure good governance. Boards must think deeply, thoroughly and on a continuing basis about their overall tasks and the implications of these for the roles of their individual members. Key to this is the leadership of the Chair, the support given to and by the

Principal, and the frankness and openness of mind with which issues are discussed and tackled by all board members.

Statement of Compliance with Good Governance

Each college should state its adoption of the Code in the corporate governance statement contained in its annual audited financial statements. The Chair, on behalf of the Board, is encouraged to report personally as to how the principles have been applied by the Board. Where, for whatever reason, a college's practice is not consistent, with any particular principle of the Code, it should make this known to the Scottish Funding Council or 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. Colleges will be expected to offer a clear rationale for exceptions in the context of their college's operational model and to identify mitigations.

Principles

Section A: Leadership and Strategy

Conduct in Public Life

- A.1 Every college must be governed by an effective board that is collectively responsible for setting, demonstrating and upholding the values and ethos of the organisation.
- A.2 The nine key principles underpinning public life in Scotland, which incorporate the seven Nolan principles, must be the basis for board decisions and behaviour. These key Principles are:
- Duty/Public Service
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability & Stewardship
 - Openness
 - Honesty
 - Leadership
 - Respect

Vision and Strategy

- A.3 The board is responsible for determining the college's vision, strategic direction, educational character, values and ethos. For an assigned college, the Board must have regard to the strategy determined by the Regional Strategic Body. Board members have a collective leadership role in fostering

an environment that enables the college to fulfil its mission and meet Scottish Government priorities, for the benefit of students and the community it serves.

- A.4 The board must develop and articulate a clear vision for the college. This should be a formally agreed statement of the college's aims and desired outcomes which should be used as the basis for the college's overall strategy and planning processes.
- A.5 The board provides overall strategic leadership of the college. The board is responsible for formulating and agreeing strategy by identifying strategic priorities and providing direction within a structured planning framework.
- A.6 The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports in order to determine whether or not the college's vision and mission are being fulfilled and that the interests of stakeholders are being met.
- A.7 The board (except in the case of assigned college boards) is responsible for negotiating its outcome agreement with the SFC, to meet the needs of the region and make best use of available funding, consistent with national strategy. The board must ensure effective engagement with all relevant stakeholders in the development of its outcome agreement and monitor performance in achieving the agreed outcomes.

The role and responsibilities of the boards of assigned colleges should be undertaken in the context of the roles and responsibilities of their regional strategic body, which differ depending on whether a college is incorporated or not. Assigned college boards must contribute constructively to the development of the outcome agreement led in its region by the regional strategic body. The board must support the regional strategic body to monitor performance in achieving the agreed outcomes.

Corporate Social Responsibility

- A.8 The board must demonstrate high levels of corporate social responsibility by ensuring the college behaves ethically and contributes to economic development while seeking to improve the quality of life of its workforce as well as of the local community and society at large.
- A.9 The board must exercise its functions with a view to improving economic and social wellbeing in the locality of the college. It should have regard to social and economic needs and social inclusion.
- A.10 The board must provide leadership in equality and diversity. The board must ensure it fulfils its statutory obligations and duties in respect of equalities legislation.

- A.11 The board must seek to reflect in its membership, the make-up of the community through offering maximum opportunity of membership to a range of potential members and removing potential barriers to membership, in partnership with its regional strategic body, as appropriate.
- A.12 The board must appoint one of the independent non-executive members to be the senior independent member to provide a sounding board for the chair and to serve as an intermediary for the other board members and the board secretary when necessary. The senior independent member (or Vice-Chair) should also be available where contact through the normal channels of chair, principal, or secretary has failed to resolve an issue or for which such contact is inappropriate.

Section B: Quality of the Student Experience

Student Engagement

- B.1 The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions.
- B.2 The board must lead by example in relation to openness, by ensuring that there is meaningful on-going engagement and dialogue with students, the students' association and as appropriate staff and trades unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.

Relevant and high quality learning

- B.3 The board must seek to secure coherent provision for students, having regard to other provision in the college's locality. The board must be aware of external local, national and international bodies and their impact on the quality of the student experience, including community planning partners, employers, skills development and enterprise agencies and employer bodies. The board must seek to foster good relationships and ensure that the college works in partnership with external bodies to enhance the student experience, including employability and the relevance of learning to industry needs.

Quality Monitoring and Oversight

- B.4 The board must ensure appropriate mechanisms are in place for the effective oversight of the quality and inclusivity of the learning experience and work with other bodies as appropriate to oversee and monitor this. The board must ensure that the college works in partnership with sector quality agencies and other appropriate bodies to support and promote quality enhancement and high quality services for students.
- B.5 The board must expect to see student surveys and monitor action plans that could impact on the quality of the student experience.

Section C: Accountability

Accountability and Delegation

- C.1 The board is accountable to students and to other stakeholders, including the public, employers and its local community for the provision of appropriate, high quality education that enhances social and economic well-being. An assigned college is also accountable to the Regional Strategic Body.
- C.2 Incorporated colleges must maintain and publicly disclose a current register of interests for all board members. Board members should declare any conflicts of interest in the business of the meeting prior to the commencement of each meeting of the board and its committees and withdraw from meetings as appropriate or when requested to do so.
- C.3 The board must ensure that its decision-making processes are transparent, properly informed, rigorous and timely, and that appropriate and effective systems of financial and operational control, quality, management of staff, risk assessment and management, are established, monitored, continuously improved and appropriately impact assessed.
- C.4 Boards may delegate responsibilities to committees for the effective conduct of board business. The minimum committees required are Audit, Remuneration and as appropriate Nominations/Appointments.
- C.5 Delegation of responsibilities from, and matters reserved to, the board and its committees must be clarified through a scheme of delegation including the functions delegated by the board to the chair, committees, the principal, the board secretary.
- C.6 Boards must consider and have in place procedures to ensure effective working relationships and constructive dialogue amongst the board as a whole and ensure there is effective reporting and two way communication between committees and the board.

Risk Management and Audit

- C.7 The board is responsible for the overall management of risk and opportunity. It must set the risk appetite of the college and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the executive team.
- C.8 The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the college's significant risks and review the effectiveness of risk management, business continuity planning and internal control systems.

- C.9 The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the college's governance, risk management and internal control framework.
- C.10 The scope of the Audit Committee's work must be defined in its terms of reference and encompass all of the assurance needs of the board and the principal. The Audit Committee must have particular engagement with internal and external audit and financial reporting issues.
- C.11 The membership of the Audit Committees must consist of non-executive board members who must be independent and objective. The chair of the board must not be a member of the Audit Committee. The role of the college executive is to attend meetings at the invitation of the committee chair and to provide information for particular agenda items.
- C.12 The Audit Committee terms of reference must provide for the committee to sit privately without any non-members present for all or part of a meeting if they so decide. The Audit Committee members should meet with the internal and external auditors without the executive team present at least annually.
- C.13 At least one member of the Audit Committee should have recent relevant financial or audit experience.

Financial and Institutional Sustainability

- C.14 The board is responsible for ensuring the financial and institutional sustainability of the college. College boards are accountable to the Scottish Funding Council or their Regional Strategic Body for the funding they receive from it. The board must ensure compliance with the SFC/Regional Strategic Body Financial Memorandum and the relevant aspects of the Scottish Public Finance Manual.
- C.15 Boards must ensure that funds are used as economically, efficiently and effectively as possible.
- C.16 For colleges that are charitable organisations, board members are also charity trustees. Boards must be aware of their responsibilities under charity legislation and ensure compliance with relevant provisions.

Employee Relations

- C.17 The board must ensure that the college meets its ethical and legal obligations to its staff. Day to day staff management is delegated to the principal.
- C.18 The board is responsible for employment policies and must ensure appropriate consultation arrangements are in place with staff and recognised trades unions.
- C.19 Boards should ensure that colleges comply with statutory, contractual and other duties placed on them through the national bargaining process.

- C.20 The board must seek to ensure effective dialogue between trades unions and management and should promote positive employee relations.

Section D: Effectiveness

The Board Chair

- D.1 The chair is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The chair is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, particularly strategic issues. The chair must promote a culture of openness and debate by encouraging the effective contribution of all board members and fostering constructive relations between board members.
- D.2 The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the college to enable them to discharge their respective duties and responsibilities effectively.

Board members

- D.3 The whole board is collectively responsible and accountable for all board decisions. Board members must make decisions in the best interests of the college as a whole rather than selectively or in the interests of a particular group.
- D.4 Staff and student board members are full board members and bring essential and unique, skills, knowledge and experience to the board. Staff and student board members must not be excluded from board business unless there is a clear conflict of interest, in common with all board members.
- D.5 The board must ensure that the respective functions of governance and management, and the roles and responsibilities of the chair, the principal, the board secretary and individual board members, are clearly defined within a scheme of delegation.

Principal and Chief Executive

- D.6 The board must appoint the principal as chief executive of the college, securing approval for the appointment and terms and conditions of the appointment from the regional strategic body if necessary, and must put in place suitable arrangements for monitoring their performance.
- D.7 The board must ensure there is an open and transparent recruitment process for the appointment of the principal and obtain approval from the Regional Strategic Body for the appointment and their terms and conditions, where required. Students and staff should have an opportunity to contribute to the recruitment process.

- D.8 The board delegates to the principal, as chief executive, authority for the academic, corporate, financial, estate and human resource management of the college, and should ensure the establishment of such management functions as should be undertaken by and under the authority of the principal.
- D.9 The board must ensure a clear process is in place to set and agree personal performance measures for the principal. This process should seek the views of students and staff. The chair, on behalf of the board, should monitor, review and record the principal's performance, at least annually, against the agreed performance measures.
- D.10 There must be a formal procedure in place for setting the remuneration of the principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students should have a role in gathering and submitting evidence to the relevant committee.
- D.11 The principal has an important role in supporting effective governance. The principal, as a board member, shares responsibility with the chair and the board, supported by the board secretary, for enabling good governance through supporting effective communication and interaction between the board and the rest of the college including staff and students.
- D.12 The chair and the principal have a shared responsibility to provide leadership for the college. The principal is the operational interface between the board and the college.
- D.13 The board must provide a constructive challenge to the principal and executive team and hold them to account.

Board Secretary

- D.14 All board members must have access to a board secretary who has an important governance role in advising the board and individual board members and supporting good governance. The board secretary should advise the board and executive team on governance, the role of the board and board matters.
- D.15 The board secretary must directly support the chair and the board in ensuring that the board receives appropriate, timely and high quality information in a form that allows it to monitor and scrutinise the college's activities and to challenge performance when required. The board secretary must support the chair, the board and the executive team in ensuring compliance with all relevant legislative and governance requirements.
- D.16 The board secretary is responsible to the board and reports directly to the chair. The board secretary must be independent of the college executive in relation to their board secretary role. The appointment and removal of the board secretary should be a decision of the board as a whole.

Board Member Appointment, Induction and Training

- D.17 There should be a formal and open procedure in place for recruiting and selecting new non-executive board members. Boards must have regard to all relevant Ministerial Guidance on board appointments.
- D.18 The board is responsible for ensuring appropriate arrangements are in place for the conduct of student elections and nominations and elections of staff members to the board.
- D.19 The chair must ensure that new board members receive a formal induction on joining the board, tailored in accordance with their individual needs. The board secretary should support the chair in the provision of relevant induction for new board members.
- D.20 All board members must undertake appropriate training and development in respect of their governance role. The board secretary should support the chair in the provision of relevant training and development opportunities for board members, which should be tailored to meet board members skills and needs. The board secretary must keep records of the development activity of board members, including the chair.

Board Evaluation

- D.21 Extension of the term of office of board appointments requires evidence and the Board must ensure appropriate mechanisms are in place to support this.
- D.22 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 every three years to five years.
- D.23 The board must agree a process for evaluating the effectiveness of the board chair and the committee chairs. The evaluation of the board chair should normally be led by the vice-chair/senior independent member.
- D.24 The performance of regional college chairs will also be evaluated by the Scottish Government, as regional college chairs are appointed by the Scottish Ministers and are personally accountable to them.

Section E: Relationships and Collaboration

Partnership working

- E.1 Colleges and/or regional strategic bodies must work in partnership to secure the coherent provision of a high quality of fundable further and higher education in their localities.
- E.2 Colleges and/or regional strategic bodies must ensure effective consultation, local and regional planning and must follow the principles of effective

collaborative working: mutual respect, trust and working towards commonly agreed outcomes.

- E.3 Boards must ensure effective partnership working with local and national bodies including businesses, public and third sector organisations to develop commonly agreed priorities following the principles of effective collaborative working.
- E.4 The board must encourage and support effective partnership working and collaboration within and across regions to address local needs and meet national priorities and specialisms.

Openness and Transparency

- E.5 The work of the board and its committees should be communicated appropriately to internal and external stakeholders to support effective and transparent governance.
- E.6 The board, via the board secretary, must ensure the board agenda, minutes, policies and appropriate reports are published within appropriate time frames, ensuring and monitoring compliance with freedom of information legislation.

Staff and Students

- E.7 The board must encourage a strong and independent students' association and should ensure that the students' association is adequately resourced.
- E.8 The board must ensure that the students' association operates in a fair and democratic manner and fulfils its responsibilities. The students' association must have a written constitution, which should be subject to the approval and review by the board at intervals of not more than five years.
- E.9 The board and the students' association must establish clear guidelines on relationships and effective communication.
- E.10 The board should ensure that it is aware of the employees' and recognised trades unions views on relevant issues. The board should see staff surveys and monitor any resulting action plans. The principal is delegated to operationalise the outcome of board decisions, values and ethos to all staff.
- E.11 The principal, on behalf of the board, must ensure that appropriate governance standards are embedded throughout the college.