



# **Code of Good Governance for Independent Training Providers**

September 2018

Independent Training Providers (ITPs) provide excellent learning and training experience for learners and apprentices and are a key element of the skills delivery system of this country. They are entrusted with billions of pounds of public funds annually to provide quality services and experiences to students and apprentices. Collectively ITPs deliver most of the UK apprenticeship programme and any individual provider failure damages reputation and trust in the whole programme. Therefore, it is important that we demonstrate the highest standards of governance.

Boards of trustees or directors are the backbone of governance accountability in our sector. They work hard to ensure the best interests of learners, apprentices, and employers, and that public funds they receive are well spent and focused on meeting their company/ charity goals and government priorities. There is much to commend in the governance of many providers - indeed the best are exceptional - and this has enabled their businesses to be successful. However, too often, high profile failings as evidenced by Ofsted, financial failure or irregularities are a consequence of poor governance and oversight.

To help overcome this and building on recent research work AELP has done with FETL on evaluating governance practice in ITPs and reviewing other sector practices, it was determined that there was lack of knowledge on what was good accepted practice. Therefore, AELP as the lead professional body for the independent training provider sector working with sector leaders has developed a code of good governance for ITPs.

This Code of Good Practice in Governance (the Code) has 7 themes, each underpinned by key principles, exemplification, and supported by a good practice guide and training and support for the sector.

Excellence in governance should be at the heart of what we do, and we hope that providers will enhance their governance by adopting and implementing the Code. We therefore recommend everyone in the sector adopts the Code and uses it to assess performance against the principles and over time move towards fully embracing the Code.

Effective governance is a major contributor to the success of your business and the sector as a whole. Indeed, it is an essential factor in gaining the trust of government and the public when receiving tax payer's money to drive forward the education and skills agenda of this country. Poor governance damages the reputation of individuals, their businesses and above all the integrity of the provider market.

More importantly, adopting the new Code is an opportunity to rethink and refresh approaches to governance as the sector strives to be at the forefront of best practice in apprenticeships and government-funded training. It signals a willingness to enter into a new era of governance with the energy and commitment to ensure the very highest standards for our stakeholders, including all our apprentices, learners and employers.

## Chair

## **The Code of Good Governance for Independent Training Providers**

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The Code has been written to support governance and board practice in the independent training sector, which in turn will help providers work successfully towards meeting their organisation's vision, goals and strategy. The Code needs to be read alongside the provider's company/ organisation instrument and governance documents, where available, and the relevant legal and regulatory requirements including the Principles of Public Life, the UK Corporate Code and/ or the Charity Code and other publications such as funding rules.

The Code is based on a set of shared values, principles and expectations and boards, and those with responsibility for governance, will work within the 'spirit' of the Code as well as its 'letter'. As a sector, our approach to governance is to be committed and proactive.

This Code is relevant to all ITPs who work in the post-16 apprenticeship, education, training and skills sector, including limited companies, charities and not-for-profit organisations.

The Code sets out the governance themes and principles which any provider in the sector will need to embrace and adopt in order to show that it is conducting its business in the best interest of its learners, apprentices and employers, key stakeholders and funders. Adoption of the Code should not limit innovation in governance or stifle the dynamic nature of providers which has been so vital to their success.

The ITP sector is not a homogenous sector – small niche specialist owner managed private providers, not-for-profit and charities, through to large multinational companies with apprenticeship divisions and privately-owned training organisations delivering significant volumes of high quality government funded work-based provision. Every ITP should consider how they achieve the 7 themes and underpinning principles. The way you do this will differ depending on size, structure and organisational makeup. While it is likely to be rare, there might be occasions where there is a clear rationale why a theme does not apply. Each ITP should self-assess against the themes and determine how they demonstrate compliance or what needs to be put in place to achieve compliance.

## **The Core Governance Values of Independent Training Providers**

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High quality post-16 learning and training, which commands public confidence and promotes the reputation of individual providers and the sector is improved when it promotes several shared values. By implementing such values, the governance board can: ensure quality education and training for its learners, apprentices and employers; demonstrate public and shareholder benefit; provide the basis for its own effectiveness; support the sustainability of the service and enhance the reputation of the sector.

A failure to adopt and implement a set of agreed values has implications beyond the provider concerned by potentially undermining the collective reputation of all providers and the wider sector.

In setting out core values, the Code adopts and builds on the Seven (Nolan) Principles of Public Life which provide an ethical framework for the personal behaviour of board members. Principles of Public Life are selflessness, integrity, objectivity, accountability openness, honesty and leadership. While ITPs are not public bodies they do receive

substantial amounts of public funds and, therefore, it is a good starting point to understand the expectations in public life. Many ITPs are charities and not-for-profit organisations and will already be working to similar expectations. The Code recognises that many high quality successful providers are privately owned with shareholders and as such will be expected to ensure that the business is profitable and will need to manage the tension between profitability and selflessness.

The Code is based on the following expectations of good governance, which illustrate the values and beliefs of the provider's non-executive directors, directors and trustees, or equivalent:

- Putting the learner, apprentice and employer first.
- Promoting high expectations and ambitions for learners, apprentices and staff.
- Listening to learners, employers and staff.
- Promoting inspirational training, teaching and learning and assessment.
- Creating a safe environment for learners and apprentices to train, learn and develop.
- Providing strong strategic leadership and challenge to the senior team.
- Demonstrating accountability to all stakeholders, including publishing accurate and timely information on performance.
- Ensuring the achievement of equality of opportunity and diversity throughout the organisation.

## Adopting the Code

The Code is made up of a set of values and underpinned by 7 themes and a set of underpinning principles and practice. These are written with a medium to large provider in mind. However, many ITPs are small or have very different governance structures or approaches. Where possible the Code demonstrates possible alternatives, but this is very much for every provider to consider against the themes and satisfy themselves that they meet the spirit and aims of each theme.

The principles that sit under each theme is not an exhaustive list nor the only way to comply. However, where an organisation can follow these principles it should ensure that they are operating effective governance in their organisation.

The Code uses the normal 'must and should' convention for governance codes. A 'must' is an area of activity which is covered by statute and/or is the minimum expected by the chief regulator and funder. Activities which exceed these basic requirements and represent good or enhanced governance practice are described as 'should'. Acknowledging the multiplicity and differing levels of autonomy within the sector, governance boards are free to achieve the expectations of the 'must' and 'should' statements in whatever manner they see fit. Where a board has adopted the Code, but for good reason does not comply with particular provisions within it, the board should explain its rationale and how its approach meets the spirit of the Code. Explanations should be seen as a positive opportunity to demonstrate a different more robust or more appropriate approach and not an onerous obligation.

Each provider should state its adoption of the Code in the corporate governance statement contained in its annual audited statements and/or in its self-assessment or equivalent report.

The Code itself will be reviewed regularly by AELP to ensure that it remains fit for purpose. This will normally take place every three years, or earlier if there is a substantial change of circumstances.

### **Definitions**

The term 'board' has been used throughout to cover the organisation's board of directors or trustees, or similar advisory body, or those responsible for governance.

The term "learner" has been used to cover learners, apprentices, trainees and students.

The term "chief executive" includes the role of 'accountable officer' under the financial memoranda of the ESFA and maybe called managing director or a range of other titles.

The term "governing documents" means the articles of governance, the instrument of governance, or similar legal document.

The term "organisations" covers all sizes and legal types of companies including limited companies, charities and owner run.

## **The Seven Themes of Good Governance for the Independent Training Sector**

To implement and embed the above values of providing a quality experience for learners and apprentices and meeting the expectations of funders and regulators, those with a governance role; trustees, non-executives, directors, chief executive and senior leaders will undertake to:

### **Theme 1: Strategy and Leadership**

Formulate and agree the vision and strategy including defining the ethos and policies of the provider.

### **Theme 2: Corporate Structures, Accountability and Roles**

Provide clarity between the governance board, chief executive and management team.

### **Theme 3: Financial Strategy and Audit**

Adopt a financial strategy and funding plans which are compatible with the duty to ensure sustainability and solvency of the provider.

### **Theme 4: Teaching and Learning and Outcome for Learners**

Ensure exceptional teaching, training and learning by adopting effective underpinning policies and systems including the monitoring of performance data which also encourage and facilitate the learner and employer voice.

### **Theme 5: Equality and Diversity and Safeguarding**

Meet and aim to exceed its statutory responsibilities for equality and diversity and for ensuring that all learners are safe.

### **Theme 6: Transparency**

Demonstrate assurance that public funds are well spent, the board will be transparent and openly accountable.

### **Theme 7: Effective Governance**

Determine effective governance arrangements, regularly reviewing governance performance and effectiveness.

## Themes and Principles of Good Governance

The following section sets out the themes and underpinning principles. These statements draw together best practice from both the corporate and education and skills sector and provide a benchmark for providers to review their work.

### Theme 1: Strategy and Leadership

**Formulate and agree the vision and strategy including defining the ethos and policies of the provider.**

#### **Principles**

- A successful provider is led by an effective and entrepreneurial board, whose function is to promote the long-term sustainable success of the company or charity.
- Depending on legal status and, where relevant generate value for shareholders, provide learners/ apprentices with a quality offer, or to provide public benefit and meet charity or social enterprise objectives.
- The board should establish and be clear as to the provider's purpose, strategy and values, and satisfy itself that these are aligned with the organisation culture.
- In order for the provider to meet its responsibilities to learners, employers, funders, stakeholders, and where relevant shareholders, the board should ensure effective engagement with, and encourage organisational participation by, these parties. This can be done through regular survey, analysis of learner data and focus and feedback processes.
- All board members must work in the best interests of the organisation and act with integrity. They should lead by example and the workforce should be able to raise concerns in relation to management and colleagues where they consider that conduct is not consistent with the company's values and responsibilities - for example, through a whistleblowing policy.
- The board should have a current strategic plan or equivalent approved by the board. This plan should cover all aspects of the provider's work including partnerships and subsidiary organisations. The board should ensure that the strategic plan is realistic and underpinned by a financial strategy.
- Board members should be able to explain the underpinning rationale for the plan and be familiar with the supporting evidence base as well as considering future opportunities and risks.
- The board should ensure that managers have established an operating plan that identifies those aspects of the strategic plan being implemented.
- In order to ensure successful implementation, the board must be clear how performance of the strategy will be measured. It should identify and adopt a set of key performance indicators (KPIs) that cover financial health, teaching, training and learning, learners' experience and outcomes, staff performance and stakeholders' opinions. In doing so, the board should make clear the division of responsibilities between strategic governance and leadership by the board and the operational management and leadership by the provider's senior management team led by the chief executive.

- Board members should monitor and scrutinise the provider's activities effectively, including using external benchmarks, challenging shortfalls in performance, and ensuring that weaknesses are addressed.

## **Policies**

- To secure implementation of the agreed strategy, the board must ensure that there are appropriate and effective underpinning policies and systems in place. These are likely to vary depending on the type and size of the ITP.
- Appropriate policies that describe how the strategy is being implemented should be approved by the board. Examples of what may be covered include: safeguarding, Prevent, access arrangements, recruitment, teaching and learning, assessment and validation, use of technology, apprentice/trainee student voice, employer voice, involvement and engagement, reward and recognition for learners, careers advice and progression, quality and standards.
- The board, through constructive challenge and effective support, should monitor the implementation of each policy.
- The board must be assured that there are management-led policies and systems in place to provide the best learning experience for every learner/ apprentice/ trainee, including those undertaking learning activities off-site or provided under a subsidiary or partnership arrangement.

## **Apprentice/ Trainees / Learner Voice**

- The board must have close regard to the voice of its apprentices/ trainees/ learners and the quality of their experience and welfare, and monitor the impact on the learner experience.
- Learners should be actively engaged with the provider and effective ways should be found to ensure that the learners' voice is heard through both provider and learner-led processes. The board should receive regular reports on how learners are being engaged and what impact their voice is having on their experience at the provider.
- The board should demonstrate how they have listened and what action they have taken. This feedback could take the form of regular communications.

## **Employer Voice**

- The board should engage with employers. This may be through relevant local and national employer networks to ensure that the provider's strategy and curriculum are aligned with labour market trends and skills needs.
- The board should ensure that employers are able to actively engage with the provider to ensure that the employer voice is heard on the relevance and quality of the curriculum and training.



**Provide clarity between the governance board, chief executive and management team.**

### Principles

- The principle of independent scrutiny and challenge is important for all ITPs and no matter what size, an ITP should be able to demonstrate how this is achieved. This might be through using an independent consultant to review activities or bringing independent challenge into directors' meetings.
- Charities trustees are in the main independent and undertake this role.
- For smaller providers the division of responsibilities may not be as clear as larger providers – however, the principles of review and challenge need to be considered.
- The chair leads the board and is responsible for its overall effectiveness in directing the organisation. The chair should demonstrate independent and objective judgement and promote a culture of openness and debate by facilitating constructive relations between directors; the chair should ensure the effective contribution of all non-executive directors.
- The board must follow their board composition arrangements as directed in the governance documentation.
- For independent companies there should be an appropriate combination of executive and non-executive directors (eg, an independent non-executive), such that no one individual or small group of individuals dominates the board's decision making.
- There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the organisation's business. This division should be accompanied by a scheme of delegation which is regularly reviewed.
- Non-executive directors should provide constructive challenge, strategic guidance, and hold management to account.
- The board, supported by the company secretary or equivalent, should ensure that it has the policies, processes, information, time and resources it needs to function effectively and efficiently.
- The board must be collectively accountable for the operation of the provider, taking all decisions on all matters within its duties and responsibilities.
- Members of the board must comply with the legislation relevant to their legal form of incorporation. Where, board members are charity trustees, they must comply with charity legislation and case law.
- The board must set out its primary responsibilities in the governing documents. These should be published widely and be known to all board members. These responsibilities should be supported by a schedule of delegation which sets out how each responsibility is to be met and by whom, including those items which the board delegates to the chief executive or equivalent.
- The board must seek assurance that it meets all legal and regulatory requirements imposed on it as an organisation and as a publicly-funded learning and training provider, and provider compliance should be kept under regular review.

**Adopt a financial strategy and funding plans which are compatible with the duty to ensure sustainability and solvency of the provider.**

## Principles

### Financial

- The board must set and approve the annual budget. Responsibility for its approval must be reserved for the collective decision of the board, without delegation.
- The board should present a fair, balanced and understandable assessment of the company's position and prospects, and satisfy itself on the integrity of financial information by regularly reviewing financial performance against profile, budget and cash flow.
- The board should ensure that the necessary resources are in place for the provider to meet its objectives and measure performance against them. The board should also establish a framework of appropriate, prudent and effective controls, which enable risk to be assessed and managed and ensure value for money for public funds.
- The board must adopt effective systems of control and risk management that promote value for money, efficient use of public funds, the capital estate and technology, and meet mandatory financial audit requirements.
- The board must ensure compliance with the financial memoranda and must understand and meet the conditions of funding, as set by the funders.
- The board should establish the risk and internal control framework and determine the nature and extent of the principal risks it is willing to take in order to achieve its strategic objectives. The board should satisfy itself that the company's internal controls are robust and allow for prudent and effective risk assessment and management.
- Providers must have financial regulations and appropriately documented delegations and procedures, approved by the board, which specify its financial responsibilities and authority and those of any committees and its staff.
- The board should ensure that it has confidence in the arrangements for the provision of accurate and timely financial information, and learner and apprentice data that drives performance and resulting funding. Boards should also have confidence in the systems used to generate such information.
- Day-to-day financial control should be exercised by the staff of the provider under delegation from the board and chief executive. Responsibility for financial management and advising on financial matters is generally delegated through the chief executive to a senior member of staff such as a director of finance (or equivalent), but responsibility still sits with the accountable officer and the accountable officer is held to account by the full board.

### Audit

**The board must ensure effective arrangements are in place for the management and quality assurance of financial performance data. This assurance should include a statement on data quality from an audit committee where appropriate.**

- The board must comply with the funders' mandatory requirements relating to audit including adherence to the relevant audit guide which sets out the minimum requirements. This may differ for the different funders and it is important the board is clear on their responsibilities and delegated functions.
- Where appropriate the board should approve an annual audit plan linked to the provider's risk register and be confident in the expertise and quality of any internal auditors engaged by the provider. The board should consider using different sets of expertise for different audit requirements.
- Where appropriate an audit committee could be established, its role being to support the board and the chief executive by reviewing the comprehensiveness, reliability and integrity of assurances including the provider's governance, risk management and internal control framework and produce an annual audit report for the board.
- The board should use the provider annual report to account to all stakeholders for the performance and prospects of the provider as well as to demonstrate compliance with statutory and regulatory requirements.

## Partnerships

- Providers are dynamic and progressive. They grow, innovate and adapt to the changing circumstances. This responsiveness should be encouraged because, going forward, collaborative and commercial relationships will be central to ensuring the provider's financial sustainability. The board should facilitate and enable this activity.
- In establishing new business, the board must ensure effective governance arrangements are put in place with appropriate control, reporting and delegation systems. This includes any subcontracting arrangements and an expectation that those subcontractors and/or new partners adopt the Code. The board should ensure that particular scrutiny is exercised on new and external activities with significant potential financial or reputational risk. Where such activities involve commercial transactions, care must be taken to ensure that arrangements conform to the requirements of charity law and regulation, where relevant.
- New ventures (such as acquiring new organisations or creating providers in other countries) present providers with both opportunities and significant challenges and risks. The board must ensure that not only does it approve such strategic developments, but also that the executive produces regular reports on the performance of all strategic partnerships and external businesses.

## Group Structures

- Where a board governs through a group structure, board members should be clear about responsibilities in relation to any other corporate governance arrangements and associated reporting and should document and publish these arrangements. Where a provider is governed through a group structure it is important to determine which responsibilities are undertaken by the group and what additional elements the provider needs in place.
- Any conflict of interest (for example, multiple board memberships) needs to be transparent and action taken to ensure these conflicts are managed.

**Ensure exceptional teaching, training and learning by adopting effective underpinning policies and systems including the monitoring of performance data which also encourage and facilitate the learner and employer voice.**

- The board should be clear about the purpose and requirements of the different types of (public-funded) provision the company offers and ensure that they are being delivered effectively and sustainably and are compliant to the contract, policy and awarding body requirements.
- Appropriate teaching, learning, training and success performance indicators which are in line with the overall provider KPIs should be developed to monitor quality and learners' progress.
- The board must ensure that appropriate mechanisms are in place for effective oversight of the quality and inclusivity of the learning experience.
- The board should ensure that the learning and training experience is being monitored and the appropriate learning resources have been made available.
- To ensure a quality learning and training experience, the board should have assurance that good practice is used when overseeing the recruitment, development and performance of teaching and support staff. Appropriate key performance indicators should be developed to monitor quality and progress.
- The board should have close regard to the voice of its learners and apprentices, and employers in relation to the quality of the learner/trainee experience, which should be central to all board decisions.
- The board should ensure the provider's self-assessment report is benchmarked against norms and best practice in England. The report should be detailed enough to provide board members with the assurance they need that the learning experience is being monitored and the appropriate learning resources have been made available.
- To provide assurance to the board, the senior leadership team should seek external validation of any internal teaching and assessment observation reports and, where weaknesses are found, make sure that the executive quickly takes action.
- In agreeing the human resource/workforce strategy, the board should ensure it reflects the ethos of the provider and aids excellence in quality, teaching, learning and assessment.
- The board should be aware of new initiatives in teaching and learning (for example, blended and/or virtual learning) and, through careful appraisal, consider their adoption. The board must be aware of the expectations of external bodies, in particular their expectations of good quality.

### Quality performance data

- The board is accountable for the provider's overall performance of government-funded provision and outcomes for all learners. This includes provision subcontracted to other providers.
- Board members should be able to explain how they benchmark the quality of each type of provision, such as study programmes, apprenticeships, adult learning, provision for learners with high needs and traineeships, and the outcomes for all learners.

- Board members should receive accurate performance data on each aspect of each type of provision, at agreed timescales. Where appropriate this should be confirmed through external sources. These data should cover recruitment of learners, their attendance, achievement of qualifications, and where relevant, progress from their starting points and their destinations on completing their learning programme and/or on leaving the provider.
- The board should see the results of learner and employer surveys and they should monitor quality improvement plans that are based on the points raised in these surveys.
- Board members should have the expertise required to interpret the data to identify trends in performance and progress against agreed challenging targets and improvement measures, and to compare the provider's performance with relevant national and regional averages. They should use this information to hold senior managers to account for the quality of the provision and outcomes for all learners.
- The board should also use these data to evaluate the impact of each type of provision on meeting the needs of learners, employers, local communities and other stakeholders.

**Meet and aim to exceed its statutory responsibilities for equality and diversity and for ensuring that all students are safe.**

### Principles

- The board must meet and should aim to exceed its statutory responsibilities for equality and diversity through its own actions and behaviour in all aspects of its affairs. The board must promote equality and diversity throughout the other 6 themes and lead by example, including the board's own diversity.
- The board should approve and review the provider's equality and diversity strategy and adopt agreed performance indicators for implementation.
- The board has a number of legal obligations in relation to equality and diversity which it must understand and comply with. These go much further than avoiding discrimination and require the active promotion of equality in a number of defined areas. The board must therefore ensure that agreed policies are progressed and actioned throughout the provider. The board may also wish to consider advice issued by government departments and other agencies on equality, diversity and safeguarding.
- The board should ensure that the HR strategy takes into account equality and diversity. Specific equality and diversity responsibilities fall on the remuneration committee (or equivalent) in respect of the determination of pay and other rewards. This committee's report to the board should explain how its decisions take account of the provider's equality and diversity policy.
- The board and, where it exists, the search committee (or equivalent), should agree its own approach to equality and diversity in relation to appointing new members, and should take full regard of the implications of the provider's overall equal opportunity and diversity policy, including any measurable objectives that may be relevant.
- It is important that the board reports fully on its actions on equality and diversity in the operation of governance. The annual report should include a description of its policy, including any measurable objectives, and should outline progress on implementation. For those providers that produce a separate equality and diversity report that addresses such matters, a simple cross reference would be sufficient.

### Safeguarding and Prevent

- The board must provide a safe environment and have a robust and regularly assessed and monitored safeguarding policy. This policy may, for example, also include the duties arising from the Counter-Terrorism and Security Act 2015 (or this could be covered in a separate Prevent policy).
- The board must ensure all policies, particularly those on safeguarding are actively implemented in any subsidiaries and partnerships.
- There must be clear and published complaints and whistleblowing procedures. The board should receive regular reports (at least annually) on the number and types of complaint and how complaints are resolved, with regular monitoring by the audit committee. The board should explain how that information has been used to improve governance arrangements and the learner experience.

**Demonstrate assurance that public funds are well spent, the board will be transparent and openly accountable taking on the views and concerns of all stakeholders.**

### Principles

- The mission, vision and strategy or equivalent should be published, and if necessary, refreshed annually, and reviewed at least every three years through a process that should, where relevant, involve key funders and stakeholders.
- If a charity, there must be a statement on how the charity has delivered public benefit and met its charitable objectives, which must be included in the annual reports and returns of the charity.
- As most independent learning providers are funded through public contracts, they should consider how funders, the public, staff, employers and learners have access to information about the board's proceedings and decisions made around public funds.
- Public reporting is important and contributes to confidence in the sector. Where appropriate, an annual members' report and audited financial statements including senior staff salary and dividends should be made widely available both internally and externally. If that is not appropriate, then the provider's self-assessment report should be made available.
- The annual report or equivalent should be published and include a section that sets out the governance arrangements - including the extent to which this Code has been adopted - and the policies on public disclosure.
- The board should ensure that apprentices, learners, employers and the public are given honest, accurate and timely information about all aspects of provision and that the board has the necessary information to be able enable it to challenge.
- Organisations who receive their funding from government sources should take note of the expectation that board members undertake their role with due regard to the standards of public life Board members must always avoid conflicts of interest and act solely in the interests of the organisation prime purpose .
- The board should ensure that the whistleblowing and complaints procedures are easily accessible and that complaints and resulting actions are monitored.
- The provider should have systems in place which facilitate engagement with external stakeholders regularly, proactively and effectively so that it can identify and prioritise their present and future needs for education and training and discuss how they can best be met. These relationships need to be two-way.
- The board should publish on the provider's website an account of the provider's engagement with the main communities that it serves, the progress made towards meeting their needs for education and training, and how it aims to meet future needs.
- The board should ensure that arrangements are in place to assess the extent to which the stakeholders served by the provider are satisfied with the services provided. Each provider should discuss with stakeholders and community representatives the coverage and timing of any reports and should offer them opportunities to discuss its reports more fully.

## **Demonstrate effective governance arrangements, regularly reviewing governance performance and effectiveness.**

### **Principles**

- The board and its committees, where relevant, should have a balance of skills, experience, independence and knowledge. Board membership should be regularly reviewed and refreshed.
- Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be in place for board and senior management.
- Both appointments and succession plans should be based on merit and be objective, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- The principles of effective governance are the same for all boards. However, because of the different legal structures, a board may wish to operate in different ways. The board must ensure that there are organised and clear governance and management structures with well-understood delegations, including regular review of the performance and effectiveness of governance.
- The board and its committees where appropriate should be of an appropriate size and have the appropriate balance of independence, skills, experience and knowledge to enable them to discharge their duties and responsibilities effectively.
- For non-charities the chief executive may be a board member and their status should be in line with the organisation's governing documents and instrument or equivalent. Charity Trustees cannot be paid staff without the permission of the Charity Commission.
- For transparency, the board should consider having a learner and staff member on the board. However, if the Charity status doesn't allow this then there should be other methods to ensure staff and students views are taken into account.
- It is no longer mandatory for limited companies to have a company secretary, but board members should have access to an independent clerk or the equivalent to company secretary.
- The full board should meet as often as is required to undertake its responsibilities. The board should have rules for the conduct of its meetings. Members should attend all meetings where possible, and the board must establish the number and category of members constituting a quorum.
- There should be a presumption of openness and engagement, with all matters open to discussion by the whole board. Occasionally, there will be matters where specific board members should not be party to discussions; these should be dealt with either by 'conflict of interest' declarations, or by enforcing agreed policy on the confidentiality of business which may involve a two part meeting.
- The board may delegate some of its activities to committees and/or the chair or chief executive but should agree a formal schedule of matters reserved for collective decision.
- As a minimum, this should include final decisions on:
  - vision, mission and strategy.



- the review and approval of the provider's annual revenue and capital budgets and cash forecasts together with its audited financial statements.
- the appointment and (if necessary) dismissal and remuneration of the chief executive and senior leaders.
- The board should determine in writing the terms of reference, membership and delegated authority of all committees and set clear arrangements for their reporting back; this should be approved on an annual basis.

### **Remuneration of Senior Post Holders**

- The board should satisfy itself that company remuneration and workforce policies and practices promote its long-term success and are aligned with its strategy and values.
- A formal and transparent procedure for determining director and senior management remuneration should be established. Performance-related elements should be clear, stretching, rigorously applied and aligned to the successful delivery of the strategy.
- The board should exercise independent judgement and discretion when approving remuneration outcomes, taking account of company and individual performance, and wider circumstances. No director should be involved in deciding his or her own remuneration outcome.
- Remuneration decisions should be informed by benchmarking data ( including what is happening around public sector chief executive pay and rules and by a recent performance appraisal.
- Where severance payments are under consideration, advice should be taken from the external auditor to ascertain the legitimacy of any proposed payment. Reports on matters to do with remuneration and severance should provide sufficient detail to enable the full board to satisfy itself.

### **Induction and Training and Development**

- The company secretary or equivalent should ensure board members have an induction to both corporate governance and the business.
- Ongoing training should be provided for board members that cover their statutory responsibilities and areas such as safeguarding and prevent.

### **Governance Review**

- Regular evaluation of the board should take into consideration the balance of skills, experience, independence and knowledge, diversity, all protected characteristics, and how effectively members work together to achieve objectives.
- The board should review its own performance and that of individual trustees, including the chair. The board should consider having external quality assurance of governance performance. Individual evaluation should demonstrate whether each director continues to contribute effectively.

## References and Links

	<b>Definitions of governance and sector codes</b>	<a href="#">UK Corporate Code</a> <a href="#">OECD 2004</a> <a href="#">Charities</a> <a href="#">Not for Profit</a> <a href="#">Standards in Public Life</a>
<b>Theme 1:</b>	<b>Strategy and Leadership</b>	<a href="#">DFE</a> <a href="#">Apprenticeship Policy</a>
<b>Theme 2:</b>	<b>Corporate Structures, Accountability and Roles</b>	<a href="#">Institute of Directors IOD Role of Board</a>
<b>Theme 3:</b>	<b>Financial Strategy and Audit</b>	<a href="#">Apprenticeship Funding How it Works</a> <a href="#">Financial Agreement</a> <a href="#">Subcontracting</a> <a href="#">Charity Accounting</a> <a href="#">FEHE Sorp</a> <a href="#">Financial Accounting SORPS</a>
<b>Theme 4:</b>	<b>Teaching and Learning and Outcome for Learners</b>	<a href="#">Ofsted Handbook</a>
<b>Theme 5:</b>	<b>Equality and Diversity and Safeguarding</b>	<a href="#">Equality and Human Rights Commission</a> <a href="#">Safeguarding Prevent</a> <a href="#">Counter Terrorism and Security Act 2015</a> <a href="#">Prevent guidance</a> <a href="#">‘promoting British Values’</a> <a href="#">Good Practice</a>
<b>Theme 6:</b>	<b>Transparency</b>	<a href="#">Data Protection Act 2000</a> <a href="#">ESFA Complaint Process</a>
<b>Theme 7:</b>	<b>Effective Governance</b>	<a href="#">Charities</a> <a href="#">Company Secretary - ICSA</a> <a href="#">Institute of Directors IOD Role of Board</a>