



Recognising Excellence in Governance of Independent Training Providers

Good Governance Code

25 June 2018

Rationale For Project

- To demonstrate the sector has good and outstanding governance.
- To counteract any criticism.
- To document and publish what is accepted as good practice in an education and training sector dependent on public funds.
- To provide guidance and reach an agreed position on what is “good”.

Completion 1 July 2018

Research Project Methodology

Part One: A review of 130 Ofsted reports to evaluate the issues.

Part Two: Survey of existing governance practice.

Part Three: Observation of Boards and in depth discussions with Chairs to determine good practice.

Part Four: A comparison has been undertaken of the relevant codes being used in the Education and Skills sector to demonstrate good governance.

- Standards In Public Life
- UK Corporate Code
- Charity Code
- Code of Good Governance for English Colleges

Part Five: The final report will highlight themes and principles that should be considered for adoption by the independent training provider sector and recommendations for Government, ESFA and development organisations .

Part 6: Adoption of a Good Governance Code for ITPs

Completion 1 July 2018

Part One: Review of Ofsted Reports

Effective Practice

- Structure and expertise
- Challenge

Ineffective Practice

- Structure and expertise
- Challenge and lack of oversight
- Lack of ambition
- Lack of action

Structure and Expertise

- Governance structures have clear accountabilities.
- Board members have excellent knowledge of employers in the relevant industry.
- Board members have extensive experience of further education and skills and very strong finance and business acumen.
- Board of Directors : have suitable breadth of skills to support and challenge leaders effectively in all aspects of the organisation's work.

Challenge

- Directors provide a high level of scrutiny and challenge to senior managers on a number of key performance indicators, including the quality of teaching, learning and assessment.
- Frequent and detailed scrutiny of data and KPIs is used to monitor learner recruitment, employer engagement, outcomes and finance.
- Strong governance is instrumental in ensuring that outcomes for apprentices remain at the very high rate, and effective promotion of the 'Prevent' duty and safeguarding.
- Directors challenge each other very effectively to stay focused on the key business of giving learners an excellent experience.

Ofsted Initial findings : Effective Governance

Structure and Expertise

- No governance arrangements are in place to provide support and independent challenge to leaders.
- Governors are not able to pose the necessary challenge and hold leaders to account for delivering a high-quality learning experience to all learners.
- Managers do not have access to external industry sector expertise to advise and support the design and delivery of the training.
- Safeguarding and quality of learning are not discussed sufficiently at board meetings.
- The directors have not challenged the accuracy of the company's self-assessment report sufficiently.

Challenge: Lack of oversight of the provision

- Scrutiny and challenge by trustees of the performance of managers is cursory.
- Those in a supervisory role do not understand the extent of the weaknesses and the significant decline in outcomes and in teaching and learning. They have not closely scrutinised the SAR or QIP.
- Governors do not access the necessary information that enables them to scrutinise the quality of the provision.
- Directors receive insufficient management information to provide a clear picture of the quality of teaching, learning and assessment or learners' progress and achievements. As a result, they have failed to hold managers to account for weaknesses found by inspectors.

- The KPIs and operational targets they set, are not challenging or measurable.
- Directors have neither sought nor received reliable information about the quality of the training and assessment that apprentices receive.

Lack of ambition and challenge

- The board does not scrutinise rigorously the performance of the provider and its subcontractors or set ambitious targets for learners and their achievements.
- The challenge from the board focuses too much on financial targets and compliance and too little attention is paid to the low outcomes for learners and the quality of the provision.

Lack of action to improve the provision

- Over four successive inspections the senior management have been ineffective in their attempts to either improve or maintain the standards of education and training. The capacity of the leadership to sustain future improvement is in doubt.

Part Two: Survey of Governance in ITPs

- 98 Responses
- 46% national, 82% limited companies
- 39% less than 250 learners
- 19% receive 100% income from government, 52% receive 80-90%
- Accountable Officer - out of 91, 34 said chair of board, 34 chief executive, 10 shareholders, 24 owners
- Code(s) - 25% said they adhere to UK CC, 8 to Charity Commission, several said not applicable

Similar to Ofsted Findings

Survey of governance in ITPs

Governance structures:

- Boards made up of a mix of executive and non-executive members, some with external independents.
- 23 of the 98 had some form of board.
- 5% are owner governed with no structure.
- 87% of those that have a board said main reason was to hold executive to account.
- 23 providers have sub-committees, 17 have a quality committee.
- The majority self-rated themselves as good.

Future support

A third would like to see support on being strategic, understanding performance data and Ofsted.

Similar to Ofsted Findings

Part Three: Observation of Boards and in depth discussions with Chairs

6 observations or in-depth discussions of “good” (as rated by Ofsted) providers’ governance arrangements.

- Mixed approach to governance.
- Most meetings covered governance and operational management issues.
- Membership: Owner/Shareholders Directors with independent members.
- Good practice in use of data, safeguarding, strategic forecasting, holding chief executive and group managers to account, financial appraisals and risk management.

Confirms survey and Ofsted Reports review

Part Four: Review of Codes

- Standards in Public Life
- UK Corporate Code
- Charity Sector Code
- Effective Practice
- Code of Good Governance in English Colleges

Standards in Public Life

There is an expectation that those who are **custodians or beneficiaries of public funds** and/or win through procurement a government contract adhere to the Standards in Public Life.

Standards

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty
7. Leadership

Position 2018

'Limited Progress' on ethical standards in outsourced public services: CSPL published latest report on ethical outsourcing 10 May 2018

Previously known as the Nolan Principles

UK Corporate Code

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report in their annual report and accounts on how they have applied the Code.

Section 1 – Leadership and purpose

Section 2 – Division of responsibilities

Section 3 – Composition, succession and evaluation

Section 4 – Audit, risk and internal control

Section 5 – Remuneration

Position 2018: The code was reviewed last year - new one comes into operation 2019

Other listed or unlisted companies may wish to adopt it in whole or in part.

Apply or explain

Charity Sector Code

Purpose to support charities and trustees

Principles

1. Organisational purpose
2. Leadership
3. Integrity
4. Decision-making, risk and control
5. Board effectiveness
6. Diversity
7. Openness and accountability

Position 2018: Two versions - one for small and one for large charities

Apply or explain

Code of Good Governance for English Colleges

Values Based Code: Respectful, Professional, Prudent and Passionate

10 Principles

1. Mission and Strategy
2. Collectively Accountable including transparent public reporting
3. Effective Policies which facilitate the student voice
4. Foster exceptional teaching and learning
5. Responsive to workforce trends
6. Financial sustainability and solvency
7. Effective control and due diligence
8. Exceed statutory equality and diversity responsibilities
9. Clear governance and management arrangements including remuneration
10. Regular review of governance effectiveness

Position 2018: Adoption is written into college financial agreements with ESFA

Apply or explain

Part Five: Proposal

- **To design a set of principles around the themes of good practice identified through the research project.**
- **ITPs to adopt and/or explain in their annual reports or equivalent document.**
- **ITPs to be supported via webinars and underpinning guidance.**
- **ESFA and Ofsted to agree to the principles and be consistent in their approach.**

Agreed at AELP workshop/steering group 5th June

ITP Code Governance Themes

To implement and embed the above values and expectations, 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 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

- Ensure exceptional teaching, training and learning by adopting effective underpinning policies and systems 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 and accountability

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

Theme 7: Effective Governance

- Implement effective governance arrangements, regularly reviewing governance performance and effectiveness.

Underpinned by the standards in public life

Final Project Document and Code

1. Project report detailing process and findings.
2. Development and publication of a code of Good Governance in ITPs

Themes and principles document for adoption by providers with a commitment to report in their annual report or equivalent.

Questions and Comments

References

Standards in Public Life

- <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>

Report on Outsourcing

- <https://www.gov.uk/government/news/limited-progress-on-ethical-standards-in-outsourced-public-services-cspl-publishes-latest-report-on-ethical-outsourcing>
- UK Corporate Code
- <https://www.frc.org.uk/getattachment/bff48ee6-4fce-4593-9768-77914dbf0b86/Proposed-Revisions-to-the-UK-Corporate-Governance-Code-Appendix-A-Dec-2017.pdf>

Charity Commission Code

- <https://charitycommission.blog.gov.uk/2017/07/13/the-new-charity-governance-code-essential-reading-for-all-trustees/>
- <https://www.charitygovernancecode.org/en/pdf>

Code of Good Governance for English colleges

- <https://www.aoc.co.uk/funding-and-corporate-services/governance/governance-resources/code-good-governance-english-colleges>