

# **CODE OF CONDUCT FOR GOVERNORS**

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## 1. **INTRODUCTION**

- 1.1 This Code is intended as a guide, to indicate the standards of conduct and accountability which are expected of Governors, to enable them to understand their legal and ethical duties and to assist them both in carrying out those duties and in their relationship with the Governing Body and the Principal as the Chief Executive. This Code, therefore, is aimed at promoting effective, well informed and accountable college governance, and is not intended to be a definitive or authoritative statement of the law or good practice.
- 1.2 In addition to this Code, Governors are recommended to familiarise themselves with the source documents listed in the Schedule.
- 1.3 If a Governor is in doubt about the provisions of this Code or any of the source documents, the Clerk should be consulted and, if necessary, professional advice should be obtained. However, ultimate responsibility for the appropriateness of conduct as a Governor of the College and for any act or omission in that capacity rests with the individual Governor.
- 1.4 This Code applies to every committee or working group of the Governing Body and to every subsidiary company or joint venture of the College to which Governors may be appointed.
- 1.5 By accepting appointment to the Governing Body, each Governor agrees to accept the provisions of this Code.
- 1.6 Each Governor by accepting the provisions of this Code agrees that any breach of the code by them may lead to the termination of their appointment as a Member in accordance with Clause 10 of the Corporation's Instrument and Articles of Government.

## 2. **INTERPRETATION**

In this Code:-

- 2.1 'College' means this College;
- 2.2 'College Mission Statement' means the statement set out at paragraph 3.1 of this Code or such other mission statement as may be agreed by the Governing Body from time to time;
- 2.3 'College Core Values' means those Core Values set out at paragraph 3.2 of this Code or such other core values as may be agreed by the Governing Body from time to time, for example in a Public Value Statement;
- 2.4 'Governing Body' means the further education corporation which was established for the purpose of conducting the College;

- 2.5 'Governor', 'Chair', 'Principal' and 'Clerk' mean respectively the Member of the Corporation of the College, the Chair of the Governing Body, the Principal of the College and the Clerk to the Governing Body;
- 2.6 'DBIS' means the Department for Business, Innovation and Skills;
- 2.7 'EFA' means the Education Funding Agency or any successor body;
- 2.8 'The Code' means the Code of Good Governance for English Colleges Code issued by the Association of Colleges in June 2015;
- 2.9 'SFA' means the Skills Funding Agency or any successor body;
- 2.10 All other definitions have the same meanings as given in the College's Instrument and Articles of Government; and
- 2.11 Words importing one gender import any gender.

### 3. **AIMS AND VALUES**

- 3.1 The vision for the future of Petroc is "Raising Aspirations, Realising Potential, Supporting Success". This vision is supported by the College's Mission Statement which is "Leading our community in learning, enterprise and skills; equipping it for the future, economically, socially and culturally".
- 3.2 The Core Values adopted by the College, and as set out in the College's Public Value Statement, are:
- Forward thinking
  - Inclusive
  - Friendly
- 3.3 The College's Vision and Mission Statements, together with the corporate objectives of the College agreed by the Governing Body from time to time, seek to encapsulate the core purposes and aims of the College. Governors, should have due regard to these purposes and aims, and to the Core Values, when conducting the business of the Governing Body and considering the activities and proposed activities of the College.
- 3.4 The Governing Body recognises its obligations to all those with whom it and/or the College have dealings, including students, employees, suppliers, other educational institutions and the wider community. In particular, the Governing Body is committed to:
- having close regard to the voice of the learner;

- combating any discrimination within the College on the grounds of the characteristics protected by the Equality Act 2010 ("the 2010 Act) and promoting quality in accordance with its duty under the 2010 Act;
- engaging with the community which the College serves in order to understand and meet its needs; and
- observing its duty under the Education (No.2) Act 1986 to take reasonable steps to ensure freedom of speech for members of the College community and visiting speakers and its duty under the Counter Terrorism and Security Act 2015 to have regard to the need, when exercising its functions, to prevent people from being drawn into terrorism.

3.5 The Governing Body is also committed to ensuring that it conducts its business in accordance with the highest ethical standards as set out in more detail in this Code.

#### 4. **DUTIES**

4.1 Governors owe a fiduciary duty to the College. This means that they should show it the highest loyalty and act in good faith in its best interests. Each Governor should act honestly, diligently and (subject to the provisions appearing in paragraph 10 of this Code relating to collective responsibility) independently. The actions of Governors should promote and protect the good reputation of the College and the trust and confidence of those with whom it deals.

4.2 Decisions taken by Governors at meetings of the Governing Body and its committees must not be for any improper purpose or personal motive. Decisions taken must always be for the benefit of the College, its students and staff and other users of the College and must be taken with a view to safeguarding public funds. Accordingly, Governors must not be bound in their speaking and voting by mandates given to them by other bodies or persons (including but not limited to the bodies that elected them).

4.3 Governors must observe the provisions of the College's Instrument and Articles of Government and, in particular, the duty to give immediate notice to the Clerk should they become disqualified from continuing to hold office and also the responsibilities given to the Governing Body by the College's Articles of Government. Those responsibilities, including a list of "reserved" responsibilities which are so important that they must not be delegated, are set out in Appendix 3.

4.4 Governors should comply with the Standing Orders and terms of reference of the Governing Body and its committees to ensure that the Governing Body conducts itself in an orderly, fair, open and transparent manner. Governors must keep those Standing Orders and terms of reference under periodic review.

4.5 Governors should also have regard to the different, but complementary, responsibilities given to the Principal as the College's Chief Executive. The responsibilities given to the Principal by the College's Articles of Government are set out in Appendix 4. Whereas it is the Governing Body's function to decide strategic policy and overall direction and to monitor the performance of the Principal and any other senior post holders, it is the Principal's role to implement the Governing Body's decisions, and to manage the College's affairs within the budgets and framework fixed by the Governing Body. Governors should work together so that the Governing Body and the Principal, as Chief Executive, perform their respective roles effectively.

4.6 Governors should refer to the Clerk for advice relating to the governance functions which are set out in Appendix 4 and have regard to the Clerk's independent advisory role.

## 5. **STATUTORY ACCOUNTABILITY**

5.1 Governors are collectively responsible for observing the duties set out in the Financial Memorandum which the College has entered into with the SFA and the Funding Agreement which the College has entered into with the EFA as a condition of receiving public funds. A summary of some of the more important requirements of the Financial Memorandum is set out in Appendix 5.

5.2 Although the SFA is the main provider of funds to the College, Governors should note that they are also responsible for the proper use of income derived from other sources, such as the Higher Education Funding Council for England (HEFCE), the European Union (EU) and other project income, and for the control and monitoring of expenditure of such income, in order to meet the requirements of the relevant funding body and public audit. Where funding is received directly from HEFCE the College will have a memorandum of assurance and accountability with HEFCE which sets out the basis on which such funding is provided. Where HEFCE funding is received indirectly via a collaboration with a HEFCE funded institution such funding will be subject to obligations contained in the memorandum of co-operation between the College and that institution.

5.3 As accounting officer for the Agency, its Chief Executive is directly responsible and accountable to Parliament for ensuring that the uses to which the SFA puts its funds are consistent with the purposes for which the funds were given and comply with the conditions attached to them. The Principal, as accounting officer for the College, is also directly responsible and accountable to Parliament, through the Committee of Public Accounts, for the effective stewardship by the College of public funds. The Principal may be required to appear before the Committee of Public Accounts, alongside the Chief Executive of Skills Funding, to give an account of the use made by the College of such funds. The Governing Body is accountable to Parliament for ensuring the financial health of the College,

and to the Courts for ensuring that the College is conducted in accordance with the Education Acts and the general law.

## **6. PUBLIC SERVICE VALUES**

Although further education corporations are classified as part of the private not for profit sector for government accounting purposes, they remain public bodies in many legal contexts. In particular, public service values are at the heart of the further education service. High standards of personal and corporate conduct, based on the principles set out in Appendix 1 and 2 of this Code, and the recognition that students and other users of the College's services come first, are a requirement of being a Governor, and should underpin all decisions taken by the Governing Body.

## **7. SKILL, CARE AND DILIGENCE**

A Governor should in all his or her work for the College exercise such skill as he or she possesses and such care and diligence as would be expected from a reasonable person in the circumstances. This will be particularly relevant when Governors act as agents of the College, for example, when functions are delegated to a committee of the Governing Body or to the Chair. Governors should be careful to act within the terms of reference of any committees or working groups on which they serve.

## **8. POWERS**

Governors are responsible for taking decisions which are within the powers given to the Governing Body by Parliament under sections 18 and 19 of the Further and Higher Education Act 1992, as amended. A summary of those powers is set out in Appendix 6. If a Governor thinks that the Governing Body is likely to exceed its powers by taking a particular decision, he or she should immediately refer the matter to the Clerk for advice.

## **9. CONFLICTS OF INTEREST**

9.1 Like other persons who owe a fiduciary duty, Governors should seek to avoid putting themselves in a position where there is a conflict (actual or potential) between their personal interests and their duties to the Governing Body. They should not allow any conflict of interest to arise which might interfere with the exercise of their independent judgement.

9.2 Governors are reminded that, under the College's Instrument of Government and the general law they must disclose to the Governing Body any direct or indirect financial interest they have, or may have, in the supply of work to the college or the supply of goods for the purposes of the College, or in any contract or proposed contract concerning the College, or in any other matter relating to the College or

any other interest of a type specified by the Corporation in any matter relating to the College, or any duty which is material and which conflicts or may conflict with the interests of the Governing Body.

- 9.3 However, an interest does not have to be financial for the purposes of disclosure. If an interest of any kind (including an interest of a spouse, partner or business associate of a Governor or of a close relative of the Governor or his or her partner, spouse or business associate) is likely or would, if publicly known, be perceived as being likely to interfere with the exercise of a Governor's independent judgement, then:-
- 9.3.1 the interest, financial or otherwise, should be reported to the Clerk;
- 9.3.2 the nature and extent of the interest should be fully disclosed to the Governing Body before the matter giving rise to the interest is considered;
- 9.3.3 if the Governor concerned is present at a meeting of the Corporation, or any of its committees, at which such supply, contract or other matter constituting the interest is to be considered, he or she should:-
- not take part in the consideration or vote on any question with respect to it and shall not be counted in the quorum for that meeting; and
  - withdraw from that meeting where required to do so by a majority of the members of the Corporation, committee present at the meeting.
- 9.4 For the purposes of clause 9.3 "close relative" includes but is not limited to a father, mother, brother, sister, child, grandchild and step-father/mother/brother/sister/child.
- 9.5 Where it is proposed that the Governing Body should grant a member a financial interest (such as a contract for the supply of goods or services) the Governing Body must observe the requirements of the Charities Act 2011. The Governing Body may wish to take legal advice before granting such an interest to a member.
- 9.6 Governors must not receive gifts, hospitality or benefits of any kind from a third party which might be in breach of the Bribery Act 2010 and the College's anti-bribery policy or be seen to compromise their personal judgement or integrity. Any offer or receipt of such gifts, hospitality or benefits should immediately be reported to the Clerk.
- 9.7 The Clerk will maintain a Register of Governors' Interests which will be open for public inspection. Governors must disclose routinely to the Governing Body all business interests, financial or otherwise, which they or persons associate with them may have, and the Clerk will enter such interests on the Register. Governors must give sufficient details to allow the nature of the interests to be

understood by enquirers. Governors should inform the Clerk whenever their circumstances change and interests are acquired or lost. In deciding whether an interest should be disclosed, Governors should have regard to the meaning given to “interest” in paragraphs 9.3 and 9.5 of this Code.

## **10. COLLECTIVE RESPONSIBILITY**

10.1 The Governing Body operates by Governors taking majority decisions in a corporate manner at quorate meetings, including meetings held by telephone and by alternative methods such as written resolutions, in both cases only if so provided for in the Instrument and Articles. Therefore, a decision of the Governing Body, even when it is not unanimous, is a decision taken by the Governors collectively and each individual Governor has a duty to stand by it, whether or not he or she was present at the meeting of the Governing Body when the decision was taken.

10.2 If a Governor disagrees with a decision taken by the Governing Body, his or her first duty is to have any disagreement discussed and minuted. If the Governor strongly disagrees, he or she should consult the Chair and, if necessary, then raise the matter with the Governing Body when it next meets. If no meeting is scheduled, the Governor should refer to the power of the Chair or any five Governors under the College’s Instrument of Government to call a special meeting and, if appropriate, exercise it, requesting the Clerk to circulate the Governor’s views in advance to the other Governors. Alternatively, as a final resort, the Governor may decide to offer his or her resignation from office, after consulting the Chair.

## **11. OPENNESS AND CONFIDENTIALITY**

11.1 Because of the Governing Body’s public accountability and the importance of conducting its business openly and transparently, Governors should ensure that, as a general principle, students and staff of the College, and the general public, have free access to information about the proceedings of the Governing Body. Accordingly, agendas, minutes and other papers relating to meetings of the Governing Body and its committees are normally available for public inspection when they have been approved for publication by the Chair.

11.2 There will be occasions when the record of discussions and decisions will not be made available for public inspection; for example, when the Governing Body considers sensitive issues or named individuals and for other good reasons. Such excluded items will be kept in a confidential folder by the Clerk, and will be circulated in confidence to Governors save for those Members who have a conflicting interest in the particular sensitive matter. Some confidential items are likely to be of a sensitive nature for a certain period of time only (for example information relating to a proposed commercial transaction or collaboration with

another institution). The Governing Body should specify how long such items should be treated as confidential or, if this is not possible, such items should be regularly reviewed to consider whether the confidential status should be removed or whether the public interest in disclosure outweighs that confidential status and the item made available for public inspection. When considering such issues the Governors must also consider the College's publication scheme issued under the Freedom of Information Act 2000 and the principles enshrined in that Act.

- 11.3 However, staff and student Governors have no right of access to minutes dealing with matters in respect of which they are required to withdraw from meetings under the College's Instrument of Government, unless the other Governors decide otherwise.
- 11.4 It is important that the Governing Body and its committees have full and frank discussions in order to take decisions collectively. To do so, there must be trust between Governors with a shared corporate responsibility for decisions. Governors should keep confidential any matter which, by reason of its nature, the Governing Body or any of its committees or working groups has resolved should be dealt with on a confidential basis.
- 11.5 Governors should not make statements to the press or media or at any public meeting relating to the proceedings of the Governing Body or its committees or working groups without first having obtained the approval of the Chair or, in his or her absence, the Vice Chair. It is unethical for Governors publicly to criticise, canvass or reveal the views of other Governors which have been expressed at meetings of the Governing Body or its committees.

## 12. **COMPLAINTS**

- 12.1 In order to ensure that the affairs of the College are conducted in an open and transparent manner and that the College is accountable for its actions and use of public funds, but also to its employees, its students and the community it serves, it is important for there to be appropriate complaints procedures in place and for these to be well publicised. Governors are reminded of their specific responsibility under the Articles of Government to make rules specifying the procedures in accordance with which employees may seek redress of any grievances relating to their employment, of the importance of having formal complaints procedures in place to handle issues raised by students, former students and third parties and of the legal requirement to have a whistle blowing procedure in place.
- 12.2 Under the SFA's Financial Memorandum with colleges (Part 2, clause 15.1), students, employees and other third parties have a right to make a complaint to the SFA in respect of the College or of any of its decisions, and this right is referred to in the College's relevant complaints procedures. Copies of these procedures can be obtained from the Clerk. Governors, in particular, are

reminded that under the SFA's procedure for dealing with complaints about Providers of Education and Training (July 2014) the SFA:

- *can* investigate complaints about quality or management of learning provision, undue delay or non-compliance with published procedures, poor administration by the Provider, equality and diversity issues (except where there is a more appropriate mechanism for dealing with the matter through the court or tribunals or other organisations), health and safety concerns and complaints made by learners following HE courses in FE colleges;
- *will not* investigate complaints about examination results or curriculum content where a more appropriate form of redress would be the examining body or Ofqual, individual employment issues, contractual disputes, save where this relates to a course funded by a 24+ Advanced Learning Loan, or matters subject of legal action or where legal proceedings are the most appropriate way of resolving the dispute.

### 13. **ATTENDANCE AT MEETINGS**

13.1 A high level of attendance at meetings of the Governing Body and its committees is expected so that Governors can perform their functions properly.

### 14. **GOVERNANCE DEVELOPMENT**

14.1 The Governing Body shall seek to ensure that all Governors are appointed on merit, in accordance with an open selection procedure carried out by the Search and Governance Committee, and are drawn widely from the community which the College serves so as to be representative of that community. Governors should have regard to the provisions relating to the membership of the Governing Body in the College's Instrument of Government, the need to combat discrimination and to promote equality, and the need to make available a range of necessary skills and experience to ensure that the Corporation carries out its functions under the College's Articles of Government.

14.2 Governors must obtain a thorough grounding in their duties and responsibilities by participating in the College's governance induction and training programmes.

14.3 In order to promote more effective governance, Governors will carry out an annual review of the performance by the Governing Body of its duties and responsibilities (including a review of their own performance), as part of a continuing and critical process of self-evaluation.

## **SCHEDULE - List of source documents**

1. the College's Instrument of Government;
2. the College's Articles of Government;
3. the Standing Orders and terms of reference of the corporation and its committees;
4. the Financial Memorandum entered into by the College with the SFA and the Funding Agreement entered into by the College with the EFA;
5. the College's Mission Statement and corporate objectives;
6. the College's Strategic Plan;
7. the College's policies that extend to Governing Body members, including the College's policies on equal opportunities and freedom of speech, the anti-bribery policy as required by the Bribery Act 2010, and the College's policy on safeguarding learners.
8. the principles laid down by the Committee on Standards in Public Life (Nolan Committee) for those holding public office, namely:
  - selflessness;
  - integrity;
  - objectivity;
  - accountability;
  - openness;
  - honesty; and
  - leadership.

An extract from the report of the Nolan Committee setting out these Principles in more detail is set out at Appendix 1;

9. the Joint Audit Code of Practice issued by the SFA and the EFA;
10. the Code of Good Governance and the UK Corporation Governance Code (formerly the Combined Code on Corporate Governance) published by the Financial Report Council;
11. the Good Governance Standard for Public Services published by the Independent Commission on Good Governance in Public Services (Good Governance Standard).

An extract from the Good Governance Standard setting out the six core principles of good governance is set out at Appendix 2;

Appendices 1 (the Seven Principles of Public Life), 2 (Six Core Principles of Good Governance), 3 (Responsibilities of Governors), 4 (Responsibilities of the Principal and Clerk), 5 (Financial Memorandum of the SFA) and 6 (Powers of the Governing Body) are attached to this Code for reference.

# **APPENDIX 1**

## **The Seven Principles of Public Life**

The following is an extract from the Second Report of the Nolan Committee on Standards in Public Life, May 1996

### **SELFLESSNESS**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

### **INTEGRITY**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

### **OBJECTIVITY**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **ACCOUNTABILITY**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **OPENNESS**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

## APPENDIX 2

### Six Core Principles of Good Governance

The following is an extract from the Good Governance Standard for Public Services published by the Independent Commission on Good Governance in Public Services, January 2005

1. **Good governance means focusing on the organisation's purposes and on outcomes for citizens and service users**
  - 1.1 Being clear about the organisation's purposes and its intended outcomes for citizens and service users;
  - 1.2 Making sure that users receive a high quality service;
  - 1.3 Making sure that taxpayers receive value for money.
2. **Good governance means performing effectively in clearly defined functions and roles**
  - 2.1 Being clear about the functions of the governing body;
  - 2.2 Being clear about the responsibilities of the non-executives and the executive, and making sure that those responsibilities are carried out;
  - 2.3 Being clear about relationships between the governors and the public.
3. **Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour**
  - 3.1 Putting organisational values into practice;
  - 3.2 Individual governors behaving in ways that uphold and exemplify effective governance.
4. **Good Governance means taking informed, transparent decisions and managing risk**
  - 4.1 Being rigorous and transparent about how decisions are taken;
  - 4.2 Having and using good quality information, advice and support;
  - 4.3 Making sure that an effective risk management system is in operation.

5. **Good governance means developing the capacity and capability of the governing body to be effective**

5.1 Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well;

5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group;

5.3 Striking a balance, in the membership of the governing body, between continuity and renewal.

6. **Good governance means engaging stakeholders and making accountability real**

6.1 Understanding formal and informal accountability relationships;

6.2 Taking an active and planned approach to dialogue with accountability to the public;

6.3 Taking an active and planned approach to responsibility to staff;

6.4 Engaging effectively with institutional stakeholders.

## **APPENDIX 3**

### **Summary of Main Responsibilities of Governors under the Articles of Government**

**Responsibilities that cannot be delegated are indicated with a double asterix.**

Under the College's Articles of Government the Governing Body shall be responsible:

- (a) for the determination and periodic review of the educational character and mission of the institution and for oversight of its activities;\*\*
- (aa) publishing arrangements for obtaining the views of staff and students on the determination and periodic review of the educational character and mission of the institution and the oversight of its activities;
- (b) for approving the quality strategy of the institution;
- (c) for the effective and efficient use of resources, the solvency of the institution and the Governing Body and for safeguarding their assets;\*\*
- (d) for approving annual estimates of income and expenditure;
- (e) for the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and the Clerk, including, where the Clerk is, or is to be appointed as, a member of staff, the Clerk's appointment, grading, suspension, dismissal and determination of pay in the capacity as a member of staff;
- (f) for setting a framework for the pay and conditions of service of all other staff; and
- (g) for setting the policy by which the tuition and other fees payable to the College are determined (subject to any terms and conditions attached to grants, loans or other payments paid or made by the SFA).

"Senior Post" means the post of Principal and such other senior posts as the Governors may designate for the purposes of the Articles.

#### **Responsibilities which must not be delegated**

The Articles of Government prohibit the Governing Body from delegating the following:-

- (a) the determination and periodic review of the educational character and mission of the institution;\*\*
- (b) the approval of the annual estimates of income and expenditure;

- (c) the responsibility for ensuring the solvency of the institution and the Governing Body and the safeguarding of their assets;\*\*
- (d) the appointment of the Principal or holder of a senior post;
- (e) the appointment of the Clerk (including, where the Clerk is, or is to be, appointed as a member of staff the Clerk's appointment in the capacity as member of staff);
- (f) the modifying or revoking of the Articles of Government;
- (g) the consideration of the case for dismissal, of the Principal, the Clerk or the holder of a senior post unless such function is delegated to a committee of Governors by the Governing Body; and
- (h) the power to determine an appeal in connection with the dismissal of the Principal, the Clerk or the holder of a senior post unless such power is delegated to a committee of Governors by the Governing Body.

The Governing Body may, from time to time, resolve to add other functions which must not be delegated to this list of "reserved" responsibilities.

## **APPENDIX 4**

### **Summary of main responsibilities of the Principal under the Articles of Government.**

Under the College's Articles of Government the Principal shall be the Chief Executive of the College and shall be responsible for:

- (a) making proposals to the Governing Body about the educational character and mission of the institution, and for implementing the decisions of the Governing Body;
- (b) the determination, of the institution's academic activities and the determination of its other activities;
- (c) preparing annual estimates of income and expenditure, for consideration and approval by the Governing Body, and the management of budget and resources within the estimates approved by the Governing Body;
- (d) the organisation, direction and management of the institution and leadership of the staff;
- (e) the appointment, assignment, grading, appraisal, suspension, dismissal, and determination, within the framework set by the Governing Body, of the pay and conditions of service of staff, other than the holders of senior posts or the Clerk, where the Clerk is also a member of the staff; and
- (f) maintaining student discipline and, within the rules and procedures provided for within these Articles, suspending or expelling students on disciplinary grounds and expelling students for academic reasons.

### **Summary of the main responsibilities of the Clerk under the Articles of Government**

Under the College's Articles of Government the Clerk shall be responsible for advising the Governing Body with regard to:

- (a) the operation of its powers;
- (b) procedural matters;
- (c) the conduct of its business; and
- (d) matters of governance practice.

## **APPENDIX 5**

### **Summary of Main Provisions of the Financial Memorandum with the Skills Funding Agency**

#### **Purpose**

The SFA issues a financial memorandum for further education colleges, together with a version for sixth form colleges that recruit adult students. The EFA issues a funding agreement for provision of education to those aged 16-19, in different versions for six form colleges and for further education colleges. The current versions of these documents came into force on 1 August 2014.

#### **Format**

The form of the documentation varies because of the different legal basis on which the SFA and EFA fund provision. The SFA provides funding under the Apprenticeships, Skills, Children and Learning Act 2009 on the basis of grant – in aid. Such grants are provided subjects to conditions set out in the Financial Memorandum. The EFA provides funding under the Education Act 2002. Such funding is not limited to provision by grant – in aid so the appropriate document is a Funding Agreement which is contractual in nature. The Funding Agreements which EFA will provide to colleges are broadly similar in nature to those that EFA has with academy schools.

The SFA's financial memorandum is in one part, applicable to all providers its funds, with only the financial annexes differing between institutions, unless there is a particular need for special provisions specific to a particular institution. The EFA Funding Agreements are structured in two parts. Part 1 deals with matters relating to financial accountability, such as the responsibilities of the Governing Body and of the accounting officer, the requirement to provide information, and the requirements in relation to financial reporting and audit. In the version of the EFA funding agreement for general FE and specialist colleges, this material is omitted, since EFA will take assurance from the equivalent provisions in these colleges' Financial Memoranda with SFA. For the same reason, the version of the Financial Memorandum which is now provided by the SFA to sixth form colleges omits those provisions. This is because the SFA will rely on equivalent provisions in the sixth form colleges' Funding Agreements with the EFA.

In practice, if a general FE college, receiving funding from both SFA and EFA, were to get into serious financial or quality difficulties, there would be liaison between the two funding bodies and regulatory action would be co-ordinated by the lead funding body, i.e. the SFA (for general FE colleges) and the EFA (for sixth form colleges).

There follows a commentary on the main provisions of the SFA Financial Memorandum for further education colleges.

## **Definitions**

It should be noted that references to public funds include funds provided by HEFCE as well as those provided by the SFA.

## **Statutory framework**

The conditions set out in the Financial Memorandum are intended to enable the Chief Executive of Skills Funding to carry out his functions under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCLA). Note that ASCLA gives these functions to the holder of this post rather than to the SFA itself. The SFA has no separate legal status and has become an agency of the Department for Business, Innovation and Skills (DBIS). The Chief Executive has responsibilities as accounting officer to his or her department for ensuring that the use of funds which he/she receives from the Secretary of State is consistent with his/her statutory remit and any conditions imposed by the Secretary of State.

## **Responsibilities of a Governing Body**

The Financial Memorandum recognises that a Governing Body is an independent body responsible for managing the college and ensuring its financial viability. However, the Governing Body must inform the Chief Executive of any transactions that could jeopardise the college's financial viability and must be able to demonstrate that all transactions achieve value for money for funds provided under the Financial Memorandum.

The Governing Body shall appoint an accounting officer. The expectation is that the accounting officer will be the Principal of the College. There must be an accounting officer in place at all times and the SFA must be informed of the accounting officer's name and position and who will discharge their various responsibilities if they are absent from the college for an extended period.

The accounting officer takes personal responsibility, which is not delegable, to ensure compliance with the Financial Memorandum and conditions of funding. The accounting officer may be required to appear before the Public Accounts Committee on matters relating to the Governing Body's use of funds.

The accounting officer must advise the Governing Body if at any time in his/her opinion any action under consideration by the Governing Body is incompatible with the Financial Memorandum. If the Governing Body resolves to continue with such action the accounting officer must inform the Chief Executive.

## **Allocation of funds**

The Chief Executive will allocate funds to the Corporation annually provided that he/she is satisfied that the Corporation is financially viable and able to deliver education of a reasonable quality meeting the needs of learners and employers and the Corporation has

met the previous year's conditions of funding. The Corporation is free to spend its funding as it sees fit provided it fulfils the conditions of funding but funds must not be used to deliver provision in respect of which the Corporation has already received other funding, public or otherwise, unless agreed by the Chief Executive. The Chief Executive can require assurance that delivery of provision complies with the Financial Memorandum and require, at the College's cost, evidence to support payment claims.

### **Capital transactions**

The Corporation shall properly manage and develop its property with regard to good practice guidance in the FE sector. It is no longer necessary to obtain approval of the Chief Executive to the disposal of land or buildings which had been acquired or developed with the help of capital grants from the SFA or previous associated bodies, but the Chief Executive must be notified in writing of such transactions and reserves the right to require repayment of some or all of the associated grant.

### **Financial reporting**

The Chief Executive shall specify his requirements as to the information to be contained in the College's financial statements. Audited financial statements must be provided to the Chief Executive within five months of the year end. The Governing Body must have an effective policy on risk management. The Governing Body must notify the Chief Executive in writing if at any time there is a risk to the College's solvency and viability.

### **Audit**

The Governing Body shall appoint an Audit Committee and arrange to provide internal and financial statements audit, including regularity audit, in accordance with the Joint Audit Code of Practice.

The Governing Body must investigate and report to the Chief Executive all significant cases of fraud or suspected fraud.

### **Payment to employees on termination of employment**

The Governing Body must only make payments to employees on the termination of their employment for the purpose of meeting contractual obligations. Payments must be demonstrated to be regular, secure value for money and avoid spending funds on settlements where disciplinary action would have been more appropriate. Where employment claims are brought by a senior post holder it should take appropriate professional advice on any proposed settlement and the terms of the final agreement

should be agreed by the Governing Body and brought to the attention of the financial statement auditors.

### **Provision of information**

The Chief Executive reserves the right to request information from the Governing Body in order to exercise his/her responsibilities. The Governing Body must inform the Chief Executive in writing of the vacating or filling of the positions of the Chair of the Governing Body, Principal and Clerk. The Corporation must inform the Chief Executive if it is sanctioned by an awarding body. The Chief Executive has an expanded right to share information provided by the college, for example with Parliamentary bodies.

### **Additional conditions of funding**

The Chief Executive reserves the right to impose additional conditions where he/she considers it necessary to secure the delivery of education and training of a reasonable quality or to require the Governing Body to address concerns about its financial viability.

### **Repayment of funds**

In the case of a breach of the conditions of funding the Chief Executive reserves the right to require repayment of all or part of the funds.

### **Raising Standards, Feedback and Complaints**

The College must deliver the funded provision to an acceptable standard of quality and comply with the Performance Management Rules published by the Chief Executive. There is a set procedure for dealing with inadequate provision which may lead to issue of a Notice of Concern or ultimately a Notice of Withdrawal of Funding. (See the strengthened BIS/DfE intervention process issued in April 2014 which implements the policy set out in *Rigour and Responsiveness in Skills*).

Colleges are expected to have acceptable procedures for gathering and acting upon feedback and complaints from learners and/or their representatives and employers and the wider community. These must be made available to those who may wish to complain. Where a complaint is not resolved satisfactorily the complainant must be informed of their right to complain to the Chief Executive.

### **Additional matters**

The Financial Memorandum incorporates a number of other clauses on compliance matters, such as health and safety, equal opportunities, data protection and freedom of information, and State Aid.

## **Interpretation**

Nothing in the financial memorandum shall require the Governing Body to act in a manner which would cause the Corporation to cease to be a charity.

## **APPENDIX 6**

### **Summary of the Statutory Powers of the Governing Body**

#### **PRINCIPAL POWERS**

Under section 18(1) of the Further and Higher Education Act 1992 a further education corporation may:-

- (a) provide further and higher education;
- (b) provide secondary education suitable to the requirements of persons who have attained the age of 14 years, or provide secondary education or participate in the provision of secondary education at a school (subject to the consultation with the appropriate local education authority); and
- (c) supply goods or services in connection with their provision of education.

These powers are known as the Corporation's "principal powers".

#### **SUPPLEMENTARY POWERS**

Under section 19 of the 1992 Act the Corporation may do anything which appears to it to be necessary or expedient for the purpose of or in connection with the exercise of any of the principal powers conferred by section 18 of the Act, including in particular the following powers:-

- (a) to acquire and dispose of land and other property;
- (b) to enter into contracts, including in particular:
  - (i) contracts for the employment of teachers and other staff for the purposes of or in connection with carrying on any activities undertaken in the exercise of the Corporation's principal powers; and
  - (ii) contracts with respect to the carrying on by the Corporation of any such activities;
- (c) to form, participate in forming or invest in a company or become a member of a charitable incorporated organisation;
- (d) to borrow such sums as the Corporation thinks fit for the purposes of carrying on any activities it has power to carry on or to meet any liability transferred to it under sections 23 to 27 of the 1992 Act (i.e. when the College achieved its corporate independence on 1st April 1993) and, in connection with such borrowing, the power to grant any mortgage, charge or other security in respect of any land or other property of the Corporation;

- (e) to invest any sums not immediately required for the purposes of carrying on any activities the Corporation has power to carry on;
- (f) to accept gifts of money, land or other property and apply it, or hold and administer it on trust, for any of those purposes;
- (g) to do anything incidental to the conduct of an educational institution providing further or higher education, including founding scholarships or exhibitions, making grants and giving prizes; and
- (h) to provide advice or assistance to any other person where it appears to the Corporation to be appropriate for them to do so for the purpose of or in connection with the provision of education by the other person.

The Corporation may also provide facilities of any description (including boarding accommodation and recreational facilities for students and staff and facilities to meet the needs of students having learning difficulties) which appear to be necessary or desirable for the purposes of or in connection with the carrying on of the principal powers.

The powers conferred by section 19 of the 1992 Act are known as "supplementary powers".

To the Clerk to the Corporation

**PETROC**  
**RE-APPOINTMENT TO THE GOVERNING BODY**

I agree to observe the Code of Conduct to the best of my abilities and confirm that I am not disqualified from membership by virtue of Sections 5(3) and 8 of the Instrument of Government.

Dated : .....

Name of Member : .....

Signature : .....