

GOVERNANCE⁴FE

Governance for Further Education and Skills

Guidance Note

Governance Reviews and Board Evaluations

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Governance Reviews and Board Evaluations

Governance evaluations and Board reviews are now a usual occurrence across both the corporate and non-profit sectors, including the education sector and from September 2021, an external review of governance every 3 years is mandatory. There is consensus that Board performance must be considered and measured. Governance experts agree that regular, third-party administered assessments of Board performance are a crucial component of good governance.

Why Evaluate

Whilst a well performing Board should not learn anything from an evaluation that is not already known or under discussion, the annual evaluation of governance performance demonstrates the Board's commitment to accountability and improvement, two vital elements of high impact Boards. Yet there is often reluctance by board members to participate in such. It may be that the general view is, 'we know what we are doing', 'we know what is going on here', or 'we are performing well, so why change things?'. However, it would take a very brave Board to state that it cannot improve in some way!

There are two key contributors to the effectiveness of governance - people matters and process matters, with people matters usually being the biggest contributor to a high impact Board. The benefits of reviewing both, include:

- Refocusing the Board on its purpose
- Identifying new performance objectives
- Improving board member engagement
- Identifying Boardroom bias and behaviours
- Giving an opportunity for reflection
- Gives a greater understanding of the Board's strengths and weaknesses, leading to improvements
- To raise issues for discussion that may not – whether due to the difficult nature of the issue or the lack of time – otherwise have been raised.

Currently, there is an increasing focus on governance from political and regulatory bodies as well as the wider public, with particular focus on value for money and stewardship of public funds. Recent institution failings have largely been attributed to 'a failing of governance'. Therefore, the assessment of the competency of the governing body and its contribution to the overall sustained institution success, is more important than ever before.

Getting Board Buy-In

Firstly – the Board needs to ask itself, why is it proposing to conduct a review? If it is to purely comply with the Institution Code of Good Governance for English institutions (a tick box exercise), it may be that not all board members will fully engage, which could likely result in a poor outcome. Most board members need to be onside with the benefits of conducting a review before it commences. If it is to address a particular difficult issue, ensure that other issues are also addressed. A key part of a successful evaluation requires agreement that the outcome is an action plan to enhance the Board's effectiveness. Reassurance should be given to board members that the review is not a witch hunt to get

rid of under-performing board members or to confront a particular difficult issue (although of course that could well be one of the outcomes). Once the Board has decided why it is carrying out the evaluation, the Board needs to agree that it will happen. Ideally the whole Board should agree to engage and be committed to the process.

Internal or External Review

There is now (from September 2021) a legal requirement for English institutions to carry out an external review of governance, and there are clear benefits to doing so, such as the independence and objectivity of an external evaluator. Other benefits as those cited by Board members having been through **external** reviews include:

- Allowing anonymity encourages openness
- Bringing robustness
- Being a 'fresh pair of eyes' brings new insights
- Bringing a breadth of experience from an experienced evaluator, allowing us to see how we do compared to others and what good practice looks like
- Providing a 'safety valve' for the Board and/or the Executive in times of pressure
- Depersonalising the process
- A paid for service can encourage greater contribution

Commonly quoted disadvantages of external evaluations include the cost, a lack of understanding of the position of the institution by the evaluator and a risk of breach of confidentiality.

The purpose of an external review of governance is to inform a continual process of self-improvement, which might include making changes to the board, and that disclosure should provide evidence of a robust process and a willingness to act on the outcomes. By doing so, the board can provide some reassurance to stakeholders that it takes its fiduciary responsibilities seriously and is endeavouring to carry them out to the best of its ability. This purpose is preferable to an evaluation providing an assessment of whether the board is or is not effective, in either absolute or relative terms whereby the purpose of disclosure is to provide assurance as to the future performance of the board and organisation. The reasons for not making the focus of an external governance review about giving assurance, is:

- that doing so would result in board evaluation becoming a backwards-looking compliance exercise that generated little value
- that it would reduce the board's willingness to be open with the reviewer
- and that it would raise unrealistic expectations as to the ability of the review (or reviewer) to prevent future failings

In regard to reviewing the effectiveness of governance, the [DfE guidance](#) on external governance reviews states the benefits of an external review include:

- an expert, independent view of governance effectiveness, impact, and boardroom culture, bringing fresh insight and broader governance perspectives

- stakeholder confidence that a board understands its responsibilities, is accountable and committed to continuous improvement
- an opportunity to build on strengths and to address any identified weaknesses
- encouraging openness and enhancing board members' engagement in governance development and good practice

Not surprisingly, the reduced time and cost implication of undertaking an **internal** review is often stated as the main advantage, alongside the flexibility and informality of internal exercises and the in-depth knowledge of the institution, by those overseeing the process.

Other advantages of an internal review include:

- An opportunity for the Chair (as leader of the process) to further engage with board members
- More nuanced to the institution's business
- More personal and therefore less boilerplate

Commonly quoted disadvantages of internal reviews include lack of robustness or rigour – particularly by key external stakeholders, a reluctance to honest and open communication with someone on the 'team', and a lack of benchmarking opportunity that could be offered by an external evaluator.

Like corporate organisations, many institutions undertake an annual internal review, with an external review being undertaken every few years or at pertinent times such as:

- The appointment of a new Chair
- The identification of weaknesses in the institution that have not been addressed in a timely manner (possibly highlighted by an outside agency)
- Upcoming engagement with external regulatory bodies or key stakeholders i.e., an Ofsted inspection or requests for funding

Content of a Governance Review or Board Evaluation

Reviews predominantly cover two aspects of governance, either separately or in combination:

1. A procedural review that looks at the processes of governance to ensure the governing body is carrying out its statutory functions, the structure is fit for purpose, and board members are fulfilling their fiduciary duties; and
2. An evaluation of the effectiveness of the Board as a team, the effectiveness of the contributions made by individual board members, and the overall impact of the Board on organisational performance

Areas in scope, although they are neither prescriptive nor exhaustive, include:

- the mix of skills, experience, knowledge, and diversity on the Board, in the context of the challenges facing the institution
- clarity of, and leadership given to the purpose, strategy, and values of the institution

- succession planning (Board membership and senior leaders)
- how the Board works together as a unit, and the culture and tone set by the Chair and the CEO
- key Board relationships, particularly the triumvirate of chair/governance professional and CEO
- effectiveness of individual board members
- induction, training, and development of board members
- effectiveness of Board committees, and how they relate to the main Board
- quality of the general information provided by senior managers (papers and presentations to the Board)
- input about the Board's effectiveness from the key senior management team members who interface with the board
- quality of discussions and decision-making
- process the chair uses to ensure sufficient debate for major decisions or contentious issues
- effectiveness of the contribution of the governance professional
- clarity of the decision processes and delegated authorities
- a case study or deep dive i.e., on setting strategy; Board behaviours; the Board's relationship with management
- processes for identifying and reviewing risks; and
- how the Board communicates with and listens and responds to all stakeholders.

Choosing an External Evaluator

When choosing an external evaluator, be clear what the Board evaluation will offer – each provider will have a different method and experience with cost and approaches varying greatly across providers. The Board should:

- evaluate the skills, competencies and references of each individual involved in the evaluation against a specification agreed with the Board
- be mindful of existing commercial relationships and other conflicts of interests, and select an evaluator who is able to exercise independent judgement; and
- agree with the evaluator the objectives and scope of the evaluation, expected quality, and value of the service to be provided.

A Board should review samples of the evaluator's reports. These should provide a comprehensive representation of the evaluation results with an easy-to-follow narrative and an actionable summary of the findings. The Board should take away a comprehensive

overview of its results and an action plan that can be easily integrated into its Board agenda for the next governance cycle. There should be clear benchmarks that can be used to measure future performance.

Suggested Evaluation Partner Selection Criteria

- What is the evaluator's reputation or specialty?
- What are the evaluator's competencies? Ideally, these will include first-hand corporate governance experience and a relevant qualification, i.e., in governance and coaching
- How will the Board's information be used and safeguarded?
- How will the evaluator customise the process to the Board's requirements?
- Why and how has the evaluator made choices on the evaluation's questions and methodology?
- If offered electronically, is the evaluation easy to access and complete?
- How much support does the evaluator offer to develop the evaluation and oversee the process to its completion?
- Does the evaluator offer good value for the fee charged?

Conclusion

To ensure a productive evaluation process, the Board should consider:

- who will be responsible for the process (usually the Chair with support from the Governance Professional)
- who is going to contribute to the process
- the format and scope of the process
- how the outcomes are going to be reported and to whom, and
- most importantly, how the outcome will be acted upon by the board.

The key point to remember is that the purpose of governance reviews and board evaluations are to help the board do what it wants i.e., to become more effective and have a greater impact on positive student outcomes. The success of such a review depends as much on the engagement of the Board as it does on the skill of the reviewer.

To help ensure a positive impact from the evaluation process, the Board should have adequate time to candidly discuss and interpret the findings and agree on any shortcomings in the Board's performance and the actions required to be taken to address them. Finally, the Board needs to recognise that this is an on-going process, and each review should be revisited and assessed, prior to the next evaluation being undertaken.

GOVERNANCE4FE

Governance for Further Education and Skills

We are a unique organisation that focuses on corporate governance in the Further Education & Skills sector, making us the 'go to' place to find and be directed to trusted information, expert advice and consultancy, sophisticated software tools, inspirational training, and a library of support documents. Our desire is to see governing bodies positively influence their institutions through effective governance, enabling them to improve outcomes for all students and their communities. We are the ultimate one-stop shop for all your requirements in Further Education governance.

Our purpose is to come along side all those operating in the Further Education governance space to support them to deliver effective governance by providing an outstanding service which delivers resources that are:

- **Practical** – something you can adapt, adopt and utilise immediately
- **Instructive** – you learn in the act of doing – change happened best, is more sustained, and has greater rewards when it takes place from within the organisation
- **Inspirational** – by providing a new perspective, stimulating curiosity, and bringing hope of an improved future

Guidance notes are prepared by the Governance4FE team and peer reviewed by our associates, who are highly experienced and qualified governance experts.

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