

Council Meeting

Tuesday, 1 April 2003 at 11am

Woburn House, 20 Tavistock Square, London,
WC1H 9HQ



Title: The Review of Corporate Governance

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Item 7

Person Responsible for the Paper:

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Committee Chair:

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1.0 Status: Public

2.0 Summary

This report makes recommendations to Council following the review of governance and arising from the work of the Governance Group convened by Council in January. It has been considered by the Resources and Planning Committee. The Audit, Monitoring and Review Committee will also consider the report on 26th March 2003 and a supplementary report will be made of the recommendations arising from the Committees following the meeting of the Audit Committee.

3.0 Recommendations

Council is recommended to:

- (i) consider the proposals of the Governance Group, (as updated by the recommendations of the Resources and Planning Committee and the Audit, Monitoring and Review Committee);
- (ii) approve changes in governance practice as appropriate;
- (iii) approve the continued development of governance via the Council Development Day in June as proposed at appendix 2, including the consideration of a future role for a Governance Group.

4.0 Background

The audit review of corporate governance was commissioned by the Audit, Monitoring and Review Committee and initially reported in December 2002. Council established a Governance Group to consider the review and to make recommendations.

The auditor's report and findings have previously been circulated to all Members and as such is not reproduced with this report although the context of recommendations is cross referred to the audit finding. Should an individual Member require a further copy this can be accessed via the Extranet (as part of the papers for the Council agenda for 21 January 2003) or by request to the Council Secretariat.

5.0 Detail

The issues considered and recommendations made by the Governance Group and the Resources and Planning Committee are reported at Appendix 1 and 2.

For ease of consideration the findings of the audit review have been grouped into a series of issue areas. This enabled the issues to be considered more effectively.

In addition the Audit, Monitoring and Review Committee identified issues in its own initial response as reported to Council in January.

6.0 Financial Implications

There are no direct financial implications arising from this report at this stage. Member time and commitment to meetings does carry cost implications but the recommendations are not considered to have material effect on these costs. If a Governance (or equivalent) Group is maintained as a standing Committee for the purposes of such as self-assessment there will be a marginal effect on the budget for Member attendance.

7.0 Risk Management

Effective governance is a key factor in the management of risk. It enables decisions to be taken at the appropriate level and for Members to monitor and be aware of the strategic issues in the management of the Council's affairs. This report and the audit review identify improvements that could be made in order to strengthen governance and thus reduce the Council's overall risk exposure. In addition the GTC is part of a network of related organisations and evidence is gained as to practice in other organizations and this also serves as a source of information.

8.0 Equal Opportunities

Effective Member participation also contributes to the equal opportunities of Members within Council. By improving participation and Member support processes this will strengthen equal opportunities.

List of Appendices

1. Recommendations on specific governance points
2. Recommendations - Further issues
3. Previous Audit Committee recommendations

Recommendations on specific governance points

Responses to the majority of findings in the audit review

This paper reflects upon most of the findings in the review. It makes a brief summary reference to the finding and offers a management comment where appropriate. It leaves to a separate paper issues associated with “Member involvement” and also the self assessment of the effectiveness of Council.

Grouped summary of the audit findings cross-referring to points raised in the audit findings

1. Information:

1.1 Finding - The Council should make available the register of member interests

Comment - A summary of the register of interests could be made available in the Annual Report, at Council meetings for public inspection and/or on the website.

Recommended – that this approach to be adopted.

1.2 Finding – The Members handbook should be made widely available to all Members and maintained up to date.

Comment - The Member handbook already exists and is on the extranet where the various sections are regularly updated as it is not a static document. In this respect the audit findings are considered to indicate more of a difficulty than actually exists in reality. Members have choice over the extent of use made of the information available via the Extranet.

The handbook should be reviewed in the lead-in to the autumn processes for the induction of new Members in 2004 following the 2004 election. The review should incorporate any revisions and practice emerging from this governance review as affecting the work/role of Members.

Response and recommendation - The Group accepts that easy access to up-to-date Member handbook information is essential. It does however recommend that the current approach of providing this via the Extranet be maintained. This should be supplemented by an initial hard copy to new Members and by training in the use of the Extranet. The Extranet alert system should be used to point out changes to the handbook. Further improvements to the layout and navigation within the Extranet continue to be sought and the Group noted that the Communications Committee receives progress reports on the development and use of the Extranet.

2. Member decision making

- 2.1 Finding – there is a lack of clarity over the authority of the Remuneration Sub-Committee. The delegated powers of the Remuneration Sub-Committee should be clarified to remove any ambiguity.

Recommended - that this be undertaken and revisions adopted by Council following the early review of the scheme of delegation.

- 2.2 Finding – that the performance targets for the Heads of Service should be considered by the Remuneration Sub-Committee and performance achievements also reported against the targets.

Comment - The service plans managed by Heads of Service reflect the decisions, aims and objectives of Council. These plans are the basis for the performance targets of Heads of Service. The Chief Executive holds management responsibility for the review and appraisal of performance by Heads of Service against these targets. Service performance is reported at summary strategic level to Members.

There is no link to pay at Head of Service level other than those established by Members in the specific circumstances of the fixed term post and appointment for the Director of Communications. The assessment of performance through this specific post will be the subject of consideration by the Sub-Committee given its pay implications.

The Chief Executive remains of the view that it is appropriate for her to manage the process for the other Heads of Service within the Council's staff performance management scheme.

Recommended - that the current practice be maintained, considering that this provides proper line management accountability via the Chief Executive. Given the specific provisions of the contract for the new post of Director of Communications for the assessment of performance, the pay link for this post should be a matter for the Remuneration Sub-Committee.

- 2.3 Finding – the Health and Safety policy has not been formally adopted by Council.

Comment - The Health and Safety policy will be brought to Council for formal adoption to overcome this omission. A policy meeting HSE standards is in place.

Recommended - the policy to be brought to Council at its July meeting.

- 2.4 Finding – The audit review identifies the need for effective planning of the governance cycle of Council and Committees

Comment - The timings of the Resources and Planning Committee and its two Sub-Committees are better synchronised to enable effective reporting from the Sub-Committees. This reporting will be made more consistent from 2003. The inter-relation between the work of other Committees will need to vary depending upon what policy developments are being considered and the nature of them. Members will be aware of agenda items via the Extranet and will also be able to make input to policy considerations via the Extranet facility where inputs can be made on items. The process needs to secure a balance between Member involvement and information and on the other hand effective and responsive throughput of business.

The Group did not recommend that reports be made across a number of Committees and that wherever possible reports are made to a lead Committee. The calendar of meetings should be designed to enable proper time for reporting through items where this is necessary. Providing easy accessed information via the Extranet is to be encouraged.

3. Member reporting

- 3.1 Finding – performance reporting should be via a consistent format and be based upon the use of SMART targets

Comment - The Audit Monitoring and Review Committee has identified the provision of clearer (SMART) targets and monitoring information as a key improvement area. It is planned to have an improved practice in place for the 2003/04 financial year. This is expected to reflect a hierarchy of reporting with strategic issues and exception reporting on variations in performance relating to lesser targets being brought to Members quarterly during the year. Committees will receive reports on service plans at the outset of 2003/04.

The Group recommend this approach to be adopted.

- 3.2 Finding – The governance cycle should be co-ordinated to enable effective reporting to Members and improved access is needed for Members on key financial and other monitoring information.

Comment - The latest and future Committee calendars will better reflect a quarterly pattern. This will enable financial and service monitoring reports to be made more regularly during the year. The posting of summary financial information on the extranet is also being examined as a means of providing all Members with current key information in this respect.

The Group recommend this approach to be adopted.

- 3.3 Finding – Member reports should be published in accordance with the timetable enabling maximum notice for members.

Comment - Prompt dispatch of Member papers is a key target for staff to achieve. The achievement of the target is monitored and action taken to seek

improvements where necessary. There have been more late papers than would be ideal and it is intended to improve upon this whenever possible.

The Group emphasised this as a key target and acknowledged that management attention to this had seen some improvement in the current term. Members were concerned that there is often limited time to comment on draft consultation responses to such as government initiatives. Whilst recognising that this sometimes results from an external timetable it does make effective Member input more difficult and Members asked that every effort be made to maximise the notice given to Members.

- 3.4 Finding – to assist the management of Committee and Council meetings agendas could be planned in the order of items for decision, report or information.

Comment - The ordering of agenda items into decision items, information etc is taken into account as one factor in the ordering of agendas but it is advised that a rigid approach to this effect is not necessarily the best approach. Other factors will include:

- The availability of other contributors
- Linking associated business together on the agenda to assist continuity and also staff involvement with Committees.

The Group saw some merit in a systematic ordering of agenda items but formed the view that this could not be a rigid approach. There is also a need to recognise the timed availability of such as external contributors to a meeting. Chairs of meetings also have a need at times to reschedule the order of an agenda to reflect Member availability or disruption caused by travel arrangements when parts of meetings may be inquorate.

4. Independence of the Council Secretary

Finding – that the Council should consider the benefits of there being an independent Council Secretary

Comment - This was a focus of initial response at the time of the review report.

Management remain unconvinced of the context or appropriateness of an independent secretary which is a practice sometimes adopted in such as HE Colleges. It can bring practical concerns about its management and is not expected to create more independence than at present. The Council Secretary at present is able to raise issues of concern, works closely to Members, and is accountable to them via such as the annual survey. It is clear that the Secretary is in a position to bring issues forward in this independent manner and to have access to the Chair of Council if needed.

The practice of decision tracking allied to minutes of meetings helps ensure that decisions of Members are implemented, or progress reported or outstanding issues brought forward to subsequent meetings.

It is unclear as to what added value the audit finding would bring.

The Group gave this full consideration. It recognised that some educational institutions adopted an approach of using an external Secretary (or Clerk) to Governing Bodies. There was some Member support for this. The Group also recognised however the issues that this would introduce in the management of the role and its inter-relationship with the organisation and the fact that the current practice does afford the Secretary independence when required. The practice of decision tracking was seen by the Group as beneficial to Members and to ensuring that transparency of progressing Member decisions is secured.

The Group recommend that the post of Council Secretary be maintained within the Council's management structure but that its job description be reviewed to reflect the independence and accountability of the role referred to in the report.

5. Authorisation of the Chief Executive and Chair of Council's expenses

Finding – that appropriate checks should be in place in respect of the expense claims made by the Chair of Council and the Chief Executive.

Comment - There are clear separations of duty in place at present to safeguard these processes. The Chief Executive's expenses are approved by both the Head of Finance and Administration and the Finance Manager. The verification in this way ensures that expense claims are made consistent with policy and standards. The audit report suggests a role for the Chair of Council in this process but this could also introduce a risk given that there are several occasions on which the Chair and Chief Executive could be attending events together and separation is less secure.

In terms of the Chair of Council these expenses are approved in the same way. A system of verifying these back to a central diary of the Chair's commitments is being developed and when introduced will add further evidence to support expense claims.

The Group considered that the present authorisation processes provided sufficient safeguard and separation of function. The key role of financial procedures in securing probity were seen as important and reassurance is gained by the regular audit of these procedures. The Group also recognised the possible risk introduced by authorisation of the Chief Executive's expenses by the Chair of Council given the shared involvement in a number of activities. The Group advises that an improved central diary system be implemented in respect of the work of the Chair and Vice-Chair of Council and this has already been put into effect.

**Recommendations Arising from the Meeting of the Governance
Group Meeting on 3 March 2003**

Further issues

The audit review highlighted key issues in respect of the impact of the role of Members on the time capacity available and also on the need for Council to undertake a form of self-review of its effectiveness in delivering its outcome objectives.

The Group's recommendations on most issues identified by the auditors are made on the main appendix.

In addition to these specific issues there are a issues in the findings that relate to the more general Council management issues of Member time and also to the means by which the effectiveness of Council as a body can be assessed. These are key issues and discussion points are made below to assist in the review.

1. Member involvement

- 1.1 Aspects of the governance audit identify the need for a greater information flow to Members in terms of performance management, service delivery, risk management and financial monitoring. It is acknowledged that these are key items and that at a strategic level Members should be regularly updated as to either progress or at least exceptions to planned positions.

Conventionally this would be achieved by a series of reports during the year. The concern with this approach is that it introduces a risk that a greater proportion of Member time is devoted to monitoring and review when Member time for proactive work is at a premium. To provide for the essential monitoring and review processes it is proposed to expand the summary information on financial and service monitoring available on the extranet to enhance the continued key quarterly reporting as made at present. In this way further Member information can be provided in a flexible way that is realistic of Member capacity.

This will provide more up to date and regular information for all Members to access as they chose to supplement other reporting. This would achieve improvements in Member information without adding to time pressures or consuming greater proportions of scheduled meetings.

1.2 Short term approaches

There will be limited scope to make significant changes to practice during the final year of the current Council. It is recommended that structural changes are not made to the Committee structure in this final year but that these remain open for consideration for the future.

On this basis there remains the existing issues associated with Member involvement, including:

- Pressure on those Members serving on organisational committees (R&P plus its Sub-Committees, Audit and Communications) and on disciplinary committees in addition to the commitment to advisory committees alongside all other Members.
- Can Member involvement be made more effective by a greater recognition of specific experience or interest so as to focus individual Member involvement in such areas whilst providing accessible information on the extranet to enable all Members to be informed across Council business.
- The pattern of Member attendance where the rate of apology has increased with the result that some Committee meetings have been inquorate for all or some of their meeting time.
- The contribution Members can make through other participation such as at teacher meetings, local events and events in support of policy work such as specific conferences. These activities add pressure to Members time and can also make Members participation in core GTC committee meetings difficult.

1.3 Issues relating to 2004/05 and beyond

Practice as to the best form of Member involvement will be important so as to best inform potential candidates for election, nomination and appointment to Council in 2004. Experience gained in this first Council cycle will be invaluable in establishing arrangements for the future.

Are there better ways in which Member involvement can be maximised and made most effective?

Is a “portfolio” approach worthy of consideration where particular Member expertise is utilised relevant to the diverse work of Council?

The Group’s recommendations arising from these issues are that:

- Wider access to performance and financial monitoring should be developed but that this be made by easy accessed and understood information on the Extranet rather than widening the extent of formal reporting beyond the existing Committee responsibilities. This would achieve the outcome of providing information without increase paperwork.
- For the next Council, and in preparation for the elections and appointments in 2004, there should be clear information as to the expected commitment of time expected of Members across the various responsibilities of:
 - Scheduled Council and Committee meeting responsibilities
 - Disciplinary investigatory work and hearings
 - Local teacher meetings and other local activity
 - Attendance at GTC related conferences and seminars.

In preparation for autumn 2004 there will be a need for Member induction and training to ensure continuity of Council work. This will include induction as to the overall work and position of the Council on policy, regulatory and organisational management work and specific training of Members for disciplinary casework so as to avoid disruption to the hearing of cases in autumn 2004. The latter should continue to monitor volumes of casework and options be considered as to how increased volumes can be managed into the future.

- The Group also identified the need to monitor these time pressures and for alternative strategies to be considered if these became too onerous for Members or their employers. In this regard the “overheads” of travel time and Members contribution in their own time should be taken into account.
- The attendance of Members on GTC business should be reported in the Annual Report but that this should include all GTC work and not be restricted to Committee or disciplinary casework commitments.
- The Group identified the need for the Council to adopt a more transparent system for the appointment of Members to Committees of the Council, particularly to Organisational Committees on which only some Members serve, including:
 - for there to be clear provisions within this system as to the selection of Members if there is over-subscription to a Committee
 - for a definition to be established as to the period of service on a Committee
 - and the means by which vacancies are filled.

Whilst the option of developing a portfolio system capitalising on Members’ specific expertise was seen as having some merit the contribution of “non-experts” to an area of business was seen as beneficial and the Group advocate that the current open approach in this respect be maintained. The appointment of Members to Committees should also be considered in the context of how Member involvement is planned across Advisory Committees and Organisational Committees and whether or not the current practice is sustainable where the latter adds to the time commitment of the former. An audit of Member expertise in 2004 could be helpful in establishing Committees following the Member changes expected in 2004.

- The Group considered the issue of quoracy for Committees. It does not recommend any change given that the issue has been considered previously by Members. It was concerned at the problems arising from low attendance on some occasions. It has asked that the Council Secretary’s annual survey and report provide a further analysis of this and its effects. In addition the Group asked that care be taken in the timetabling of meetings, recognising key times in a school year when absence from school is more difficult to secure.
- To assist Member time planning the Group reinforced efforts by the Chief Executive to secure better co-ordination of Member time commitments particularly the scheduling of external activity alongside scheduled Committee

work. Guidance for Members in respect of prioritising Committee business and other GTC related activity would be helpful and the Chief Executive will take steps to seek improvements in the planning and call upon Member time.

2. Member self-assessment of effectiveness

The report identifies the need for Council to consider its own processes as to their contribution to effective working and delivery of the Council's remit.

In this respect the following points could be taken into account in developing such a review process:

A process could include addressing:

- how Council performed against its key targets set in the Corporate Plan including such as the effectiveness of governance in respect of policy advice and regulatory work
- what feedback is gained of the work of Members from the profession or from stakeholders – positive/negative
- attendance levels of Members on GTC scheduled business and other relevant activity
- extent of meeting targets re Member review of performance and Member involvement in objective/performance target setting
- the assessment of Committee achievements against targets,
- year on year comparisons across all activity
- is the contribution made by the full range of Members or just a leading few and is there any distinction between the input of teacher and lay Members?
- equal opportunities and diverse input to key issues?
- effectiveness of the Committee structure

This could be undertaken by a small group of Members drawing on a series of performance indicators or information. This could also be facilitated by an independent input. An annual review in early summer, reporting to the July Council beginning in 2004, could inform the new Council year starting in September.

It was agreed to recommend that this proposal be further developed for discussion with a larger number of Members at the 2003 Development Day as a means of beginning preparation for a self assessment in 2004. It is proposed that a limited amount of external input be sought to bring external perspectives and benchmarked practices from other organisations into account in developing a draft proposal.

The Group's recommendations arising from these issues are that:

- A process of Member self assessment be welcomed and that the basis outlined above provides a useful starting point to consider how this could be introduced.
- This outline could be considered further by Members as part of the Development Day in the summer term 2003. For the remainder of the current Council an

approach to self-assessment could be developed and some trailing undertaken in order that a process could be in place for the new Council in 2004.

- The overall Council self- assessment could also include, and be based upon, the assessment of Committee effectiveness within the context of Committee workplans and outcome targets related to each Committee's work.
- The process of self-assessment could be co-ordinated by a Group such as the Governance Group (or equivalent) that formed part of the Council's structures and had an ongoing remit in this area of work.

3. Other issues raised in discussion of the governance review not covered by the audit report:

These include:

3.1 A Chief Executive report to Council

This would enable key issues to be drawn to the attention of Council.

The Chief Executive already provides a regular newsletter to Members, informing on recent developments and GTC news. Key business issues are the subject of report to members across a Committee quarterly cycle with the most significant issues coming to Council. Other issues are reported to Council via Committee feedback.

It is questioned as to what a further "Chief Executive report to Council" would achieve and whether or not this would introduce duplication rather than adding value.

The Group concluded that there was little need for an additional Chief Executive report. The current newsletter approach could be developed into a more formal tool.

3.2 Liaison between Council members and the Senior Management Team

The NAO report that some organisations have a practice of periodic meetings between such as the equivalent of Chair of Council with the organisation's senior management and that this enables early input into organisational issues and performance monitoring.

The GTC practice includes:

- A regular liaison meeting between the Chair of Council and the Chief Executive,
- Liaison between Heads of Service and Committee Chairs and also with the Chair and/or Vice-Chair of Council,
- Other liaison between Committee lead staff and the Chair of the Committee,
- Quarterly meetings between the Chair/Vice-Chair and SMT in preparation for the Council meeting.

This process enables Committee agendas to be discussed and also key issues raised and discussed informally as required. In addition the Council has a process for the transaction of urgent business in consultation with the appropriate Committee Chair.

The Group considered that these arrangements give sufficient liaison opportunities for the appropriate Members outside of formal Committee meetings. Attention should be given to making these existing processes more consistent.

3.3 Clarification of Committee remits

There is an identified need to review and fine tune the remits and delegated powers of Committees to ensure compatibility and full coherence. This is noted and will form part of future work programmes.

The Group recommend this approach.

**Recommendations of the Audit, Monitoring and Review Committee –
Not Covered Above**

At its initial consideration the Audit, Monitoring and Review Committee agreed a number of responses to the internal audit review of corporate governance.

All of the Committee's responses are addressed in the report and appendices above except for the identified need for Council to adopt an Anti-Fraud policy. This was accepted at the time and has thus not been the subject of further discussion.

Work to establish such a policy is underway and is expected to report in the next cycle of Committee work in the summer. At present the Council has established a suite of financial and administrative policies and procedures within its overall systems of internal control. These provide the basis for protecting against fraud as a part of internal control. The Anti-Fraud policy will build upon this and bring aspects together into an integrated policy statement.

