Effective Governance and Strategic Leadership

A guide for independent training providers

A partnership between:

aelp association of employment and learning providers

The Education & Training Foundation

Foreword

All training providers operating within the employment and skills sector have to establish management and governance arrangements that are appropriate for their businesses, and meet the requirements of their funders and customers. There is a vast range of different types of organisations involved in the sector and, therefore, as many different types of management, leadership and governance. As a consequence, this guide is not a prescriptive description of what you, as a provider, need to do, but it sets out the issues that you must be aware of when developing your management and board structures.

We know that the leadership of the senior team in any organisation is a fundamental part of creating a successful business – in particular, the board and senior management team have to set the direction and tone for the management of the business. They must ensure that they can respond to the demands of funders, governments, employers, learners and other stakeholders. This challenge is becoming more complex than ever before, so we hope that this guide is a helpful resource in starting to address these issues. In the long term, this guide will be part of a programme that supports providers in developing the skills and processes required to deliver strong and effective board and management teams.

AELP would like to thank The Education and Training Foundation for commissioning this guide.

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Introduction

All independent training providers (ITPs) know that corporate governance is vital to the success of their businesses. Every company will have a different vision of what good corporate governance means, but they will all see strategic leadership as a core component.

At the same time, good or effective corporate governance is visible in different ways to different interested parties. For staff, good governance means that they understand and feel comfortable working towards achieving the mission and strategic aims of their organisation. They know what is expected of them and, in return, can expect fair treatment, support and professional development.

Good governance viewed through the eyes of learners means that they are confident about the content of their training programmes and that they will be delivered to industry standards. They might also expect to be regularly consulted about ways that an ITP could improve its training provision.

Through the Common Inspection Framework, Ofsted evaluates effective governance through the prism of leadership and management standards, and an organisation's achievement of high standards as measured by the Framework as a whole.

The Government has yet other views. Through regulation and contract requirements, it continues to demand high standards of corporate governance from ITPs, especially with regard to financial and performance accountability. However, since 2010, the Government has also placed increasing importance on all organisations within the further education (FE) sector to widen their accountability to learners and communities of interest. How ITPs are implementing this shift away from government accountability will vary. What is certain is that it needs to be considered as a priority for action by all.

This guide has been organised in a way that is intended to help both established and start-up ITPs. For established ITPs, the guide includes a series of checklists to help measure both the effectiveness of boards and non-executive directors, and the accountability of boards to all relevant stakeholders. Start-up ITPs can use the guide as an initial primer – it outlines the key issues that they should consider when setting up a board to ensure that it is fully fit for purpose; the guide should be used alongside the wealth of information on governance readily available on the web and in publications.

What should be emphasised is that the guide is not intended to be prescriptive. ITPs will have their own approach to governance and, as testament to their effective corporate governance and leadership, many will have enjoyed years of success. This guide is primarily written from the perspective of what the FE sector expects from corporate governance and leadership. Its value to ITPs will be to assess how closely their current governance arrangements match the expectations of FE policy makers and funders, especially those for which government funding is a substantive income stream.

1. Background

The size and purpose of ITPs operating within the FE sector varies greatly. At one end of the continuum are large private and public companies with shareholders and at the other end, very small charities with trustees.

Although there is enormous variety in the types of ITP working within the sector, all have to comply with regulations from Companies House as set out within their articles and memorandum. Those ITPs that are registered charities have to comply with the Charity Commission's guidance on good governance. ITP boards also need to ensure that they meet the standards set out by Ofsted not only for the leadership and management strand, but for all strands of the Common Inspection Framework.

Leadership and management standards in the Common Inspection Framework

1. Demonstrate an ambitious vision, have high expectations for what all learners can achieve, and attain high standards of quality and performance.
2. Improve teaching and learning through rigorous performance management and appropriate professional development.
3. Evaluate the quality of the provision through robust self-assessment, taking account of users' views, and use the findings to promote and develop capacity for sustainable improvement.
4. Successfully plan, establish and manage the curriculum and learning programmes to meet the needs and interests of learners, employers, and the local and national community.
5. Actively promote equality and diversity, tackle bullying and discrimination, and narrow the achievement gap.
6. Safeguard all learners.

In addition, as part of their contractual requirements to public funding bodies, all ITPs are accountable for the funds they receive, their operational performance and, increasingly, the representation of key stakeholders (such as learners and employers) on their boards. This does not mean that learners (or employers) must be represented on boards, but that ITPs should have mechanisms that enable boards to take into account learners' and employers' views.

In summary, ITP governance can be usefully divided into two broad categories:

- **corporate governance**, which is about complying with legal duties, ensuring that the organisation is financially solvent, and that it adopts the UK Corporate Governance Code
- **leadership governance** where the focus is to provide direction for the organisation, develop its business and quality assurance strategies, and monitor its success.

It follows that for an ITP to be successful both its corporate and leadership governance need to be effective.

This is not to suggest that areas of governance should be treated as discrete silos: far from it. There are key overlaps and relationships between corporate and leadership governance and the inclusion of stakeholders to inform the board.

As a starting point for determining the ***overall balance*** *of accountability a board has to achieve, it can be helpful to identify the different types of accountability that it needs to consider. For example, the board will be accountable* ***for****:*

- *business success*
- *adherence to regulation*
- *compliance with Companies House, the Charity Commission etc*
- *quality assurance*
- *leadership.*

In addition, the board ***may*** *feel it is accountable* ***to****:*

- *learners*
- *employers*
- *partners*
- *the wider community (business or social).*

In practice, to whom the board is accountable and for what will vary considerably from provider to provider.

What is common is that ITPs encounter areas where meeting these different sets of accountabilities creates challenges and/or conflicts of interest.

Whilst **all** ITPs share a common view regarding the need to provide quality learning, there may be differences in the ways in which this is achieved.

Other conflicting priorities, such as ...

- meeting defined performance targets
- the organisation's financial health, and
- externally imposed policy directives

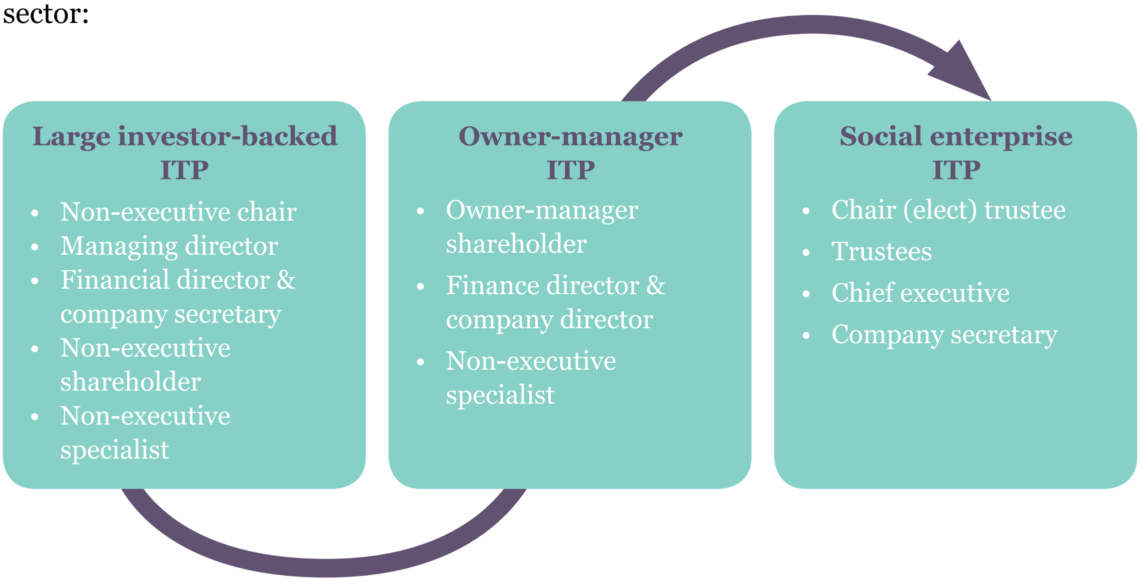
... all need to be managed alongside the drive for a quality learner experience.

2. Models

Many of this guide's readers will already have established boards and management groups. With this in mind, the guide has been developed in a way that we hope provides boards with checklists and frameworks to review and strengthen their governance arrangements, as well as providing a primer for new ITP start-ups.

On pages 8-9 is a chart outlining a number of different governance models, their key features and brief comments on their strengths and weaknesses. Of these, one of the most relevant to ITPs (both for profit and not-for-profit organisations) is the Policy Governance® Model.

Below are illustrated three typical governance arrangements amongst ITPs in the sector:



Alongside the type of ITP, different governance arrangements will have a direct impact on how a board is likely to set both its short- and medium-term priorities. A priority common to all will be the need for financial sustainability.

Whilst not yet a requirement, all FE providers are being encouraged to publish their accounts on their websites. Many recognise this as a clear signal of the Government's direction of travel and desire for greater transparency.

Profits and surpluses, and government contracts

Creating a profit or surplus from training contracts is accepted practice throughout the sector by colleges and ITPs alike.

It is common for ITPs to reinvest all (in the case of charities, trusts, and not-for-profit organisations) or a significant part (in the case of commercial companies) of any surplus back into the organisation.

Surpluses are often invested by ITPs in capital expenditure (such as buildings, new technology and plant) essential to provide learners with the best resources that are on a par with those used in an industry sector. Another way many ITPs reinvest surpluses is to support a broader training, social or community agenda. This approach is often a feature of organisations where a training arm supports its main charitable aim (e.g. reducing homelessness or substance abuse, or integrating communities).

In these instances, the corporate and leadership governance of the organisation's training activities is set within the broader context of its aims. This 'holistic' approach can create real challenges for an organisation, as the effectiveness of its governance of training contracts is measured in isolation rather than as part of a wider menu of support.

Yet another way to utilise profit (which is less complex, but just as challenging), is to provide supplementary support that is beyond that required by a contract, but essential for learners' success.

Alongside this reinvestment of surpluses, some ITPs pay dividends to shareholders or owner-managers. Where this is the case, a company needs to ensure that its profit motive is not wrongly perceived as the sole purpose for its operation. Failure to protect, uphold and promote the ethics surrounding the delivery of government training contracts will be treated as evidence of poor governance.

Is there a case for greater transparency and dialogue between government departments and agencies and ITPs to recognise the cross-funding necessary to support vulnerable groups undertaking training and/or supporting associated community or social agendas?

The danger of creating greater transparency could be that new contractual requirements may result, thereby reducing an ITP's scope and flexibility to support learners.

The benefit could be greater recognition of the resources involved in supporting some learners to succeed.

Is there a role for boards to consider the pros and cons of opening this dialogue?

The checklist below provides a starting point for boards to review whether they are functioning to the standards outlined by the eight guiding principles.

Eight guiding principles for boards

A board should ensure:

1. **leadership** – strategic direction; delivery of objectives; values upheld
2. **control** – organisation complies with obligations; performs well; is solvent
3. **performance** – it has clear responsibilities and functions and is composed and organised to discharge them effectively
4. **delegation** – functions are clearly delegated to board members (if a board is not large enough to form a sub-committee), sub-committees, chief executive and leadership team, and performance is monitored
5. **integrity** – high ethical standards are upheld and conflicts of interest are dealt with properly
6. **openness** – it is open, responsive and accountable to its beneficiaries, funders, staff, partners and others with an in interest in its work

7. **equality** – equity and equality of treatment for all directors, members of its staff, beneficiaries and the communities within which it operates
8. **review** – periodic review and evaluation of itself and the organisation to ensure continuous improvement.

Adapted from the ACEVO code on governance

As a way of initiating an internal review, members of a board may wish to measure their individual views of the effectiveness of their board against each of the principles.

Rather than simply adopting a 'yes we do it, no we don't' approach, it could be of greater value to use a more sophisticated system of measurement to evaluate ways in which and how well a board upholds the eight guiding principles.

Different models of governance

Model	Feature	Comment
Carver Policy Governance®	A system for organising accountable board leadership based on translating owner input into comprehensive and rigorously monitored expectations of outcomes for students and bounds of prudence and ethics.	Clarifies distinction between governance and management.
Stewardship	Board controls staff and managers, and stewards resources.	Derived from market-orientated view. Discourages individual self-interest of board.
Partnership	The board adds value to the organisation, improves decision-making, partners management.	Emphasises functional skills of governors and teamwork of the board.
Political	Board members represent stakeholders or a constituency. Agreed board view is mediated from the varying input.	Derived from political view. Can highlight tensions between differing views of different constituents.
Stakeholder	Similar to political but more fluid and less bureaucratic. Consensus. Empowers end-users and involves them in running the organisation.	Sub-set of political model. Not primarily based on members' functional skills.
Membership	Board members elected; democratic system of control.	Sub-set of political model. Not primarily based on members' functional skills.

Different models of governance (continued)		
Model	**Feature**	**Comment**
Learning Board	Customer is king. Board has four areas of operation, with emphasis on strategy.	Links to cultural ethos of organisation.
Non-profit models:		
Advisory	Board members have professional skills linked to operational functions, board meetings less formal, agenda set by CEO.	Board can become too operational, loses distinction between governance and management. Liability risks for board members.
Co-operative	Board exists only due to a legal obligation. All members are equal: CEO, members, staff, volunteers, clients. Collective decision-making, shared common purpose.	Decision-making based on compromise, can lead to lack of individual commitment.
Management Team	Board organises committees to reflect organisational functions. Members recruited based on skills and/or special interest.	Committees can become too operational, loses distinction between governance and management.
Patron	Wealthy influential individuals committed to mission of organisation. Meet infrequently. Real work done outside meetings.	Not effective for governance tasks of developing vision and strategy and performance monitoring.

Source: Excellence Gateway: http://www.excellencegateway.org.uk/node/859

3. Accountability

Accountability is integral to corporate governance. Legal and financial accountability are built into the general duties of directors of companies, charities and other formally constituted organisations.

To fulfil their **statutory** duties under the **Companies Act**, directors must:

- act in accordance with the company's constitution, and use powers only for the purposes for which they were conferred
- promote the success of the company
- exercise independent judgment
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare any interest a director has in a proposed transaction or arrangement with the company.

A legal requirement for charities is to provide evidence of how the organisation has benefitted the public. Charities must pass the 'public benefit' test and state in their annual reports how their activities have provided such benefits.

Guidance from the **Charity Commission** includes two key principles that need to be met:

- there must be an identifiable benefit or benefits – it must be clear what the benefits are, they must be related to the aims of the charity, and benefits must be balanced against any detriment or harm
- the benefit must be to the public or a section of the public – beneficiaries must be appropriate to the aims of the charity and must not be unreasonably restricted, e.g. by geography or ability to pay any fees charged.

While there is no similar legal requirement for other types of ITP, controls in the contracting and regulatory environment of the FE sector require similar (and often more stringent) evidence of public benefit.

For example, ITPs may need to show how the organisation has provided 'added value' benefits to the public, such as value for money or reaching out to 'hard to help' groups.

In delivering government contracts, ITPs are required to understand and demonstrate how they place learners' needs at the core of their missions, modifying and enriching what would otherwise be a purely financial transaction with funding bodies. A series of contractual safeguards are included in all government contracts, as illustrated in the table overleaf.

Accountability for	Evidenced by
Financial probity and health	Published audited accounts, Skills Funding Agency audit outcomes, Framework for Excellence scores
Value for money	Performance; learner success rates
Economic good	Employer impact and return on investment measures
Social good	Participation and performance data relating to equality and diversity
Legality	Compliance with rules and codes
Ethical conduct	Adherence to stated values and delivery of wider mission

The skills strategy report – *Skills for Sustainable Growth* – was published by the Department for Business, Innovation and Skills in 2010. The strategy sets out the Government's vision for reform of the FE and skills system in order to improve the skills of the workforce, the performance of the economy and engagement in learning. The skills strategy includes a longstanding distinctive feature of many third sector organisations: the accountability of the board of directors to the wider membership of the community from whom they are elected.

Since 2010, there has been continued pressure from government for all organisations in the sector (both ITPs and colleges) to widen their accountability.

The Government's intent is for providers in the sector to achieve:

- greater accountability through better information for learners and employers, helping to shift the relationship towards provider and customer rather than provider and government
- greater responsibility to society, in the form of customers, stakeholders and partners, rather than to government and its agencies.

While the emphasis in the skills strategy is for better information for learners and employers, the information sought extends beyond the training available.

This shift in relationship from government to learners, employers and other stakeholders is growing in momentum, not least with the introduction of employer-owned training.

This suggests that ITPs may wish to review their governance arrangements to reflect the changes that are taking place in the relationship with government.

One ITP explains how its board is exploring how to strengthen stakeholder relationships:

"We already have strong employer engagement mechanisms, and there's a sense of us interpreting their needs and reflecting these back – but we haven't got defined stakeholders to formally test out accountability. We could try to get this through formally constituted means."

4. Risk

As part of their duty to exercise reasonable care and diligence, all board members must be aware of the risks inherent in their business/organisation. It goes without saying that providers that derive a substantial proportion of revenues from government funds must be particularly conscious of the impact of government policy on funding, and the inherent volatility of the risk!

Boards also have a duty to understand and minimise risk in non-financial areas, such as maintaining reputation, quality and staff development. They also have responsibility for managing their risk as boards. Boards that are too inwardly focused lack knowledge of changes and trends within the sector and are at real risk of failure.

Boards need to not only ensure that their leadership/management teams have proper risk analysis procedures in place, such as a risk register, and that they use these procedures as a tool for assessing and managing risk, but also that they themselves operate parallel procedures.

Framework for assessing risk sources

Leadership	Risks arising from weak governance and leadership (board and chief executive), including poor strategy and planning. This category of risk includes missed opportunities and failures to anticipate changes in the FE environment – external risks.
Operational	Risks of systems, policies, communications or projects failing, or services, events, publications, campaigns being judged as of poor quality. Individually these are of lesser significance and would be dealt with through the management of staff and teams, but on a larger scale these may impact on an organisation as a whole. Includes the sub-category 'business continuity'.
MI	A common risk is the production of poor or too detailed MI (management information) that is not fit for function in that it fails to inform accurately board discussions and decisions.
Support	Risks arising from declining support from key constituencies such as employers, learners, business communities, media, partners, decision-makers etc.
Financial	Unsuccessful fundraising or poor returns/losses on reserves and invested money; also budgetary failures.
Regulatory	Failure to meet regulatory requirements.
People	Failure to maximise staff performance or minimise poor performance. Loss of capacity or organisational memory due to high turnover of staff etc.

This broad framework could provide a starting point for a board to self-evaluate risk sources.

The approach would enable boards to identify 'headline areas' of risk, and then drill down to identify the causes of both board and operational weaknesses contributing to the risk occurring.

5. Board structure

There are no hard and fast rules for the way in which ITP boards are structured. The structure adopted by each provider depends on factors such as:

- the type of organisation – private limited company, public limited company, charity, not-for-profit enterprise etc
- its ownership, including the relationship of the organisation to parent companies or sponsors
- its size and maturity
- the organisation's primary purpose.

Seven board characteristics

Whatever structure is chosen, a well-balanced board should be:

1. **representative** of the organisation's functions, including central (e.g. sales and marketing, and finance) and operational functions, and of its ownership, including investors
2. **diverse** – with members from different backgrounds, which may include those with a mix of public and private sector experience, who can bring a range of perspectives relevant to the organisation's purpose
3. **knowledgeable** about the organisation's business, priorities and key issues; about the FE sector and the business sectors the organisation serves
4. **expert** in specialist areas, e.g. finance and accounting, equality and diversity, business development and strategy
5. **committed** to the success of the organisation and able to devote enough time to their role
6. **well connected** to relevant constituencies, including political leadership, the business community and stakeholders
7. **tightly-knit** – not too many members, working as a team, with clear accountability and terms of reference for each member.

While all these characteristics are of key importance, perhaps the most vital is that board non-executive directors are fully committed to taking on their role. It is essential that they are able to give their **time** to the organisation. This will involve not only understanding its strategic aim and objectives, but also how it works, and the political and regulatory context within which it operates.

6. The roles of the chair and chief executive

To ensure effective governance and leadership, many strongly argue that a clear division at the head of an organisation should be demonstrated and visible to all. The chair is responsible for running the board. The chief executive has executive responsibility for running the organisation. No one person should have unfettered powers of decision.

This is a very definitive statement: there will be many small ITPs that may not have such a split at chair/chief executive level. That said, this is the expectation (although not yet a requirement) of the FE sector, and small ITPs may wish to consider how they can demonstrate the alternative checks and balances they employ to assure good corporate governance and leadership if this is not managed between the chair and chief executive.

Generally, the chair has the responsibility to:

- get things done, i.e. to manage the board so that it is effective
- make decisions whilst being fair and even handed to all members of the board
- stimulate and inspire others
- review formally the collective performance of the board at least once a year, including assessing how each board member contributes to its collective performance and how effective the board has been in meeting the challenges faced.

In order to carry out these roles effectively the chair needs to understand fully the strategic issues with which the board will grapple, and the mix of experience, skills and background required at board level to formulate, monitor and evaluate the organisation's business strategy.

By contrast, the chief executive has the responsibility to execute the business strategy and the day-to-day running of the organisation. The chief executive leads on the implementation of the strategic direction agreed by the board by:

- driving up and maintaining performance
- developing organisational culture
- exercising executive control, and coaching and mentoring the workforce
- ensuring that the operation of the organisation upholds its values and its mission in practice.

7. Roles and responsibilities of non-executive directors

In many ITPs there is no clear split in responsibilities between the leadership/management team and the board. Executive directors have a continuum of responsibility through their day jobs to their role as board directors. The value of introducing non-executive directors to a board can include:

- providing an informed external view of the business, its priorities and operation
- offering relevant specialist skills, leadership, strategic planning and influence
- providing access points into important networks
- acting as ambassadors for the organisation.

This is by no means an exhaustive list of the ways in which non-executive directors can support an organisation, but it gives a flavour of the value that they can bring.

At best the presence of non-executive directors at board meetings changes the dynamic for leadership/management teams, shifting focus from the operational to the strategic. At worst, a board can simply be a mechanism for rubber-stamping decisions made by the chief executive alone or with the leadership/management team.

Below and overleaf is a checklist of the inward- and outward-facing roles that a board needs to play to provide effective strategic leadership and governance to an organisation. While the checklist outlines 12 key roles, this does not imply that each role needs to be taken on by a specific board director. The proposition is that an **overall** board and leadership/management team need to consider how amongst its members these roles are carried out.

For smaller organisations this is bound to demand more of individuals than in a larger organisation where there are likely to be more board members and a larger leadership/management team to share the load.

Twelve key roles and responsibilities for board directors

Inward-facing roles

1. **Viability** – to ensure that the organisation remains financially sound and able to carry out its commercial functions effectively.
2. **Understanding** – to demonstrate and promote the strategic direction in which the organisation is moving and the operational changes and challenges this involves. This could include expertise in human resources issues.
3. **Visibility** – to set the organisation's core values and strategy, and convey these to managers, staff and learners.
4. **Challenge** – to set exacting standards for management and ensure that the way the organisation behaves and operates reflects its core values, leadership and corporate governance.
5. **Focus** – to help managers keep an overview and not become overly preoccupied by detail.
6. **Validation** – to support the actions of the management team in delivering the organisation's strategy and objectives.

Outward-facing roles

7. **Forecast** – to be aware and inform the board of emerging trends and changes in FE policy and priorities.
8. **Objectivity** – to bring an outside view to the day-to-day management and operation of the organisation.
9. **Feedback** – to represent stakeholders, such as employers or sectoral groups, and provide a valuable feedback loop between stakeholders and the organisation.
10. **Communication** – board directors with a foot in the employer camp are able to provide a two-way communication route keeping industry informed about education and training, and informing those in education and training about innovation, changes and trends in industry.
11. **Partnerships** – individuals on the board often help to develop and maintain strong relationships with stakeholders.
12. **Influence** – more broadly, they help to create the climate and conditions in which the provider's business can flourish.

To ensure non-executive directors play an active role in the corporate and leadership governance of the organisation, it can be of value for boards to draw on this checklist of the inward- and outward- facing roles it requires of its directors.

To evaluate the effectiveness of a board in carrying out these 12 roles, it is suggested that the following questions are considered for each role:

- *Which executive and non-executive board directors carry out this role?*
- *How? What are the specific contributions made over, say, the last 12 months?*

This approach can enable a board (and individual board directors) to understand its strengths and any weaknesses in carrying out its roles, and to take measures to address its weaknesses.

The checklist can also be used as a useful tool as part of the recruitment process for new non-executive board directors.

Naturally, not every board director needs to carry out all 12 roles listed!

The idea is that the directors between them carry out all 12 roles. In a large organisation, for example, a minimum of two directors should take on specific roles, while in a smaller organisation, three board members may have to take lead responsibility for four roles and provide back-up support for another four. In this way, the board is not reliant on a single director to carry out a specific role.

8. Recruiting new board directors

Forming a board with the right make-up of individuals and skills is not an exact science, and is often a challenge. As one chief executive explained:

"Recruiting new board members can be problematic. It's not always easy to find senior people willing to make the commitment that board membership requires."

Another chief executive feels:

"A major challenge facing corporate governance for ITPs is to maintain the necessity of compliance whilst also raising the skills at board level to anticipate the future landscape. ITP boards need improved capability to form a vision and set the direction informed by a market foresight – gained from a shared/agreed strategic understanding. The organisation will only ever aspire and achieve at the level of the board's own ability and ambition."

One last comment is worth sharing to bring to the fore the importance of fixed-term appointments to a board.

"There's a good mix and balance on the board, but it needs to be refreshed. We've recently had two or three people whose membership has not been renewed, partly because the organisation is different – the agenda is changing.

There's a trade-off for us between people who are committed and those with relevant skills. Right now we need less internal and corporate supervision, and more advocacy, networking and positioning. Politically we're quite well connected, but things are changing in other communities of interest, such as business and local government. We need to make sure we have influence and status in the relevant constituencies."

Checklist of considerations when recruiting new board directors

Ideas provided by AELP members include:

- establish an ideal matrix of skills, expertise and backgrounds, and recruit new members to fill the gaps
- carry out a skills audit of the current board membership to determine priorities for recruitment
- produce job descriptions for new members and apply explicit selection criteria to the recruitment process
- encourage potential non-executive directors to take time to get to know about the operation of the business, including meeting staff and learners before recruitment
- understand why a potential non-executive director wants to join the board
- consider whether you can plug the gap with a co-optee (co-opted board member) as an immediate solution.

  Co-opting is an important element of good governance that can assist boards by bringing in people with specific skills, competencies, experience and/or knowledge. It can also assist with succession planning and developing a 'pool' of suitably skilled and experienced people to consider as future board members.

9. Strategic planning: forming, monitoring and evaluating

Strategy is a high-level plan designed to achieve one or two specific goals under conditions of uncertainty. Forming, monitoring and evaluating an organisation's strategic plan is the **core function of a board**. Carrying out this core function effectively requires the skills, knowledge and roles within a board, as described in earlier sections of this guide.

There is a wealth of literature and online support available that describes in detail what a strategic plan is (and is not), the principles and criteria for a plan's formation, and how to review progress and evaluate the plan. This guide sets out a brief outline of the components, tools and approaches boards should consider.

Definition of strategic planning

Strategic planning is an organisation's process of defining its strategy intent, purpose and direction, and making decisions on allocating its resources to pursue this strategy.

Four key components of a strategic plan

1. **Vision** – outlines what the organisation wants to be, or how it wants the world in which it operates to be.
2. **Mission** – defines the fundamental purpose of an organisation, succinctly describing why it exists and what it does to achieve its vision.
3. **Values** – are beliefs that are shared among the stakeholders of an organisation.
4. **Strategy** – is the plan of how an organisation will work towards achieving its mission, despite uncertainties, and with limited resources.

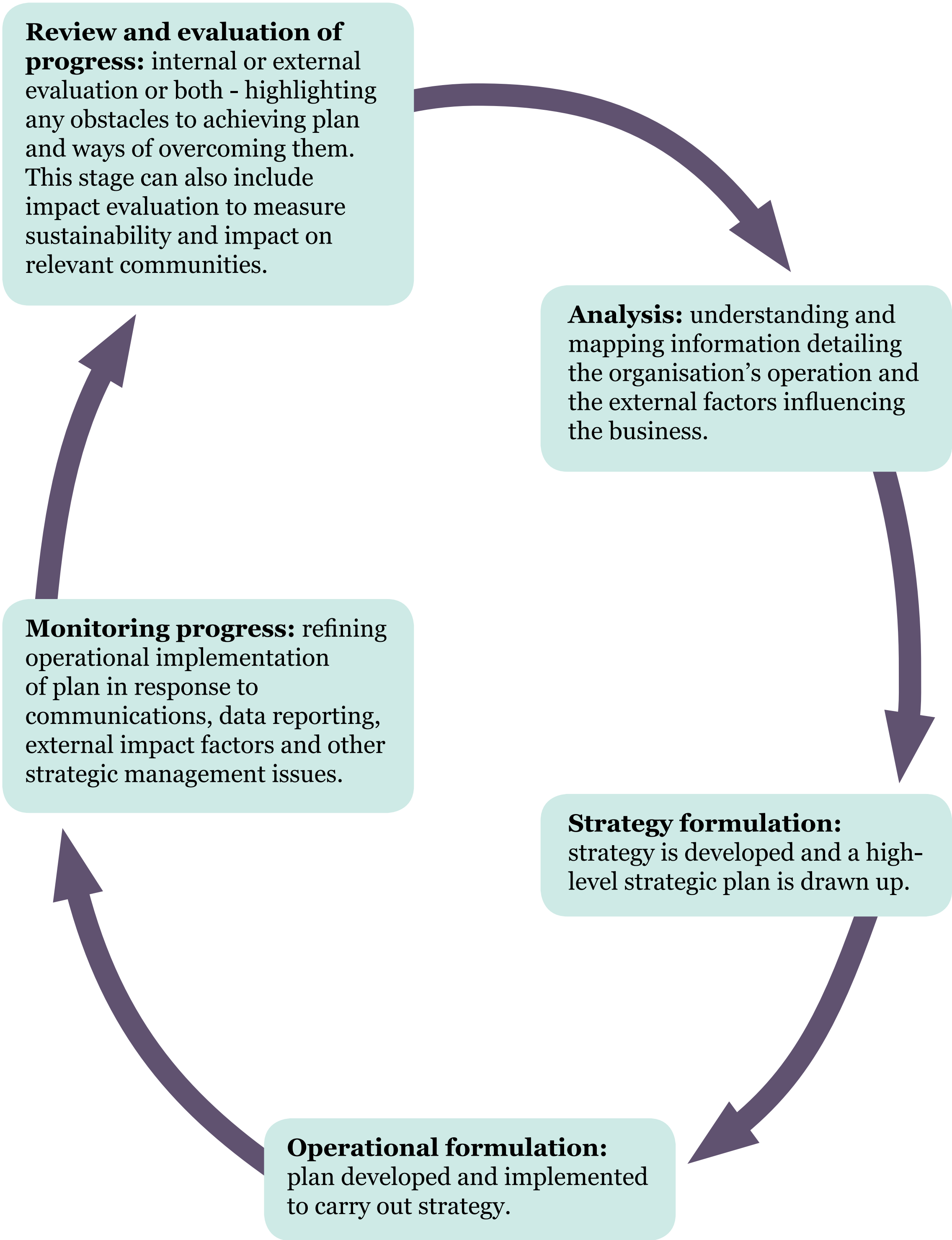
Process of strategic planning

There are many different frameworks and methodologies for strategic planning and management. While there are no absolute rules regarding the right framework, most follow a similar pattern and have attributes in common with the five stages outlined in the cycle overleaf.

Tools: There are a number of tools that can be used to carry out the processes. Details of the processes can be found readily online. They include:

- balanced scorecards... create a systematic framework for strategic planning
- visual strategic planning... based on outcomes theory
- benchmarking... learning from competitors.

Process of strategic planning



10. Measuring board effectiveness

Throughout this guide are principles and checklists that, together with regulation and corporate or charity requirements, should ensure that boards are providing effective governance and leadership.

That said, there are important benefits to carrying out regular board self-assessments and, periodically, drawing on external expertise to carry out a review to measure the board's effectiveness.

Benefits of measuring board effectiveness

Benefits include:

- increasing the confidence of the board
- pinpointing areas for improvement
- providing a starting point for continuous improvement
- creating greater transparency in the way in which the board works.

Board assessment is common practice amongst not-for-profit organisations, where the profit motive cannot be a primary indicator of good governance. Given the context in which ITPs operate, board assessment is equally as relevant and valuable to all, including to ITPs where profit or surpluses are important, whether to reinvest in the organisation or pay to shareholders.

Overleaf is a self-assessment sheet that has been developed as a ***starting*** *point for ITPs to tailor to their requirements, to use as a tool to establish a baseline and measure improvement in the effectiveness of their boards.*

Undoubtedly, there will be questions that ITPs may wish to omit, and others that they want to add. And it should be emphasised that this assessment is just a single step towards developing a process of continuous improvement.

If you would like to share ideas about how the assessment could be developed – then please do so with AELP. There are two ways in which you will be able to do this:

1. *by posting your comments on the Governance and Strategic Leadership Topics page on the AELP website: http://www.aelp.org.uk/topics/details/strategic-leadership-in-work-based-learning-new-su/*
2. *by joining the AELP Strategic Exchange – a new Special Interest Group (SIG) focusing on the governance and strategic leadership amongst ITPs: http://www.aelp.org.uk/events/details/aelp-special-interest-group-forum-the-strategic-ex/*

Board self-assessment prompt sheet

	Rank: 1-5 (1=disagree, 5=agree)
Mission and purpose	
1. Statements of the organisation's mission are well understood and supported by the board.	
2. Board meeting presentations and discussions consistently reference the organisation's mission statement.	
3. The board reviews the organisation's performance in carrying out the stated mission on a regular basis.	
4. The strategic plan is explicitly designed for the organisation to achieve its mission. The relationship between mission and plan are clear and widely understood by the board.	
5. The board fully understands and leads the strategic planning process.	
Accountability and risk	
6. The board is clear about the range of stakeholders it is accountable to and has processes in place to demonstrate this accountability.	
7. The organisation has a risk analysis framework, procedures and tools in place.	
8. The board has a parallel risk analysis framework, procedures and tools in place.	
Board roles and responsibilities	
9. Clear roles and responsibilities are taken on by named board directors.	
10. Each role and associated responsibility is carried out by a minimum of two board directors – in order to cover for absence and plan for succession.	
Board activity	
11. The board draws on business excellence standards from both within and outside of the FE sector to measure its effectiveness.	
12. The board operates under a set of policies, procedures and guidelines with which all members are familiar.	
13. Management and types of information provided by staff is adequate to ensure effective board governance and decision-making.	
14. Board meetings are well attended, with near full turnout at each meeting.	

Board self-assessment prompt sheet (continued)	
	Rank: 1-5 (1=disagree, 5=agree)
Board activity (continued)	
15. Nomination and appointment of board directors follow clearly established procedures using known criteria.	
16. Newly elected board directors receive full induction to the organisation, their role and what is expected of them.	
17. The board follows its policy that defines a term limit for board directors.	
18. Board directors receive meeting agendas and supporting materials in time for adequate advance review.	
19. The board effectively oversees the financial performance and fiduciary accountability of the organisation.	
20. The board receives regular financial updates and takes the necessary steps to ensure the operations of the organisation are sound.	
21. The chair effectively and appropriately leads and facilitates the board meetings, and the policy and governance work of the board.	
22. The board regularly reviews and evaluates the performance of the CEO.	
Board meetings	
23. Board meetings are frequent enough to ensure effective governance.	
24. Board meetings are long enough to accomplish the board's work.	
25. All board directors fully and positively participate in discussions.	
Personal contribution	
26. I am confident about my knowledge regarding the key trends, changes and challenges in FE policy.	
27. I am confident about my knowledge regarding other government policy areas that have either direct or indirect impact on the organisation carrying out its strategic plan.	
28. I am confident that the organisation is keeping up with changes within the industry sectors for which it trains.	
29. As a board member, my skills, experience, knowledge and connections are fully utilised by the organisation.	
30. As a board member I would welcome greater access to coaching and mentoring.	

Board self-assessment prompt sheet (continued)
Open questions
31. If you answered on the **agree** spectrum to question 30, in which areas of governance would you particularly welcome coaching and/or mentoring?
32. What do you see as the organisation's priorities over the coming 18 months?
33. What do you feel are the greatest risks to the organisation, and what do you feel its strategy should be to manage these risks?
How helpful has this self-assessment prompt sheet been in enabling you to evaluate the effectiveness of the board? Are there any additions/omissions/amendments that you'd like to suggest to replace or improve our approach to board evaluation for continuous improvement?

Links and references

AELP (2013), *Governance Challenges for Independent Training Providers:*
http://www.aelp.org.uk/file/?id=1853&type=item

AELP – strategic leadership in work-based learning – support materials:
http://www.aelp.org.uk/topics/details/strategic-leadership-in-work-based-learning-new-su/

Carver Policy Governance® Model:
www.carvergovernance.com

Charity Commission:
www.charity-commission.gov.uk

Charity Commission – resources for good governance:
http://www.charity-commission.gov.uk/Charity_requirements_guidance/Charity_governance/Good_governance/default.aspx

Companies House:
www.companieshouse.gov.uk

Department for Business, Innovation and Skills (2010), *Skills for Sustainable Growth:*
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32368/10-1274-skills-for-sustainable-growth-strategy.pdf

Excellence Gateway – challenges for FE college governance and priorities for development:
http://www.excellencegateway.org.uk/node/18195

Excellence Gateway – different models of governance:
http://www.excellencegateway.org.uk/node/859

Financial Reporting Council (2012), *The UK Corporate Governance Code:*
http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx

Office of the Regulator of Community Interest Companies (Department for Business, Innovation & Skills):
www.cicregulator.gov.uk

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