

Scotland's Rural College

Governance Effectiveness Review

A report from the Good Governance Institute

April 2023





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1. Executive summary

This report sets out the conclusions of an independent assessment of the governance of Scotland's Rural University College (SRUC) undertaken by the Good Governance Institute (GGI).

This review is intended to provide SRUC with an independent, professional assessment of the overall effectiveness of the board, supported by identification of areas which could help improve effectiveness and a small number of more formal recommendations. A detailed analysis of findings is included in section 3 of this report.

The review was commissioned shortly after the election of a new board chair in May 2022 and at the start of a process of major transition for SRUC, based on an ambitious strategic direction to achieve formal degree-awarding powers and subsequently to attain full university status.

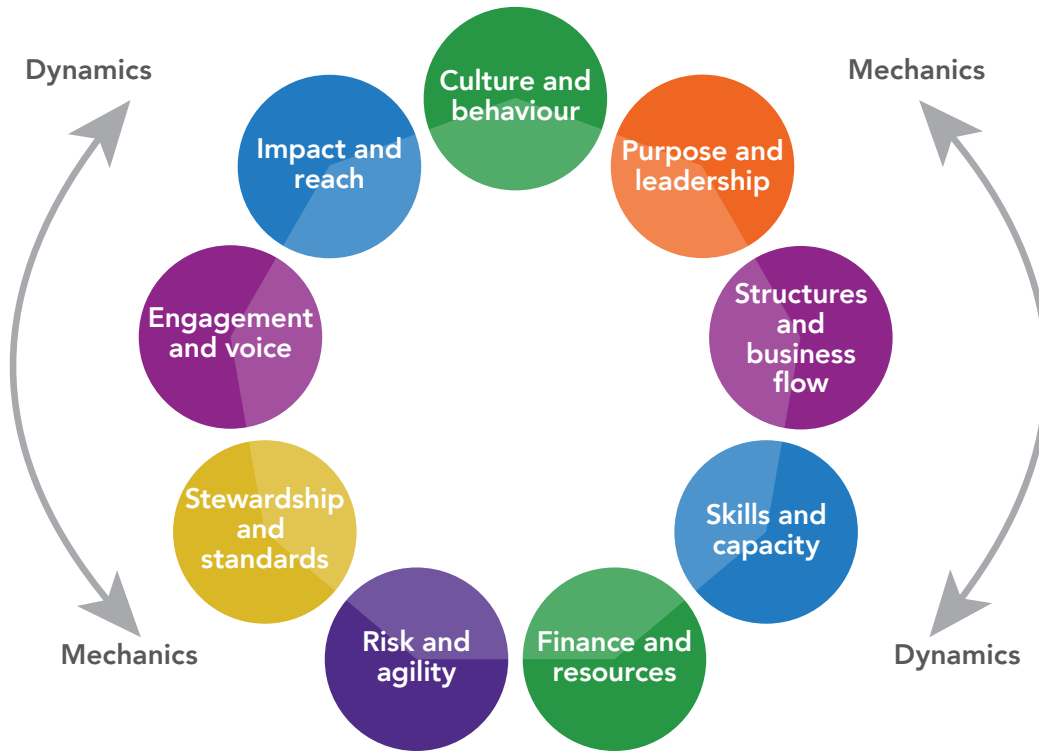
This board effectiveness review, as a result, took place at a time when several governance-related initiatives were also live and in play, as part of an overall strategic assessment of what changes might be needed in SRUC and its governance to support and enable the longer-term objectives. These included a jigsaw of different reviews, working groups and initiatives covering:

- strategy, refreshed towards the end of 2022
- governance structures, with specific focus on board committees and commercial processes
- SAC Commercial Ltd relationships and accounting
- board skills audit and succession planning
- risk appetite and risk prioritisation
- dashboard, performance measures and measures of success
- equality, diversity and inclusion and related cultural leadership.

We were impressed by the amount of work being undertaken and the joint commitment of both governors and executives to creating a framework for future success aligned to strategic intent. We understand that the intention is for the different strands of work, including the outcome of this review, to be considered together in March/April to provide a route map forward. This plan seems sensible to ensure that the various interdependencies, consequences and interconnections are properly consolidated.

This background has meant the board effectiveness review has been more narrowly confined than usual, with key issues ruled out of scope, including committee structures, skills and succession planning, risk management and commercial governance arrangements relating to the SRUC board. Where necessary we have made comments within the main report but have avoided reaching conclusions or making recommendations where these would have potential overlap with already commissioned work by others.

The methodology for this review was based on GGI's maturity matrix for the governing bodies of higher education institutions. This incorporates the main elements of the Scottish Code for Good Higher Education Governance (2017), as well as standards and learning from other relevant sectors and codes. It was an effectiveness assessment using this broader framework which was commissioned by SRUC, rather than a more direct compliance assessment against any specific standards or codes, as this was considered to be of most value to their dynamic position. The matrix was developed and refined by multiple universities and is designed as a resource for development over time. It allows a structured assessment of the current essentials of governance across nine domains and what can realistically be achieved over a defined period.



Respecting the wider picture, the GGI review therefore focused only on specific aspects of the following domains of effectiveness:

- strategy and leadership
- structures and standards
- skills and capacity
- risk and agility
- culture, people and engagement
- impact and reach.

The review concludes that the board has evolved in recent years to be highly effective in respect of its current activities and status. Governance has evolved and continues to evolve, to keep pace with its growth and acquisition in recent years, with a highly committed and present board, engaged actively and with impact on many of the key issues that a governing body should spend its time on.

However, looking forward, the process of transition from where SRUC is today to where it intends to be in future as an enterprise university, requires, in our view, a clear shift in the way the board works and is organised. This includes further time spent on informal board development and investment in governance support roles.

Headlines

The headlines of the review are summarised below:

- SRUC board business is currently well organised with clearly developed and effective processes at board and committee level for transacting formal business.
- The commitment of individuals to the board and to the direction for the organisation is impressive and provides a strong basis on which to build future effectiveness as certain changes will need to be made.
- The overall governance structure is robust but there are legitimate concerns about its agility and responsiveness among members of the board and the executive which need to be resolved.
- The board will need to focus more effectively on a small number of strategic issues that only pertain to its own role, if SRUC is to achieve its ambitions. This includes more time on culture, sustainability, partnerships and influence, innovation and learning, impact and risk.
- The board is already able to call on a high level of experienced individuals, especially in committee chair roles, but the ability of all members of the board to contribute effectively needs further consideration, as the value of student and staff voices is not present or felt sufficiently in the board as it will need to be in future.
- There would be real value in taking a rigorous look at the types of skills and experience needed for each phase of the transition planned over the next few years and for succession planning for both the board and the leadership of the organisation to be a key priority for the board to oversee. We understand this is a matter in hand, but we did not have an opportunity to assess whether emerging plans were sufficiently rigorous and objective.
- The responsibilities of the SRUC board in respect of commercial activities is recognised as requiring attention in order to achieve shared understanding and clarity on expectations. individual and collective responsibilities. This needs to be resolved quickly.
- The overall effectiveness of the board would be enhanced by a structured programme of development and further investment in the capacity of the core governance support, especially in view of the demands that will be placed on it during the transition.

The report identifies five primary recommendations for immediate consideration which are critical for SRUC's ambition to become an enterprise university.

We also make supporting issues for consideration that will help strengthen the robustness of governance for what is likely to become an increasingly complex model. The report concludes with prompts designed to provide stimulus for the board to discuss.

Recommendations

Primary recommendations:

1. Restructure the board agenda to focus rigorously on strategic priorities and risk, progress on direction and key future development areas, performance and sustainability and learning and innovation risk.
2. Clarify and increase the SRUC board's oversight on commercial activities.
3. Strengthen the link and reporting between the academic board and the SRUC board.
4. Increase the capacity of the governance office and the leverage of the company secretary role.
5. Adopt a development programme, separate to formal board business, to focus on transformation of the key relationships, contributions and working arrangements which will ensure the board has time and space to reflect and grow as it needs to, in light of its ambition to become an enterprise university.

Supporting issues to consider

Strategy and Leadership	<ul style="list-style-type: none"> • Consider offering the 'golden triangle' support to settle and develop their relationship. • Create a roadmap to spread projects and deliverables over time and match existing capacity and pressures. • Set up more informal spaces for board members to meet and discuss priorities together away from formal business. • Develop a suite of shared narratives at board as suggested in section 3.1.
Structures and standards	<ul style="list-style-type: none"> • Whenever possible, subject experts should present reports they wrote rather than the sponsoring executive director. • Produce more concise papers featuring key data that is readily understandable for non-experts. • Share papers for noting in a reading room rather than in meeting papers (whenever appropriate). • Pursue efforts towards a more digitally-enabled approach to governance.
Skills and capacity	<ul style="list-style-type: none"> • Implement consistent terms of office for the SACC and SRUC boards – we suggest a minimum of two terms of four years each. • Adopt a model of co-option of members to board (and committees) to mitigate the risk associated with the departure of long-standing members. • Plan informal development that can be rolled out within a year, to ensure that the board remains fit-for-purpose. • Use the results of the ongoing skills audit to inform a rigorous and integrated succession planning approach, to support the recruitment of new skills and strengthen the monitoring of protected characteristics and diversity.
Risk and agility	<ul style="list-style-type: none"> • Articulate explicitly the link between the strategic risks and the board agenda. • Consider creating a board assurance framework for a sharper approach to and documentation of risk. • Agree what agility means for the way the board works now to anticipate future needs.
Culture, people and engagement	<ul style="list-style-type: none"> • Create a dedicated space for culture and people matters to be discussed in committee and in the board. • Clarify the value and role of staff and student member and provide better support to student and staff members.
Impact and reach	<ul style="list-style-type: none"> • Agree a set of clear measures of success for the board as well as SRUC linked to its refreshed strategy. • Agree a stakeholder engagement and connection strategy covering staff, students and external stakeholders. • Develop an engagement and governance framework about board engagement which sets out key stakeholders and where internal and external voices and involvement are considered and influence formal governance. • Identify opportunities for board members to act as SRUC ambassadors beyond attendance at formal ceremonies. • Identify peer organisations as a performance measurement and learning tool for SRUC.

2. Introduction

SRUC has a stated commitment to maintaining effective governance processes and enhancing these processes where appropriate. As part of this commitment, GGI was appointed to undertake an independent governance effectiveness review in accordance with the requirements for regular review placed on higher education bodies in Scotland.

GGI began this review in November 2022 at a time when SRUC had already commissioned a number of different strands of work, collectively designed to provide an assessment of how governance will help the organisation to achieve its ambition.

This report, intended to sit alongside and complement this other work, sets out the conclusions from the review and provides recommendations as well as issues for further consideration. These, together with the analysis in the report, are designed to be read alongside and not duplicate the outcomes of these other reviews, including on governance structures, skills and succession planning and commercial accounting. We should stress that we have not seen the outcomes of these pieces of work, but have as far as possible been sensitive to what we know are their remits and interim outputs.

We have, however, not simply undertaken a static review relating to current practice, as this would not be of much value if the focus is on future-proofing governance. Instead, this review was conducted as a developmental exercise rather than as an audit. Our recommendations are intended to help the board and organisation improve its effectiveness. The style of the report reflects this approach by providing an overall professional assessment with sufficient supporting material, rather than a highly-detailed analysis, as would be expected of an audit report.

We would normally begin by setting out a set of core guiding principles of governance but we have seen that the working group on governance structures reporting to the board has already considered and arrived at a conclusion on principles for the board to consider. We do not think it would be helpful to offer an alternative or critique those already developed, but we are pleased to see that governance principles seem to be already being considered as critical to enabling the achievement of SRUC's ambitious strategy.

The review was conducted by a specialist team with extensive experience of governance in different settings and sectors.

The methodology for this review was based on GGI's maturity matrix for the governing bodies of higher education institutions. This incorporates the main elements of the Scottish Code for Good Higher Education Governance, as well as standards and learning from other relevant sectors and codes. We undertook an effectiveness assessment using this broader framework which was commissioned by SRUC, rather than a more direct compliance assessment against any specific standards or codes. It was considered this would be of most value to the dynamic position of SRUC in future.

The matrix was developed and refined by working with multiple universities and is designed as a resource for development over time. It allows a structured assessment of the current essentials of governance across nine domains and what can realistically be achieved over a period of defined time. Further information on methodology is set out in Appendix I.



The review included a survey whose results are included at Appendix II.

Respecting the wider picture, the GGI review therefore focused only on specific aspects of the following domains of effectiveness and the following analysis is structured accordingly:

- strategy and leadership
- structures and standards
- skills and capacity
- risk and agility
- culture, people and engagement
- impact and reach.

3. Analysis and findings

This section sets out the overall analysis and assessment made by the review team and includes issues for consideration at the end of each section. Recommendations are set out in Section 4.

3.1 Strategy and leadership

In this section, we focus on the following key points:

- changes to SRUC's leadership
- board and strategy
- board's shared narratives.

SRUC's organisational strategy, which was refreshed in 2022, maps out an ambitious future that will take it in a clear trajectory towards achieving degree-awarding powers and ultimately to full university status. This is acknowledged as representing a significant and more substantial cultural and organisational change than has been involved in the development of SRUC through merger to date. It represents a challenge to the focus for the board and its effectiveness if it is to provide the necessary levels of drive and oversight, especially given what could be seen as the ambitious pace that is envisaged. In many ways, this provides the overall arc for considering board effectiveness, both now and in future.

This report can only give a partial assessment of what board effectiveness will need to look like in future as this question lies beyond the scope of the review. However, the review can draw out the need for the board to focus now on the fundamental question of what will be required of the leadership and governance support in different phases of the route forward. Anticipating and managing all these changes will test the mettle of the whole leadership team.

Changes to SRUC's leadership

The leadership of SRUC, both executive and in the board, has clearly developed in the last few years and could be described as having caught up with the governance demands of SRUC as they have now. This has been a planned approach led by the previous chair and the current principal, with specific skills and experience brought into the scope of both the SRUC board and of the separate commercial board.

The executive leadership team has recently been restructured and it might take time before everyone fully adjusts to this demanding environment, although the comments we heard were encouraging about how well this was working, with levels of trust evident between the key elements of SRUC's governance. We saw no significant areas of conflict, or problems with demarcation, between effective board and executive responsibilities, although the tendency for independent members of the board to adopt executive perspectives and take an interest in detail does, we believe, need to be actively managed by the chairs of the board and the main committees, so that this behaviour does not '*cross the line*'.

The chair of the board was appointed in May 2022, for the first time through an election process required under the revised Scottish processes that apply to all higher education institutions (HEIs), joining a board comprising committed and highly skilled members who take enterprise very seriously. It is clear that the appointment has already led to a change in focus in relation to the board and to the governance of the college, which is evolving into a rapid review of key relationships, accountabilities and contributions aligned to the strategic ambition.

This marks a new phase in the governance of the university that has yet to settle, but the bringing together of a series of separately commissioned pieces of work in March/April 2023 should help the style and direction for the board to become established. The leadership and accountability for the critical commercial elements of the overall SRUC enterprise, which is subject to a specific piece of work,

needs to be settled or this may become an unhelpful distraction to the effectiveness of the SRUC board. The 'golden triangle' relationship between chair, vice-chancellor/principal and company secretary may need to look different in future to reflect what would be expected in a university setting, but it is already crucial. Given changes in personnel it may be that some support would be helpful to focus the governance triumvirate relationship on future roles, relationships and contributions to support the overall effectiveness of the board.

Board and strategy

Unlike most public educational bodies, SRUC generates a third of its income from commercial activity, which places it in a unique position to pursue an independent trajectory, while keeping close to Scottish, UK and international policy outcomes. Although it was outside of GGI's remit to comment directly on the commercial governance structures and accountabilities, we would suggest that given the importance of the opportunities and risks associated with the commercial aspects of the organisation to its overall objectives and sustainability, the board will need to increase its focus on these matters.

We found that, for the board to be 'truly strategic' and talk about the right matters in the right depth, it would need to rebalance and prioritise the amount of time spent on those strategic matters that only the board can address. As a reference point, a private sector board will aim to spend 70% of its time on strategy and 30% on assurance. Given the regulatory environment that the education sector operates in, a more realistic ratio might lie at 60:40. For SRUC we believe that the board may need to aim for the private sector comparator.

A quick analysis of both the board and its committees suggests that the agendas are not sufficiently proactive and driven by the main strategic priorities for SRUC. Too much time is being spent on approvals and administrative reporting, which dilute the focus on the critically important issues in formal business. This will become a material problem if not addressed now, as the need for the board to be able to focus on the transition process towards award-giving powers and eventually to full university status, will require a higher degree of attention with the same board time. Later in the report we suggest a well-populated board assurance framework should become an effective driver of the agendas of the board and its committees.

The refreshed strategy could be criticised, as it was by some we interviewed, as being too fragmented, with strands of work and projects being approached with equal priority, rather than forming a sufficiently robust framework which must drive the board's agenda over the next three years and ensure the executive is clear on what the board is expecting from it. It is the board's responsibility to guide the executive on what should take priority and to seek assurance about progress being made. The demanding process to reach award-giving powers and to achieve university status raises the question of capacity and whether there are sufficient resources available to deliver the strategy.

We suggest that the board's effectiveness in overseeing and driving the transformation over the next three years could be well-served by a two-pronged approach:

1. **Transformational** – working back from being a university/commercial entity of scale.
2. **Incremental** – building up from SRUC's current state to where it aspires to be.

This raises the question of the board's current and future needs. We think there is a need for a developmental space, separate but run in parallel to formal business, that would serve the following purposes:

- strengthening the dynamics and effectiveness of the board
- providing a forum in which to discuss the best approach to capacity building
- enabling analysis to identify past experience and learning that will be useful for fulfilling the status of university and areas for development
- providing external reference points and peer learning.

The adoption of a well-planned development programme would, we believe, significantly help the board and the executive focus on the strategic, cultural and governance issues SRUC will need to address in making the transformation, which the strategic ambition requires, in the leadership of the organisation and the way it thinks and works.

Board's shared narratives

From our review, SRUC's approach to governance is, for most part, in line with good practice. The supporting processes are well-run and the business of the board and its committees well-documented and actions followed through. Members of the board are active and present, contributing to the formal and ceremonial processes and taking an active interest in the business of SRUC.

The process for moving from good to great requires board members to own shared narratives as a proof of cohesion and unity and an ability to speak as one voice. This can be difficult to gauge in a review, but we felt that although there was an overall commitment to the direction SRUC was taking, the level of shared understanding about the detail was less clearly visible and the degree to which all members of the board felt they could articulate this was variable. This is perhaps inevitable given the board members are engaged at differing degrees in the board with a disproportionate burden falling on independent members. This is not uncommon in HEIs, but we would suggest more time is needed to capture and agree shared narratives between all board members and to clarify contributions across the board.

Doing this now will be timely for SRUC as it would create an opportunity for the board to pause and reflect on the outcomes of the work that has been undertaken in many areas of the organisation and what transformation actually means for SRUC and its governance. We suggest the board sets time apart from formal business to develop a suite of narratives on the following subjects:

- direction and timing of changes
- value and shape of good governance
- roles, contributions and expectations at all levels
- risk appetite
- equality, diversity and inclusion
- stakeholder engagement and its implications.

Issues to consider:

- Consider offering the 'golden triangle' support to settle and develop their relationship.
- Create a roadmap to spread projects and deliverables over time and match existing capacity and pressures.
- Set up more informal spaces for board members to meet and discuss priorities together away from formal business.
- Develop a suite of shared narratives at board, as suggested in section 3.1.

3.2 Structures and standards

In this section, we focus on the following key points:

- governance structure
- board working
- committees
- governance documents
- digital governance.

Governance structure

It was beyond the agreed scope of our review to assess the governance structure's fitness for purpose as this is currently being done internally by a short-life working group, which will report its findings and recommendations to the board in March. The governance structure is therefore in transition and getting it right will be critical for the success of SRUC's ambition to become an enterprise university.

Board working

Overall, we saw a lot of evidence of a well-functioning board. Considerable work has been done over the years to avoid duplication of agendas and effort. However, there remain some examples where specific items are presented to multiple committees. This is the case for financial forecasting, which goes to both the finance and estates and risk and audit committees, who review it respectively from a finance and risk perspective – which is clearly stated on the cover sheets. This works well with the chairs of the respective committees ensuring the focus is specifically within the remit of that committee. This discipline was seen across all the committees and is to be commended.

During the review a new estates framework was considered at both committee and board level. This felt less productive and purposeful than it might have been, partly because the timing of the presentation and discussion seemed premature and the paper seemed incremental rather than strategic in nature, with too little room for the board to shape its development on choices and options linked to the overall SRUC strategy. We were concerned that the timings of the committees meant that the final framework would be considered in committee just prior to seeking board approval in March.

We found that in some respects there could be more effective use of board time. For example, we thought the chair's update would add more value if it raised key strategic issues rather than being a summary of activity. We also support the comments made to us in interviews that the report on commercial enterprise should be presented by the chair of the SACC board rather than an executive director.

More fundamentally, the current board agenda structure puts too much emphasis on committee reporting at the start of the meeting. We suggest moving to a much shorter, punchier formal business format. During the board meeting in December, the committee updates, even though taken as read, took 90 minutes. The discussions were interesting and engaged, but objectively we felt could be criticised for lacking clear outcomes, decisions, or consequences.

It is worth reinforcing the key issue that strategic thinking, the future direction and impact of the organisation, is the unique responsibility of the board, as is identifying and assessing the risks to achieving it. The board's role is to go beyond simple discussions and seek assurance on decisions that only the board has the authority to make. It is part of the chair's role to set the board agenda and in our view, it should primarily focus on strategy, performance, value creation, culture, stakeholders and accountability. Issues relevant to these areas should be reserved for board decision.

In our view, there is room to strengthen the strategic focus of the board agenda. Below is an example of a possible structure:

Impact	<ul style="list-style-type: none"> • staff and students – formal duty of care and experience • board impact metrics – summary of progress on strategic risks
Future focus	<ul style="list-style-type: none"> • transition and transformation – progress on key commitments
Theme in depth	<ul style="list-style-type: none"> • one per meeting – for instance sustainability, culture, talent, commercial, estate, future models of delivery – options and choices
Performance and assurance	<ul style="list-style-type: none"> • reports from VC/chair • sustainability – impact on the environment • commercial oversight • research • academic oversight • dashboard and exception reporting • escalation from committees
Learning, innovation and development	<ul style="list-style-type: none"> • sector, context and governance reports – implications for SRUC • stakeholder feedback sharing from other sources • preparation for development programme sessions

We recognise that there will remain administrative reporting requirements to meet external regulatory demands. We suggest these could be approved electronically, with only important strategic issues taking board time.

We were told that levels of engagement on academic matters have considerably improved. Academic assurance is rightly gained through the academic board and should be signed off by the SRUC board, although we would expect more presence and level of assurance around academic matters than we observed.

In terms of the transition moving towards, we noted what seemed to be an imbalance in the degree of board scrutiny of academic performance compared with commercial performance. In this context, it is difficult to see how the board can have a meaningful impact on the academic enterprise and establish a real visibility on core issues relevant to staff and students. It raises the question of the role academic governance should play in the transition to university status. This also may have implications for the composition and skills which the board will require in future.

Committees

The quality and calibre of the board chair and chair of committees are strong, reflecting a range of perspectives and expertise of direct relevance and value to SRUC. Committees undertake the bulk of the heavy lifting of operational assurance with what is clearly shared confidence from colleague governors to do this well on their behalf. Reporting to the board and how it is done then becomes critical but, as stated above, we think there is potential for the committees to report in a way that adds more value to board meetings in an attempt to increase effectiveness, focus and clarity.

Governance documents

Papers

There is a consensus among board members that board and committee papers are too long, with items sometimes being sent after the main pack as further or additional papers. This is unhelpful to board effectiveness although we understand this is avoided whenever possible.

We felt there is a tendency by board members to dive into too much detail, resulting in a more operationally focused board than will be desirable in future. This is in part a result of the clarity of cover sheets summarising and shaping the 'ask' of the board and setting out what decisions need to be made, which we felt was too variable. It is also important that data is turned into easily readable information that allows non-expert recipients to understand the facts and associated implications and consequences. The reader needs to be able to get the answer to the 'so what?' question quickly and not get lost in details that are unhelpful or irrelevant for making a decision on the subject.

To focus on key strategic data only and reduce the volume of papers, there could be value in SRUC creating a virtual reading room, where papers for information can be accessed for reference and as an optional read. This would potentially reduce the reliance on a single set of papers and tight deadlines.

We found inconsistencies across papers and the use of cover sheets to introduce them. The agenda template should include the paper's road to the board/committee and who has approved it on the way through? The issue under consideration and the recommendations should be at the outset and any supporting argument then used to back up the conclusion. If a paper is brief, then its author is entitled to think that the governors have read and understood it – or will ask questions for clarification – so any presentation should be to add new information and not repeat what is in the paper. A good question for the chair of the meeting to ask is, "What do you want to bring to our attention?"

Agendas

To reiterate previous points, agendas should be constructed so that the important discussions are given the right amount of time in each session. These are matters for decision or for the executive to seek the advice of the board to inform a later proposal. Boards often spend inordinate amounts of time on noting papers where there is no action required of them. There is little or no point in spending time on this type of item and there is an argument for a line through the agenda with to-note matters sitting below it. The board will be expected to have read these but, unless there is a burning issue, should not expect to discuss them. This is a simple device to de-clutter the agenda to allow the board to concentrate on those matters that are uniquely its own: strategy, risk and holding to account.

Digital governance

It was recognised that hybrid meetings had been helpful to keep business going, especially during the pandemic, but that people were now keen to return to face-to-face meetings. We understand that technology was used in the past to keep board members informed about developments between board meetings, such as bidding for funding and that Virtual Boardroom was used to share board papers.

We wonder if there would be value in moving towards a more digitally enabled approach to governance overall, allowing effective contribution by members of the board on a more flexible basis, outside current ways of running formal business.

The intention would be to reduce the domination by the regulatory approval and compliance. Greater use of technology outside formal business would allow to achieve approvals and sign off for aspects of formal business to enable more space for discussion and deliberation and in turn:

- increase efficiency and active communication
- increase the value of in-person time by reducing time spent together on approvals
- increase creative engagement by governors and the control governors have over their time.

Issues to consider:

- Whenever possible, subject experts should present reports they wrote rather than the sponsoring executive director.
- Produce more concise papers featuring key data that is readily understandable for non-experts.
- Share papers for noting in a reading room rather than in meeting papers (whenever appropriate).
- Pursue efforts towards a more digitally-enabled approach to governance.

3.3 Skills and capacity

In this section, we focus on the following key points:

- induction and development
- skills and succession planning
- governance office induction and development induction.

Induction

SRUC has an induction programme whose format and content differ slightly between board members. Comments on induction were mainly positive, although a few interviewees thought it would be helpful to grow the financial content of the induction, which is often a challenging topic for non-experts who nevertheless have a fiduciary responsibility.

Development

The board has an annual board effectiveness review comprising a questionnaire that all members fill out, identifying areas for learning and development and an annual individual meeting between the chair and each board member to discuss their role, contribution and personal development. The governance office reviews the results of the questionnaire to identify key themes that feed into an action plan for improvement, which the remuneration and appointment committee oversees. In the past, this process led to individual and collective training covering audit, health and safety and unconscious bias.

Skills and succession planning

It was beyond the scope of the review to comment on the skills of the board, to avoid duplication with the internal skills audit that is being undertaken at SRUC. The only point we would like to make is that future recruitment of board members should align with the new governance structure to ensure that committee membership is made up of suitable skills and expertise. Consideration might be given to recruiting from backgrounds in business and change management or cyber and IT transformation to support the ambition of SRUC to be an enterprise university.

The expected departure of board members with long tenure and expertise in key areas might present a temporary threat to the smooth running of the board and of the organisation. We observed instances of implicit over-reliance by non-experts on a few independent members on specific topics. Regardless of respective backgrounds and experience, all board members are expected to act as ‘general governors’ together. This is important, to avoid reliance upon ‘specialist governors’ and to ensure that the board operates as a collective body. As a mitigation to the loss of long-standing members and also to provide a pipeline for future recruitment of members, we suggest there could be value in the adoption of a model of co-option of members to the board (and committees).

Generally speaking, we would encourage a more rigorous approach to succession planning to support strategic ambition and challenge as well as capacity and capability. We suggest that SRUC takes an integrated approach to succession planning and performance assessment, so that organisational, professional and personal development, capacity and skills are treated in a joined-up way for the whole leadership of the organisation. We understand that the SACC board members do not have terms of office. Our suggestion is to implement terms of office that are consistent with SRUC board, or at least for this issue to be resolved as part of the separate commercial accounting review.

Governance office

SRUC’s agenda to simultaneously review the approach to risk, the governance structure, the portfolio of skills and backgrounds and the effectiveness of the governance arrangements is laudable. However, this has inevitably put significant strain on the governance office, which still remains responsible for day-to-day governance affairs. The governance office has done well to ensure that the paper packs for board and committee meetings remain of good quality and are circulated in advance, but this is a challenging pace to sustain.

In fact, the limited capacity of the governance office will be tested further by the departure of the company secretary, whose experience at SRUC has benefited the organisation and its multiple transitions. Our recommendation is to increase the size of the governance office to meet governance demands, which are likely to increase as SRUC seeks to secure degree-awarding powers and eventually to becoming a university.

In addition to capacity, it is worth reconsidering the authority delegated to the company secretary. We were not sure that the role currently carried the weight or independence needed to act as the trusted guardian of the interests of the organisation in the way it should. We would recommend that the company secretary role is reviewed to ensure it has the right profile and appreciation by and leverage with, board members. This might require more presence in the executive to help move forward the orchestration of business, communication and planning for the board.

Issues to consider:

- Implement consistent terms of office for the SACC and SRUC boards – we suggest a minimum of two terms of four years each.
- Adopt a model of co-option of members to board (and committees) to mitigate the risk associated with the departure of long-standing members.
- Plan informal development that can be rolled out within a year, to ensure that the board remains fit-for-purpose.
- Use the results of the ongoing skills audit to inform a rigorous and integrated succession planning approach, to support the recruitment of new skills and strengthen the monitoring of protected characteristics and diversity.

3.4 Risk and agility

In this section, we focus on the following key points:

- assurance and reassurance
- board assurance framework
- agility.

Assurance and reassurance

We feel that the board, like many in the sector, is often over-briefed and swamped with information, rather than being able to decisively shape what it receives. This prevents the board from having a real grip on the core questions on which its impact is needed. The machinery supporting the board and its committees is, as we have already indicated, largely well-run, but board members will need to do more to identify and prioritise how it spends its time and what information it requires, rather than what it is provided with.

We are concerned that there seemed to be some evidence of deference to executives in certain areas, without evidence of sufficient scrutiny. Given the risks associated with estates, we could have expected the board to demand updates outside formal business between December and the March board meeting, so that the lengthy discussions at committee and board level could be tracked through into changes. If this scrutiny did take place, it was done informally and involved specific board members rather than being transparent to all.

Similarly, we heard concerns about a lack of board discussion about the student intake target where verbal reports were provided in committee and at board by the lead executive. This is an example of a strategic issue that should be featured at the top of the agenda, with proper advance briefing allowing proper assurance to be gained.

We commend, however, the pro activity of SRUC in relation to enhancing its approach to risk, following an audit in 2019 undertaken by KPMG. There is more consistency across the operational risk registers whose size has also decreased. The corporate risk register is reviewed by the executive team before going to the audit committee and then to the board.

In November 2022 as part of the risk improvement programme, the board took part in a risk appetite workshop where members were asked to score and agree their appetite for each strategic risk, from which a final version was expected in January. Maintaining this focus on risk and ensuring that agendas reflect this rigorously is clearly going to be key to board effectiveness and impact in future.

Board assurance framework

In our view, there is a further step that could be taken in respect of risk and board effectiveness. A board assurance framework (BAF) or similar would, we believe, help SRUC visualise all the work that has been done on risk and increase levels of collective assurance by the board. The time spent in getting the various elements of the BAF right would help the board streamline assurance and be precise about how and where assurance is tested. Key to developing an effective BAF is identifying the organisation's risk appetite and risk tolerance for each strategic objective and agreeing what is sufficient in terms of controls and the assurances that the controls are operating effectively.

The greater the risk appetite, the more important it is that effective controls should be put in place to avoid or mitigate risk. With the recent completion of work on risk appetite, the development of a BAF would be timely.

The value of a board assurance framework

Used properly, the BAF should:

- provide a structure and process for the board to focus on those risks that might compromise the achievement of the SRUC's strategic objectives
- provide the board with a simplified approach to reporting and prioritisation and drive the board's (and committees') cycle of business
- encourage individuals and groups within the organisation to proactively think about their objectives, with board agendas focused on strategic and reputational risks.

The BAF is an agreement between the board and SRUC's management that summarises:

- the organisation's strategic objectives
- the risks to achieving these
- the controls management that are put in place to minimise the likelihood or effect of those risks materialising
- the assurances the board needs to be confident that the controls are operating effectively.

This should also include an agreed audit plan and be supported by a simple tracking system for decisions taken and actions agreed at board and in its committees, including:

- regular pattern of meetings
- approval and review of policies and procedures
- outputs.

An example board assurance framework is at Appendix III.

Agility

In effective organisations, good governance does not mean more governance.

SRUC is going through an important transition involving many moving parts where demands for decisions will vary and are unlikely to meet a standard timeline aligned to formal meeting patterns. In terms of governance, this complexity across multiple competing priorities places emphasis on the agility of decision-making, the skills and capabilities of governors and executives alike. As Will Rogers said, "even if you're on the right track, you'll get run over if you just sit there," and while governance and agility at first sight may appear to be two separate concepts, they are complementary.

SRUC has the right foundations of good governance in place. We suggest the board considers how agile it needs to be, now and in future, to prosper in the higher education sector and achieve its ambition. This requires a clearer agreement about the latitude the executive are given to make decisions which otherwise might get delayed because of the normal formal processes currently in place. This goes beyond looking at the scheme of delegation and where decisions are made. It may require introducing digital tools to speed up decision-making between board meetings.

Ultimately, the board has to decide for itself what is the right balance between a lean governance infrastructure and the impact it may have on the level of immediate assurance it receives. Looking at what agility means now would provide a further stepping-stone to improved board effectiveness and maintaining trust and confidence, especially where decisions relate to key issues of sustainability and commercial agreements, for example.

Issues to consider:

- Articulate explicitly the link between the strategic risks and the board agenda.
- Consider creating a board assurance framework for a sharper approach to and documentation of risk.
- Agree what agility means for the way the board works now to anticipate future needs.

3.5 Culture, people and engagement

In this section, we focus on the following key points:

- culture and people
- equality, diversity and inclusion (EDI)
- student and staff voice.

Culture and people

During the review, people and culture were identified as critical areas of the board's and organisation's future development. It was seen as a deficit in terms of focus and effectiveness, with a lack of clarity and depth evident about how issues of culture, staff and student experience and wellbeing should be handled at board level.

We were told that the underlying culture across SRUC had become more open and transparent and less hierarchical. Culture was referred to at numerous points in the meetings we observed, but without sufficient clarity or a dedicated space in the board to systematically consider related issues, we see both a risk of missed opportunities for improvement and a danger of independent board members confusing the need for assurance with operational intrusion.

More critically, the role of staff and student members in this space seems underdeveloped and their role and contribution unclear. We were not sure that members of the board had a clear enough collective understanding of their governance responsibilities in respect of culture and people issues. In looking forward as an entrepreneurial university, the board will need to be clear about what this means in practice and how it will seek assurance, beyond the anecdotal, that the stated values and culture are being nurtured. This is a difficult area which we believe requires board time now and which should then feature more sharply and rigorously in board business and be supported directly by planned development activities.

We also understand that many of the committees and short-life working groups, including the transformation steering group, have spent time and energy on cultural and people issues of strategic importance. These did not seem to be coming through to the board in a systematic way, as part of the formal governance arrangements. This was already clearly recognised by board members as an issue to address.

Specifically, we were told that plans were in place to address this shortfall through a session in March covering board culture, effectiveness and members' individual needs. However, as things stand the above points need to be made and we would suggest they will require thinking through as a strategic priority linked directly to achievement of the ambition to move to university status and driven by a clear set of changes and measures relating to values and talent.

Broadening the remuneration and appointments committee's remit to include people and culture might be the most seamless and sensible approach, as this would link well with the equality, diversity and inclusion item, recently added to the agenda. This would be a step forward, although probably not enough. We therefore suggest that greater emphasis on culture and people in the board agenda and in the risk appetite and register is also necessary if the board's effectiveness in relation to these issues as of strategic importance is to be increased.

Equality, diversity and inclusion (EDI)

EDI is a challenge for all organisations. In SRUC we were told that it received more attention until the departure of the board's equality champion last year, who also sat on the executive EDI group. At the December board meeting, members discussed the significance of not attaining the Athena Swan bronze award. In this discussion it was recognised that SRUC does not currently have enough in place as an institution to receive the award and that too much emphasis is put on data gathering and not enough on its systematic use as intelligence for actions and decisions that add value to the organisation.

In the context of board effectiveness, this requires clarity on what the role of the board involves and how this can best be fulfilled. From our interviews and observations, it is clear that members of the board are committed to making progress and see people and culture as a complex issue that requires an integrated approach. However, there is yet to be a clear agreement on how this translates into board and committee focus in the context of the people and organisational development strategy priorities for 2023-2028, which revolve around employee experience, with health and wellbeing being the most critical to address.

Despite recognising the need for an alignment between people, culture, behaviour and skills and the development of SRUC, we were not convinced that students and staff were seen as key changemakers, nor that in formal business there was confidence that the board had a collective understanding of where it needed to focus and how best to do that.

Student and staff voice

Academic institutions vary considerably in the way that boards position the voices of staff and students. In our view, maximum value should be gained by placing the voices of staff and students front and centre of the board as a prime means for connecting the board and its agendas to what matters '*on the ground*'. Board members need support to be able to fulfil expectations of colleagues in this area for it to work well, but again a mindset which values the voices of staff and students is required.

Our findings from the review are that the voices and contributions of student and staff members, although actively encouraged to participate in the board and committee discussions, are not given the same weight as independent members. Any differentiation between independent or expert members and other members needs careful thought. All members of the board need to fulfil shared responsibilities collectively and be influential across the whole agenda. This is an obvious challenge, where the experience and even authority members can bring to board business is naturally different, but in the case of SRUC we believe more needs to be done to explore whether current arrangements are working well and how to avoid creating a board within a board, as the pace of business inevitably increases.

This is particularly important in light of making sure that staff and students feel properly engaged and involved in shaping the transition towards university status and understand the implications for them and their work. In terms of risk, the board is clearly already aware of the need to mitigate increasing staff turnover, which is already slightly higher than other Scottish higher educational institutions.

Equally important is the engagement with students. The likelihood of reaching the student intake target is undoubtedly linked to the understanding of the student experience by SRUC's decision-makers. How the board seeks assurance about this is not fully clear from what we have seen in the review.

The tone of inclusion and diversity should be set by the board and made easy enough for staff and student members to navigate the sensitivity of their roles. We recognise the time, effort and attention paid to the inclusion of student members in particular, but there may need to be better support, if members are to make more meaningful contributions to the board than they currently do.

Issues to consider:

- Create a dedicated space for culture and people matters to be discussed in committee and in the board.
- Clarify the value and role of staff and student member and provide better support to student and staff members.

3.6 Impact and reach

In this section, we focus on the following key points:

- board impact
- stakeholder engagement.

Board impact

For a board to increase its effectiveness, it needs to spend time considering what impact it has now and needs to have in future. We believe the role of the board and its importance to SRUC is not as visible as it should be within the organisation. This might be helped by having a clear approach to measuring its impact and communicating to key stakeholders including staff, students and partners.

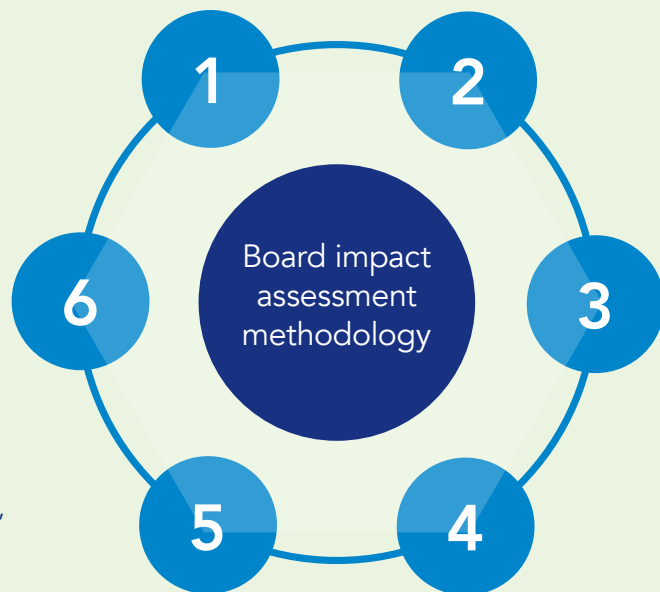
In the most effective boards, from our experience, impact measurement goes beyond key performance indicators and takes a broader connection to mission, purpose, values and behaviour, so that the board feels equipped and able to navigate ambiguity, as well as the uncertainty of the current world and expectations of various stakeholders. This makes sense for SRUC, given the importance of the need for its leadership to convince others of the robustness and effectiveness of its governance and to take key stakeholders with them in the coming years.

We suggest that implementing a board impact assessment process could help ensure that the success of the organisation is not conflated with the success of the board. It helps ensure that precious board time is spent effectively and allows board members to consider whether they are acting as good stewards of SRUC. Voluntarily measuring and assessing performance demonstrates a confident board that is open to ongoing learning and development. This sets the right tone for the rest of the organisation. An example of board impact assessment methodology is provided overleaf.

Board impact assessment methodology

In developing the measures of impact, the steering group:

- should reflect the organisation's vision and key priorities as laid out in its strategy.
- could utilise the measures laid out in the Maturity Matrix for Higher Education.
- should reflect on measures suggested by colleague governors.
- could involve auditors and researchers from within the organisation.
- should reflect what stakeholders believe should be the right impact measures.
- use reference points from other organisations, but have the confidence to develop specific measures which apply to SRUC.



Stakeholder engagement

We should stress that in this section we focus on stakeholder engagement by the board rather than stakeholder engagement more generally.

High-performing organisations understand how crucial it is for their boards to understand their key stakeholders, promote their values and engage with the needs and expectations of others. There is a danger that boards can end up speaking to themselves in a form of group think if that sense of connection to key stakeholders is not strong enough. Each board finds its own way of developing connections through informal as well as formal means – briefing events, ceremonies, dinners, visits, deep dives etc. There is no magic in this, but it forms an important part of the governors becoming and remaining informed. How this then actually shapes and informs the way the board operates and meets its responsibilities, however, is a bigger challenge. For many education bodies this is an area of weakness, with the balance being too far towards reliance on executive reporting or unsystematic or shallow anecdotal intelligence.

We saw evidence of a genuine desire by governors to be better involved in the life of SRUC but collaboration with the governance office will need to be more intentional in identifying opportunities to achieve this. Dedicated efforts in this regard are going to become increasingly important as SRUC aspires to move towards securing university status. This may need to be more clearly anticipated and planned for so that the deployment of governors' time can be adjusted as required.

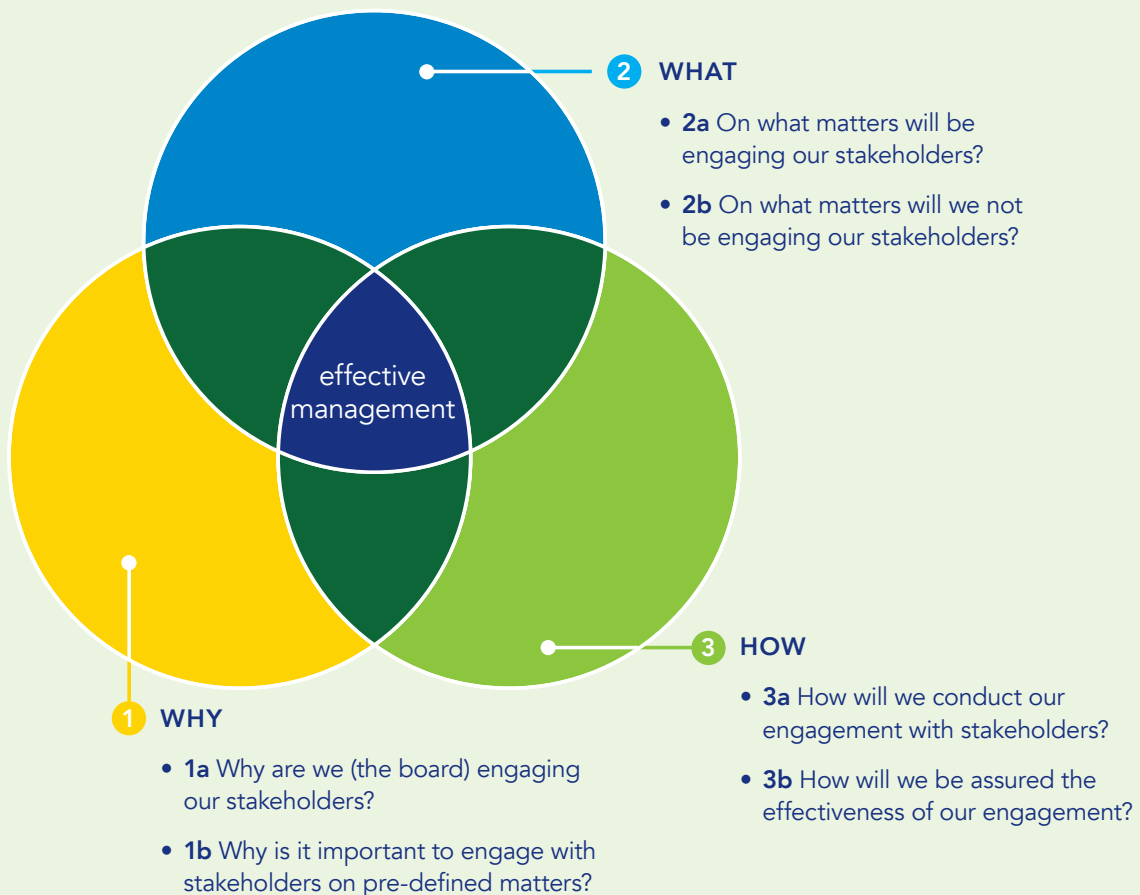
We found little evidence that there was a clear shared understanding or sufficient precision yet about what knowledge is needed and how it should be gained or collated to improve the focus and effectiveness of the board.

The responsibility of the board to shape the future of SRUC obviously also links to the capacity, skills and capability of board members around relationship building, influencing and networking. The governor role at SRUC is likely to be increasingly demanding and all members need to be clear about expectations for and of themselves in this new context, which in many cases will be different from when they first joined. Collaborative and partnership working will be a hallmark of academic institutions in future and board business needs to reflect that and cannot rely on the work of the executive only. The positioning of SRUC in the civic space and in the international higher education market requires the board to develop a view on opportunities and threats which are not articulated or visible in its business currently. We feel this needs more visibility and presence in the board and in relevant committees.

In our view it is valuable to gather international intelligence on effective stakeholder engagement linked to the strategy, potentially via a small reference group that forms part of governance and is made up of executives, governors and external advisors.

The review considered the link between the current strategy and plan on stakeholder engagement. We would have expected to see a stakeholder engagement map setting out individual roles, responsibilities and expectations clearly, as illustrated below and would recommend the development of a similar framework for key internal and external stakeholders.

Engagement with stakeholders – asking the why, what and how



The development of networks and connections by board members to external stakeholders and applying that learning, is a responsibility for the board as a whole to consider. It also makes the role of governor more interesting and outward-looking, which will be particularly useful when transitioning to a different type of organisation. SRUC is a member of various networks including the Universities Scotland Secretaries Group, but there is more that needs to be agreed to provide an effective platform for the board to gauge what effective engagement looks like and whether it is being driven forward as it should be at SRUC.

Issues to consider:

- Agree a set of clear measures of success for the board as well as SRUC linked to its refreshed strategy.
- Agree a stakeholder engagement and connection strategy covering staff, students and external stakeholders.
- Develop an engagement and governance framework about board engagement that sets out its key stakeholders and where internal and external voices and involvement are considered and influence formal governance.
- Identify opportunities for board members to act as SRUC ambassadors beyond attendance at formal ceremonies.
- Identify peer organisations as a performance measurement and learning tool for SRUC.

4. Recommendations

In the previous section we identified a series of issues for SRUC to consider. In addition we recognise the need to provide recommendations for increasing the effectiveness of the board.

We have kept these few in number so that they can be considered alongside the other governance-related work also in train. The last thing SRUC needs is a long list from us of recommendations to wrestle with, alongside the recommendations of other pieces of work.

We therefore make the following five primary recommendations:

1. Restructure the board agenda to focus rigorously on strategic priorities and risk, progress on direction and key future development areas, performance and sustainability and learning and innovation risk.
2. Clarify and increase the SRUC board's oversight on commercial activities.
3. Create a board working group to develop a shared understanding of what student and staff governance structure should look like and to identify implications for assurance and reporting.
4. Increase the capacity of the governance office and the leverage of the company secretary role.
5. Adopt a development programme, separate to formal board business, to focus on transformation of the key relationships, contributions and working arrangements which will ensure the board has time and space to reflect and grow as it needs to, in light of its ambition to become an enterprise university.

5. Further questions

The review, as referenced at the start of the report, is part of wider ongoing engagement with what good governance needs to look like at SRUC for the future.

One key element of a developmental approach to governance is also to identify underlying questions which do not fall easily into the format of formal business, but which are important for all those with formal responsibilities and roles in the governance of any organisation to keep in mind and agree how they should be addressed.

The development programme, if adopted, would provide a structured space for the board to reflect together on broader questions relevant to good governance so they form part of the way SRUC grows its thinking and doing in the months ahead. Many of these are about culture, relationships and impact.

It is evident from the review that there is no shortage of interest in discussion in SRUC, but this can be somewhat unstructured and even get in the way of the effective execution of formal responsibilities, as identified in the report.

We suggest that the following questions might be helpful in providing a longer-term focus for the board and the executive to work through together. These are posed as questions for the board to reflect on, and should be considered as an addendum to the specific recommendations in the report:

- What are the core narratives for SRUC as a future enterprise university, an employer, a civic partner, that have been agreed by the board?
- What would be the signs of a unified and successfully governed SRUC in a year's time?
- Are we clear about individual roles and responsibilities to support the transition to a degree-awarding organisation and then university – and about the implications for governance?
- Are we comfortable with the culture of the organisation and clear whose responsibility it is to nurture and support the development of its culture in future?
- How should the board connect to the academic board and vice versa, to support the ambition for SRUC and its transition?
- How do we make ourselves more open to external influence and challenge as a board?
- How do we make sure all voices have equal status?

6. Conclusion

SRUC is at a critical and positive stage in its history. The focus of the report, narrowed at the SRUC's request, sets out a largely positive picture of governance effectiveness across the organisation.

From the five key recommendations we made, we would stress that the most important one relates to the capacity and focus of the board and those on whom the future direction of SRUC relies. We understand that many of the core governance, cultural and structural issues on which achievement of organisational ambition will depend will be covered by others in the parallel pieces of work.

In our view, it will be the collective capacity and the informal development of relationships, understanding and contribution which will be as important as the effectiveness of formal board business. This will need as much thought and planning as formal business and rely just as much on the capacity of the core governance team and the deployment of available time and expertise of all board members.

There is a sound foundation in the current board arrangements and their effectiveness. How this can be built on to achieve the ambition to win award-giving powers and the longer-term goal of full university status may require a staged approach to changing the focus of the board and the skills and contributions needed within it. This is beyond the scope of this report, but the effectiveness of how self-critically and objectively the transition is planned and tested by the board will be decisive.

The GGI review team would like to thank everyone who made themselves available for interviews and those who provided project support and documentation for review.

The review is limited to the documentation that was provided to GGI during the time period described and confined to the information provided to us by those who we interviewed as part of this process or observed at those meetings we were able to attend.

We hope this report will be of value as part of a wider look at governance in SRUC as it makes the transition to its chosen future.

Appendix I Methodology

The Good Governance Institute (GGI) was appointed by Scotland's Rural College (SRUC) to undertake an independent governance effectiveness review as part of SRUC's commitment to maintaining effective governance processes and enhancing them, where appropriate. The review was conducted between November 2022 and March 2023.

Scope and approach

The review aimed to evaluate the current governance framework and provide recommendations for good practice governance for the future and in light of SRUC's ambition to become a university. The review was designed to ensure that any recommendations to strengthen governance:

- are evidence-based
- consider good practice comparator organisations
- are able to be effectively and efficiently implemented.

The evidence base for the review included the triangulation of information and data from a range of sources which included:

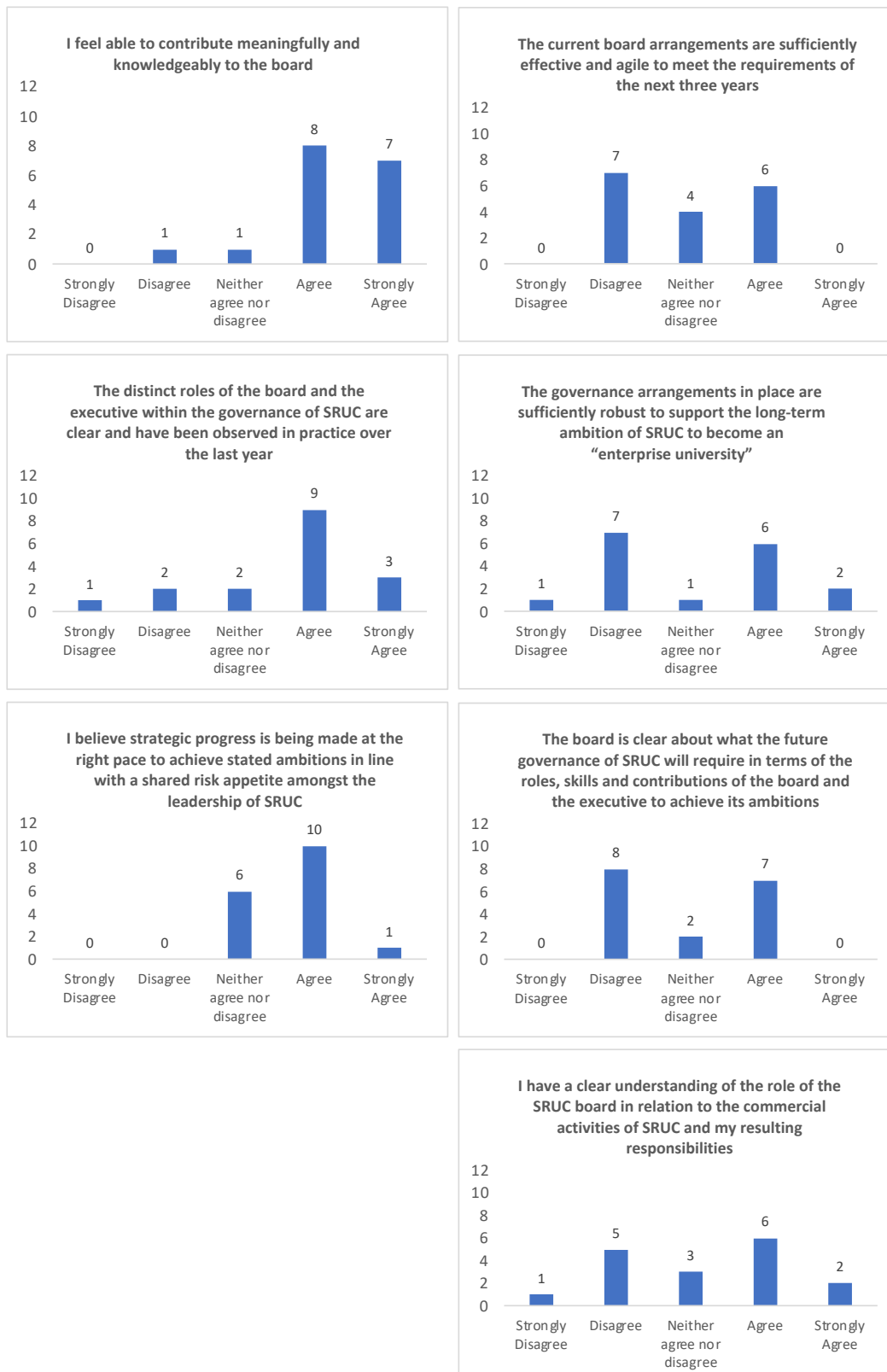
- key documents, including board and committee papers
- comparison to organisations in the sector
- eleven semi-structured interviews with board members and executives
- board and committee meeting observations, including:
 - finance and estates committee – 15 November
 - audit and risk committee – 17 November
 - SRUC board – 15 December
- one online survey, enquiring about board effectiveness against GGI's maturity matrix for the higher education sector and perceptions from external partners and stakeholders.

The results of the governance effectiveness survey are presented in Appendix II.

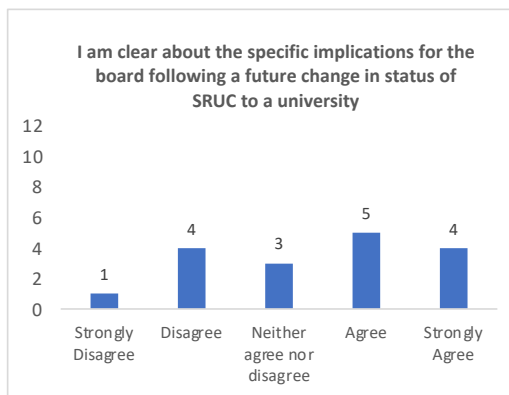
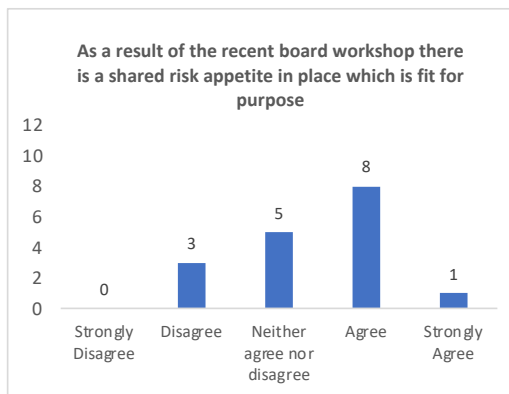
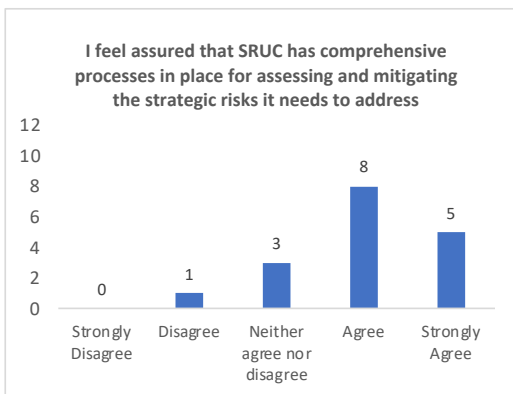
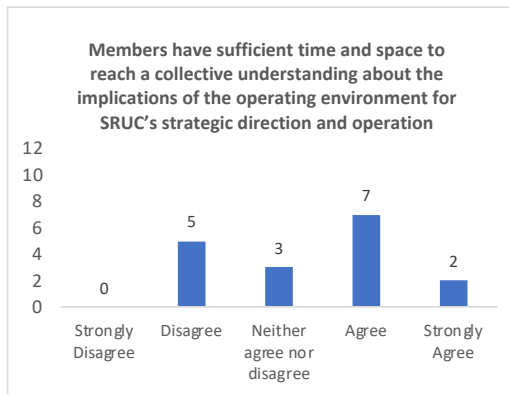
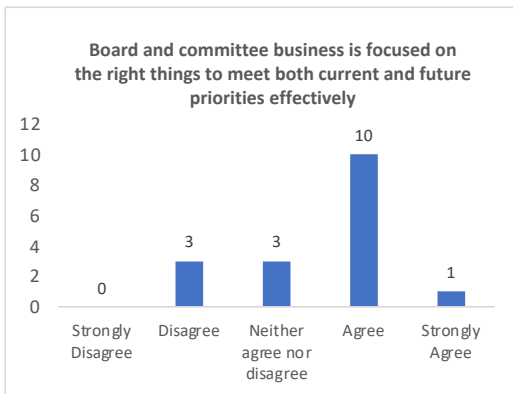
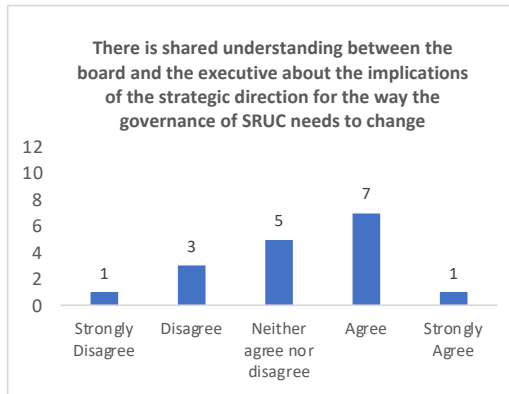
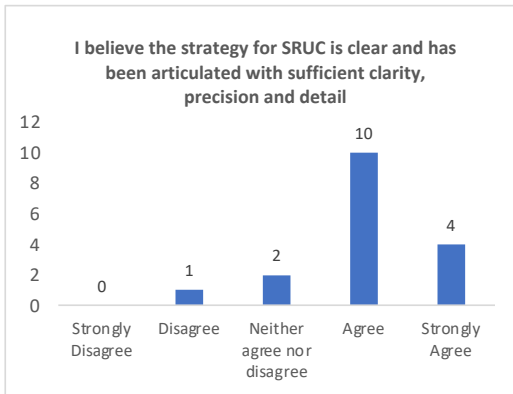
Appendix II Board effectiveness survey results

The board effectiveness survey was distributed to the board and executive members and received 17 responses. The results, which can be visualised below, were used to triangulate evidence gathered from documentation review, interviews and meeting observations.

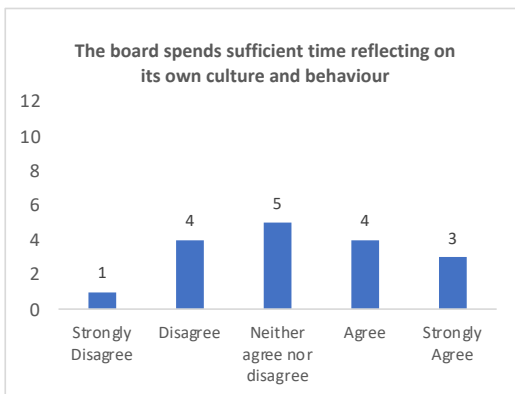
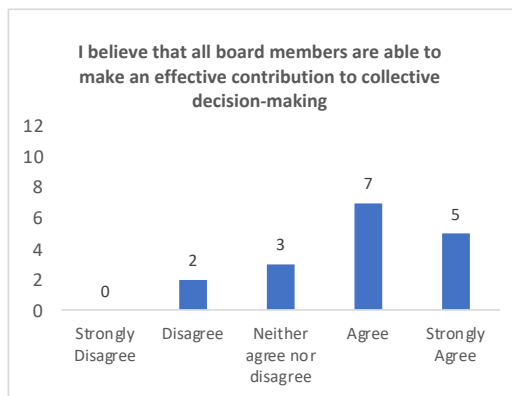
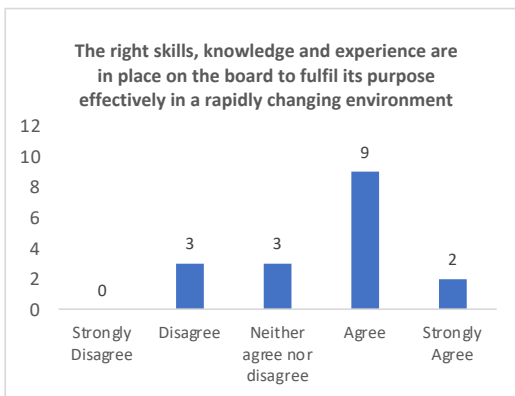
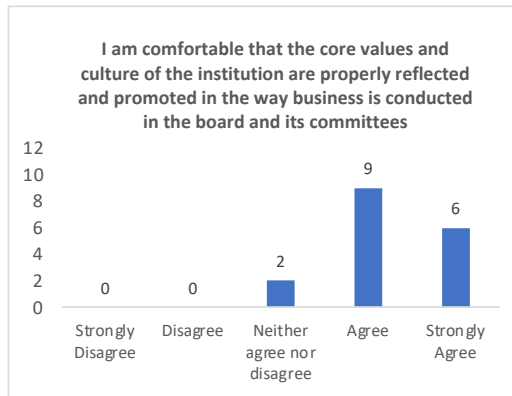
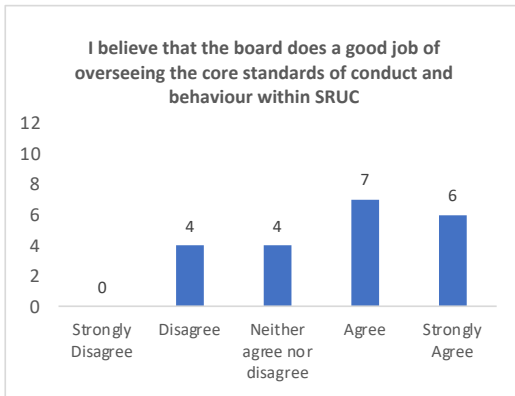
1. OVERALL GOVERNANCE



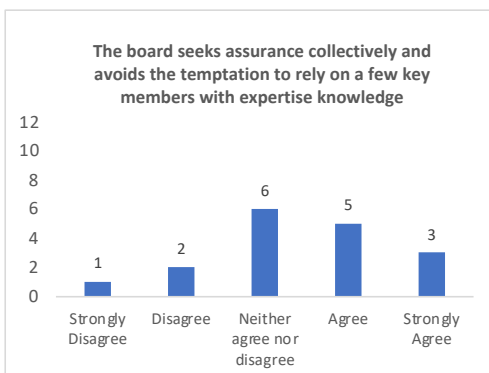
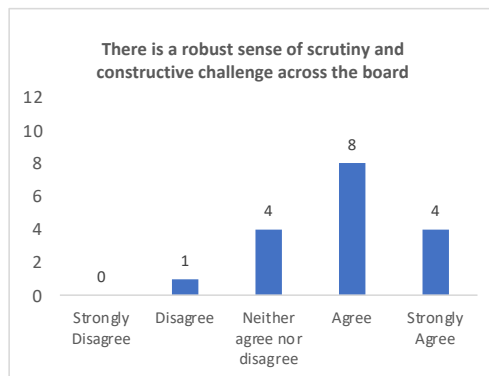
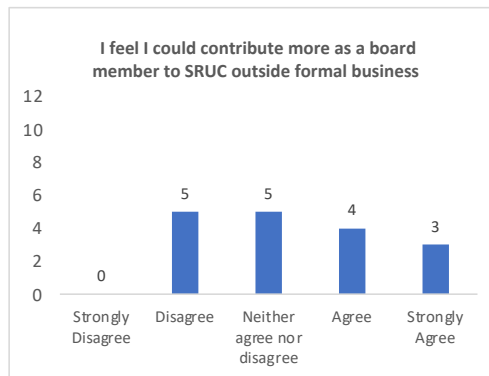
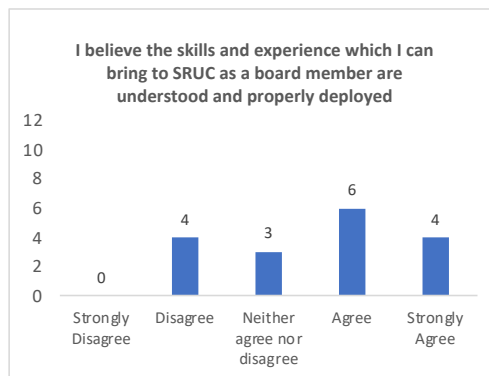
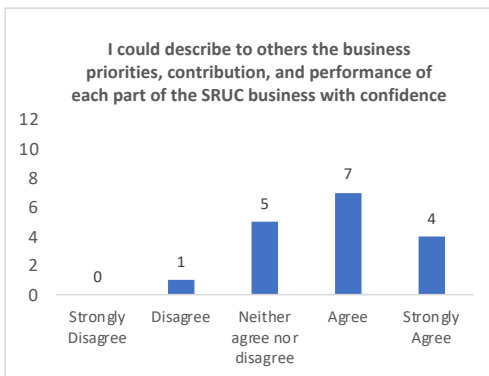
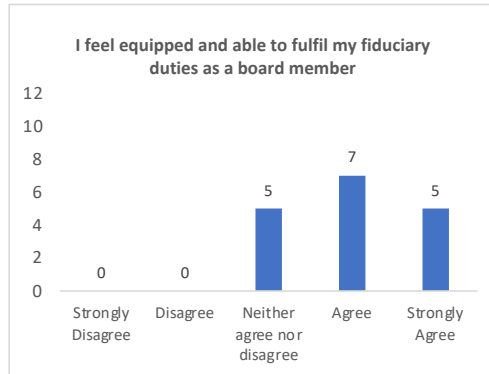
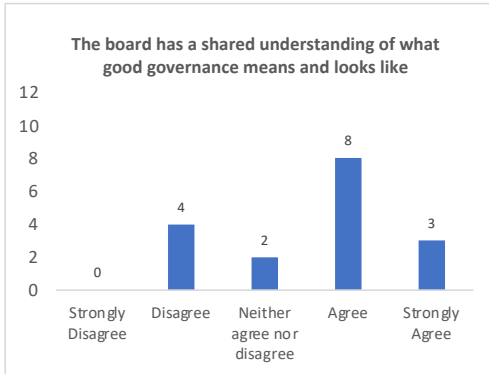
2. STRATEGY AND RISK



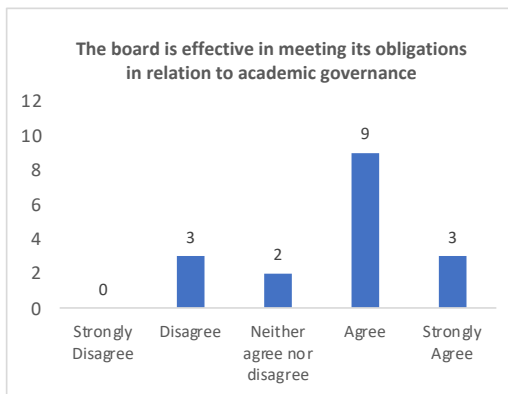
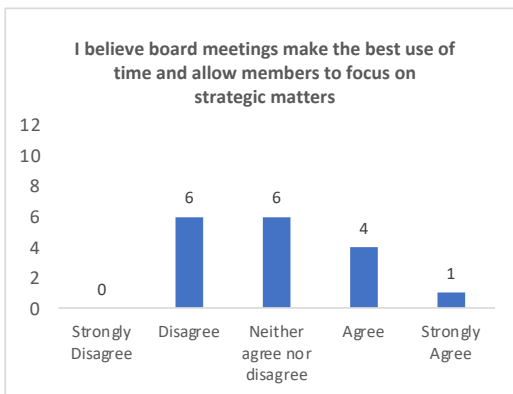
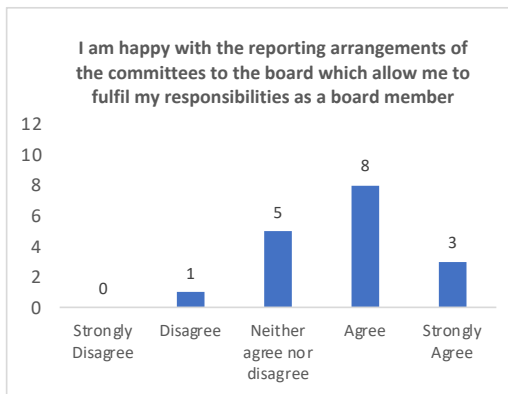
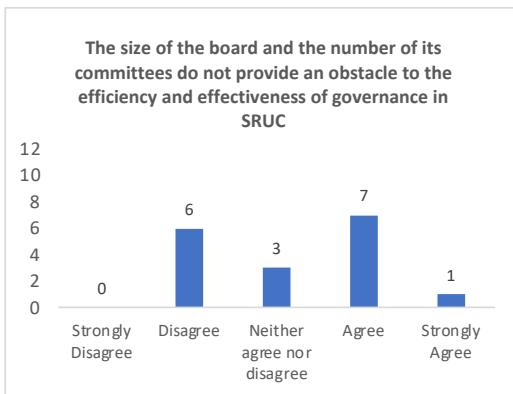
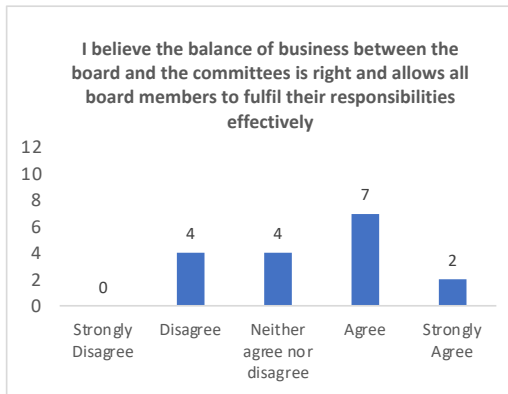
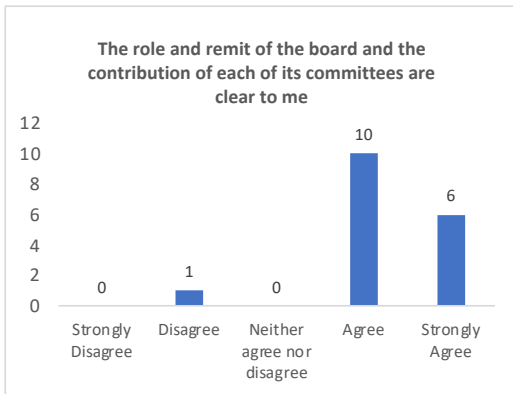
3. CULTURE AND BEHAVIOUR



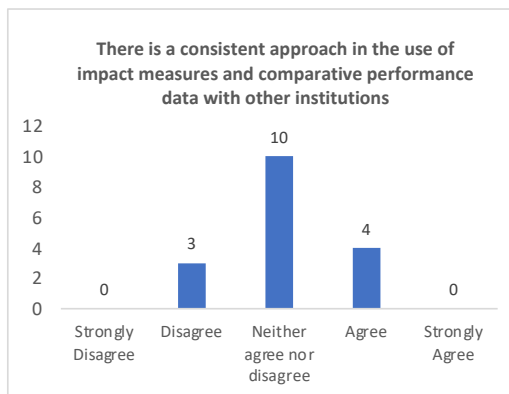
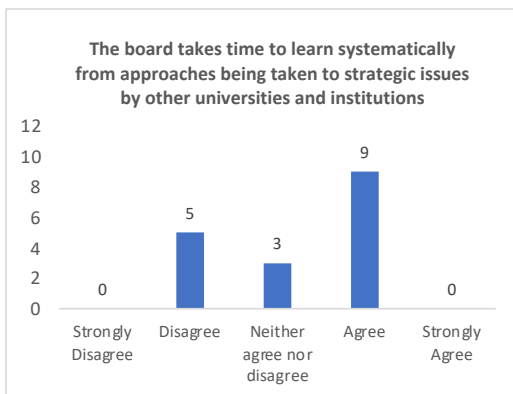
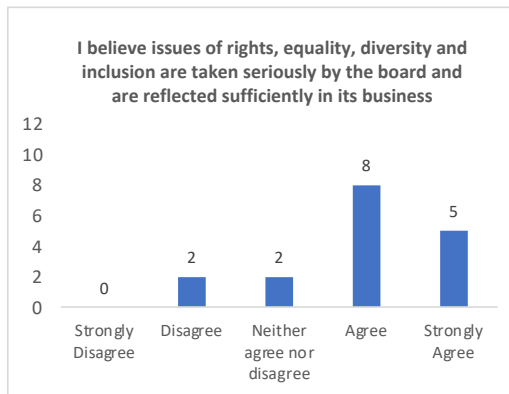
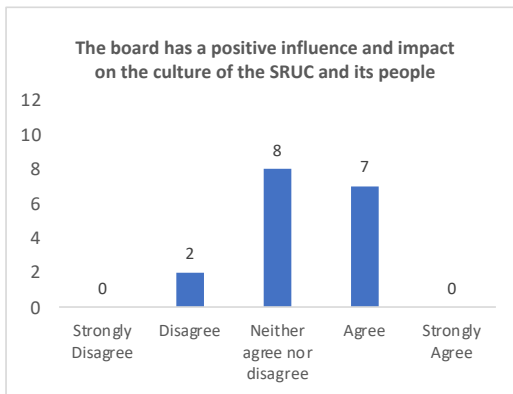
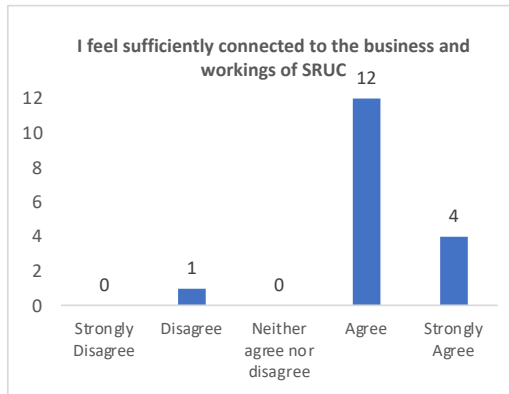
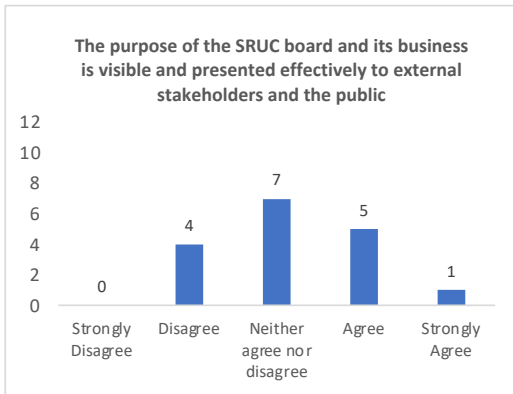
4. UNDERSTANDING AND CONTRIBUTION



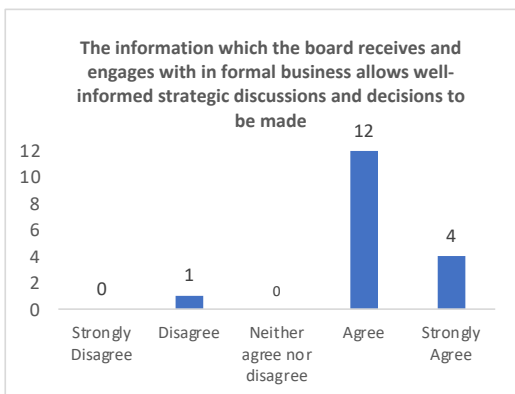
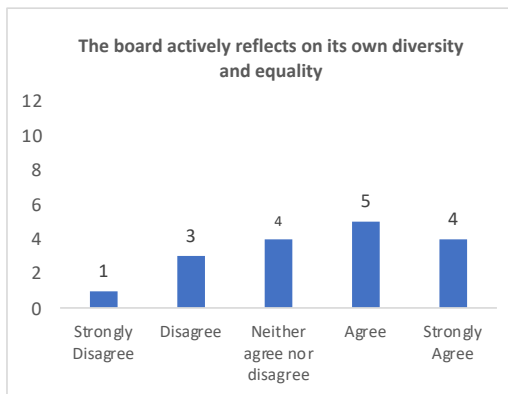
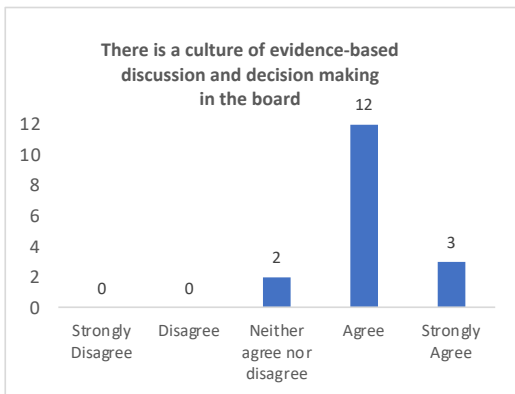
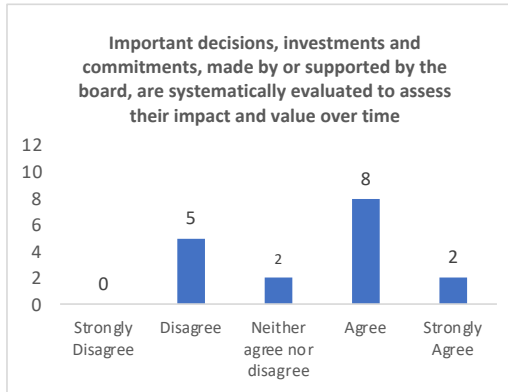
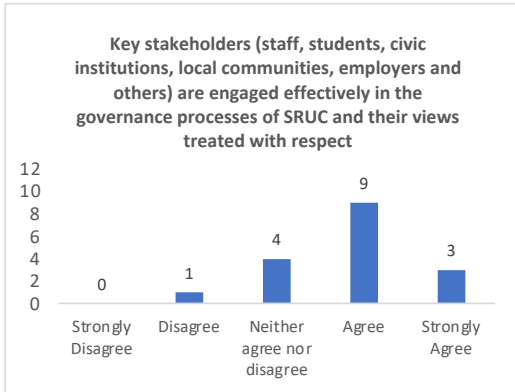
5. CONDUCT OF BUSINESS



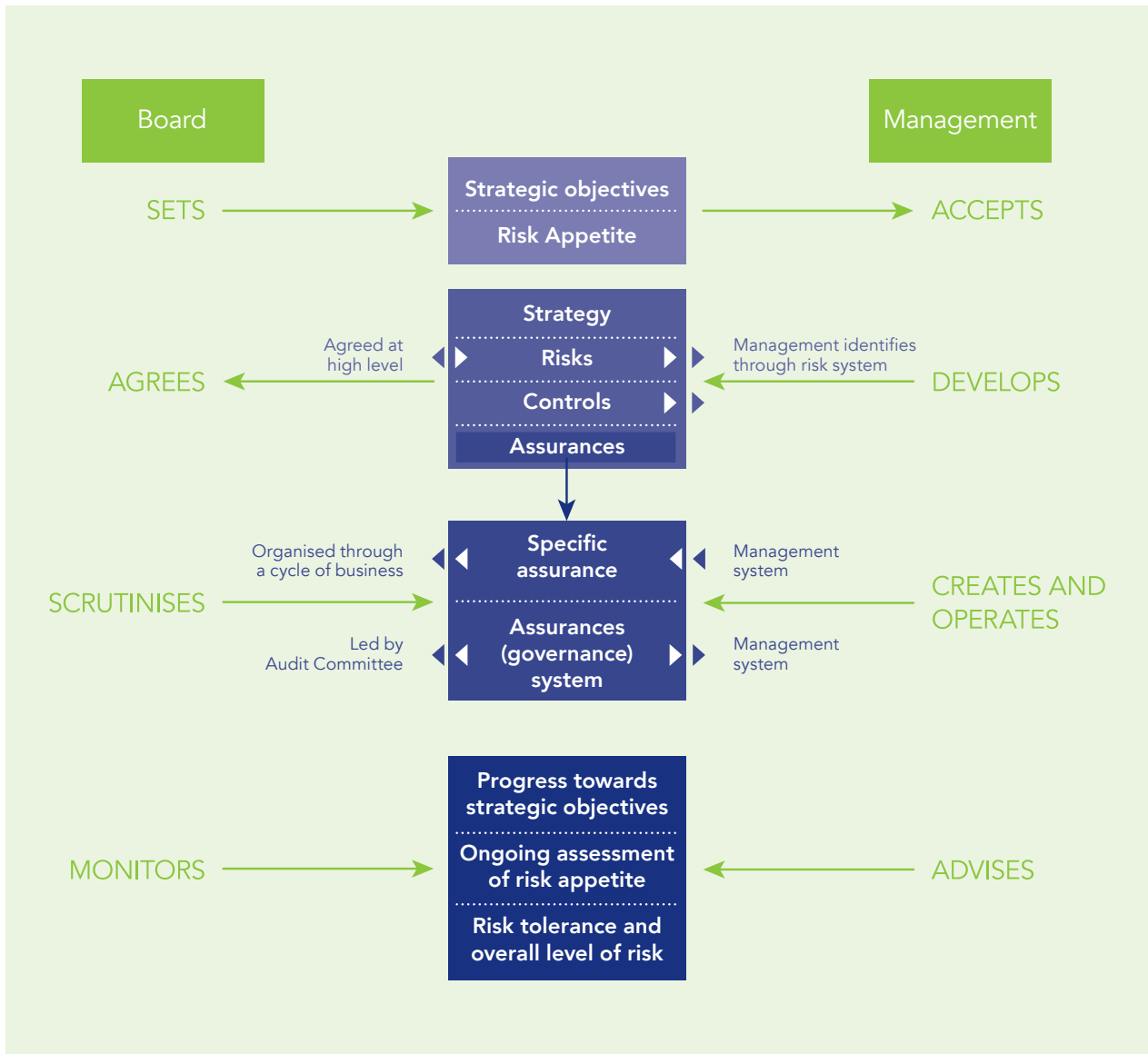
6. IMPACT AND REACH



7. STEWARDSHIP



Appendix III Board assurance framework







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