

Corporate governance

- This paper provides an update on a various corporate governance issues.

Recommendations

- Agree to a change in the Standing Orders of the Remuneration Committee.
- Agree to a minor change to the Council's Scheme of Delegation.
- Note the proposals for the next review of Board effectiveness and for Board member development.
- Note the Scottish Government's consultation on changes to the Model Code of Conduct for members of devolved public bodies.

Financial implications

- There will be some modest running-cost budget requirements in meeting the Board's development needs. There are no financial implications for the Council's programme funds.

Corporate governance

Purpose

1. This paper provides an update on various corporate governance issues.

Introduction

2. The following corporate governance issues are covered in this paper:
 - Committee Standing Orders.
 - Scheme of Delegated Authority.
 - Board effectiveness.
 - Board member development.
 - Other governance issues.

Committee Standing Orders

3. The Council executive has undertaken its annual review of the committee and Council Standing Orders and proposes one small change. The Standing Orders for the Remuneration Committee limit the membership to three members, but we currently have four, as the business of the Committee has increased over the last year. The executive therefore proposes that the Standing Orders be amended to provide for up to four members.

Scheme of Delegated Authority

4. The Council executive has reviewed the Scheme of Delegated Authority and, with one exception, is satisfied that no changes are required. The exception is that we propose one minor change to the Scheme to bring it in line with the Council's Standing Orders, which no longer require statutory Council committees to produce an annual report. The change is shown in the attached Annex.

Board effectiveness

5. Periodic reviews of effectiveness are an essential element of good practice in corporate governance, and are intended to contribute to the development of the Board. The Council Board therefore undertakes an annual review of its effectiveness and, triennially, commissions an external evaluation of its governance and effectiveness.
6. We did not undertake our planned Board effectiveness review this year because of the urgent need to reprioritise Council business earlier in the year in response to the COVID-19 pandemic. However, we propose that a review should be undertaken early next year and the results brought to the Board at its meeting in May 2021, together with a Board development plan for 2021-22.
7. As usual, Council members will be asked to complete a questionnaire, which

includes specific questions on how well they rate aspects of Council business, and an opportunity to provide comments and personal views.

Other development opportunities

8. In addition the formal programme of Board development, we can arrange other training and development opportunities at any time for individual members. This may be particularly relevant for chairs of committees or where Board members require fuller briefings to fulfil their committee roles. We can, for example, arrange:
 - **Attendance on relevant training courses, workshops and seminars:** for example, CIPFA provide courses on a range of topics, including governance training, skills for board members, risk management, and managing outcomes across organisations and partnerships.
 - **Internal development opportunities:** briefing meetings with key staff on particular topics, such as Outcome Agreements, funding or the funding methodology.
 - **Attendance at relevant conferences and exhibitions:** for example, attending relevant SFC or sector-led events to enhance knowledge and understanding.
9. Board members are also welcome to attend meetings of any Board committees at any time, as those committee attendances may present development opportunities in themselves. We will circulate a timetable of committee meetings and dates to all Board members.
10. Some members have previously expressed an interest in receiving a briefing, or undertaking training, in issues around data protection and information governance. We have identified an online course 'Data Protection Essentials' delivered by Cylix, which may be of interest and will circulate details to Board members shortly.
11. Any Board member who would like to undertake a development opportunity should contact the Clerk to the Council.

Other governance developments

12. The Scottish Government is currently consulting on a revised Model Code of Conduct for members of devolved public bodies. The consultation can be found at:
<https://consult.gov.scot/public-bodies-unit/ethical-standards-in-public-life>.
13. The main changes proposed in the consultation are:
 - Raising awareness of issues surrounding the use of social media.
 - Strengthening the rules around accepting gifts.
 - Clearer guidelines around access to Board members and lobbying.

- Improving the clarity of the guidance and a greater use of Plain English.
- Increased emphasis on addressing discrimination and unacceptable behaviours.

14. The consultation will last until 8 February 2021.

Risk assessment

15. A failure to respond to developments in, or demonstrate high standards of, corporate governance is likely to undermine the Council's effectiveness, its credibility and reputation. The recommendations in this paper help to mitigate that risk.

Equality and diversity assessment

16. There are no equality or diversity issues arising from this paper.

Recommendations

17. The Board is asked to:

- Agree to the change in the Standing Orders of the Remuneration Committee.
- Agree to the minor change to the Council's Scheme of Delegation.
- Note the proposals for the next review of Board effectiveness and for Board member development.
- Note the Scottish Government's consultation on changes to the Model Code of Conduct for members of devolved public bodies.

Financial implications

18. There will be some modest running-cost budget requirements in meeting the Board's development needs. There are no financial implications for the Council's programme funds.

Publication

19. This paper will be published on the Council's website.

Further information

20. Contact: Martin Fairbairn, Secretary to the Council (direct line: 0131 313 6524; email: mfairbairn@sfc.ac.uk) or Richard Hancock, Assistant Director, Strategy (direct line: 0131 313 6645; email: rhancock@sfc.ac.uk).

Reviewed in November 2020

Scheme of Delegation

1. The scheme of delegation for the Scottish Funding Council is set out in three parts below: the Council's delegated authority to the Chair, to its committees, and to the Chief Executive. The mechanisms for reporting back to Council are outlined in each section.

Part 1: Council's delegated authority to the Chair

2. The Chair may generally act on behalf of the Council.
3. Delegated authority relating to a particular issue will normally be approved by the Council in advance.
4. From time to time it may be necessary for the Chair to take urgent action, in which case the procedure set out in the *Council's Standing Orders* will apply.

Reporting mechanism

5. The Chair's use of delegated authority will be reported to Council meetings under the Chief Executive's Report standing item on the agenda.

Part 2: Council's delegated authority to its committees

6. Delegated authority for each committee is contained in the remit for each committee as agreed by the Council.
7. Generally committees are expected to take matters as far as appropriate before making recommendations to the Council. The Chair of the Committee will normally have responsibility for judging when it is appropriate to bring recommendations to Council: where items are routine they will stay with the committee until the final stage of decision-making; and where items are novel, unusual or potentially contentious, proposals should be considered by Council at an earlier stage.

Reporting mechanism

8. Each set of committee minutes will come to the next scheduled Council meeting for noting.
9. The Council will receive regular briefing reports on the work of each committee.

~~10. The Council will receive from each statutory committee an annual report, including an element of self-reflection.~~

Part 3: Scheme of delegation from the Council to the Chief Executive

Financial delegations

11. The Council has delegated to its executive responsibility for committing funds under a risk-based scheme which is summarised below:

Money	'Risk'	Decided by
Up to £500,000	Low/Medium/High	Chief Executive
£500,001 to £999,999	Low/Medium	Chief Executive
£500,001 to -£999,999	High	Council board
Above £999,999	All	Council board (also taking account of current Scottish Government approval processes).

12. The Council has approved guidelines on the assessment of risk for the purpose of determining the appropriate level of delegation for a funding decision.
13. Discretion to vary budgets or initiate expenditure within limits specifically established by Council.
14. Unless specifically determined under paragraphs 11 and 13 above:
- i. Revision of individual programme budgets for any one year up to a limit of £1 million or 1%, whichever is the higher.
 - ii. Within an agreed budget, making or varying grants to any one institution of/by up to the higher of:
 - £1 million.
 - 10% of the institution's total income (per its audited financial statements for the most recent year available).
 - Amending any associated terms as necessary.
 - iii. Expenditure from the running costs budget, including acquisition and disposal of property and equipment.
 - iv. Varying planned monthly payments to organisations within the total for the grant year.
 - v. For grant schemes covering more than one year, varying the timing of grant payments across years.
 - vi. Varying the general fund and strategic fund split, for both sectors, by up to £2 million in any one academic year.

- vii. Accepting and awarding ring-fenced offers of grant from Government and setting up the appropriate budgets, unless a circumstance arises in which he considers such an offer might not be appropriate exercise of Ministerial powers, in which case it will be referred to Council.
 - viii. Authorising requests for consent to dispose of fixed assets that are considered low risk up to the value of £20 million.
15. The Council may agree an annual budget from programme funds for the Chief Executive to spend at their discretion in pursuit of Council objectives. The use of funds from this budget will be based on the following principles:
- That the expenditure supports activities relating to the Council's aims and objectives.
 - That the expenditure does not readily fit into any other of the programme budgets determined by the Council.

Other delegation

- 16. Implementing decisions taken by Council.
- 17. Provision of advice to the Scottish administration.
- 18. Accountability for the operational effectiveness of the executive.
- 19. Overall organisational structure of the executive (subject to constraints imposed by the Management Statement) and appointment of staff.
- 20. Maintenance of an effective risk management process.
- 21. Management of the pay remit and salary negotiation process within the strategies endorsed by the Remuneration Committee.
- 22. Opening Council bank accounts and making and altering the necessary arrangements for signatories for authorisation of payments.
- 23. Conduct of all other administrative matters pertaining to the Council's activities and operations, except if they have a direct financial consequence for which authority is not delegated to the Chief Executive under paragraphs 13 to 15 above.

24. The Chair and Chief Executive may jointly approve the issue of directions under paragraph 10 of Schedule 2B to the Further and Higher Education (Scotland) Act 2005.
25. Approve sector requests for consent for the following:
 - Where required, granting requests for or, where appropriate, advising Scottish Government on, the disposal of capital assets and the retention and reinvestment of sale proceeds of capital assets.
 - Entering into new borrowing arrangements.
 - Granting security over any grant-funded land or property.
 - Giving a guarantee, indemnity or letter of comfort. (Subject to the delegation limits set out in paragraph 11.)
 - Committing expenditure above delegated limits in the Financial Memorandum between the Council and fundable bodies.
 - Agreeing the terms of new or amendments to previously approved voluntary severance schemes and the use of Settlement Agreements.

Reporting mechanism

26. The Chief Executive will report to the Council on a quarterly basis on their use of delegated authority under:
 - Paragraphs 11, 14(i) and 14(vii) above, for amounts greater than £500,000.
 - Paragraphs 14(ii), 14 (vi), 14 (viii) and 15 above, for amounts greater than £1 million.
 - Paragraphs 24 and 25 for all approvals.