

# Governance Review

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London Churchill College

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# 1. Introduction

London Churchill College (LCC) commissioned Advance HE to provide consultancy support to examine present governance arrangements and staff policies and procedures.

The review was designed to:

- + Be fully contextualised and take into account the College’s operating environment.
- + Be forward looking, developmental and support the College in the realisation of the institution’s strategic ambitions.
- + Address requirements set out by OFS in anticipated correspondence regarding institutional governance as it relates to the College’s application to join the Register.
- + Stimulate an informed deliberation by the College Oversight Board of existing practice, structures, processes, behaviours and opportunities for improvement.

In particular, it assessed the College’s arrangements against the Corporate Governance Guidance and Principles for Unlisted Companies in Europe, published by European Confederation of Directors’ Associations (the Guidance), supplemented where appropriate by the CUC’s HE Code of Governance (the Code).

# 2. Discussion

The Guidance consists of 14 key principles (see Annex 1) and this report is structured around those. The conclusion of the review is that the principles set out in the Guidance have been embraced by the College and are being used to guide the development of the Colleges’ governance arrangements.

In the discussions on governance, several issues related to the operational management of the College were identified and these are set out separately.

## Principle 1: Shareholders should establish an appropriate constitutional and governance framework for the company.

In practice, this means there should be a basic framework of corporate governance through the company’s constitutional documents, a formal schedule which states which matters are specifically reserved for the shareholders’ decision and which are to be delegated to the board, however, shareholders should minimise the extent to which the articles constrain the ability of the board to shape the detailed governance framework.

The College complies with this principle in that it has recently reviewed and revised its Articles of Association and these set out the role of shareholders, directors and the Principal.

LCC is seeking to strengthen its governance arrangements and has carried out a successful governance conference, with a wide range of participants, that reflected on its compliance with governance codes. The conference concluded that it should appoint non – executive

directors to the Board, set up an Audit, Risk and Remuneration Committee (ARRC), carry out a fit and proper person test for all of those appointed to the Board of Directors, adopt a formal Code of governance, and improve transparency by publishing:

- a. Remuneration statements for senior staff
- b. Articles of Association
- c. Board/Committee Terms of Reference
- d. Minutes of the three senior Boards
- e. A Value for Money statement
- f. A Freedom of Speech Code

These arrangements can further be developed by establishing and publishing a very clear Scheme of Delegation that makes clear what business must be reserved to the Board of Directors, what is delegated for decision to the Academic Board and what decisions are delegated to the Principal Executive Group.

The membership of the ARRC needs to be revisited since it has been suggested that Directors should be members. It would be more effective if membership was limited to Non-Executive Directors possibly supplemented by some members of COB (but allowing where appropriate Directors to attend). There needs to be a very clear statement that no one can be a member of a committee that determines their own remuneration and it needs to be clear that the ARRC is the body that agrees the audit plans of both external and internal auditors (albeit after consultation with PEG).

**Principle 2: Every company should strive to establish an effective board, which is collectively responsible for the long-term success of the company, including the definition of the corporate strategy. However, an interim step on the road to an effective (and independent) board may be the creation of an advisory board.**

**Principle 3: The size and composition of the board should reflect the scale and complexity of the company's activities.**

The College has many of the attributes of an effective board with a properly appointed Chairman, an experienced HE professional as Principal, a clear strategy and set of objectives and a monitoring framework that focuses on a set of key performance indicators. In addition, it has set up a College Oversight Board, with an independent Chair and several independent members. It is compliant with these two principles in that it is looking to improve its arrangements further with the appointment of non-executive directors.

LCC could build on these arrangements by looking at the skills and experience of potential non-Executive members of the Board in the context of the strategic plan – so perhaps considering whether some experience of the key markets that the College is interested in – Health, Hospitality, Entrepreneurship should be represented at Board level. In the longer term, as the College develops, considering the model adopted by some for-profit institutions of a non-executive Chair and a greater number of non-executives. It also needs to consider how best to develop the diversity of the COB – particularly in terms of gender balance – it may be an area where some appointments from both staff and alumni might be helpful.

The College has set out a set of values that it aspires to. It could follow the practice of some institutions by discussing with staff the expected behaviours that these values might deliver, and then integrating those behaviours in the recruitment and appraisal schemes.

LCC has a clear commitment to student engagement – with 15 students reps paid and trained to support Programme Committees and an overarching Student Engagement Group (SEG). There is student representation on both the College Oversight Board (COB) and the Academic Board but not on the Board of Directors. The College has decided it wishes to improve these arrangements still further by inviting a student representative to attend the Board of Directors. There are some concerns over the confidential nature of discussions at the Board and the legal liability of a student that might be seen to be a full Director. It could build on these arrangements by:

- a. Asking SEG group to nominate one of their members to join the Board
- b. Either agree to appoint a Student as a full member of the Board as a Non- executive Director – providing appropriate indemnity cover through insurance, supported by the publication of a clear Code of Conduct for all Board members that covered – conflicts of interest, confidentiality and removal from the Board in the event of non-compliance. Alternatively, it could invite a student representative to attend the Board with a clear protocol that described expected behaviours and any reserved business where the student would be expected to withdraw. This protocol would also be published.
- c. Arranging some form of support for students attending key meetings – specifically pre-meeting briefing with the Registrar or Head of Student Engagement to go through papers and some form of mentoring /buddy system pairing up students with more experienced members
- d. Encouraging the student representatives to operate some form of blog, describing the discussions and issues they were facing as a means of generating comment and visibility with the wider student community
- e. Develop with the SEG the form of value for money statement that students would find most useful

Principle 4: The board should meet sufficiently regularly to discharge its duties and be supplied in a timely manner with appropriate information.

The Board complies with this principle, with monthly meetings that consider a range of reports supplemented by relevant data.

Principle 5: Levels of remuneration should be sufficient to attract, retain, and motivate executives and non- executives of the quality required to run the company successfully.

Whilst the College is compliant with this principle, the College has taken it further by adopting the relevant elements of the CUC Code. The College has already agreed to set up a specific committee charged with considering remuneration and to publishing statements on senior staff levels of remuneration – it can build on these proposal by developing and publishing a clear policy statement on the approach to remuneration, that sets out the approach to the market, benchmark comparisons and some indication how starting salaries for new recruits might usually be set.

Principle 6: The board is responsible for risk oversight and should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

The Board understands this and the establishment of the ARRC should enable that principle to be complied with. It would be helpful if it was made clear that the ARRC is the body that agrees the audit plans of both external and internal auditors (albeit after consultation with PEG).

Principle 7: There should be a dialogue between the board and the shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The board should not forget that all shareholders have to be treated equally.

Enough shareholders are on the Board to ensure that this principle is complied with.

Principle 8: All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

Principle 13: The board should undertake a periodic appraisal of its own performance and that of each individual director.

This principle is complied with but could be developed by considering how best to develop and support the members of the Board and the three senior committees. Whilst formal appraisal schemes may not be appropriate, a model that is frequently deployed is where the Chair of the Board/ Committee has an annual discussion with each member to assess the contribution made in the previous year, to look forward to the challenges of the coming year and consider how the College can support the member to increase their contribution in the future.

**Principle 10:** There should be a clear division of responsibilities at the head of the company between the running of the board and the running of the company's business. No one individual should have unfettered powers of decision.

This principle is complied with, but as referred to above, could be supported by the development of a formal scheme of delegation.

**Principle 11:** Board structures vary according to national regulatory requirements and business norms. However, all boards should contain directors with a sufficient mix of competencies and experiences. No single person (or small group of individuals) should dominate the board's decision-making.

This is complied with, but as referred to above future appointments need to consider both diversity considerations and the strategic development of the College

**Principle 12:** The board should establish appropriate board committees in order to allow a more effective discharge of its duties.

For a College of this size, there is not a need for a complex committee structure although the College has recognised the benefit of establishing the ARRC. The agenda for COB might also be looked at – the April meeting considered several oral reports, all of which could have been summarised in a Principal's written report, thereby freeing up time to focus on key strategic issues.

Academic Board has a wide representation but for the body that is guardian of academic matters at some meetings academic staff are in a minority – there may be benefit in inviting other members of the academic community to attend.

**Principle 14: The board should present a balanced and understandable assessment of the company’s position and prospects for external stakeholders, and establish a suitable programme of stakeholder engagement.**

LCC sees itself clearly as part of a community with 80% of its student recruited from within a 10-mile radius, with a strong desire to connect with and develop that community. It publishes (or intends to) a range of information including income and expenditure, the results of external reviews and newsletters. There is an Employers Forum and there have been several projects and events carried out in the community. It could build on these arrangements by:

- a. Systemising some of these projects – for example – there has been a one-off survey of local businesses. This could be an annual event, focussing on risks and issues, which then could be published and publicised – such a survey might also provide a platform for one off training and development events.
- b. Looking at contributions to the community and possibly instituting an awards ceremony that celebrates the work that students and staff do in the community
- c. Actively promoting the benefits of volunteering for community projects

## Other Matters

The College has invested some of its surplus funds into the development of property not directly connected to the College. This is with the purpose of diversifying income streams and supporting the long-term sustainability of the College. To ensure full transparency, the College should have an explicit investment strategy that sets out its approach to diversification and produce an annual report that shows how the income generated by these other activities has been invested back into the student experience.

Some institutions have come have had their reputation damaged by inappropriate recruitment practices. LCC has a well-established system whereby all applications from whatever source are vetted by an independent Admissions officer who checks the documentation, each applicant is given an interview by an academic member of staff, whose notes are written up and passed for final decision by the Admissions Officer. There is a small risk that the academic interview is not sufficiently robust and that the written notes do not reflect the true nature of the interview. A further safeguard could be introduced of a sound recording of these interviews being made and being made available to the Admissions Officer.

The College is committed to shifting away from the use of sessional academic staff to the use of more fractional permanent contracts - it was suggested at audit that recruitment would start after Easter, but at present there is not a clearly articulated staffing model that sets out what the new staffing establishment should be.

The College’s approach to IT is predominantly functional – with an emphasis on ensuring that key systems are operational and effectively maintained. Other institutions are giving



considerable attention to an overall digital strategy, with ever increasing expectations from students as to what is possible online, as well as seeing opportunities in the increasing availability of data on student engagement. Equally the College's website, a key marketing tool, is functional – it sets out all the key information, but is predominantly text driven without much use of, for example, of video to illustrate the student experience. A student looking at YouTube, equally would not find much on the College

[https://www.youtube.com/results?search\\_query=london+churchill+college](https://www.youtube.com/results?search_query=london+churchill+college)

For a comparison, consider Ravensbourne – whilst a larger institution, it does give an idea of some of the student focused video approaches that are possible

[https://www.youtube.com/results?search\\_query=ravensbourne+university](https://www.youtube.com/results?search_query=ravensbourne+university)

Accordingly, the College should consider developing a clear digital strategy which sets out how it might best make use of digital technology.

### 3. Conclusion

My opinion is that the College is compliant with the Corporate Governance Guidance and Principles for Unlisted Companies in Europe, there is a clear commitment to improve still further and I was struck by the enthusiasm of the staff and a genuine concern and focus on the development and engagement of students.

I am grateful to the Principal, the Chair of the Board of Directors and the Chair of the College Oversight Board and all of those that took time to speak to me during the review.

John Rushforth

May 2019

## College response to recommendations

Recommendation	Action	Responsibility	Status	Comments
Developing and publishing a very clear Scheme of Delegation that makes clear what business must be reserved to the Board of Directors, what is delegated for decision to the Academic Board and what decisions are delegated to the Principal Executive Group	Scheme of Delegation to be articulated	BoD	New	
ARRC membership could be limited to Non-Executive Members possibly supplemented by some other members of COB (but allowing where appropriate Directors to attend)	ARRC Membership to be limited to NEMs (but allowing where appropriate Directors to attend)	BoD	Ongoing	This recommendation needs further discussion as the considered intention is to keep ARRC independent of the BoD
A very clear statement that no one can be a member of a committee that determines their own remuneration and it needs to be clear that the ARRC is the body that agrees the audit plans of both external and internal auditors (albeit after consultation with PEG)	Include in the ARRC ToR that it is responsible for setting remuneration levels across the College and agrees all audit plans	Principal	Drafted	Draft ARRC ToR includes these points
Looking at the skills and experience of potential non-Executive members of the Board in the context of the strategic plan – so perhaps considering whether some experience of the key markets that the College is interested in – Health, Hospitality,	Review specialisms of current membership and recruit members with knowledge in the College's key disciplines	BoD /	New	

Entrepreneurship should be represented at Board level				
In the longer term, as the College develops, considering the model adopted by some for-profit institutions of a non-executive Chair and a greater number of non-executives.	Build a higher proportion of external membership and a non-executive Chair into membership of the three senior Committees.	BoD / COB/AcB	New	
Considering how best to develop the diversity of the COB – particularly in terms of gender balance – it may be an area where some appointments form both staff and alumni might be helpful.	Consider diversity on each occasion that new appointments need to be made to the membership of the COB	BoD/COB	Ongoing	
Discuss with staff the expected behaviours that the College's set of values might deliver and then integrate those behaviours in the recruitment and appraisal schemes.	Discuss with all staff the College's set of values	PEG/HR	Ongoing	Recent Staff Handbook
Nominate a student representative to attend the Board with a clear protocol that describes expected behaviours and any reserved business where they would be expected to withdraw. This protocol would also be published.		BoD	Ongoing	BoD has agreed that a Student Representative should be nominated as a member of the Board but not as a legal Director
Arrange pre-meeting support for students attending key meetings	Set up training sessions for student representatives	SEG	Ongoing	Considering the training required, on an annual basis. Full induction

				programme planned
Encourage student representatives to operate a blog for publishing on website	Decide whether this is a viable action? If College can facilitate it, agree who will oversee it and how to interact with the Student Reps.	SEG	Ongoing	SEG to report on their findings over the viability and any interest amongst student representatives. If approved, the SEG must agree the procedure.
Develop with the SEG the form of value for money statement that students would find most useful	With SRs draft a Value for Money statement	SEG	Ongoing	SEG to report
Developing and publishing a clear policy statement on the approach to remuneration, that sets out the approach to the market, benchmark comparisons and some indication how starting salaries for new recruits might usually be set.	Include in the new Remuneration Policy	AQAO/HR	Ongoing	Draft Remuneration Policy includes these points
Considering how best to develop and support the members of the three senior committees. Whilst formal appraisal schemes may not be appropriate, a model that is frequently deployed is where the Chair of the Board/ Committee has an annual discussion with each member to assess the contribution made in the previous year, to look forward to the challenges of the coming year and consider how the College can support the member to increase their	Chairs of each Board (BoD, COB and AB) to set up a schedule to discuss contributions and factors impacting contributions; such meetings to be recorded on templates	Chairs BoD, COB and AB	Ongoing	

contribution in the future				
The agenda for COB might also be looked at – the April meeting considered several oral reports, all of which could have been summarised in a Principal’s written report, thereby freeing up time to focus on key strategic issues.	Principal to provide written report at each meeting covering key issues	Principal	New	
Ensure academic staff are in the majority on the Academic Board	Check the membership of AB and ensure that academic staff are in the majority and represented at all levels. Check attendance rates of Academic at AcB Meetings	Registrar/PEG	New	Current Membership is 10 Academics and 4 Non-Academics. Attendance of Academics on AcB is more sporadic in comparison to non-Academics therefore stress the importance of attending to them.
Consider an annual survey of local businesses focussing on risks and issues, which then could be published and publicised	Undertake an annual survey of local businesses (Stakeholder Events)	SEG	Ongoing	SEG to report
Celebrate the work that students and staff do in the community	Make an award at our Graduation & Awards Ceremony	SEG	Ongoing	SEG to report
Actively promoting the benefits of volunteering for community projects	Publicise on website and make an award at our Awards & Graduation Ceremony	SEG	Ongoing	SEG to report
The College has invested some of its surplus funds	Provide an investment	BoD	New	

<p>into the development of property not directly connected to the College. This is with the purpose of diversifying income streams and supporting the long-term sustainability of the College. To ensure full transparency, the College should have an explicit investment strategy that sets out its approach to diversification and produce an annual report that shows how the income generated by these other activities has been invested back into the student experience.</p>	<p>strategy and annual report to show where income generation has been invested back into the College.</p>			
<p>Make the academic interview more robust by introducing a sound recording of these interviews and make available to the Admissions Officer</p>	<p>Deliberate the feasibility of this. Introduce sound recordings of all academic interviews</p>	<p>PEG</p>	<p>New</p>	
<p>Produce a clearly articulated staffing model that sets out what the new staffing establishment should be</p>	<p>Produce a clear staffing strategy and plan</p>	<p>PEG/HR</p>	<p>New</p>	
<p>Developing a clear digital strategy which sets out how it might best make use of digital technology</p>	<p>To consider how best to proceed</p>	<p>BoD and PEG</p>	<p>New</p>	

## Annex 1

### Corporate governance principles applicable to all unlisted companies

Principle 1: Shareholders should establish an appropriate constitutional and governance framework for the company.

Principle 2: Every company should strive to establish an effective board, which is collectively responsible for the long-term success of the company, including the definition of the corporate strategy. However, an interim step on the road to an effective (and independent) board may be the creation of an advisory board.

Principle 3: The size and composition of the board should reflect the scale and complexity of the company's activities.

Principle 4: The board should meet sufficiently regularly to discharge its duties and be supplied in a timely manner with appropriate information.

Principle 5: Levels of remuneration should be sufficient to attract, retain, and motivate executives and non-executives of the quality required to run the company successfully.

Principle 6: The board is responsible for risk oversight and should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

Principle 7: There should be a dialogue between the board and the shareholders based on the mutual understanding of objectives. The board has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The board should not forget that all shareholders have to be treated equally.

Principle 8: All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

Principle 9: Family-controlled companies should establish family governance mechanisms that promote coordination and mutual understanding amongst family members, as well as organise the relationship between family governance and corporate governance.

### Phase 2 principles:

### Corporate governance principles applicable to large and/or more complex unlisted companies

Principle 10: There should be a clear division of responsibilities at the head of the company between the running of the board and the running of the company's business. No one individual should have unfettered powers of decision.



Principle 11: Board structures vary according to national regulatory requirements and business norms. However, all boards should contain directors with a sufficient mix of competencies and experiences. No single person (or small group of individuals) should dominate the board's decision-making.

Principle 12: The board should establish appropriate board committees in order to allow a more effective discharge of its duties.

Principle 13: The board should undertake a periodic appraisal of its own performance and that of each individual director.

Principle 14: The board should present a balanced and understandable assessment of the company's position and prospects for external stakeholders, and establish a suitable programme of stakeholder engagement.



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