

## **GROUP CORPORATE GOVERNANCE AGREEMENT**

### **1 Introduction**

- 1.1 Colleges Scotland is the parent of SFEU (trading as the 'College Development Network' and henceforth referred to as CDN). Both Colleges Scotland and CDN wish to achieve good standards of corporate governance and corporate culture across the group. Colleges Scotland and CDN have agreed that in order to minimise risk and ensure good governance across the group, CDN will deal with certain matters in the manner set out in this document.
- 1.2 The parties do not consider that the provisions of this document in any way fetter the independence of the charity trustees/directors of CDN or impact adversely on the charity trustees'/directors' duty to act in the interests of CDN.

### **2 Preparation of Business Plan and Procedures**

- 2.1 CDN shall prepare each year a Business Plan (the "Business Plan") and submit it to Colleges Scotland.
- 2.2 The Business Plan shall be prepared in accordance with any reasonable requirements issued by Colleges Scotland to CDN.
- 2.3 Colleges Scotland may suggest modifications to the Business Plan for consideration by the directors of CDN; where Colleges Scotland considers the directors have not taken into account matters which CDN ought to take into account.
- 2.4 The Business Plan shall include an update on strategy, proposed activities, itemised Income and Expenditure, Balance Sheet and any other budgets required for each financial year. If significant changes are made to the business plan during the course of a year, CDN shall keep Colleges Scotland informed with regard to these changes
- 2.5 The Business Plan shall include, but is not limited to:
- 2.5.1 CDN Operational Plan including key milestones;
  - 2.5.2 CDN KPIs;
  - 2.5.3 CDN Marketing and Communications Strategy;
  - 2.5.4 CDN Management Structure and Reporting Lines;
- Colleges Scotland may request other information to be included in the Business Plan as it sees fit.

### **3 Report and Accounts**

CDN shall prepare its Report and Accounts in accordance with legislation applicable to it from time to time and in accordance with any additional requirements prescribed by OSCR from time to time.

### **4 Risk Minimisation**

CDN shall ensure (as far as it is legally able) that without the prior written approval of Colleges Scotland it shall not do any of the following things:-

- 4.1 alter its name;
- 4.2 vary in any respect its Memorandum and Articles of Association or the rights attaching to membership of CDN;
- 4.3 appoint or remove any director of CDN;
- 4.4 pass any resolution for the winding up of CDN;
- 4.5 apply for the appointment of a Receiver of Administrator over the assets of CDN;
- 4.6 engage in any business other than as set out in the Business Plan;
- 4.7 form any subsidiary or acquire shares in any other company or participate in a partnership or joint venture (incorporated or not);
- 4.8 amalgamate or merge with any other company or business undertaking;
- 4.9 enter into any commitment by way of a transaction or series of related transactions which would involve CDN in the payment or receipt of consideration above the limits set out in a Business Plan approved by Colleges Scotland from time to time;
- 4.10 enter into any arrangement, contract or transaction outside the normal course of its business or otherwise than on arm's length terms;
- 4.11 create or permit to be created any mortgage, charge, pledge, encumbrance or other security interest whatsoever on any asset or grant any guarantee other than:
  - 4.11.1 liens or guarantees arising in the ordinary course of business; or
  - 4.11.2 any charge or other security interest arising by the operation or purported operation of title retention clauses and in the ordinary course of business;
- 4.12 change CDN's accounting reference date save to align the accounting reference date with that of Colleges Scotland;

- 4.13 make or permit to be made any change in the accounting policies and principles adopted by CDN in the preparation of its audited and management accounts, save as may be required to ensure compliance with relevant accounting standards (as amended from time to time) or any other generally accepted accounting principles in the United Kingdom, or to align the accounting policies with that of Colleges Scotland;
- 4.14 make any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or grant any credit (other than in the normal course of business) or give any unlimited guarantee or indemnity (except to the extent required by law);
- 4.15 borrow any sum of money which would result in the aggregate borrowings of CDN being in excess of £5,000 or such other sum as Colleges Scotland may determine save where CDN becomes temporarily overdrawn;
- 4.16 sell the whole or any part of CDN's business;
- 4.17 purchase or dispose of any heritable property or any interest therein;
- 4.18 commence, settle or abandon any litigation or admit any liability by CDN involving a dispute in excess of £5,000; or
- 4.19 enter into any lease or licence likely to involve expenditure by CDN in excess of £30,000. For the avoidance of doubt this shall exclude any leases or licences which CDN has in place prior to the date of this agreement.

## **5 Governance**

- 5.1 The directors of CDN shall ensure, as far as they are legally able, that CDN shall do the following things:
  - 5.1.1 comply with all statutory and regulatory requirements in so far as such matters relate to the functions of CDN;
  - 5.1.2 establish written procedures to regulate the proper internal control and effective and efficient management of its functions and shall thereafter maintain and procure compliance with these procedures;
  - 5.1.3 adopt and adhere to a Corporate Governance Code that is similar to the Code adopted by Colleges Scotland.

## **6 Subscriptions**

- 6.1 Colleges Scotland may request from time to time that CDN administers and collects annual subscriptions from Colleges Scotland's own members. Where CDN is to act as such administration and collection agent on behalf of Colleges Scotland, it shall issue notices to

members of Colleges Scotland setting out the details of the annual subscription funds to be paid in respect of their membership based on the subscription amounts set by Colleges Scotland and shall promptly remit and account to Colleges Scotland for any subscription monies so received, PROVIDED THAT CDN shall be entitled to deduct from the amounts so remitted (i) the amount of any membership subscriptions due to CDN by Colleges Scotland (in their capacity as member of CDN) which are outstanding or due (as such amounts may have been fixed in accordance with the articles of association of CDN from time to time) and (ii) any outlays or expenses it has incurred on behalf of Colleges Scotland in so doing (including without limitation any debt recovery expenses so incurred).

## **7 Reporting Lines**

In order to assist the entrenchment of good corporate governance across the group, Colleges Scotland and CDN share a Chief Executive. That Chief Executive shall report to Colleges Scotland on compliance with the provisions of this document and shall provide financial and other information and reports in respect of CDN to Colleges Scotland in a form specified by Colleges Scotland at each board meeting of Colleges Scotland and as additionally required by Colleges Scotland from time to time.

**Director**

**Director**

**For and on behalf of CDN**

**For and on behalf of Colleges Scotland**

**Date [     ]**

**Date [     ]**