



Subject Internal Governance Review Report
Purpose For Decision
From Head of Qualifications and Governance

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1. Summary

To note an update on the progress of the internal governance review. To agree the proposed revised Committee structure and the draft terms of reference for the committees that the Board should put in place to support its work. To agree a statement setting out the purpose of the Board.

2. Recommendations

It is recommended that the Board:

- i. Notes an update on the progress of the internal Governance Review;
- ii. Agrees the Governance Working Group's recommendations in relation to the proposed revised Committee structure as set out in Key Point iv below, and the associated terms of reference for each of the committees (**Annexes A – D**);
- iii. Agrees that the Executive, in conjunction with the Chair, should bring back proposals regarding the population of the committees to the Board for consideration and approval at its meeting on 11 September 2019; and
- iv. Agrees the statement setting out the purpose of the Board (**Annex E**).

3. Open Session

4. Contribution to the Board's Purpose and Objectives

A review of the Board's governance and committee structure will enable ARB to continue the delivery of its strategic aims and fulfil its statutory obligations under the Architects Act 1997 ('the Act').

5. Key Points

- i. **Context/Background**
At its meeting of 1 April 2019, the Board agreed to undertake an internal governance review and appointed a Governance Working Group to do the

following:

- clearly define the role of the Board;
- undertake a review the non-statutory committee structure and put forward recommendations to the Board in relation to the following:
 - The future structure and composition of the committees that will be required to support the Board's work in delivering its statutory obligations, its objectives and priorities;
 - The terms of reference for each of the committees needed to underpin the Board's work
- identify the inter-relationships between the committees and the Board;
- identify the changes that will need to be made to the Board's General Rules in order to ensure that they will fully align with the revisions made to Schedule 1 of the Act; and
- identify any further areas of governance that need to be reviewed at a later stage.

ii. **Progress Report**

Since that point the Governance Working Group has been appointed and, as agreed by the Board, consists of:

- Chair of the Board (Alison White)
- Registrar and Chief Executive (Karen Holmes)
- Head of Qualifications and Governance (Emma Matthews)
- An architect member of the Board (Will Freeman)
- A lay member of the Board (Derek Bray)

The Group has discussed and developed a statement outlining the role and purpose of the Board and reviewed the existing committee structure. It has also considered what the Board needs in terms of a future committee structure in order to deliver its statutory obligations, its objectives and priorities. In order to ensure that a new Committee structure can become operational from the Autumn 2019, and so that recommendations regarding the population of the Committees can take place in a timely way in September 2019, the Group has accelerated some of its work and has developed draft terms of reference, which include details relating to the composition of the committees and the committees' proposed inter-relationship with the Board. Further details relating to the outcomes of the Group's work to date are set out below. The Group has met on one occasion and carried out the remainder of its work via email correspondence.

iii. **Existing Committee Structure**

The existing committee structure includes the following:

- **Audit Committee**

The Board appoints an Audit Committee to assist the Board with its oversight functions. It will review the financial reporting process, the system of

internal control and management of risks, the audit process and ARB's process for compliance with laws and regulations. The Committee membership includes five Board members. The Ministry of Housing, Communities and Local Government typically send an observer to one meeting a year, but have access to all Committee meeting papers.

- **Investigations Oversight Committee**

This Committee is established by the Board to oversee ARB's investigations into architects' conduct and competence. It has no role in individual cases, but can assess the performance of the Pool and advise the Board of any issues arising out investigations. The Committee consists of three Board members. This Committee has ceased to operate for the duration of the internal governance review.

- **Prescription Committee**

This Committee's main role is to oversee the procedures for prescribing qualifications. The Committee reviews applications for prescription, annual monitoring submissions, and ensures that the Board receives sufficiently clear material to enable it to make decisions in relation to the prescription of qualifications. This Committee also oversees matters relating to the Prescribed Examination, the work of the Competency Standards Group and the maintenance of competence. The Committee membership currently consists of former Board members, and includes two of its pool of independent advisers as well as two current Board members.

- **Remuneration Committee**

The Board has a Remuneration Committee to ensure that the remuneration and reward package offered to staff, Board members and advisers is kept under review, and amended where appropriate. The Committee receives a staffing and resources report from the Registrar at each meeting. The Committee membership includes three Board members. This Committee has ceased to operate for the duration of the internal governance review.

There is a further committee, and several panels and groups of experts which also underpin and support the organisation's work as well as the Executive which include the following:

- **Professional Conduct Committee**

This Committee is established under the Act to deal with allegations of unacceptable professional conduct and serious professional incompetence made against architects, and can impose a range of sanctions. There are no separate Terms of Reference for this Committee over and above what is contained in the Act and the Professional Conduct Committee Rules. The constitution and structure of the Committee is laid down in the Act which is supplemented by the Professional Conduct Committee Rules. The Committee is independent of the Board but reports on its work via an annual report prepared by the Chair of the Committee.

- **Investigations Panel**
The Panel determines which cases go forward to the Professional Conduct Committee
- **Third Party Reviewers**
The Third Party reviewers are independent reviewers who are called upon in the event of a complaint about specified processes.
- **Inquirers**
Inquirers are independent experts appointed to investigate specific areas of a complaint against an architect.
- **Independent Examiners/Examiners for the Prescribed Examination**
The examiners are independent experts appointed to review individuals' qualifications/work for equivalence.
- **Independent Advisers to the Prescription Committee**
The advisers are independent experts appointed to support the work of the Committee/gather information as the Committee directs.

iv. **Governance Working Group's Recommendations**

After consideration, the Governance Working Group is recommending that the following should remain and are vital in terms of supporting the organisation's work:

- **Professional Conduct Committee**
This is a statutory committee and therefore must exist in order that the Act is complied with.
- **Investigations Panel**
This panel determines which cases go forward to the Professional Conduction Committee and is essential to smooth running of the work in this area.
- **Third Party Reviewers**
- **Inquirers**
- **Examiners/Independent Examiners for the Prescribed Examinations**
- **Independent Advisers to the Prescription Committee**
These independent reviewers/advisers provide vital support and expertise and are of paramount importance in terms of ensuring that the Board's work is carried out effectively and transparently. In the case of the Independent Advisers to the Prescription Committee it has been determined that under the proposed new arrangements, the advisers would have an enhanced role in terms of advising the Executive where they

need to draw on additional expertise to support them in their work.

The Group also recommends that the Investigations Oversight Committee is disbanded on the basis that it is no longer needed. The Committee does not have any statutory basis, nor does it have any decision making powers. The purpose of the Committee is to allow a closer consideration of regulatory matters than the previous Board was able to commit to. With a smaller Board and more effective lines of reporting, it is felt that the Board should be able to engage with these issues directly.

The Working Group recommends that a revised Committee structure, which retains the Prescription, Audit and Remuneration committees but with revised responsibilities and includes a new Policy Committee, should be put in place as follows:

Audit and Risk Committee

The Audit and Risk Assurance Committee (ARAC) will be a Committee of the Board. Its purpose will be to support the Board and ARB's Accounting Officer in their responsibilities for risk management, control and governance, by reviewing the comprehensiveness, reliability and integrity of assurances. The Committee will act in a scrutiny and advisory capacity, and has no executive powers.

Policy Committee

The purpose of this Committee will be to scrutinise and challenge the Executive's proposals in terms of the development of regulatory policy to ensure that the regulatory model is proportionate and effective.

Prescription Committee

The purpose of the Prescription Committee will be to scrutinise and challenge the work undertaken by the Executive to ensure that the material that has been prepared for the Board's consideration is in line with the Board's Procedures for the Prescription of Qualifications. The Committee will also be responsible for alerting the Board to issues arising from the operation of the Procedures for the Prescription of Qualifications. The Committee will act in a scrutiny and advisory capacity, and has no executive powers.

Remuneration and Appointments Committee

The purpose of the Committee will be to ensure that the remuneration and reward package offered to all staff, non-executives and advisers is reviewed and updated appropriately. The Committee will also provide advice to the Board and Executive about the recruitment and extension of appointments for all non-executives and advisers (including statutory committee members).

New Terms of Reference for each Committee have been drafted and are appended to this paper (**Annexes A – D**) and include details of each committee's proposed duties, membership, and reporting requirements.

The Board is asked to consider the outcomes of the Group's work to date, and agree the revised committee structure and terms of reference as set in the recommendations in section 2 of this paper.

v. **Statement setting out the Purpose of the Board**

The Working Group noted that there were a number of different statements in different documents but no single definitive or comprehensive statement which set out the role or purpose of the Board.

The Working Group considered several different options and on the basis of its discussions has developed a succinct statement set out in **Annex E** of the paper for the Board's consideration and approval.

vi. **Next steps**

Population of the Committees

In order to complete the internal governance review in a timely way, and so that the Board can establish the committees it needs to support its work this Autumn, it is recommended that it is agreed that the Executive, in conjunction with the Chair, should bring back proposals regarding the population of the committees to the Board for consideration and approval on 11 September 2019.

Governance Review

There is still further work for the Governance Working Group to do across the remainder of the Summer and which it has been asked to deliver for the Board's consideration on 11 September 2019. These areas are as follows:

- identify the changes that will need to be made to the Board's General Rules in order to ensure that they will fully align with the revisions made to Schedule 1 of the Act; and
- identify any further areas of governance that need to be reviewed at a later stage.

We are currently on track to deliver these remaining elements.

6. Resource implications

We have undertaken some initial costing work in relation to the implementation of the revised committee structure and at this point, estimate that there could be a saving of approximately £30k per annum should the Board agree the recommendations in section 2 of this paper. This would be contingent upon the attendance allowance rate that external members of the committees are entitled to claim; we will additionally need to benchmark and market test the attendance allowance rate. If the Board agrees to the revised structure we will undertake further work in relation to this and factor the costs into the 2020 budget proposals. The Board is asked to note, however that any savings that are realised in this area are likely to be utilised to cover additional costs in relation to staffing and the use of

external independent advisers to support the Executive.

7. Risk Implications

Given that the ARB is a statutory regulatory body, it is imperative that robust and effective governance arrangements in place to support and facilitate the organisation's delivery of its legislative responsibilities, its priorities and objectives. The Board will require a strong committee structure in place to support its ongoing and future work in a challenging environment. The Board's General Rules must align with the relevant legislation. A lack of appropriate governance arrangements could cause issues in terms of organisation and/or the Board's ability to deliver its statutory functions and lead to reputational damage. The work of the internal Governance Working Group and the Board's timely consideration of these matters will mitigate against these risks materialising.

8. Communication

The recent changes to the Architects Act 1997 and the appointment of a newly constituted Board provide a valuable opportunity to review the existing governance arrangements. It has enabled the Board to make relevant changes to the governance arrangements so that it can continue to deliver its responsibilities, priorities and objectives.

9. Equality and Diversity Implications

The working group has been taking equality and diversity implications into account as part of its review. Consideration will need to be given to equality, diversity and inclusivity matters when the Board looks at populating its committees in September.

10. Further Actions

If the Board approves the recommendations we will:

- Begin putting in place arrangements to ensure that the revised committee structure is ready for implementation in October 2019;
- Work with the Chair to bring forward proposals in relation to the population of the committees to the Board at its meeting on 11 September 2019; and
- Complete the remaining elements of the Governance Review, bringing relevant papers back to the Board at its meeting on 11 September 2019.