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**AdvanceHE**

# Governance Effectiveness Review

De Montfort University

5 March 2020

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# 1. Introduction

This report presents the findings of a comprehensive review into the governance arrangements at De Montfort University (“DMU”). It has been four years since the last external review of governance at the University (2015).

The review:

- + Encompasses the period during which there was a formal investigation and subsequent findings by the regulator (the Office for the Students<sup>1</sup> – OfS).
- + Builds upon the findings of the OfS and the published DMU action plan.

Whilst what has happened in the past has necessarily informed the review’s findings our focus is very much on the future.

Much has changed at DMU prior to and during the period of this review, including the composition of the Board and membership of the senior staff group. A positive momentum has been established. It is the function of this review to support, encourage and guide this ongoing process.

With the full agreement of the Board at DMU, we have produced this as a public report. However, our principal audience is the community at DMU. We use the word ‘community’ deliberately, because while this has been a report commissioned by the Board into its own effectiveness, there are clearly important lessons for the entire University including staff, management, students, supporters, stakeholders, alumni and, of course, the Board itself.

We make fifteen substantive recommendations that should be considered in detail by the Board. Five are key and should be accorded particular priority.

Section 2 presents a foreword to the report. Section 3 details the review’s terms of reference and methodology. Section 4 addresses the main findings and section 5 a schedule of recommendations.

Review team: Aaron Porter, John Rushforth, Mary Joyce and Kim Ansell

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<sup>1</sup> <https://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/de-montfort-university/>

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## 2. Foreword

De Montfort University (DMU) has and continues to make a major difference to the life opportunities of thousands of learners. The institution's contribution to civic society, research and industry is a vital feature of higher education provision in the East Midlands and beyond.

That DMU's governance failed in the manner already recounted by OfS derives from a combination of issues... *"we found weaknesses and failings in the University's management and governance arrangements which were significant and systemic"*...<sup>2</sup>.

The University<sup>3</sup> recognised that *"...its governance was inadequate and that the Governing Body did not provide sufficient and robust oversight of the University's leadership, in particular the Vice-Chancellor."*

As the OfS full statement recognised and this review testifies, the University is already well advanced in addressing the underlying issues that led to the regulator's intervention. External stakeholders, staff and students should be assured both by the diligence and effort being employed, and the progress being made.

We offer recommendations that support this effort and which directly address the findings of the OfS. Key solutions focus upon further developing a culture that is conducive to good governance and, for example, an environment that embraces constructive challenge, probity and the values expected of our universities.

It is widely accepted that good governance must objectively serve the interests of all stakeholders and embrace the Nolan principles of public life. These are worth restating: Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty and Leadership.

Andy Shenstone, Review Director, Advance HE

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<sup>2</sup> <https://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/de-montfort-university/>

<sup>3</sup> <https://www.dmu.ac.uk/about-dmu/university-governance/public-statement/office-for-students-public-statement.aspx>

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## 3. The review

### 3.1 Terms of reference

Advance HE was appointed to undertake this review following an open and competitive process based on a costed submission and a panel interview which included members of the Board. The bulk of the fieldwork took place between September to December 2019.

Our brief was to complete a full board effectiveness review encompassing nine key elements:

1. The Board's commitment to effective governance
2. Effective governance structures and processes
3. Effective governing body membership
4. Commitment to organisational vision, culture and values
5. Effective strategic development and performance measurement
6. Effective information and communication
7. Future governance
8. Working relationships/boardroom behaviour; and
9. Outcomes of an effective governing body.

### 3.2 Methodology

The review team based its approach on Advance HE's *Framework for Supporting Governing Body Effectiveness Reviews in Higher Education*<sup>4</sup>. This Framework comprises three principles of effective governance (highlighted in bold below), specifically:

- + The **enablers (or processes) of governance** which are the factors that provide the foundations for effective governance and the building blocks on which governance rests. Without these enablers in place it is highly unlikely that governance can be effective. However, the enablers by themselves do not ensure effectiveness, but rather they create the necessary conditions for effectiveness. The real test is in reviewing how they are actually used.
- + The **working relationships (culture and behaviours)** between governing body members, including what happens 'inside the boardroom', is also important in determining effectiveness. In our experience, governance issues most often arise as a result of failings and shortcomings in relationships and behaviours.

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<sup>4</sup> The Framework sets out the key factors for consideration of higher education governing body effectiveness and offers a tool for member institutions when they are conducting their effectiveness reviews. See: <https://www.lfhe.ac.uk/en/governance-new/governing-body-effectiveness/index.cfm>.

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- + The **outcomes and added value of governance** principle explores how far current arrangements 'add value'. In this respect, the real value of such arrangements lies in what they achieve in terms of demonstrable outcomes. Some outcomes are relatively generic and uncontentious, such as the need for financial sustainability. But others can be more specific and contentious, such as the role of the Board in having oversight on the boundary between academic freedom and the responsibilities of the Prevent duty.

Our review process also draws on the CUC's *Higher Education Code of Governance*<sup>5</sup> and related documentation, as well as the early lessons being drawn from the registration process with the OfS (including the public interest principles); and our ongoing research into governance effectiveness, coupled with our experience of conducting numerous governing body effectiveness for a range of institutions. Evidence gathering for the review at the University included:

- + An initial meeting to agree the key focus, scope and shape of the review, the timing of the work and the preparation of a briefing note for interviewees.
- + Interviews with members of the Executive team, Board and staff supporting the Board (including some recent former members of the Executive and Board).
- + The use of the short form of our e-survey tool, based on the Framework, for Board members to complete. We received 13 responses (close to 100%). The results fed into the review findings and were 'benchmarked' against those of other HE governing bodies which have completed a similar survey during recent effectiveness reviews. A summary of the survey results is at Annex Three.
- + A review of salient University documentation.
- + Observation of the cycle of Board meetings which took place during the period of the review.
- + Submission of the final report to DMU's Board on the 5<sup>th</sup> March 2020.

The Advance HE team is grateful for the support and input of everyone at the University who contributed to the review, and for the support of officers in the governance team for their assistance with practical arrangements.

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<sup>5</sup> Committee of University Chairs. (2014, revised 2018). *The Higher Education Code of Governance*. Available at: <https://www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Code-of-Governance-Updated-2018.pdf>.  
Committee of University Chairs. (2018). *The Higher Education Senior Staff Remuneration Code*. Available at: <https://www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code.pdf>.

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## 4. Main Findings

### 4.1 Governance and leadership

This report begins by focusing on some key elements of governance and leadership, culture and behaviour, and relationships in both the Higher Education sector and as generally accepted principles.

The University publicly acknowledged that the... *“Governing Body did not provide sufficient and robust oversight of the University’s leadership, in particular the Vice-Chancellor.”*

The role of a Chair is crucial in leading the board to discharge its responsibilities in the effective stewardship of a University (or for that matter any other body). Under their leadership, the governing body as a whole is *‘unambiguously accountable for institutional activities*<sup>6</sup>. This general principle encompasses many elements including promoting equality and diversity, ensuring the ethical nature of policies, procedures and regulations, and protecting the institution’s reputation. The Chair is axiomatically key to creating the conditions for good boardroom behaviour and a culture that supports good governance. It is, by definition, a challenging and demanding role. It requires exceptional relational skills to ensure the Board works effectively, and that its intellectual and emotional capacity is harnessed to maximum effect in the shared task of governance; the sum must be greater than the parts. It also demands a belief in wholly embracing, promoting and exhibiting the standards expected in public life, as set out in the Nolan principles.

As with all Boards, boundaries have to be managed across different functions and roles: between the Executive and the Board, between the Committees and the Board, staff, students and other stakeholders so that each continues to contribute in a distinctive way to the shared tasks of governance, leadership and management. The dynamics of power and authority are always in play. An effective Chair of any organisation is one who understands this- the complexities of the interaction- and is able to manage the human dynamics so that the Board is able to use its critical, collective thinking and empathy in service of the interests of the university. In practice, this means integrating the Board’s ‘collective thinking’, maintaining an open environment for dialogue and decision-making where diversity of thought is valued and nurtured, and where the Executive are constructively challenged and held to account.<sup>7</sup>

University Boards’ (like all Boards) should also enjoy regular contact with, and access to, a range of senior staff; to seek and uncover a wide range of views and actively encourage debate in order to inform decision making and the Board’s wider understanding of the institution.

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<sup>6</sup> Committee of University Chairs. (2014, revised 2018). *The Higher Education Code of Governance*. Available at: <https://www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Code-of-Governance-Updated-2018.pdf>.

<sup>7</sup> See The Walker Review *A review of corporate governance in UK banks and other financial industry entities: Final recommendations, November 2009* p142



With these general principles in mind we would strongly encourage DMU's new Chair, with the active support of the Board to:

- + Further promote a culture that supports good governance based on mutual respect, encourages constructive challenge and discussion and which respects diversity of opinion.
- + Promote further independence in the relationships between Chair, Vice-Chancellor, Secretary and Executive.
- + Champion a positive dynamic in the management of the Board's business.
- + Support the appointment of a University Secretary.
- + Explore the setting of appropriate boundaries between executive and non-executive matters to enable the Executive to be effectively held to account by the Board.

We are encouraged that the University is committed to revising and where necessary clarifying the scheme of delegation (alongside relevant supporting documents). In our experience, effective schemes typically include:

- + Transparent arrangements for holding the Vice-Chancellor to account.
- + The basis for involving the Board in key decisions (such as in the formulation of the University's strategy).
- + A commitment to and practical arrangements to ensure that the staff and student voice on the Board are effectively engaged.
- + Oversight of Board appointments.

Establishing these fundamentals of good governance will enable:

- + The Board as a collective being engaged with the wider executive team.
- + Governance arrangements and behaviours that support effective stewardship of the University.
- + A focus on the long-term sustainability and reputation of the University.

## 4.2 The role of Board members

The University's statement<sup>8</sup> makes it clear that it accepts there were areas where the University's governance and internal control mechanisms required improvement, including:

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<sup>8</sup> <https://www.dmu.ac.uk/about-dmu/university-governance/public-statement/office-for-students-public-statement.aspx>

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- + International travel by some members of the Governing Body (and on occasions their partners) breached the University's Financial Regulations and may not have represented value for money.
- + There was insufficient independence and rigour of some remuneration decisions.
- + There was insufficient scrutiny of the awarding of consultancy agreements to some members of the Governing Body.
- + The University's Financial Regulations were not always adhered to in respect of the use of University property and resources and the procurement of services by some former members of the Governing Body.

In our opinion, only very occasionally will there be instances where it is appropriate that Board members should be invited to attend an overseas engagement. An example could be an invitation to meet a potential overseas donor. Such trips should be openly and transparently declared. As with all foreign travel involving Board members, we would advocate there should be a business case that sets out the benefits. Furthermore, Board members should not normally be drawn into the core operational activities of any University.

The (ongoing) development of a comprehensive induction programme by the University, which includes explicit reference to the 'Principles of Public Life', will assist Governors awareness.

### 4.3 Board dynamics

The current Board needs to develop an awareness of its own evolving group dynamics as a newly established team.

The Board also needs to be careful to avoid taking an overly interventionist stance so that it does not become too involved in the operational detail of the University. For example, in respect of international partnerships, our advice would be for the Board to agree an underlying international strategy, and agree the due diligence process, with a subsequent annual report. This needs to be underpinned by clearly documented scheme of delegation. The Board then need only sign-off agreements and contracts which are outside routine procedures and processes, and where guidelines or prevailing circumstances mandate their intervention.

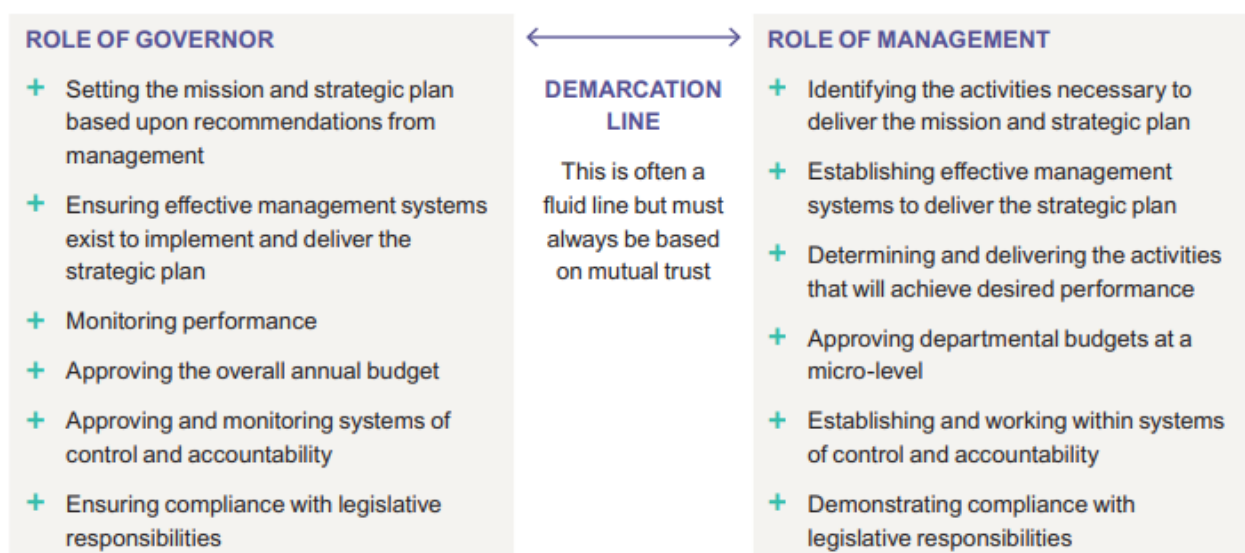
The line between governance and management will have to continue to adapt and change over time. This is particularly pertinent as a new Chair settles into their role, and a permanent Vice-Chancellor appointment is made.

As a matter of priority, the new Board and Executive will need to determine their governance model. And furthermore, they will need a clear understanding about their roles in exercising accountability and developing the University's strategic direction.

This boundary is not clear cut, it changes over time and depending on the circumstances of the organisation. Indeed, wider circumstances for the higher education sector have undoubtedly heralded a more general change in this boundary across the sector. Over the

last three years, the Higher Education Funding Council for England (HEFCE), and now the OfS, have placed new and specific expectations on the Board which has undoubtedly placed increased responsibilities on governing bodies to understand management issues and activities, particularly in order to provide assurances over compliance matters. The more challenging competitive environment has also meant that the strategic options available to universities are more complicated than they were in the past. Institutional performance, particularly in relation to finance and student recruitment, has become more volatile, and therefore the Executive's effective engagement with the Board to agree an approach in this environment has become all the more important.

The Board and the Executive need to arrive at a shared view as to their respective roles in relation to governance and management. The [Advance HE induction guidance](#) offers the following role differentiation between management and governor roles:



Once the new Vice-Chancellor is appointed, the Executive can further engage the Board in agreeing the strategic priorities and how they are measured and reported. With the strategic priorities agreed, the Board can leave implementation to the Executive. The Board's job is much harder without a jointly agreed strategy and performance indicators. And the job of the Executive is a lot harder without a jointly agreed plan.

## 4.4 Culture

It is important to acknowledge that much has changed in the University. The interim Chair, with the support of the Clerk to the Board has led important steps to improve confidence in the institution's governance. She has been actively supported by recently appointed members of the Board, the interim Vice Chancellor and his senior team. This has been an extremely challenging period and has demanded significant personal resilience and leadership from all involved.

The positive effect of both the work to date coupled with what's 'in-hand' is apparent to us. We have also witnessed this through our observations of the Board and Committees. The recent appointment of a new and experienced Chair represents a further critical and welcome milestone, alongside the appointment of new Board members. On the evidence presented to us it would appear the action plan agreed with OfS is being energetically pursued by the Executive, the Clerk to the board, the Director of Governance and Legal, and actively overseen by the Board.

Between March and July 2019, the Interim Vice-Chancellor and Executive Board held 17 listening sessions, six Interim Vice-Chancellor surgeries, and other fora<sup>9</sup>. We have seen evidence that the University has initiated a cultural audit with an external provider. The University appears to be approaching this in a structured and systematic way and has conducted industry standard benchmarking. We recommend that the implementation of any key actions arising be overseen by a new People and Culture committee.

### 4.4.1 Recommendations arising

In supporting the many positive and progressive actions already in hand to address the issues described above, we make five initial recommendations, three of which are KEY and should be accorded particular priority:

#### Key recommendations

**Recommendation 1:** The new Chair and Board devise a development programme with the Executive to clarify their roles, how they will work together in the future, and their mutual expectations and needs of each other. This is important in creating the culture and behaviours for good and effective governance.

**Recommendation 2:** The Board, under the leadership of the new Chair, should, as part of its routine business and building on this report, conduct a regular review of how effectively it is working, taking into account its evolving dynamics and relationship with the Executive.

**Recommendation 3:** The Board and Executive explore and agree a future model of governance. This work has already begun under the interim arrangements. It will need to be consolidated further as the new Chair and permanent Vice-Chancellor take up their appointments (alongside a University Secretary, see recommendation 12).

#### Recommendations

**Recommendation 4:** Board members should be prohibited from undertaking any consultancy work for the University.

**Recommendation 5:** Any travel or accommodation which Board members undertake representing the University needs to be appropriate, clearly and explicitly justified, proportional

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<sup>9</sup> <https://www.dmu.ac.uk/about-dmu/news/2019/february/interim-vice-chancellor-says-now-is-time-to-listen.aspx>

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and in accordance with a single travel and expenses policy that applies to all staff and governors alike.

### 4.5 Board Recruitment

#### 4.5.1 Appointments process

Board recruitment is an essential ingredient of good governance. Having the right blend of skills, experience and diversity is crucial to ensure that the best possible discussion, debate and scrutiny can take place. There should be an equal emphasis on having individuals who can each make an important contribution in their own right, and full consideration should also be given to how the group complement one another as a team. Such arrangements should contribute to real cognitive diversity.

DMU makes use of external search firms to aid with Board appointments. We advise that this approach continues. The process for shortlisting interviews and selection should follow the practice that has been established by the Clerk to the Board – it must be transparent and conducted by members of the Board and continue to be advised by the Clerk (and in future if our recommendation is accepted, the University Secretary). We would also go further, recommending that a range of external sources are used to ensure that recruitment is as diverse as possible.

By July 2020 all independent members of the Governing Body will have been appointed within the preceding 12 months. This creates the challenge, which is recognised and understood both the Board and the University Executive, that the institutional memory of DMU's Board will be substantially and materially lost. This risk needs particular attention in terms of succession planning, induction and handover.

In examining the present composition of the Board, there remains a need for members with significant non-executive Board experience. There is also only one member of the Board with extensive experience within a higher education institution, and that was as a Pro-Vice-Chancellor. This knowledge gap could be rectified by the appointment of someone who has held a senior professional service/secretary role in a university and/or a retired Vice-Chancellor. An appropriate balance of experience and sector knowledge must be maintained in future recruitment.

Future Board membership should also reflect diversity, particularly in ethnicity. Diversity brings different perspectives in scrutiny and decision. Furthermore, Board diversity is extremely important in effective communications and engagement with staff and student communities. The CUC Higher Education Code advises governing bodies to take steps to ensure that they reflect 'societal norms and values' and are representative of the student body. While we recognise that this is taken seriously at DMU, we believe that more can be done to realise progress in ethnicity, in the same way that there has been progress in fair gender representation. Recommended steps are described below. Further suggestions and guidance can be found in the Advance HE's [diversity principles framework](#).

### Recommendation 6: Board and Committee appointments

- + Continue and diversify the use of external search
- + Continue to be undertaken against a skills matrix to ensure an appropriate balance of skills, knowledge and expertise
- + Address strengthening non-executive experience
- + Address strengthening higher education expertise
- + Diversity action plan for Board and committee appointments with agreed targets and/or indicators to track and review progress

Regarding diversity, practical steps which could help are:

- + Future recruitment needs to transparently prioritise ethnicity to ensure that the Board becomes more representative of the student body at the university
- + Recruitment literature to be clear that DMU is seeking diversity and the images used must reflect diversity
- + Recruitment processes promote that DMU will offer support and training to candidates from diverse backgrounds
- + Develop a comprehensive and tailored training scheme and induction processes to support new board members from diverse backgrounds. This will help them to contribute effectively. The training must include additional support for those who are less familiar with the higher education sector
- + Ensure that recruiters and interview panels have received unconscious bias and equality training, and that this is regularly refreshed
- + Ensure that selection criteria are rigorously applied and that 'non-relevant' information is not considered when appointing.

#### 4.5.2 Senior Independent Governor (SIG)

It is common practice in private sector governance for a Senior Independent Director (**SID**) to be appointed. Their role is seen as an important aid to good governance; to help advise the Chair, to be an intermediary for other members of the Board and to help facilitate an annual appraisal of the Chair. In equivalent in HE terms, it is the Senior Independent Governor (SIG).

The role of the SIG is different to the Deputy Chair; the latter should be part of the leadership of the Board who may deputise for the Chair and take on specific duties which are assigned to them. The SIG, on the other hand, should be a voice and a sounding-board for other governors to sense check the effectiveness of the governance arrangements and to formally lead the appraisal of the Chair and the Deputy Chair.



While this practice is not common in the higher education sector, we recommend the merits of the role are well-worth considering. It would establish formal means by which governors can offer their views on the effectiveness of the governance arrangements on a periodic basis. The creation of a SIG at DMU could also provide additional support to the Chair in terms of appraisal and development, reinforce the voice of other governors, and support the role of the University Secretary (or equivalent). It would also provide a further assurance to external stakeholders of DMU's commitment to good governance practice.

**Recommendation 7:** The Board should consider appointing a Senior Independent Governor (SIG)

### 4.6 Board appraisal, training and development

The Board will need to give regular attention to its own effectiveness, both as individuals and collectively (as per the CUC code). We recommend that every governor should be invited to undertake an annual review of their performance. These annual development meetings should take place with the Chair and should be evidenced through the completion of a short form, capturing feedback on their individual contribution over the last 12 months. The reporting system would highlight the effectiveness of the Board as a whole, and identify any development/training needs. For the Chair, their review meeting should be conducted with the SIG (if appointed, if not then by a nominated member of the Board) who would also be able to offer feedback gathered from Board members.

This process would provide a strong base to assess training and development opportunities as individuals and collectively. The Clerk to the Board (who is presently responsible for all governor training matters) should reflect on the outcomes of these discussions, the training undertaken by individuals, alongside a skills matrix maintained by the Clerk to identify sessions that would be of benefit to the Board as a whole. Board development sessions could be scheduled immediately before or after an existing Board meeting to reduce the need for members to make an additional journey (some sessions may lend themselves to being recorded and being made available on-demand, although they would miss out on the benefit of being interactive). There should be opportunities for training to be undertaken in-house (organised by the University), access to various on-line materials provided by external providers and attending events where there is the additional benefit of networking with governors from other universities.

We strongly support DMU's intention that governors should now participate in at least two relevant developmental/training opportunities each year. Engagement with the development/training opportunities should be reported on an annual basis to the Nominations committee alongside the skills matrix. (See also recommendations 1&2).

#### **Recommendation 8: Board performance and development**

- + Every member of the Board should undertake an annual review meeting (including the Chair)

- + Board member participation in training/development events should be recorded and reported to the Nominations Committee on an annual basis
- + The Clerk to the Board should analyse the outcomes of the annual review meetings alongside the skills matrix and training undertaken by individual governors to draw together an annual training plan for the Board. These could take the form of sessions immediately before/after Board meetings. Implementation should be monitored by the Nominations Committee.

## 4.7 Board size

In the corporate sector, common practice is for boards to have 12 members; the UK HE sector average is now 18-19 members. DMU is evidently well below this with 15 members<sup>10</sup>. There is a trend for governing bodies across multiple sectors, to reduce the size of their boards to facilitate strategic discussions and nimble decision-making. In considering DMU's Board, we have a concern that it might have become slightly too small to effectively fulfil all the tasks demanded of it, in particular to serve the Committees of the Board and secure a more diverse membership overall.

Work undertaken by Alison Wheaton whilst with the UCL Institute of Education in 2019 to map the size of the governing body (Council) at each of the 120 English University governing bodies breaks down current board size by institutional type to offer some added context.

Origin	Avg # members	Avg # external	Avg # internal	of these; avg # academics
Oxford and Cambridge	25.0	4.0	21.0	17.0
Earlies	19.0	11.3	7.7	5.3
Civic "Red Bricks"	21.1	12.5	8.6	6.1
Plate Glass/1960s	21.1	12.5	8.6	5.3
Former Polytechnics	17.8	12.5	5.3	2.8
Cathedral	18.0	13.3	4.7	2.8
Specialist	16.8	12.1	4.7	2.8
Other new	16.9	12.4	4.5	2.5

<sup>10</sup> There are 15 members of DMU's board appointed in accordance with the Instrument of Government. The board comprises external individuals, three members of university staff, one student representative and the (Interim) Vice-Chancellor, who is an ex-officio member of the board.



Whilst increasing the size of the Board would, prima facie, support certain aspects of governance effectiveness (such as enabling greater diversity and creating a larger pool for Committee appointments) it needs to be considered in the round.

**Recommendation 9** - Board size, diversity and succession planning: Consideration by the Board as to the balance that should in future be struck between the:

- + Size of the Board
- + Importance of increasing the diversity of Board membership
- + Maintaining an optimal mix of skills and competencies
- + Servicing the roles required on Committees.

### 4.8 Committee structure and performance

We do not propose wholesale changes to DMU's committee structure. Rather, we would encourage more emphasis on getting the existing structure to work instead of spending too much time on replacing it.

The present current committee structure comprises:

1. Audit committee
2. Ethics committee
3. Finance and Human Resources committee
4. Nominations committee
5. Remuneration committee
6. Academic Board (is also formally a sub-committee of the Board, although not listed as such)

One area where we do propose a change is the structure of the Finance and Human Resources committee. In our view its present remit is too broad to be encompassed within one committee. It already encompasses matters such as estates and IT within the terms of reference. Accordingly, we suggest that a new Committee is set up with a focus on people and culture (including organisational development). What is presently Finance and Human Resources would therefore become 'Finance and Performance'.

The Terms of Reference will need to clearly show an integrated approach to strategic oversight for how DMU's staff has the competency, support and direction to give assurance that the strategic plan can be delivered. Other terms of reference which need to be reviewed and clarified might include, People related KPI's, gender pay gap, responsibility for the ongoing OfS conditions of registration, and formal oversight for public sector equality duties and health and safety, including duty of care.

There is also a case to rename the 'Nominations committee' as the 'Governance and Nominations committee' to better signal and reflect the work of that committee, and to consider wider expectations such as training, development and annual appraisal.

As a result, the proposed new committee structure would comprise:

1. Audit committee
2. Ethics committee
3. Finance and performance committee
4. People and culture committee
5. Governance and Nominations committee
6. Remuneration committee
7. Academic Board.

**Recommendation 10** – Remove HR from the existing 'Finance and HR committee' and separately establish a 'Finance and Performance committee' and 'People and Culture committee'.

### 4.9 Oversight of the academic and student experience

As with many other universities, DMU will need a very clear focus on matters such as quality and standards, the student experience and on research. This would be facilitated if (as previously suggested) more than one member of the Board is appointed for their expertise from the higher education sector.

We have seen evidence of the Interim Vice-Chancellor's support of Board oversight of areas such as academic quality and the student experience. This has been further enhanced through the membership of the Board of a member with a background and understanding of these matters. This is essential given the assurances that university Boards are responsible for to OfS and others about quality and standards.

As part of the continuing development of the Board, careful attention needs to be paid to constructing a cycle of business which builds in appropriate coverage of quality and standards, the student experience, and on research.

This is a high priority: to illustrate, our e-survey question 19 scored an exceptionally low mark - 46% - against benchmark when asked "*do you agree that the governing body actively ensures it has assurance on the standards of the institution's: Academic awards*"

The responsibility for the detailed scrutiny of quality and standards and research should take place through the academic governance structure of the University; notably, through Academic Board and its sub committees. We observed one meeting of the Academic Board, which despite a reasonable agenda, was over relatively quickly, consisted mainly of information being given, and which offered limited amounts of active discussion and debate,

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let alone scrutiny. We noted that out of 25 members, 10 did not speak at all – despite persistent efforts by the Interim Vice-Chancellor to encourage contributions. We also saw little linkage with academic governance of Faculties and there was no paper from, or issues raised by, the Student's Union.

Following the appointment of the new Chair, Board members and Interim Vice-Chancellor it is timely that the Academic Board reappraise its role and how it will operate. The aim should be to strengthen its effectiveness and support the university better in meeting its obligations to assure quality and standards. We would suggest it also needs to have a strategic away-day, using some external facilitators, and consider practices of other universities, and through use of breakout groups, address, amongst other things:

- + Its role and membership
- + Its relationship with Faculty Academic Governance
- + Its Committee Structure
- + Its use of Performance Indicators and the provision and use of credible and consistent data and narrative to provide assurance to the Board in relation to its role
- + How best it can assure the Board of Governors that effective standards and quality is delivered
- + How best it can engage with the student voice
- + The processes it wants to use – seminar sessions, working/ breakout groups; and
- + How it demonstrates to the University community that it is adding value to the University and effectively aligned and integrated with Institutions strategic aim.

Examples of how other universities have developed the inter-face between the Board and the Academic Board include, but is not limited to:

- + Accompanying the minutes of Academic Board with a short covering report -no more than two sides- which capture the key talking points and discussion items from the last meeting
- + Inviting a member of the Board - possibly on a rotational basis- to observe a meeting of Academic Board
- + Inviting academic members of the Board, who are also on Academic Board, to offer a short oral report on the previous meeting
- + Detailed scrutiny of an annual report from Academic Board which is presented to the Board
- + A joint session of Academic Board and the Board (possibly once a year).

### **Key Recommendation 11: Academic governance**

- + **The Academic Board, in consultation with the Board of Governors, should reappraise its role and how it will operate in future.**
- + **As the cycle of business is developed for the Board going forward, further emphasis should be placed on the oversight of quality and standards, the student experience and research.**
- + **The relationship between the Academic Board and the Board needs to be further developed**

## **4.10 Staff and Student Voice**

An important perspective which should be heard in higher education governance is that of the student and staff voice. This is partly fulfilled by the staff and students who will be a part of the membership of the Board, although they attend with a responsibility to the institution as a whole and not to speak 'on behalf of' their fellow staff or students. In practice they can bring an important perspective on the impact of University strategy on the running of the University which is often valued by other members of the Board who will have less exposure to the institution.

Both staff and student members should feel empowered and supported to speak openly and honestly, to be heard with respect, but to focus on matters of strategic importance rather than being drawn into matters of operational detail. This is important for both the perspective they can bring, but also for other members of the Board.

Creation of a separate 'People and Culture committee', as previously discussed, will support the Board's engagement with the strategic issues affecting and supporting staff.

In our view, based on our experience of working with other institutions, further actions that would support individuals and broaden the base of input at DMU should include:

- + Providing a standard item on Board agendas for the student member to report on student issues and concerns – we suggest this is first discussed at Academic Board before being provided to the Board
- + Ensuring that the student members of Boards are assigned a mentor on the Board
- + Timetabling a meeting a week before each Board to give the student member the chance to go through papers with the Clerk to the Board or relevant member of the Executive
- + Creating a student forum, whereby a meeting is convened by the Student Union involving a cross-section of different categories of student (part-time, PhD, international etc.), to discuss an agenda determined by the students. The Forum would be minuted and reported to the Board; and a Board response fed back to a subsequent meeting of the Forum
- + Presentation of an annual student written submission and/or SU Annual report

- + Specific induction for staff members on their role and how they might engage with their community
- + High level results from a HR/staff survey
- + Presentation from course representatives
- + Presentation from departments/service areas of the University; and
- + Analysis of the National Student Survey and other surveys.

Consideration should also be given to how the cycle of business for the DMU Board can ensure that there is enough focus on the staff and student voice considering the list above and other items as appropriate. Once this is in place, in the longer-term, a more sophisticated and exemplary approach would supplement 'easy to measure' and nationally comparable external data with comparisons of student experience performance within the University (i.e. by department) to allow Board members to understand the relative strengths and weaknesses inside the University beyond the data it receives. This could be augmented with more regular presentations and briefings on the student experience to the Board which will need to be unmediated, strategic and purposeful. For example, to draw out key themes such as 'domestic versus international', commuter student experience, underperformance of specific cohorts or categories of student.

### 4.11 Role of Secretary

A report<sup>11</sup> on the role of Secretary and its nature was commissioned by the then LFHE in 2009 and though now necessarily dated the issues it explores are directly relevant to DMU.

Good governance relies on a golden triangle between the Chair, the Vice-Chancellor and the Secretary (or similar role). In higher education there is often a lot of emphasis on the role of the Vice-Chancellor and the Chair, but in recent times, a great deal less attention has been given to the importance of the role of Secretary. It is a critical role since it ensures that the Board has access to independent advice; manages communications between the institution and the Board; governor induction; plans and supports meetings and, overall, manages institutional governance. It is also a role that supports an appropriate space between Chair and Vice-Chancellor.

There is no single model for how the Secretary role should be configured in order to achieve these aims, rather it needs to work for the circumstances for that institution and the governance they have. It is not uncommon for a senior post-holder, such as the COO or Registrar, to formally hold the responsibilities of Secretary to the Board. Indeed, there is often

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<sup>11</sup> The Role and Influence of the Secretary in UK Higher Education Governing Bodies <https://www.advance-he.ac.uk/knowledge-hub/role-and-influence-secretary-uk-higher-education-final-summary-report?CFID=0b415ede-be88-416f-a7bb-a9418770c0c3&CFTOKEN=0>

a strong case for them to do this, because they have a seniority within the institution that allows them to get things done and a sophisticated understanding of the wider regulatory and strategic landscape within which the organisation is operating. However, when they are formally in attendance at the Board, they can experience a tension between their senior executive role and that of providing independent advice to the Board. In that model, it is desirable to have a clear and explicit protocol agreed between the Chair, the Vice-Chancellor and the Secretary as to how that tension will be resolved.

At DMU the role of a unitary Secretary to the Board effectively ceased in 2011; with the functions associated with the role thereafter being distributed between other post-holders in an unconventional structure that managed the flow of information to the Board. These arrangements changed in the Spring of 2019 and now formal responsibility sits with the Chief Operating Officer and the Clerk to the Board. Much of the work is therefore undertaken by the Clerk to the Board (presently supported by a Governance Officer within their office) who reports directly to the COO. A Director of Governance and Legal (who does not routinely attend Board meetings) also reports to the COO.

*“...I think this has changed significantly and therefore I would describe it as feeling like I am seeing green shoots. I think the role of the Clerk to the Board needs to be strengthened, particularly in relation to the role during the meetings as it feels like more of an administrative than advisory role.”* Board member.

We are very clear that a new structure is now required; with the introduction of an independent University Secretary who is appointed by and is answerable to the Board. The University Secretary should be a full-time appointment who, in practice, has oversight for governance for the Board and all its sub committees, including Academic Board. They would, in governance terms, engage at an equal level with the new Chair and Vice-Chancellor in order to set the business for the Board going forward. The Secretary would attend, as of right, all Executive Board meetings. The role of the Director of Legal and Governance should be amended to focus on legal matters (Director of Legal), the Chief Operating Officer would operate as currently, without the formal Secretary to the Board functions which would transfer to a new University Secretary.

### **Key Recommendation 12 – Support to the Board**

**DMU should prioritise the appointment of a University Secretary who is appointed by, and answerable to the Board. The Clerk to the Board would then report to the University Secretary.**

#### 4.12 Board papers

Given the volume of papers for the Board and committee meetings that we have seen and or observed, members are keen that the deadline for circulating papers should continue to be consistently applied to give governors time to prepare for meetings. We also received consistent feedback that there is a shared desire for continued improvement in both the quality and brevity of Board papers.

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This will involve the University working to improve the form, structure and focus of Board and Committee papers and the development of good practice so papers are succinct, guiding the reader through what had been dealt with previously, and by whom, summarising the key points and identifying the response required of governors. Achieving greater consistency in the production of papers will benefit governance effectiveness, have a positive impact on Board discussions, engagement and decision making.

We note that the Clerk to the Board and a small working group of governors are investigating the introduction of electronic board packs. This also provides an opportunity for the University to review the form and structure of papers.

**Recommendation 13:** The University initiate a progressive process to improve the quality of Board papers.

We suggest all papers should (as far as is practicable) be required to adhere to a mandated structure as regards the core covering information and those submitted without this information should not routinely be accepted by the Clerk to the Board. We would also suggest that all papers should:

- + Have an executive summary
- + Focus on the key issues and the input required from the Board / Committee
- + Make explicit reference to the University's strategy (where relevant); detail can be moved to annexes where appropriate

We also suggest the cover sheets for papers be reviewed and quality assured within this framework to ensure:

- + The content of papers is concise and the link to the University's strategy is evident with the relevant KPIs or milestones (if appropriate) clearly reference
- + Governors are given a focused and clear steer on points that are noteworthy, contentious, points for discussion, and the actions required, decisions sought (with options) are clear, e.g. approval, for information, or communication protocols, that it is clear which committee(s) have seen the paper, when, and the conclusions they reached.

### 4.13 Remuneration

As part of this review, we were asked to specifically consider whether the University should revise its approach to remunerating members of the governing body. Within the HE sector, this is a complex and evolving issue. We know of other institutions where remuneration is in place and the governance arrangements are generally effective.

Going forward, however, the University needs to continue to put an emphasis on transparency and be very clear about its justification, policies and processes underpinning any remuneration arrangements. We would suggest that this includes the practice adopted



by some institutions of publishing expenses claimed by senior staff and members of the Board.

For a further exploration of some of the issues affecting Board remuneration, see Appendix Four.

### **Recommendation 14 – Board remuneration**

The Board explicitly considers a policy paper on Board remuneration, publishes a justification of any decisions made and regularly publishes levels of remuneration and expenses paid to Board members.

## 4.14 Values, Vision and Strategy

A crucial function of the Board in any sector is their role in helping to set the vision and strategy for the organisation.

The strategy should guide the subsequent cycle of business for the months and years ahead for the Board.

Going forward, the Board and the senior officers of the University need to work together to set, shape and agree the strategy. The University currently has a strategy that runs to 2023, but a permanent Vice-Chancellor will be appointed during 2020 and they will very likely wish to take the time to review that strategy in partnership with the Board. As already noted, this needs to be clearly based on a set of desired behaviours and values and should be developed both top-down and bottom-up.

As part of such a review we would expect the Board to consider strategic risk. This can often be considered on an ad hoc or project basis, however, we would encourage the University to undertake ‘Identification of trends’ and issues in the internal and external environment as a more holistic piece of work and in a way which integrates the thinking and the development of strategy.

An exemplary example would be [Durham University’s Annual report](#). This report goes further than most in not only identifying key risks, but stating what measures are in place to mitigate them. This is common practice in reports outside the university sector.

The CUC code requires institution’s to: *“Be clear how institutional performance is measured and identify what institutional-level KPIs and other performance measures are to be adopted within a risk-based framework and monitor these on a regular basis”*.

In our e-survey it is especially notable that only 46% of respondents agreed that the Board has assurance that risks are well-managed and organisational reputation is protected (c -37% below our sector benchmark).

Once the revised strategy and vision is agreed, DMU must also turn their attention to institutional level KPIs and other performance measures. A balanced scorecard is one option,



but a *strategic* scorecard could offer the Board a better 'global' over-view, and less cluttered with operational detail.

### **Recommendation 15 – University strategy:**

- + The creation of the next strategy should be an extensive and consultative process. The Board should be extensively engaged in helping to set the parameters and framework, and the senior officers should lead a wide consultation exercise with staff, students and other stakeholders.
- + The agreed strategy should then shape the cycle of business that is brought to the Board.

## 5. Table of recommendations

No.	Recommendations
1.	<p><b>Key Recommendation</b></p> <p>The new Chair and Board devise a development programme with the Executive to clarify their roles, how they will work together in the future, and their mutual expectations and needs of each other. This is important in creating the culture and behaviours for good and effective governance.</p>
2	<p><b>Key Recommendation</b></p> <p>The Board, under the leadership of the new Chair, should, as part of its routine business and building on this report, conduct a regular review of how effectively it is working, taking into account its evolving dynamics and relationship with the Executive.</p>
3	<p><b>Key Recommendation</b></p> <p>The Board and Executive explore and agree a future model of governance. This work has already begun under the interim arrangements. It will need to be consolidated further as the new Chair and permanent Vice-Chancellor take up their appointments (alongside a University Secretary, see later recommendation).</p>
4	<p>Board members should be prohibited from undertaking any consultancy work for the University.</p>
5	<p>Any travel or accommodation which Board members undertake representing the University needs to be appropriate, clearly and explicitly justified, proportional and in accordance with a single travel and expenses policy that applied to all staff and governors alike.</p>
6	<p>Board and Committee appointments:</p> <ul style="list-style-type: none"> <li>+ Continue and diversify the use of external search</li> <li>+ Continue to be undertaken against a skills matrix to ensure an appropriate balance of skills, knowledge and expertise</li> <li>+ Address strengthening non-executive experience</li> <li>+ Address strengthening higher education expertise</li> <li>+ Diversity action plan for Board and committee appointments with agreed targets and/or indicators to track and review progress.</li> </ul>
7	<p>DMU should consider appointing a Senior Independent Governor (SIG)</p>

8	<p>Board performance and development</p> <ul style="list-style-type: none"> <li>+ Every member of the Board should undertake an annual review meeting (including the Chair)</li> <li>+ Board member participation in training/development events should be recorded and reported to the Nominations Committee on an annual basis</li> <li>+ The Clerk to the Board should analyse the outcomes of the annual review meetings, the skills matrix together with training undertaken by individual governors to draw together an annual training plan for the Board. These could take the form of sessions immediately before/after Board meetings. Implementation should be monitored by the Nominations and Governance Committees.</li> </ul>
9	<p>Board size, diversity and succession planning: Consideration by the Board as to the balance that should in future be struck between the:</p> <ul style="list-style-type: none"> <li>+ Size of the Board</li> <li>+ Importance of increasing the diversity of Board membership</li> <li>+ Maintaining an optimal mix of skills and competencies</li> <li>+ Servicing the roles required on Committees.</li> </ul>
10	<p>Remove HR from the existing 'Finance and HR committee' and separately establish a 'Finance and Infrastructure committee' and 'People and Culture Committee'.</p>
11	<p><b>Key Recommendation</b></p> <p><b>Academic governance</b></p> <ul style="list-style-type: none"> <li>+ <b>The Academic Board, in consultation with the Board of Governors, should reappraise its role and how it will operate in future</b></li> <li>+ <b>As the cycle of business is developed for the Board going forward, further emphasis should be placed on the oversight of quality and standards, the student experience and research</b></li> <li>+ <b>The relationship between the Academic Board and the Board needs to be further developed.</b></li> </ul>
12	<p><b>Key Recommendation</b></p> <p><b>Support to the Board</b></p> <p><b>DMU should prioritise the appointment of a University Secretary who is appointed by, and answerable to the Board. The Clerk to the Board would then report to the University Secretary.</b></p>

13	The University initiate a progressive process to improve the quality of Board papers.
14	The Board explicitly considers a policy paper on Board remuneration, publishes a justification of any decisions made and regularly publishes levels of remuneration and expenses paid to Board members.
15	<p>University strategy:</p> <ul style="list-style-type: none"><li>+ The creation of the next strategy should be an extensive and consultative process. The Board should be extensively engaged in helping to set the parameters and framework, and the senior officers should lead a wide consultation exercise with staff, students and other stakeholders</li><li>+ The agreed strategy should then shape the cycle of business that is brought to the Board.</li></ul>

## Annex One: Context of the Review

### Chronology of key events:

**June 2010** – Professor Dominic Shellard is appointed as Vice-Chancellor of DMU

**June 2012** - University raises £110m through a bond issue

Major investments in the University Estate:

- + **July 2012:** The University's new £8 million sports facility, named the Queen Elizabeth II Diamond Jubilee Leisure Centre, was opened;
- + **September 2015:** The former 'John Sandford' Site was renovated to a conference and events centre called 'The Venue@DMU'
- + **September 2016:** A new Arts and Design building, opened in the centre of the Campus in called the Vijay Patel Building.

In **2017** DMU reported its acceptances from UK students had risen by more than 25%, and acceptances from EU students have risen 75% on 2015.

**29 January 2019** – The initial F3 notice issued by the OfS was received by the university.

**08 February 2019** – The University publicly acknowledges the resignation of Sir Ian Blatchford as Chair of the Board<sup>12</sup>.

**11 February 2019** – The University announces that Professor Dominic Shellard is stepping down as Vice-Chancellor and Professor Andy Collop takes over as Interim Vice Chancellor<sup>13</sup>.

**01 July 2019** – The Office for Students publishes its investigation and DMU publishes its public statement in response (reproduced overleaf).

**October 2019** – Advance HE appointed to undertake an independent review of governance at DMU.

**October 2019** – Process to begin the appointment of a new permanent Chair of the Board.

**December 2019** – New Chair, Ian Squires, appointed<sup>14</sup>.

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<sup>12</sup> <https://www.leicestermercury.co.uk/news/leicester-news/de-montfort-university-confirms-resignation-2522324>

<sup>13</sup> <https://www.dmu.ac.uk/about-dmu/news/2019/february/professor-dominic-shellard-steps-down-as-vice-chancellor.aspx>

<sup>14</sup> <https://www.dmu.ac.uk/about-dmu/news/2019/december/dmu-announces-new-chair-of-the-board-of-governors.aspx>

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### Extract of Public statement issued by DMU <sup>15</sup>

*“The regulator for higher education, the Office for Students, has been looking into a number of regulatory matters at the University, which follows the University receiving allegations from an anonymous whistle-blower and subsequently commissioning an independent investigation.*

*The University acknowledges that its governance was inadequate and that the Governing Body did not provide sufficient and robust oversight of the University’s leadership, in particular the Vice-Chancellor. Following the Office for Students’ own investigation, the University and the Office for Students have agreed a number of specific areas where the University’s governance and internal control mechanisms require improvements to strengthen the University’s compliance with the regulatory framework, which are summarised below:*

- + oversight of the international travel of some members of the Governing Body (and on occasions their partners), including breaches of the University’s Financial Regulations and ensuring travel represented value for money;*
- + the management of whistleblowing allegations (and associated processes) concerning some former members of the Governing Body, including the initial reporting of the whistleblowing allegations to the Office for Students and the subsequent processes that followed as a result of the findings from the University’s investigation;*
- + the independence and rigour of some remuneration decisions;*
- + scrutiny for the awarding of consultancy agreements to some members of the Governing Body;*
- + ensuring the University’s Financial Regulations were adhered to in respect of the use of university property and resources and the procurement of services by some former members of the Governing Body;*
- + ensuring members of the Governing Body met ‘fit and proper persons’ requirements, including timely consideration of the implications for this in the findings of the University’s investigation;*
- + the rigour and independence with which independent members of the Governing Body were appointed;*
- + the exceptional extensions to the terms of office of some former members of the Governing Body;*
- + the disclosure of relevant information and conflicts of interest by some former members of the Governing Body.*
- + ensuring that all individuals complied fully with information requests from the Office for Students.”*

## Annex Two: The Seven Elements of HE Governance

Higher Education Code of Governance (2018):

- + The governing body is unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit.
- + The governing body protects institutional reputation by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature, and followed.
- + The governing body ensures institutional sustainability by working with the Executive to set the institutional mission and strategy. In addition, it needs to be assured that appropriate steps are being taken to deliver them and that there are effective systems of control and risk management.
- + The governing body receives assurance that academic governance is effective by working with the Senate/Academic Board or equivalent as specified in its governing instruments.
- + The governing body works with the Executive to be assured that effective control and due diligence take place in relation to institutionally significant external activities.
- + The governing body must promote equality and diversity throughout the institution, including in relation to its own operation.
- + The governing body must ensure that governance structures and processes are fit for purpose by referencing them against recognised standards of good practice.

## Annex Three: Survey Results

Thirteen respondents completed the survey at DMU. The benchmark is based upon 329 responses from 22 institutions. The benchmark is based upon all those respondents who answered strongly agree, agree, or partially agree to statements.

Section and Question	% of respondents in agreement	Benchmark	Difference to benchmark
<b>Commitment</b>			
01. To what extent do you agree or disagree that there is a genuine and shared understanding about and commitment by both the governing body and the executive to ensure effective governance?	77	90	-13
02. To what extent do you agree or disagree that the governing body: regularly reviews its own performance	54	74	-21
03. To what extent do you agree or disagree that the governing body: demonstrates a commitment to continuously improving its effectiveness	69	82	-13
<b>Process</b>			
04. To what extent do you agree or disagree that there are effective arrangements in place for involving staff and students in the governing body (and its committees where relevant)?	85	83	2
05. To what extent do you agree or disagree that mechanisms are in place: For the governing body to be confident in the institutional processes for maintaining the quality and standards of teaching and learning?	54	85	-32
06. To what extent do you agree or disagree that mechanisms are in place: To enable the governing body to be assured as to financial stability and value-for-money?	92	91	2
07. To what extent do you agree or disagree that mechanisms are in place: To allow the governing body to be assured that the institution has effective processes in place to enable ethical policies and behaviours in the management of risk?	77	85	-8



Section and Question	% of respondents in agreement	Benchmark	Difference to benchmark
<b>Membership</b>			
08. To what extent do you agree or disagree that there are processes in place to ensure recruitment of governing body members addresses the requirements of equality and diversity (in all senses of the term)?	69	69	0
09. To what extent do you agree or disagree that: The recruitment of governing body membership is effectively managed?	85	75	10
10. To what extent do you agree or disagree that: The succession planning for governing body membership is effectively managed?	69	68	1
11. To what extent do you agree or disagree that the contribution of all members (including the chair) is regularly reviewed using processes agreed by the governing body?	23	51	-28
<b>Culture</b>			
12. To what extent do you agree or disagree that the governing body demonstrates an understanding of and commitment to the institution's vision, ethos and culture?	92	92	1
<b>Reviews</b>			
13. To what extent do you agree or disagree that the governing body: Receives assurance that regular performance reviews of all academic departments and professional services are undertaken?	38	72	-34
14. To what extent do you agree or disagree that the governing body: Where necessary receives assurance that recommendations arising from performance reviews of academic departments or professional services are implemented?	31	66	-35
15. To what extent do you agree or disagree that the governing body: Ensures that regular performance reviews of the head of institution are undertaken and reported by the Remuneration Committee?	46	65	-19

Section and Question	% of respondents in agreement	Benchmark	Difference to benchmark
<b>Communications</b>			
16. To what extent do you agree or disagree that: Reliable and up-to-date information is provided to the governing body to ensure that it is fully informed about its legal and regulatory responsibilities?	100	91	9
17. To what extent do you agree or disagree that: That there is effective communication to and from the governing body with key stakeholders?	92	81	11
<b>Activity</b>			
18. To what extent do you agree or disagree that the governing body reviews the extent to which its existing governance arrangements are appropriate to support the institution's long term strategic plans?	69	72	-3
19. To what extent do you agree or disagree that the governing body actively ensures it has assurance on the standards of the institution's: Academic awards?	31	77	-46
20. To what extent do you agree or disagree that the governing body actively ensures it has assurance on the standards of the institution's: Student experience?	54	83	-29
<b>Behaviours</b>			
21. To what extent do you agree or disagree with the following: That governing body meetings and business are conducted and chaired in a way which encourages the active involvement of all members in discussions and decision-making?	92	88	4
22. To what extent do you agree or disagree with the following: Working relationships between governing body members and the institution's executive are good?	62	92	-30
23. To what extent do you agree or disagree with the following: A positive atmosphere exists to support effective governance?	77	93	-16
24. To what extent do you agree or disagree with the following: The need for constructive challenge by the governing body is understood and accepted by both members and the executive?	77	88	-11
25. To what extent do you agree or disagree with the following: Constructive challenge is undertaken appropriately?	85	89	-4

Section and Question	% of respondents in agreement	Benchmark	Difference to benchmark
<b>Assurance</b>			
26. To what extent do you agree or disagree that the governing body has assurance that: Planned outcomes agreed as part of the strategic plan are being regularly monitored and assessed to ensure that satisfactory progress is being achieved?	69	88	-18
27. To what extent do you agree or disagree that the governing body has assurance that: Agreed standards of organisational financial health and sustainability are being achieved?	100	89	11
28. To what extent do you agree or disagree that the governing body has assurance that: Required standards of accountability are being achieved, as is compliance with legal, regulatory and charitable requirements?	77	92	-15
29. To what extent do you agree or disagree that the governing body has assurance that: Defined quality levels for the student experience, including related academic and service provision, are being achieved?	77	81	-4
30. To what extent do you agree or disagree that the governing body has assurance that: Risks are well-managed (including risks from collaborative activity and partnerships) and organisational reputation is protected?	46	83	-37
31. To what extent do you agree or disagree that the governing body has assurance that: The governing body ensures there is effective organisational leadership?	69	87	-18
32. To what extent do you agree or disagree that the governing body has assurance that: External and internal stakeholders have a high degree of confidence in the organisation and its governance?	38	75	-37

## Annex Four: Board remuneration

Governing body members have a substantive and significant role to play in university governance.

Despite this and trends in others sector where remuneration of board members is common there is still no consensus in the HE sector about whether it is necessary and/or appropriate to remunerate governors – fewer than ten (traditional) universities currently remunerate one or more governors.

The Welsh Government has also recently commissioned a review of HE governance in Wales. The findings from the review advocate for the continuation of ‘the volunteer model’ as one that is fit for purpose and appropriate for the HE sector.

In Scotland, however, there is more momentum for payment and institutions are required to offer payment to the Chair of their Governing Body.

### Pros and cons

Advantages of payment may include:

- + Signals that the university is serious about governance
- + Allows the university to compete with other paid public appointments and non-executive director roles (e.g. NHS Trusts and Housing Associations) aiding recruitment of appropriately skilled governors, increasing choice and opportunities for more diversity on the governing body
- + Recognition of service and acknowledgment of the increased time and demands on individual governing body members including non-board activities such as learning and development and appraisal
- + Having a formal contract for services clarifies the role
- + Heightens governing body focus on identifying and articulating to wider stakeholders the many contributions of the university
- + Higher expectations of participation and ensure that university commitments take appropriate priority when set against other paid tasks - creating a culture of obligation strengthening the psychological ‘contract’
- + Reinforces the requirement for consistently good performance, provides support for the chair in managing poor performance, aligning payment with a more robust and formal appraisal process; easing the process of removing under- performing board members if necessary
- + Reinforces the accountability of the board
- + Increases board attendance, participation and performance

- + Better quality challenge of the executive team
- + Encourages the leadership team to consider more closely whether they have the right skills and experience on the governing body.

Disadvantages of payment may include:

- + It undermines the charitable ethos of university governance based on volunteerism; Those who support the volunteer model express concerns regarding a lack of understanding about higher education's important contribution to society in terms of public good and the removal of the opportunity for governors to "give back".
- + A belief that payment won't increase diversity and there are other way to improve diversity on governing bodies.
- + Creates a conflict of interest for governors and impinges on their independence
- + Potential reputational damage (if not handled well in terms of the rationale for the decision and transparency).
- + Concern that the financial burden isn't outweighed by the benefit. Some universities feel it isn't difficult to recruit new members.
- + The increased expectations associated with payment may have a negative impact on recruitment and diversity.
- + Inappropriate in the context of wider strategic aims and objectives
- + Belief that payments won't increase engagement
- + Perception governing body members will act in self-interest - a belief there is a risk of attracting board members interested in payment rather than those committed to delivering strategic objectives for the benefit of students

### **Charity Commission**

The Charity Commission emphasises the need for a charity board to review the effectiveness of its recruitment mechanisms before deciding to pay trustees, and the need for evidence which demonstrates that there is a lack of volunteers with the right skills.

The Charity Commission recognises that remuneration may help to attract candidates who would not ordinarily apply for trustee roles, thus improving the diversity of the board. However, it emphasises that "direct payment for being a trustee is not necessarily the best way to secure wider representation on the trustee board,"<sup>16</sup> and that the upfront payment of expenses (including the cost of transport or childcare) may be more effective in eliminating some of the barriers to participation.

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<sup>16</sup> Charity Commission for England and Wales Trustee Payments and Expenses, (2017)

### The case for payment

The CUC Code of governance emphasises the need for institutions to operate in a transparent way, and the university may therefore wish to publish a public statement presenting a case for payment that addresses:

- + What steps have been taken to recruit Board members without payment - if none, then reasons should be given
- + Why it considers there are clear and significant advantages to the university in paying a Board member rather than, for example, spreading duties among other Board members, or increasing the number of unpaid Board members
- + Whether the functions to be carried out are genuinely those of a trustee - as distinct from functions of an employee or a consultant; has the university made the right balance between its executive and non-executive functions?
- + That the payment can be shown to be reasonable and affordable, and will not affect the University's ability to carry out its objects
- + What risks they have identified and how they will be managed
- + How any unpaid Board members will be able to review performance (including dealing with poor performance), judge value for money and, if necessary, bring the payments to an end
- + How conflicts of interest will be managed, so that the 'conflicted' member can still take an effective role in the governance of the University. The Charity Commission requires a charity to have clearly defined procedures for managing such conflicts of interest, ideally set out in governing instruments.
- + The extent of consultation with stakeholders

### Policies and procedures

If a university decides to maintain or revise remuneration arrangements, it will need to consider whether to introduce or revise:

- + Agreements for services and fixed term appointments; for all governing body and committee members;
- + Succession planning for board renewal;
- + Annual skills and performance appraisal assessments (at least for the first three years)
- + Policies and procedures for dealing with performance concerns. The Scottish Higher Education Code notes that members' individual contributions are expected to be reviewed at a minimum of every two years and meeting attendance should be reported publicly.

- + Governing Body Payments, Benefits and Expenses or similar policy
- + Governing Body and Committee Member Recruitment, Selection, Renewal and Succession Planning Policies (open and transparent recruitment against the agreed skills matrix – recruiting to fill identified skills gaps)
- + Role Profiles – Chair, Deputy / Vice Chair, Committee Chair, lay member, Committee member.

In addition to the level of remuneration paid HEIs will also need to consider the frequency of payment e.g. monthly or quarterly, and which payment approach will be most appropriate. These can include:

- + Loss of earnings allowance
- + Fixed annual amount
- + An hourly rate
- + An attendance allowance.

### **Waiving payment**

The reasons why governing body members chose to decline payment are many and varied. However, irrespective of the reason, HMRC / DWP may still deem the member to be in receipt of the remuneration for tax and benefit purposes. This is based on the principle that if a governing body member (non-executive) is entitled to receive the payment, the payment is taxable, regardless of whether the payment is declined. The same applies if the governing body member asks for their remuneration to be paid to a charity.

If the university chooses to develop an “Agreement for Services” then it would be pertinent to include specific clauses in this Agreement clarifying that the specific role for these governing body members is unremunerated.

### **Useful Links**

Ant Bagshaw, Regulation, Responsibilities and Rewards: Supporting University Governance, 2018 <https://www.minervasearch.com/userfiles/News%20and%20Events%20Images/Finalreport-Governance-Nov18.pdf>

Charity Commission for England and Wales, Guidance – The Essential Trustee: what you need to know, what you need to do, 2018

<https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3>

Charity Commission for England and Wales Trustee Payments and Expenses, (2017) <https://www.gov.uk/government/publications/trustee-expenses-and-payments-cc11>

22 Committee of the Chairs of Scottish Higher Education Institutions, Scottish Code of Good Higher Education Governance (2017 edition)

<http://www.scottishuniversitygovernance.ac.uk/2017-code/>

HEPI Report 118 -Payment for university governors? A discussion paper (July 2019)

<https://www.hepi.ac.uk/2019/07/11/payment-for-university-governors-a-discussion-paper/>



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