



# University of Hertfordshire Governance in future Options and choices

Good Governance Institute

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## University of Hertfordshire

### Governance in future – options and choices

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# 1 Introduction

This paper has been commissioned by the University of Hertfordshire to complement an independent effectiveness review undertaken over the summer of 2018 by the Good Governance Institute.

The effectiveness review concluded that the University is currently well-governed and made a small number of recommendations about how the University might strengthen the maturity of its governance in the next year to eighteen months.

This paper is designed to stimulate further consideration of longer-term strategic issues and their potential consequences for the governance of the University. It draws on analysis and comparisons based on experience and research related to Higher Education and to other sectors. It is framed around a number of themes and questions which are intended to help the leadership of the University get ahead of the curve by 'future-proofing' the governance of the institution.

## 2 Framing – initial questions

The underlying challenges facing the Board will centre around making choices framed by the 'right' level of ambition and risk. This prompts some fundamental questions for the Board to bear in mind from the outset:

- How does the Board want to approach 'future-proofing' of governance? Is this a servant of current vision and strategy, or something which challenges them?
- What role do stakeholders need to play in working through options and choices about longer-term governance of the University?
- How does the Board establish an open and objective risk appetite which allows for engagement with what might be seen as potentially radical change?
- How does the current Board establish a level of legitimacy to make decisions (radical or conservative) about the future?

These questions are in themselves important governance issues which we will return to at the end of the paper.

### 3 Higher education

In this section we briefly summarise the wider environment within which the University operates. This has been informed by interviews, a document review, and the findings of a national survey we have undertaken independently of this review, as well as reflecting our extensive work in the sector.

#### The sector

Outwardly, UK higher education appears in rude health. Three UK universities are in the top ten globally, with Oxford and Cambridge being ranked first and second, respectively. Over 2.3 million students (77 per cent undergraduate) are studying across all four nations, 134,835 of whom are from EU countries and 307,540 from non-EU countries. In 2016/17 student numbers at independent providers with designated courses amounted to 59,000 (56 per cent BAME and 40 per cent over the age of 40). In 2014/15, universities across the UK generated £95 billion in gross output for the economy, contributing £21.5 billion to the gross domestic product (1.2 per cent of the UK's gross domestic product).

However, this success cannot mask some considerable challenges for the sector. While 83 per cent of UK students report being satisfied with their course in the most recent National Student Survey, research by the Higher Education Policy Institute suggests that just 38 per cent of English students perceive their course offers 'good' or 'very good' value for money.

There are also long-standing issues around access, attainment and diversity. For example, Russell Group institutions have an ethno-cultural representation that is 97.6 per cent white among senior leadership, making them less diverse than the boards of FTSE 100 companies. Furthermore, 81% of higher education institution (HEI) chairs are male.

Competition at home and abroad is also growing, fuelled by continuing uncertainty around the UK's withdrawal from the European Union, the removal of student caps and increased marketisation, and a growing and distinctive private sector in England. At home, this can be observed in both the first recorded decline, since 2012, in the number of UK undergraduates, and also in the growing gap between high- and low-tariff institutions. Whilst abroad, it is anticipated that Australia will overtake the UK as the second most popular destination after the US for overseas students by 2019.

This is impinging on several institutions' financial stability. The former Higher Education Funding Council for England's report on Financial Health of the Higher Education Sector makes this plain. In 2013-14, there was an £883 million gap between the costs that English universities incurred – much of it research costs – and the amount that they were able to recover. The underlying trends identified in the report suggest that this deficit is likely only to widen over the next few years.

In this environment, governance must be responsive and enable rapid decision-making. Universities will increasingly need to 'double-down' on what sets them apart. This might result in institutions developing place-based strategies which emphasise their civic role and business and industry linkages or which connect to a strong narrative about their origins and continuing value.

#### Governance

Higher education has changed shape significantly in the UK in the last decade. However, much of its governance remains anchored in established, historic models of accountability. For the majority of higher education providers, the model is based around compliance with statutory and constitutional requirements, a representative governor model and a desire (not always achieved) of having a 'balanced' and diverse governing body. Independent providers in the main have a less complex board room structure and are often closer to the main business (very close in some small providers, a third of whom have less than 100 students).

To meet the future challenges within the higher education sector, there is a need to for all higher education institutions to modernise their governance in different ways depending on their history, current situation and future ambition. We reflect on the key elements of this specifically for Hertfordshire within the thematic analysis section of this report.

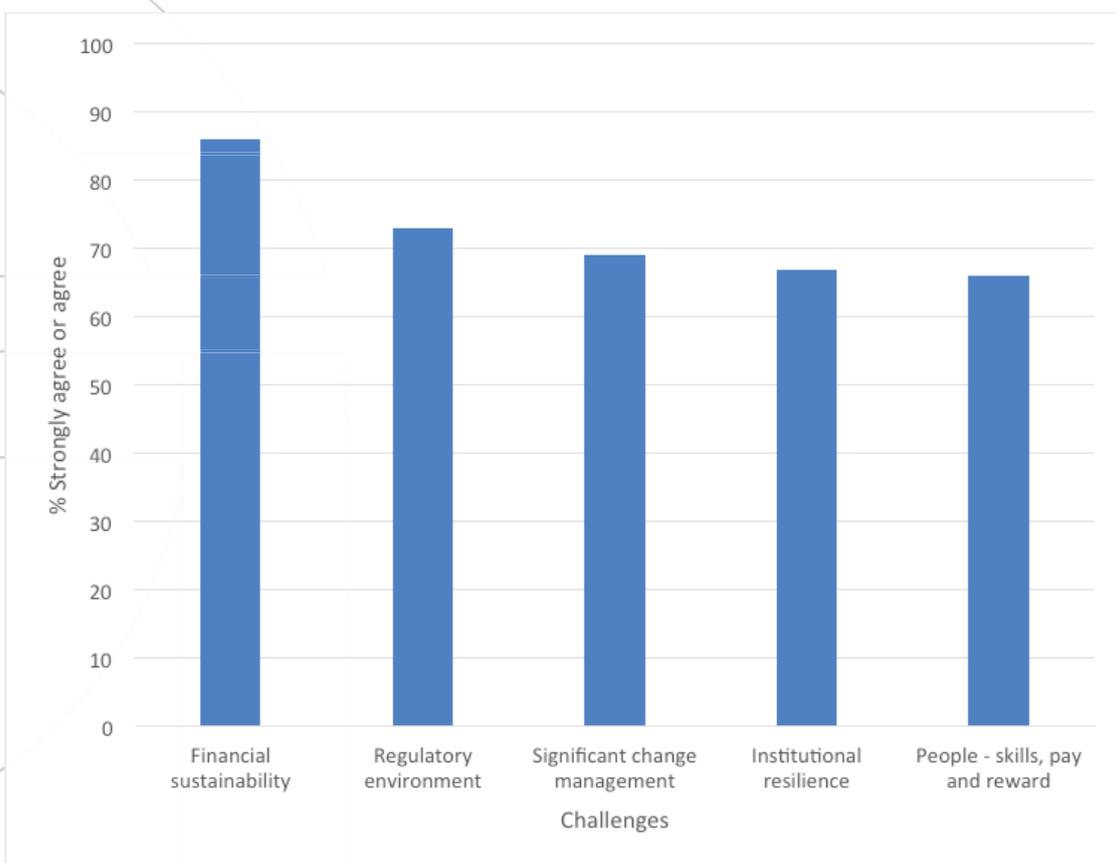
### Independent research

To further inform our thinking in this area, GGI undertook some original research earlier in 2018 into higher education governance. This consisted of a UK-wide national survey circulated to Vice-Chancellors, Chairs, and Secretaries/Registrars; a series of workshops of current sector insiders; interviews with senior sector figures: governors, industry experts, staff and student representative bodies; and external stakeholders, including civic partners, investors, regulators and journalists.

The survey received responses from more than 60 institutions across the UK and contained a series of closed and open-text questions.

We present here a snapshot of the key themes and learning which emerged from these interactions.

Respondents to the survey identified the following as the most challenging governance issues needing to be addressed by Governing Bodies and institutional leaders.



This reflects the changing environment institutions are currently operating in, one of increasing competition and uncertainty. In particular, respondents told us that they had concerns over government intervention in the sector and the independence of the new regulator; their ability to compete in a saturated market; and increased media scrutiny around the student as a 'consumer' and remuneration.

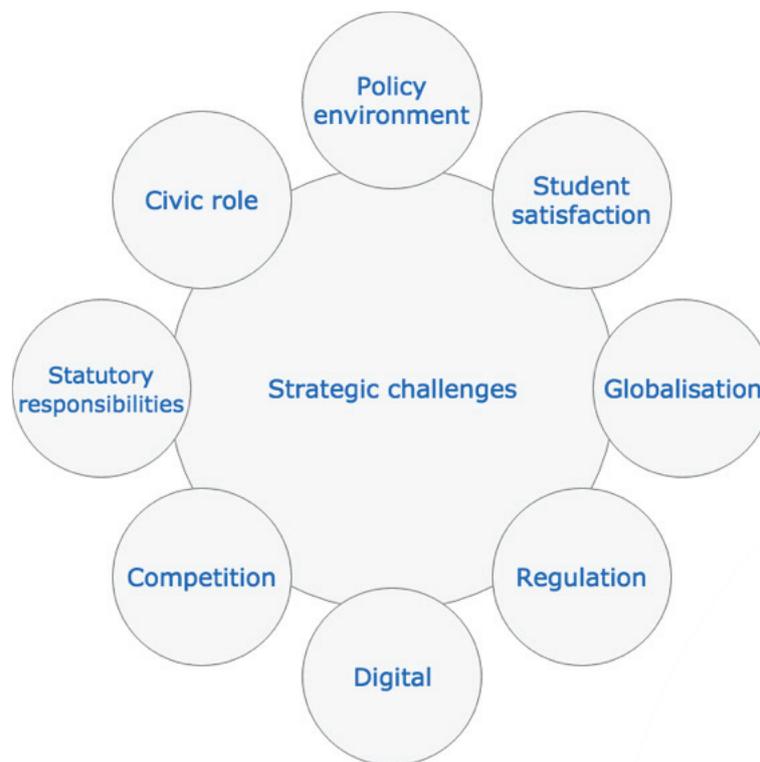


Figure 1: Key higher education strategic issues

Despite this, there was confidence in the ability of institutions to rise to these challenges. In particular, the survey revealed that:

- o **74%** of respondents strongly agreed or agreed that their University is already sufficiently strong in its governance to handle the challenges of the next five years
- o **71%** of respondents strongly agreed or agreed that their Governing Body is on top of the change agenda
- o **69%** of respondents strongly agreed or agreed that they have created enough time and space for the GB to understand the governance implications of our changing operating environment
- o **71%** of respondents strongly agreed or agreed that their institution has a clear, risk-based strategy in place

However, whilst the survey generally demonstrated that higher education is viewed as a functional and well-led sector by those operating within it, it also highlighted areas where respondents felt their Governing Bodies had devoted less time (and were therefore less assured) in terms of their resilience. In particular:

- o **56%** of respondents strongly agreed or agreed that their institution is investing in the development of Governing Body or Executive skills to increase collective strength and depth and address issues of succession
- o **34%** of respondents strongly agreed or agreed that they understand and harness the potential of the digital world
- o **18%** of respondents strongly agreed or agreed that their Governors play an active role in influencing Government policy
- o **43%** of respondents strongly agreed or agreed that their institution knows how we will measure the impact of our Governing Body in future

Taken as a whole, the survey results raise a number of important questions about Governing Body purpose, insight, accountability, leadership capacity and impact.

## 4 The University of Hertfordshire

Hertfordshire is a relatively affluent county with a population of circa 1.2 million people. Those living within Hertfordshire enjoy above average life expectancy (81 years of men, 84 years for women), above average employment outcomes (the average workplace salary in the county is £32,000), and strong educational outcomes (64.6% of students achieved five or more A\*-C GCSEs (or equivalent)).

Recently identified as one of the top 150 universities under 50 years old, the University of Hertfordshire is home to a diverse population of around 24,600 students, 28% of whom are international, and 6,400 of whom are studying on courses outside the UK.

The University has positioned itself in its most recent strategy as 'the UK's leading business facing university,' and it performs extremely well against graduate outcomes metrics relevant to this intention. 81% of all undergraduate students' study on PSRB approved or accredited course, and all new programme validations are shaped by input from relevant businesses and professional partners, and each school works with an employer or professional advisory board. 96.5% of graduates from the University are in employment or further education six months after graduating (23rd in the UK), while longitudinal education outcomes (LEO) data demonstrates that the University ranks third in the East of England for median graduate salary three years after graduation, and second only to the University of Cambridge after five years. Tellingly, the Economist has calculated the University's 'value added' figure<sup>1</sup> as +£1,261. This represents a significant success for an institution with moderate / average UCAS tariff entry scores.

The University has worked hard to widen its accessibility and participation. Approximately 50% of students are from a BAME background, and an estimated 42% of the University's UK-domiciled undergraduate students are the first from their family to attend University. Graduate outcomes for BAME students in relation to employment and highly-skilled employment are above sector average. Whilst the 'Herts Success' initiative supports some 3,500 students from disadvantaged backgrounds enter the job market. In 2015/16 this resulted in some 97.3% of participants in the programme employed or in further education. The University has also received Athena SWAN Bronze institutional status in recognition of its commitment to advance gender equality, including representation, progression and success for all.

Given this, it is perhaps unsurprising that the University has received a Gold award in the Teaching Excellence Framework. Its NSS scores are also positive with 87% of the student body satisfied with the 'learning resources' on offer at the University, 84% satisfied with their 'learning opportunities' and 79% of students agreeing that they felt part of a 'learning community'. Numerous subjects also received scores of 95% and above for overall student satisfaction, including Biology, Economics, and History.

The University is also a leading research institution with the 2014 Research Excellence Framework indicating that more than 90% of the University's research was of international quality.

More broadly, the University supports two University Technical Colleges and four local free schools, and has formed the Hertfordshire Higher Education Consortium in partnership with the four Hertfordshire Further Education Colleges. This partnership has seen more than 15,000 students advance to the University from the Colleges since 2000, and in 2016/17 63% of students transferring from the Consortium went on to achieve 'good' Honours degrees. It is the lead partner in the National Collaborative Outreach Programme for Hertfordshire and Bedfordshire.

1) This compares graduates' salary with how much they would have been expected to earn regardless of their university.

## Strategic Plan

The University has developed a Strategic Plan for 2015-2020 and is currently in the process of updating this. The current plan outlines how the University will achieve its vision to be 'internationally renowned as the UK's leading business-facing university' with particular focus on the following key elements:

- Education
- Research
- Business
- International
- Sustainability
- Community and partners
- People

In the following section we now outline a series of governance themes which are intended provide a parallel future-proofing framework specifically for governance of the University which engages with the above analysis and could be used to interact with the emerging strategy.



## 5 Themes and questions

This section sets out a series of themes which lie at the heart of future-proofing the governance of the University. Each theme is explored in the context of prompts about what the future might hold and the implications to be addressed, followed by questions specifically posed for the Board.

We recognise that some of these themes might seem existential, or be considered remote from the kind of practical focus which might be seen as core governance considerations. But, we believe they represent the type of fundamental considerations which all universities need to reflect on in light of the changing world in which they are operating, and have material implications for the way governance is taken forward strategically.

### 5.1 Mission maturity

The governing body of the future will need to be able to execute its role at a high level of maturity, often being required to make 'once-in-a-generation' decisions with far-reaching reputational and governance implications.

Most Board time at present is still largely absorbed with the mechanics of short-term scrutiny and issues of the immediate past and of the short-term future. In future, the Board will need to become more engaged and willing to devote serious effort to choosing the route forward for their institution as active choices, ensuring that these track through strategy and risk to assurance. In the process, governors will be required to wrestle with high-impact questions as they become concrete:

- How do we interpret our mission in a vastly changed world? Are there more innovative opportunities to fulfil our purpose?
- What are our offers to students (and staff) and how do we know these provide the right choices which matter to them?
- What impact does the university have on different, local communities and how do we evaluate this objectively?
- Given the rate of technological change, what impact will this have on work, both institutionally and more widely, and how are we preparing young people for this future?

This report opens up large issues requiring continuous attention by a Board, fulfilling its responsibility as the 'organising mind' of the institution and the way the Board spends its time.

#### Questions for the Board

*How can we devote sufficient time and space to significant questions concerning core mission and the implications for the way we work?*

*Are we clear enough about the different governance implications of our distinctive roles in future as:*

- *a University with teaching and research responsibilities?*
- *an anchor organisation in Hertfordshire – a civic partner, a major employer, a commercial provider?*
- *a partner organisation to others locally, nationally and internationally?*
- *a beacon of the importance of culture, science, commitment to learning and guardian of the value of research?*
- *an advocate for doing the right thing in the world?*

### 5.2 Good governance guiding principles

**"Accountability cannot be delegated, whereas responsibility can be delegated without abdicating accountability for that delegated responsibility."**

We are unaware of a single UK university which has 'failed' an assessment against either the UK or Scottish higher education codes of good governance. Some universities which have consistently met the respective code have still exercised poor governance, in some cases taking the institution dangerously close to the edge of sustainability. The requirement for regular external assessments is clearly helpful in providing a focus for discussion, but the level of their impact has been variable in quality and depth.

The *King IV Report* on corporate governance, the first outcomes-based governance code in the world with strong supporting evidence, emphasises how important it is for organisations and institutions to be good ‘corporate citizens’, accountable to all stakeholders, current and future. We believe the principles of King IV provide an innovative future framework for higher education governance and should be considered more consistently by Universities.

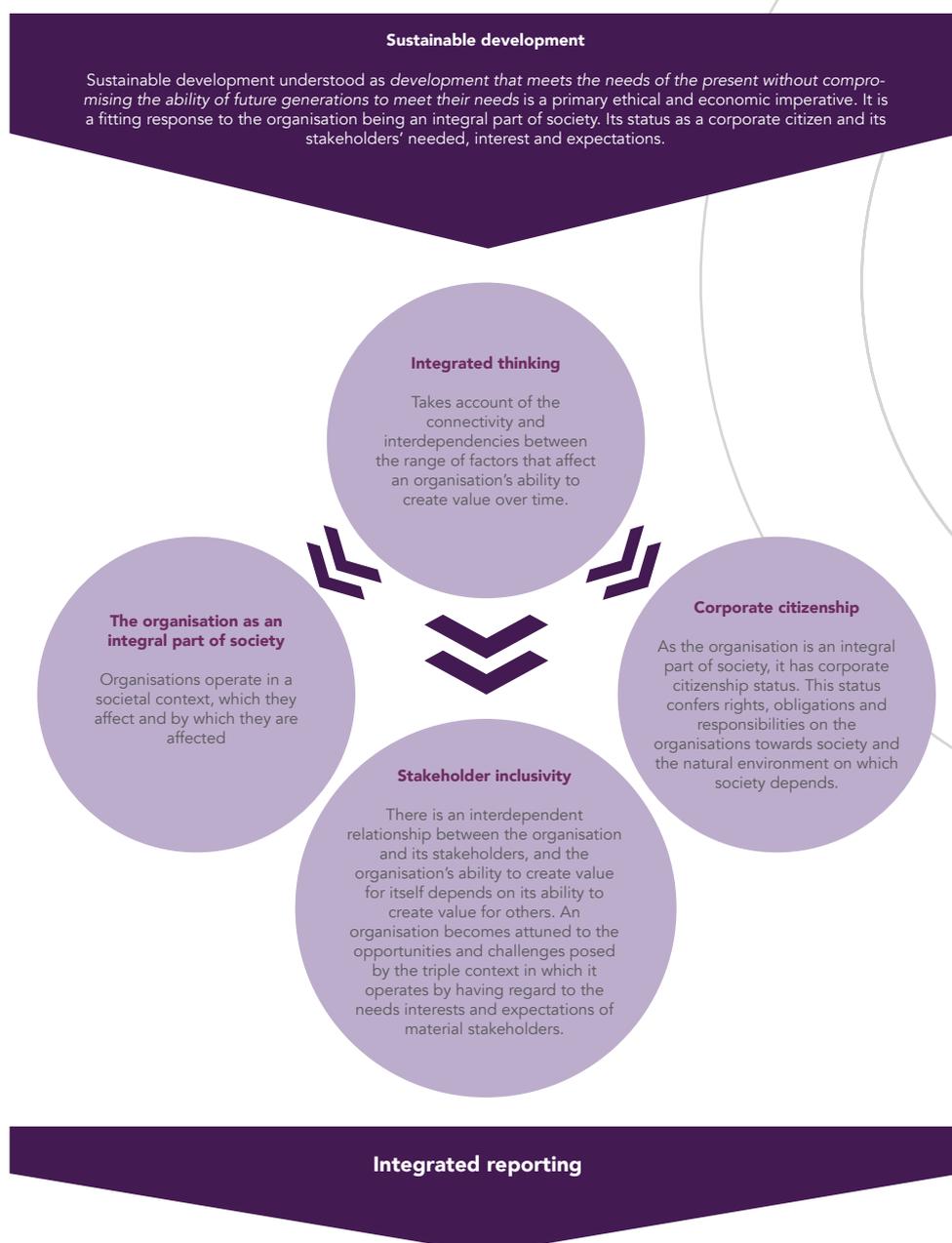
According to King IV, the primary governance roles and responsibilities for any board, or constituted governance body, are:

- **to steer the organisation** and set strategy;
- **to approve policy** and effective planning;
- to oversee **monitoring and performance**; and
- to be accountable to stakeholders through effective and **ethical leadership**.

Effective leadership is results-driven, focused on achieving strategic objectives and positive outcomes.

Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. King IV offers a ready-made set of guiding principles, with codes that are non-legislative, based on ethical principles and practices (see Figure 2).

Figure 2: Summary of King IV principles



## Questions for the Board

- *Are the principles of King IV aligned to the values of our institution?*
- *Have we considered the broader impact of our decision-making, outside the University of Hertfordshire?*
- *How are we growing partnerships of value within Hertfordshire?*
- *How are we ensuring that we create 'value' for our stakeholders?*
- *Are we cognisant of the range of needs, interests, and expectations of our stakeholders?*

### 5.3 Active accountability

A third theme, linked to the model of governance which we believe will be important in future-proofing the governance in the longer-term, centres on the legitimacy and composition of the Board.

We believe that Boards in future will need to reach a higher level of legitimacy for their role and decision-making, as the higher education regulatory framework develops and public expectations become greater. We suggest one way of getting ahead of the curve would be to adopt an approach which we describe as 'active accountability' – a challenge to ideas about who will 'own' the University in future and what that means for the way governance needs to be set up now. It has implications for the composition of the Board, roles and relationships, and succession planning.

The era of the distant or remote Board seems to be over – at least in theory. One recurring theme in every governance effectiveness review undertaken by us in recent times has been the need for governors to 'connect' more — to the business, to partners, to stakeholders of all sorts. This is often presented as a 'nice-to-have', rather than a fundamental way of increasing legitimacy and improving decision-making.

Corrective action, where it has been taken, has largely been about increasing visible listening or engagement by the Board. Whilst important to have in place, this type of engagement is not likely to meet demands for demonstrating public value, or of creating a level of legitimacy for high-impact decisions (for example, on the local economy or on the nature of education on offer) taken by a Board in future.

The growing interest in more active engagement with different communities and voices already has significant implications for the concept of "representatives" in the governance of universities — staff, students, alumni and external partners – who may form part of the actual Board.

*How can representative members be truly representative of diverse views? What is in place to provide assurance to other Board members that they are fulfilling this representative role effectively?*

The more fundamental challenge for HEIs in future is deeper, however – *how do we meet an implicit public-interest test which results from being significant civic institutions?*

This is about generating a sense of ownership by key communities. It is about being held to account in a way that should reasonably be expected, and should be demonstrated to the public, if the social and economic importance of institutions is real and to be secured in the public consciousness. Universities that work this out early will have a competitive advantage. This challenge is not as easy as it might seem to meet: which communities, what methodologies, what consequences?

Active accountability is our term and it is chosen deliberately to ensure it places the big issues of engagement and impact squarely in a governance context. The concept is more than a loose set of arrangements built around listening or engagement. Instead, it involves a completely integrated methodology for placing staff, student and stakeholders (together with wider shareholders), at the centre of the organisation — built into the governance structures at all levels. It involves moving from stakeholder engagement being largely limited to the strategic planning cycle every five years, to a continuous, active process which is about the Board being accountable to others in a radically different way.

Active accountability also requires more than encouraging a greater role and recognition of senate or academic council (though this alone is to be welcomed). Reporting to the Board, the senate/academic council should absolutely retain its critical quality and assurance role in academic governance, but independent governors need to connect more with the breadth of academic matters for which they are ultimately responsible.

Importantly, the type of heuristic that defines active accountability does not simply privilege one set of stakeholders - students or employers for example – over others. The idea of active accountability is to place an emphasis on the voice of staff, students and other stakeholders as active cultural elements in university decision-making processes.

*King IV* provides the wider rationale. In England, the Office for Students (OfS) is likely to inch towards incentivising this type of openness, transparency and impact in the next three years as it becomes established. In getting ahead of the governance curve, higher education institutions should adopt an innovative and future-proofed approach for all of their stakeholders and communities.

The challenge is how this methodology can be embedded into the core of institutional governance. There are several ways this can be achieved.

Firstly, active accountability would become a more prominent function of governors – to select and decide how legitimacy is sought and by what means.

Secondly, the representative roles on Boards could become more plausible — not a lone student or staff voice principally engaged with as the rest of the Board feels fit on issues seen as relevant in meetings, but as a way of reshaping the idea of governance completely.

Thirdly, in planning the flow of board business, the university secretary, the chair, vice-chancellor and the chairs of committees could shape agenda accordingly.

Boards need to be visible and connected: they need to demonstrate their commitment and relevance to customers and achieve greater agility and responsiveness. The opening up of active accountability and its implications may well prove unpopular to existing governors, but it will help address some of the governance challenges arising from the new world which require innovative thought, and the need to be closer to young people and their ways of thinking.

Active accountability would also potentially bring together various elements into a single methodology linked to core governance at all levels of the university:

- digital governance — use of social media for prioritisation and voting;
- interactive groups linked to themes and ideas;
- issue-specific voting — on issues such as investment priorities;
- democratic involvement in benefits realisation — systematic reflection on whether decisions have achieved what they were intended to in retrospect;
- live customer feedback models.

Adopting this way of working could open up Boards to fulfilling a much wider and more impactful function beyond their statutory duties. For example, the same methodologies could be used to position governors in engaging with, and responding to, long-term social and economic issues, and issues having a direct influence on students and staff (e.g. mental-health and well-being of young people; ethical decision-making and policy-making).

### Questions for the Board

- *How can representative members be truly representative of diverse views? What is in place to provide assurance to other Board members that they are fulfilling this representative role effectively?*
- *Do we see value in moving to a model of active accountability - a dynamic model of stakeholder engagement linked to increasing the legitimacy of the University and its governance?*
- *What different communities are going to be important to us in the future and why? How should they be represented in terms of our governance and decision-making?*
- *Do we see ourselves as an anchor institution for Hertfordshire and what are the accountability implications?*
- *How do we assess the different voices we need to listen to in a way that can be objectively justified and also enhance our governance?*
- *Is the role of the representative governor sustainable in the longer-term – if not, what constitutional implications does this have for the Board, its size and way of operating?*

## 5.4 Organisational form

There are already signs within the higher education sector that organisational form will become more varied in future. Higher education in the UK is an active market and is likely to remain so, also becoming more internationally competitive. This mirrors the cycle of activity in other sectors where the whole spectrum of mergers, chains, alliances and collaborative arrangements are a more accepted part of the way business is done and the options which are in play. The same forces are also evident in the public sector, not least the NHS where business-models are beginning to bring autonomous institutions together partly in response to regulatory stimulus. To date this has not been a distinguishing feature of higher education, where Boards have seen their autonomy, grounded in legislation, as sacrosanct, and self-sufficient independence as a requirement of mission. Instead, universities have tended to move in recent years towards a more “business-like approach”, reducing the size of Boards close to the minimum possible within statutory limits, and adopting a more commercial focus in the conduct of business and the recruitment of independent governors.

In our work we see increasing evidence of much more directly commercial considerations driving change in the sector, with the prospect of this prompting greater diversity in organisational form and models of delivery of mission. Not least, radical options are being prompted by strategies which seek to maximise the value of new technology and on-line reach around teaching and learning, relevance to employers and working patterns. This is leading to consideration of what might be seen as radical alternatives to a traditional “offer” in teaching, use of estate, approach to core talent and even brand. The main drivers here are varied - distinctiveness of offer (although many institutional offers seem very similar, often developed in isolation without systematic market research, sensitivity testing and option appraisal), concerns over sustainability and the securing of growth. Some of the resulting options are expansionist; some protectionist.

Trends in other industries and sectors, whose representatives are increasingly becoming members of university governing bodies, are being reflected in a more overtly commercial mind-set being applied to the world of education. In truth this has not yet led to any truly disruptive action within the sector, with the number and shape of institutions remaining largely unchanged in the last decade, but with a burgeoning private sector teaching provider market growing alongside the established players. A few examples of disruptive institutions, such as Coventry University (now with a London campus as part of the Coventry Group) – are discussed, mined for learning, but not usually followed by Boards. However, the creation of chains of institutions within the UK and internationally are now being actively considered and pursued by some of HEIs. DeMontfort University, for example, has approached a number of the London-based Universities to become London campuses as part of a larger brand. There is a further education parallel here where Newcastle College (which has a large higher education provision) now includes Lewisham College as part of its wider span of operations. International Universities are also reaching into the UK both collaboratively and competitively. Universities in the UK can expect to be on the receiving end of offers, as much as being the initiators, and Boards need to have the tools and mind-sets to work through strategic options and implications.

Consortia of institutions have already become a pre-requirement for credible research bids of any scale, as a result of European and world-wide funding models. It may be that more permanent organisational alliances will evolve to ensure (post-Brexit, if it proceeds) that the value of research is secured protectively for the UK. It is a short step to turn a working alliance into a more overt organisational relationship to deliver lower overheads, promote exchange and development of talent, management and reduction of competition, increase in political leverage and generate mutual boosting of brand. The way individual academic communities will react and engage with further steps along this continuum is difficult to gauge as it is largely untested territory.

The NHS has an interesting model which is less formalised but may be worth considering – buddying. This involves a development and transformational change relationship operating between one or more sovereign trusts to mutual benefit. The same has also started to become more evident in higher education with loose consortia being created to think through the challenges of the new world and grow capacity to meet its demands. The new models of collaboration are not always that visible to outsiders, but mark a move away from the industry models of representation – Russell Group, Vanguard, etc. - which have proven largely ineffective in recent years in creating dynamic responses to the changing environment.

It is likely, even if the University of Hertfordshire does not actively think through its commercial options in a similar way to rivals and collaborators, that it will be affected by external factors to reflect on its organisational form and strategic alliances as a way of delivering its mission.

In terms of future-proofing the governance of the University, the value and benefits of all stages of the continuum from merger to collaborative alliance are worth early examination, with a view to establishing a strategic risk-based approach, rather than reacting to developments.

### Questions for the Board

- *What are the pros and cons for the University of different external partnerships? Who might our partners be in future and how should we approach their development?*
- *Are we confident that the University is sustainable as a stand-alone entity in fulfilling its current purpose?*
- *What is our risk appetite around the further commercialisation of our offer with partners?*
- *Do we need to become part of a (different) alliance of HEIs in the UK/internationally? Do we want to drive this forward or take a follower role?*

## 5.5 Changing regulation

The Office for Students (OfS), charged with ensuring that English higher education is delivering positive outcomes for students - past, present and future - is still in its formative stages. It is not yet clear how it will fulfil all of its regulatory duties.

A new regulatory framework, introduced in February 2018 and centred around four primary objectives, does suggest a more invasive regulatory approach than hitherto. The OfS Chair, Sir Michael Barber, has, contradictorily, stated that the framework provides a "powerful set of regulatory levers", at the same time as reducing "unnecessary regulatory burden." More recently, Sir Michael has announced that were any designated institution to experience financial difficulties, the OfS would not intervene to rescue them. The implication of this is that the Government is prepared to see institutional failures, notwithstanding political consequences.

### The primary OfS objectives

All students, from all backgrounds, and with the ability and desire to undertake higher education:

1. Are supported to access, succeed in, and progress from, higher education.
2. Receive a high quality academic experience, and their interests are protected while they study or in the event of provider, campus or course closure.
3. Are able to progress into employment or further study, and their qualifications hold their value over time.
4. Receive value for money.

This marks a shift in emphasis to the student as a consumer, rather than a partnership between HEIs and the student. In line with this, the OfS has supported the increasing marketisation of the sector as a driver of more informed student choice and equal access. This also includes broadening student representation within the governance of institutions.

There have been concerns that OfS interventions, and its close links to government, are undermining institutional autonomy. Although legislation makes clear that the regulator cannot undermine institutional autonomy, it can intervene when it is in the best interests of the student for it do so.

Linked to this are a range of new metrics, including TEF and LEO, as well as more established measures, including the NSS. Although it is recognised that TEF and LEO have their limitations in terms of the value a university provides to its students (and that there is not yet a widespread understanding or recognition of these indicators amongst the student body), students are increasingly conscious of the impact that their choice of institution and course will have on their graduate prospects. Boards will, therefore, need to think carefully about how they respond to TEF / LEO and, in particular, how they can take ownership of the data and narrative in order to demonstrate the value their institution can deliver beyond graduate salaries.

### Questions for the Board

- *What do we understand as VFM in the context of the University of Hertfordshire? Are we approaching this sufficiently as a means of differentiating ourselves within the market and attracting prospective students?*
- *How are we communicating / promoting our position externally?*
- *How are we engaging with students / authentically including the student voice within our governance?*
- *Are we proactively engaging with the regulators and policy-makers to influence our operating environment? If yes, what form is this taking/should this take in future and with what implications in terms of expectations of Board members?*

## 5.6 The Board of the future

For many institutions, the Board of the future will differ little from what it is at present. Core constitutional structures and functions are likely to remain the same, particularly in respect of institutional oversight, corporate strategy, viability and the ethical framework. However, significant shifts in responsibility and accountability are already becoming visible and will become more pronounced, not least as a consequence of the advent of OfS and heightened public and political scrutiny.

The key challenge for Boards is whether their institutional models really serve them well – or more importantly, whether they can be defended as providing the right level of accountability and legitimacy to the work they are increasingly being required to do.

As one of our survey respondents commented: *“We do our best, but we are now really struggling with the way the university is constituted. The large, balanced Board is simply no longer agile enough to fulfil its role well”*

### Board composition

It is fair to say that over recent years, many institutions have reduced the size of their Boards, to an average of 19 members, which for more traditional universities represents a considerable change. Further reductions in size are unlikely to be achieved however, if the representative roles of students and staff (including Senate/Academic Council nominees) are to be preserved (we discuss the representative governor role above/below). Equally, fundamental amendments to Charters and Instruments and Articles of Government which afford a protective, yet often rigid governance framework, are unlikely to be undertaken. Significantly, however, many institutions have amended their governing instruments to permit the remuneration of governors, although they have yet to implement them in practice.

Future-proofing Boards will involve addressing perceived limitations of the dominant voluntarist and representative models; tensions in core purpose of the Board between business, entrepreneurial and charitable requirements; the conflicted nature of staff representatives and the over-reliance on a narrow, self-perpetuating set of skills and expertise. These challenges do not necessarily require a fundamental re-think around the constitution, but they might.

### The Governor of the future

The talent attracted to higher education is of a consistently high quality (although it can often be narrow and concentrated in the form of financial/legal/business members), but Boards are already beginning to reflect on whether this is a sustainable model, given the increase in responsibilities and time commitments, and continuing failure to deliver true diversity increasingly expected of universities.

In terms of succession planning, institutions should actively consider broadening the breadth and demographics of their membership, particularly to encourage participation by younger independent members who have been ‘paying customers’ of the system. It has been suggested that a limiting factor in this regard has been the fact that younger people, who are establishing themselves in their careers or who are not engaged in the professions, cannot afford to commit to becoming a governor because of financial considerations.

With regard to academic governance, many governing bodies struggle with the fact that they have ultimate oversight of the quality of academic provision and the student experience. Few institutions can demonstrate a dynamic relationship between the Board and the Senate/Academic Council (e.g. joint sessions; governor observer status; integrated annual reports). Apart from the Vice-Chancellor (and academic staff members), Boards often have no members with a professional educational background who can independently probe or challenge academic decision-making. This is a weakness in governance assurance which Hertfordshire also needs to be alive to.

### **Governor compensation**

Any compensation package now has to be considered in the light of public interest and potential opprobrium. A forward-looking approach to compensation has many advantages. Remunerating independent governors (which several mainstream institutions\* and the majority of private providers already do) may help to increase the pool of available talent and create a different board dynamic. It would also mark a departure from the traditional voluntarist model and support a greater sense of direct accountability.

Each university is likely to reach its own conclusions, but comparative levels of compensation between higher education and other sectors is now inevitable in some form. There is a sound argument for a comparative level of remuneration with NHS foundation trusts. This is relatively straightforward for independent members where the decision may be to restrict compensation to key role-holders: the chair, the senior independent director, and/or the chairs of strategic committees (especially where accountability is more explicit and individual, such as the statutory audit committee). This does not address the wider issue of compensation for other members of the governing body and this tension will clearly play out in the next few years.

\* Derby, Northumbria and Salford to name three

### **Questions for the Board**

- *What does the constitution of the Board need to look like in future?*
- *What governor skills and expertise are required to ensure the sustainability of our organisation?*
- *Should we remunerate governors to ensure that we are able to access these skills and expertise?*
- *How are we going to ensure that our Board is diverse and representative?*
- *Do our current governance systems and processes reflect this ambition?*
- *What models beyond higher education can we look to, in order to guide this process*

## Conclusion

This paper is deliberately constructed around a series of questions for the Board. Ultimately, the answers form part of the maturity of the governance of the University.

In the companion report on governance effectiveness we conclude that the University is in a good place from which to build a more mature, agile and effective approach to governance, in accordance with its own strategy and the requirements of the changing world in which it operates.

It is important that the two reports are seen together. The questions included throughout the report could form part of the Board development programme recommended in the effectiveness report. An initial session, for example, could be built around the core questions set out in the Introductory section above:

- *How does the Board want to approach “future-proofing” of governance? Is this a servant of current vision and strategy or something which challenges them?*
- *What role do stakeholders need to play in working through options and choices about longer-term governance of the University? What implications does this have for the way future proofing should be approached?*
- *How does the Board establish a (sufficiently nuanced) risk appetite which allows for engagement with what might be seen as potentially radical change with openness and objectivity?*
- *How does the current Board establish a level of legitimacy to make decisions about the future, whether they might be seen as radical or conservative?*

Supplementary questions could then form part of further development sessions working through particular governance implications and strategic options.

Ideally, the flow of business for the Board and its sub-committees should also reflect the shift of focus from the scrutiny of the current to the shaping of the future, though we recognise this is easier said than done.

In whatever way the University decides to proceed, we offer this paper as a stimulus to taking the institution forward, building on its existing strengths.



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