Universities Governance A Risk of Imminent Collapse

Research Report on Universities Governance

Henley
Business School
UNIVERSITY OF READING

Where business comes to life

Authors

Professor Andrew Kakabadse

Dr Filipe Morais

Dr Andrew Myers

Gerry Brown

Key findings

A new and extensive survey conducted by Henley Business School, and supported by the Committee of University Chairs (CUC) and the Association of Heads of University Administration (AHUA), finds:

- The Higher Education (HE) sector is a source of tremendous competitive advantage for the UK's economy and social development. However, new challenges are threatening to disrupt this position as a global leader in learning, research, and innovation.

- Former and current higher education leaders believe that as many as 20% of UK universities are at risk of imminent collapse.

- Universities are failing to face up to the challenges of a new HE environment because of ineffective university governance.

- The top threats currently facing universities are: student recruitment shortfalls and staff retention concerns - both exacerbated by Covid-19; staff pension scheme sustainability; policy and political developments (including Brexit); reputational issues; information management and cybersecurity.

- The office of Vice-Chancellor (VC) has gained tremendous power, while its counterbalance – the university council – is poorly-structured and outdated in approach.

- University governors lack diversity, time, incentive, and the tools to be effective, resulting in the university's fate often being left to the idiosyncrasies of the VC.

- Council members and VCs rate themselves highly, but in reality are cumbersome and fail to devote adequate time to critical governance issues.

- Some VCs enjoy this state of affairs, but most are left vulnerable and insufficiently challenged, or are inadequately supported by their council.

- Constraints against independent, evidence-based action, means that university council members face an uphill struggle, which can only be resolved by significant governance reform. The role of chair of council urgently needs strengthening.

- Covid-19 has brought many existing and known university concerns to the surface.

Contents

Introduction

The HE sector is a source of immense competitive advantage to the UK economy and is a formidable force for social development.[1]

However, the sector is currently facing a series of fundamental challenges that threaten to destroy its position as a global leader in research, innovation, and higher education. This situation has been made worse by the global pandemic crisis. At a local level, many universities are facing tremendous difficulties in identifying their unique purpose – and the resources needed – to continue providing relevant qualifications that meet the requirements of local and regional markets.

Some former and current higher education leaders believe that as many as 20% of UK universities may not survive in this new environment. Indeed, some higher education institutions are already failing, while others are downsizing staff numbers and reducing entry levels as part of a desperate attempt to increase student numbers. The result is an overall lowering of quality which is likely to become even more prominent in the wake of the Covid-19 pandemic.

The inability of many universities to face up to these challenges and new operating environment in which they exist is fundamentally and demonstrably linked to ineffective university governance.

While the office of VC has gained formidable powers, the senate has been relegated to a secondary role, and the council – the counterbalance to the VC – has remained a product of the past: poorly-structured and ill-equipped to perform its duties.

---

[1] House of Commons (2018). Higher Education Sector Report. Available at https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/Sectoral%20Analyses/19-Higher-Education-Report.pdf

Specifically, university governors (or lay members) do not have the time, incentive, or tools to perform their roles effectively. As a result and in many cases, the university's fate is left to the idiosyncrasies of the VC. While certain VCs may enjoy this state of affairs, many others are left vulnerable and unsupported by their council. These are the findings of a new survey conducted by Henley Business School with the support of the Committee of University Chairs (CUC), and the Association of Heads of University Administration (AHUA).

Questions for this extensive review were sent to all chairs of council and registrars of post-1992, pre-1992, and Russell Group universities in England, resulting in 135 completed responses (see **Appendix 1** for a detailed breakdown). Of these, 35 were chairs of council, 79 were governors/lay members, and 21 were 'others' (including six members of senior management teams and eight non-academic members of staff). Almost half of the completed responses (48%) employed 2,500 or more staff (see **Appendix 1** for further details and sample specifics).

This report outlines and discusses the key findings from the survey and interview research, which concludes by calling for significant reform to university governance in order to enable the sector to cope with the new environment it is operating within.

The report is structured as follows. The first section discusses the challenges and risks facing the higher education sector in the UK, contrasting this with the Henley survey's findings.

Particular focus is given to how council members assess their council's competence to face up to these challenges. The following two sections discuss council size, composition, and effectiveness. The fourth examines independent council members' engagement and value. The role of the chair of council and VC are then considered, and the report concludes with a

set of recommendations for the reform of university governance. **Appendix 1** provides additional detail on the methodology used.

I. The Higher Education sector in England is facing unprecedented challenges

A recent survey[2] examining 37 UK higher education institutions (HEIs) showed a series of unprecedented challenges for the sector. The top-5 threats are now:

i)   The sustainability of staff pension schemes;

ii)   The policy/political landscape (including Brexit);

iii)   Student recruitment shortfalls;

iv)   Reputational issues (including demonstrating value for money);

v)   Information and cyber security.

Another recent analysis by the Oxford-based Centre for Higher Education[3] indicates that Brexit will affect the UK HE sector "in a major and pervasive way." Estimates point to losses in the billions of pounds, or over 10% of all UK government support for research and innovation.[4]

Another analysis points to a further set of significantly worrying figures. For example, 6% of students and 17% of staff in UK HEIs are from non-UK, European Union (EU) countries, with the percentage of EU staff being even higher in some critical disciplines: 23% of all academic staff in biological, mathematical, and physical sciences, and 19% in engineering and technology are EU nationals.

---

[2] PwC (2018). Managing Risk in Higher Education: Higher Education Sector Risk Profile 2018. Available at: https://www.pwc.co.uk/government-public-sector/education/documents/higher-education-sector-risk-profile-2018.pdf

[3] Highman, L. (2017). Brexit and the issues facing UK higher education. Policy Briefing No. 2, Centre for Global Higher Education.

[4] These figures do not include what is called "the leverage effect" whereby EU funds are often matched by other parties' additional investments.

Moreover, nearly half of UK-produced academic papers are written with an international partner, and thirteen EU countries are among the top 20 that UK academics cooperate with the most. In 2015–16 there were 82,100 EU students at undergraduate level, and 45,340 at postgraduate level (or 14% of total) studying at UK universities.

A more recent study by London Economics[5] concludes that UK universities are likely to face a £2.6 billion shortfall to their income, with subsequent losses of up to 30,000 jobs in the sector, and a possible further 30,000 jobs reduction across local communities.

The survey, conducted by Henley Business School for the Independent Director Research Programme, identifies the top ten challenges for chairs and governors of university councils, as shown in **Table 1**.

Table 1: Higher education challenges and risks

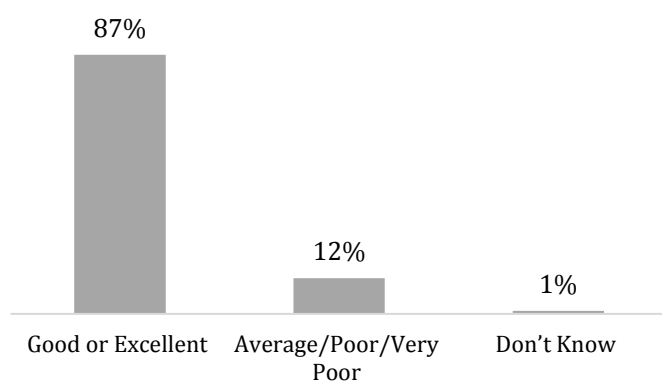| Challenges and Risks	% of respondents
Balancing quality of course programme and meeting student expectations (value for money)	76.3
Capability to cope with the pace of change	57.0
Zero inflation on student fees	51.9
Pensions deficit in the USS scheme	44.5
Limited/reduced funding opportunities	40.8
Having relevant capability/expertise to deliver	33.3
Student 'loan to book' creating an unsustainable/unstable situation	28.8
Increasing concentration of funding for high-performing institutions	28.8
Lack of competitive advantage	22.8
Lack of resources to compete	20.0

[5] McKie, A. (2020), 'UK Universities face 2.6 billion Corona virus hit with 30K jobs at risk', *THE: The World University Rankings,* April 23, https://www.timeshighereducation.com/news/uk-universities-face-ps26bn-coronavirus-hit-30k-jobs-risk

Chairs and council governors give greater importance to "balancing quality of course programme and meeting student expectations," with 76.3% placing this as a top five challenge.

This is significant because it is a senate responsibility, not a council one. In addition to the challenges and risks that have been highlighted by other surveys, there is one that is of particular concern: 22.8% of respondents cannot determine the unique competitive advantage of their institution. In other words, around one in four respondents admit to the fact that their institutions cannot identify the distinct capabilities they possess that make them relevant and competitive, both today and in the future. These institutions are therefore at risk of failing.

By comparison, slightly over 12% of respondents to the Henley survey believe that university councils do not have the required capabilities to effectively address these challenges (**Figure 1**).

Figure 1: Council competence to handle challenges faced (% of respondents)

Source: Henley Business School HEI governance survey (2019)

In fact, 87% of respondents consider their council is good (58%), or excellent (29%) in handling the challenges they face. Despite this, the Henley survey further revealed a number of factors that impede council effectiveness, including: size, composition, process, and information deficiencies. Yet despite this, councils indicate they only experience certain difficulties in handling tension and difficult conversations when there is a disagreement (**Figure 2**). This is a critical capability for any council, which should be able to raise and face the issues challenging the organisation they serve. Despite this, close to a quarter of all directors (23%) think their council is average or worse, or they simply don't know how it performs.
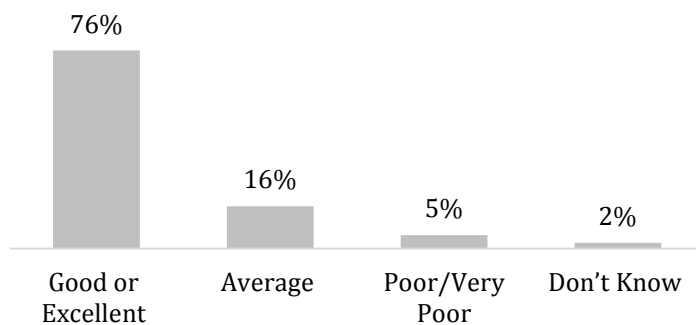
Figure 2: Council ability to handle awkward/sensitive discussions (% of respondents)

Source: Henley Business School HEI governance survey (2019)

The survey and interviews conducted with HE leaders point to the fact that certain university councils are not challenged to exercise their control and stewardship duties. Furthermore, the Henley survey found that size, composition, and council processes do not enable the council, and its independent members in particular, to be effective in their role. These issues are addressed in the remainder of this report.

II. Councils too large to be effective decision-making bodies

Standard and Poor's (S&P500) average board size is 10.8,[6] while the average board size for the top 150 FTSE firms is 10.1 members.[7]

Research has consistently shown that too large a board is detrimental to the quality of debate and decision-making.[8] However, for historical reasons, universities have never sought to rethink the size of their councils.

The Henley survey indicates the average council size is now 20 members, while 42% of respondents say their council has more than this number (**Figure 3**). This is also a reflection on the number of independent governors, which averages 12 members. Clearly, having many independent governors does not result in better governance. If anything, higher numbers dilute each governor's individual contribution and voice.

---

[6] Spencer Stuart (2018). United States Board Index. Available at https://www.spencerstuart.com/-/media/2018/october/ssbi_2018.pdf

[7] Spencer Stuart (2018). UK Board Index. Available at https://www.spencerstuart.com/-/media/2018/december/ukbi2018_8b.pdf

[8] Van den Berghe, L.A.A. and Levrau, A. (2004). Evaluating boards of directors: What constitutes a good board? Corporate Governance International Review, 12(4): 461-478.
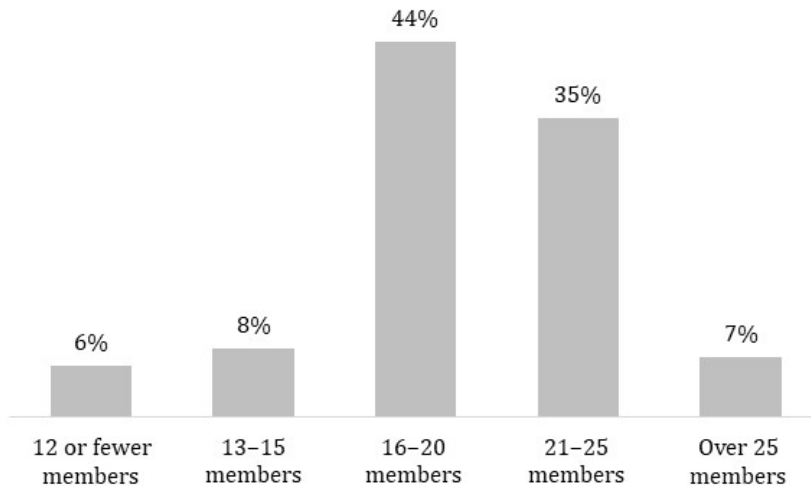
Figure 3: Council size (% of respondents)

Source: Henley Business School HEI governance survey (2019)

The size of UK university councils is a concern for those operating within them, but progress to reduce their sizes has been slow. In fact, council size and composition has been one of the top improvement areas identified in an examination of 14 governance reviews of leading UK universities.[9] The Henley interviews also indicate that very large councils create "dynamics that stifle debate," "reduce independent director's voices," and weaken executive accountability. It is also much easier to create division, alienate individuals, or fall into paralysis. As one survey respondent put it:

> "A smaller council [would] create the space, even the obligation, to contribute more effectively."

Universities are still grappling with fundamental dilemmas, such as the clash between "representative democracy and organisational effectiveness, integrated management and dual management structures, and external and internal influence in institutional decision

---

[9] Greatbatch, D. (2014). Governance in a changing environment: literature review. Contemporary issues in governance. Leadership Foundation for Higher Education, 1-40.

making".[10] Indeed, as pluralistic and democratic institutions, universities have always sought to retain student and staff voices on the council. The question is whether this has had any beneficial effect?

Staff morale in UK universities has not improved in recent years. Employee salaries are poor compared to other sectors, and pensions are at risk.[11] In fact, an April 2019 PwC publication identified "failure to respond to low staff morale" as one of the key risks facing higher education institutions.[12] Many staff members are overworked as well as underpaid. On the other hand, a significant number of students perceive that they rarely get value for money from their degrees, and there are reasons to believe that UK higher education is not improving its standards. In fact, the opposite appears to be true.[13]

III. Council composition does not reflect the sector

Large councils result in independent directors having less voice and reduced impact. But the issue does not stop there. University councils do not reflect their staff and student populations in terms of background, age, and gender (**Figures 4** and **5**). Instead they are largely composed of individuals who often do not understand the sector, or who are semi-retired and lack critical competencies, such as understanding the digital world and new generations' preferences, or simply the realities and future of work.
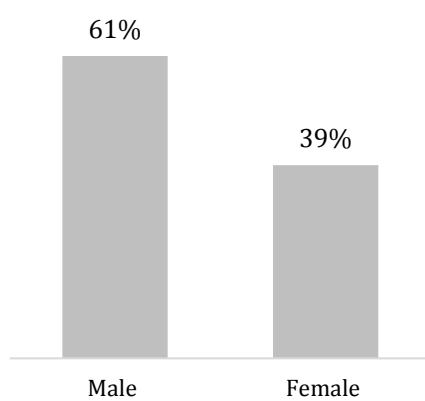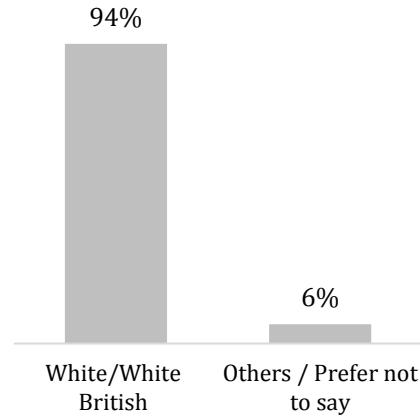
---

[10] Larsen, I.M., Maasen, P., and Stensaker, B. (2009). Four basic dilemmas in university governance reform. Higher Education Management and Policy, 21(3): 41-58.

[11] The Guardian (2018). "Voluntary severance at my university has damaged staff morale". Available at https://www.theguardian.com/education/2018/nov/23/voluntary-severance-at-my-university-has-damaged-staff-morale

[12] PwC (2019). Managing Risk in Higher Education, April 2019. Available at https://www.pwc.co.uk/government-public-sector/education/documents/higher-education-sector-risk-profile-2019.pdf

[13] The Independent (2019). "Nearly two in three British universities in top 200 slip down rankings and Brexit could make it worse, experts say". Available at https://www.independent.co.uk/news/education/education-news/times-higher-education-world-university-rankings-global-league-tables-brexit-cambridge-a9100846.html

61%

39%

| Male | Female |

94%

6%

White/White British   Others / Prefer not to say

**Figure 4:** Council Member Gender   **Figure 5:** Council Member Ethnicity

Source: Henley Business School HEI governance survey (2019)

In the academic year 2017/18, 57% of all students enrolled in higher education were female,[14] and similarly in 2016/17, 46% of university staff were also female. However, in university councils female members continue to be an underrepresented minority. A similar imbalance is found in ethnic backgrounds. In 2017/18 some 75.2% of students enrolled in higher education institutions were from a white background, with 24.8% from either black, Asian, mixed, or other heritage. In 2016/17, 72% of academic staff identified as being from a white background, contrasting sharply with council composition where a staggering 94% are from a white background.[15]

Figure 6 shows the age range of respondents to the Henley Business School survey.

[14] HESA (2018). Higher Education Students Statistics. Available at: https://www.hesa.ac.uk/news/17-01-2019/sb252-higher-education-student-statistics/numbers
[15] HESA (2018). Higher Education Staff Statistics – UK 2016/2017. Available at https://www.hesa.ac.uk/news/18-01-2018/sfr248-higher-education-staff-statistics
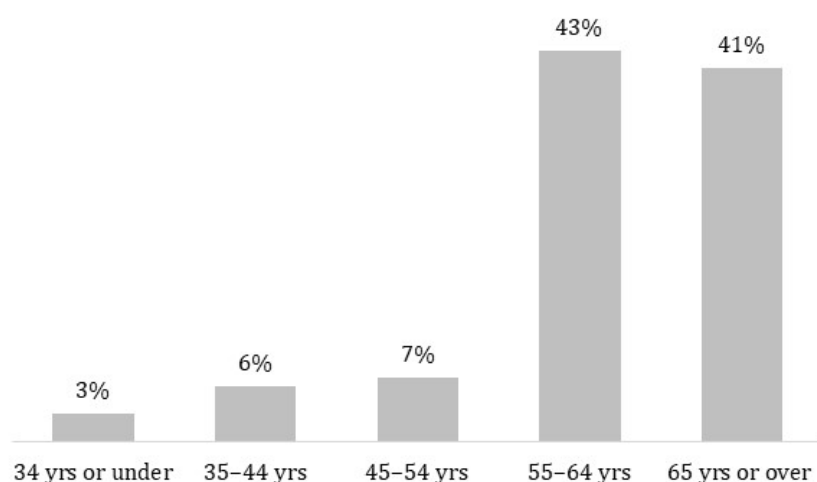
Figure 6: Council members' age range (% of respondents)

Source: Henley Business School HEI governance survey (2019)

Council members are significantly older than when compared to their peers in the NHS, charities, and sports organisations in the UK.[16] Only 16% are under 55 years of age, and 9% under 45 years of age. While it is recognised and understandable that it is harder to recruit individuals with full-time jobs and, in many cases, young families, there is little indication that universities are actively sourcing or recruiting younger council members. Such a process could put these bodies more closely in touch with the aspirations, needs, and challenges facing young student populations.

Many respondents also commented on the need to ensure that council members have some experience and knowledge of the higher education sector, and do not just come from commercial backgrounds. One interviewee commented:

"All lay members should have some sort of experience in, or with universities before joining the council. Those with primarily commercial backgrounds and experience do

---

[16] The Henley survey also collected data from the NHS Foundation Trusts and Trusts Boards, Sports Governing Bodies, and charity sector boards.

not usually have the depth of understanding of higher education and research that would bring value to council's work. Universities are big businesses that require a business-like approach to management and oversight, but applying the norms of large quoted companies can be disastrous."

Comments such as these capture the frustrations of council members who believe that their fellow appointees are disengaged, and out-of-touch with, university affairs. As a result, they are unable to produce the quality of oversight, debate, and stewardship that is required.

IV. Independent council members: disengaged and out of touch

While university council size and composition are important enablers of good governance, they are not the only indicators. A large council with relatively little diversity can still be effective if its members – especially the independent governors – devote enough time to the role, have the right quality of information, and engage widely across the university. However, the Henley survey also finds in this instance that independent council members are largely disengaged and out-of-touch with university affairs.

In fact, for many independent council members council meetings are almost the only point of contact they experience with the university. On average, university councils have 5.7 meetings in the year, lasting 3.2 hours. **Figures 7** and **8** provide more detail.
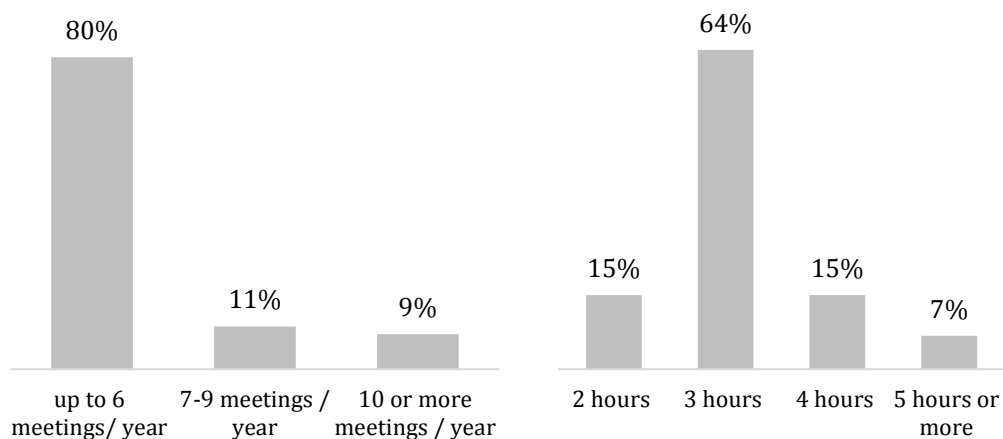
Figure 7: No Council meetings/year   **Figure 8:** Council meeting duration

(% of respondents)   (% of respondents)

Source: Henley Business School HEI governance survey (2019)

Council members spend little time in the role, with an average attendance of only 16 days each year, most of which is devoted to council or committee meetings, and preparation for these meetings (**Figure 9**). Universities can be very large organisations and feature levels of complexity that are not found in many other businesses. It is hard to penetrate and understand what's genuinely going on, and fully appreciate what matters most to the university with so little time devoted to the council governor role.
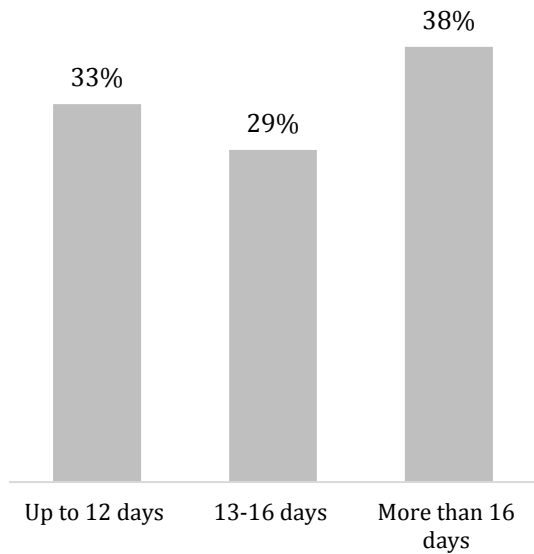
Figure 9: Independent council members' days/year devoted to the role (% of respondents)
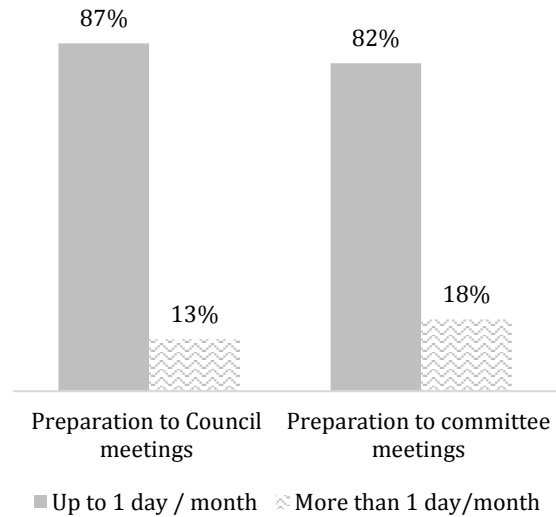
Figure 10: Time spent in preparation to council and committee meetings (% of respondents)

Source: Henley Business School HEI governance survey (2019)

With a limited amount of time devoted to the position, and a large percentage of this taken up reading management-provided paperwork, independent governors face the difficult task of being effective in their role (Figure 10).

A key problem is that independent council members often do not receive adequate, high-quality, independent information. Instead they are provided with material that is either too detailed or high-level to enable independent scrutiny.

The Henley survey indicates that the VC effectively controls the agenda resulting in a chasm of information asymmetry between the executive and the independent members. Many council independent members lack the time or patience to find out more about the institutions they oversee, or at least the governance arrangements do not encourage such proactive behaviour.

Further contradictions are highlighted in the survey responses linked to independent council members' engagement with the executive and university affairs (**Table 2**).

Table 2: Information quality and engagement of independent council members

Quality of Information and Engagement	Agree/Strongly Agree
The Vice Chancellor is open and transparent in ensuring that all relevant information is shared/made readily available	88.4%
I have an effective dialogue with other lay members, to cross-check information and ensure that the data/evidence is robust	87.3%
I work with other lay members to ensure that appropriate action is taken at council level based on available data/evidence	84.8%
I can effectively analyse data/information by focusing on the key messages	82.3%
I believe I am given all the data necessary for the council agenda to play an effective role during meetings	74.7%
To ensure the quality of information is credible, other directors/managers or an external expert/advisor is often brought in to present to the council	70.9%
To familiarise myself with the institution I often visit operations and talk to other layers of management	58.3%

Source: Henley Business School HEI governance survey (2019)

A small proportion of respondents felt that the VC is not open and transparent about data (11.6%), and a larger percentage (17.7%) say it is "hard to analyse data/information by focusing on key messages." In truth, many respondents highlighted issues with the quality of information provided and the agenda of council meetings.

For example, 25.3% of responders don't believe they are "given all the data necessary for the council agenda to play an effective role during meetings." Respondents observed:

> "[I would like to see] less preparation by the chair and the executive before meetings. Too much pre-cooking going on which narrows debate and limits fresh thinking."

> "More focused council meeting agendas with sharper pre-reading and less 'boiler plate.'"

The survey results show that many council members get their information exclusively from the executive, often having no other source of information or insight. This is seen as impeding their ability to independently scrutinise and support the executive. A significant percentage of respondents (30.1%) say that they do not often have "other directors/managers or external/advisor experts presenting to the council." These findings contradict the majority view (88.4%) that the VC is open and transparent. One attendee at a gathering of VCs compared universities with successful mid-to-large-sized family businesses, stating:

> "How to challenge the founder of this most successful family business? He is brilliant but feared and certainly clear about the way forward for the company, when the rest of the family do not share such clarity. The board makes things look nice and as far as others are concerned everything is great. In reality the board is told what it needs to know, and as a result is toothless."

Independent council members often fail to show proactive behaviour by engaging more with the university as a whole, or at least the governance arrangements and "culture" do not allow such action. Around 41% of respondents do not "*often visit operations and talk to other layers of managemen*t."

The research essentially shows that a large percentage of independent council members are disengaged and "out-of-touch" with the reality of university operations and yet still seem to be in awe of the VC.

It is hardly surprising that a 2015 survey of the Leadership Foundation of Higher Education (LFHE) found that lay members tended to describe university culture in a much more positive light than university staff.[17] Respondents to the Henley survey have called for greater engagement, indicating that current governance arrangements and culture are not allowing effective interaction to take place. Respondents' comments included:

"More insight into operational and delivery processes from strategic objectives: field visits, round ups."

"I feel that there could be more communication between the council and the employees about what is happening, and maybe lay members could 'walk the business' to understand the areas and the requirements of the business in a more operational day-to-day basis."

"Developing a stronger connection with the day-to-day life of the university. More time with students and staff below senior management."

In general, independent council members believe they have good dialogue with each other to cross-check data accuracy and views, and to ensure that appropriate action is taken by the council, but there is still a significant percentage who feel this does not happen (12.7% and 15.2% respectively).

---

[17] Leadership Foundation for Higher Education (2015). Governors; views of their institutions, leadership and governance. Higher Education Leadership Management Survey: London.

There is a real desire by many to have "more coordination between lay members" and also "lay member-only meetings" to allow for stronger discussion, fact checking and alignment between the independent group of council members.

"More informal meetings outside the set institutional meeting dates to develop better working relationships."

In spite of the issues around time commitment, information deficiencies, and reduced engagement, the majority of council members agree or strongly agree that they are effective in monitoring and stewardship roles (**Figure 11**).
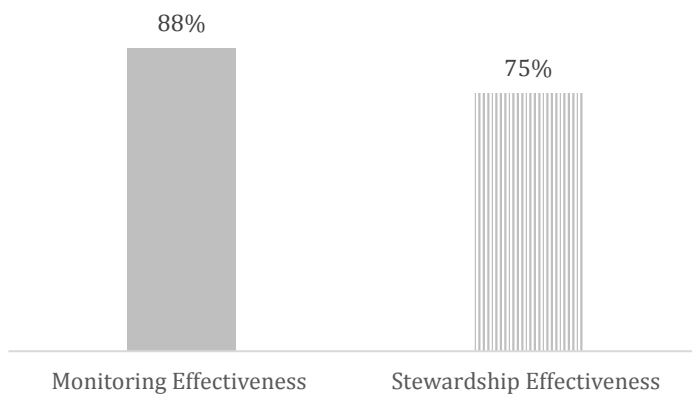
Figure 11: Monitoring effectiveness and Stewardship effectiveness (% agree/strongly agree)

Source: Henley Business School HEI governance survey (2019)

Some 88% of respondents believe that they are effective in monitoring executive action and performance, although 12% still believe they are not. Stewardship role effectiveness includes:

- Providing effective advice/support to the VC and executive team;

- Having an opinion actively sought by the executive;

- Acting as an effective mentor to the executive team during difficult situations;

- Bringing access to external resources/networks;

- Acting as an effective bridge between the institution and the outside world.

With this in mind, 25% of respondents believe that independent directors are not proving effective in their role.

Whether these numbers reflect reality accurately or show some degree of complacency is difficult to determine. That said, both monitoring and stewardship require engaged and well-informed independent council members, and there is reason to believe that many do not fall into these categories.

Indeed, the degree with which council members' views accurately capture university governance functionality has proved to be highly questionable. The concept of VCs as being transparent, and council members effectively contributing through monitoring and stewardship, becomes increasingly detached the larger a council meeting becomes. Similarly this proves to be the case the less frequent meetings are, and the less diverse the council make-up is.

V. Vice-chancellors amass enormous power but, paradoxically, are left vulnerable

During the interview discussions for this report it became apparent that the role of the chair of council does not possess the same weight as that of its private counterparts in listed firms.

"Key is the quality of the chairperson. In today's environment he or she needs to be business oriented. We have a chair from an NHS background whose skillset is totally wrong for the modern university and the marketplace it competes in. A more effective chair would seek out the appropriately skilled lay members to support the team at the university."

Remarks like this were not uncommon. However, and in contrast to the findings illustrated in **Table 3**, survey respondents, including chairs themselves, rated the chair role and its effectiveness in largely favourable terms. Issues including the removal of non-performing members and independent director-only meetings are identified as key areas of concern.

Table 3: Chair of council role and practice effectiveness

Chair Role and Practice Effectiveness	Agree/Strongly agree
Takes responsibility for board composition	84%
Creates a shared purpose, values, and norms of behaviours that guide the future of the board/organisation	80%
Ensures there is an appropriate level and quality of information for debate	80%
Effectively takes responsibility for the composition of committees and how they operate	78%
Ensures that the board is independently evaluated on a regular basis	77%
Conducts a thorough appraisal of the Vice-Chancellor	76%
Effectively maps board skills against the challenges the organisation/board faces	74%
Instil confidence in key stakeholders in the way the organisation is run	70%
Has effective relations with external stakeholders	63%
Establishes the boundaries between independent directors and the executive and is prepared to cross them if necessary	62%
Is effective in times of crisis	62%
Promotes independent director-only meetings to discuss issues, share ideas and thinking, and gain greater alignment	45%
Effectively deals with/removes non-performing and/or disruptive board members	44%
Has positive relations with the media	42%

Source: Henley Business School HEI governance survey (2019)

Many of those interviewed expressed concern that councils are not in a position to provide supportive and effective challenge to the VC. Additionally some view VC pay, and the associated public outcry, as a reflection of not only an imbalance of power, but also as evidence of how vulnerable VCs are.

Interview references were made to "brow-beating the finance committee" to award the VC the pay increase they demanded. Some comments spoke of intellectually brilliant VCs who have greatly contributed to the development of the university, but their achievements could be "thrown away" once the "pay scandal" issue comes to light.

With this in mind the fate of the universities is largely being left to VC offices and the personal qualities (and in some cases peculiarities) of the individuals who happen to be the incumbent office holder.

If the VC chooses to listen to the various constituencies and is led by evidence, then there is a good chance that decisions made will be robust. However, if the VC displays none of these qualities, then they are often reported as manoeuvring important decisions through council without encountering much in the way of a challenge.

These issues are not limited to the oversight of management decisions. It is that VCs – even those who see value in a well-functioning council – are not often getting the best value from their council, and so are effectively operating in isolation. Councils therefore need to step up and assume their constitutional powers as the ultimate decision-making authority and steward of the university.

VI. Institutional differences

Moving beyond an overview of the HE sector, there are other governance indicators and institutional differences that are important to note.

Russell Group universities and other pre-1992 higher educational institutions (HEIs) tend to have **larger councils** with an average of 22.5 and 22.3 members respectively. By contrast newer, post-1992 universities and other HEIs tend to have smaller boards with an average of 17.4 and 15.6 members.

Interestingly, these differences do not result in a significant impact on the number of independent governors who feature on the council, which has an average of 11.6 to 12.5, regardless of institution type. The **number of board meetings** every year are roughly the same across institution types (between five and six meetings a year). Older pre-1992 HEIs witness the least number of meetings on average (4.9), while meetings across all institution types last an average of three hours.

Independent council governor time devoted to the role also illustrates important variations. Russell Group university independent governors tend to devote an average 20 days to the role every year, while governors of new, post-1992 universities allow for approximately 16.4 days. This contrasts with 13.7 days for governors of post-1992 universities, and 8.25 days for 'other HEIs.'

More widely, Russell Group universities rate better across most survey metrics, while pre-1992 universities rate the worst. Other institution types sit somewhere in between, with lower ratings on qualities including leadership and council chair effectiveness.

Two further council abilities are significant in impact: **handling the challenges faced,** and **handling awkward and sensitive discussions**. **Figures 12** and **13** show the breakdown by institution category for these parameters.

Russell Group   ≡ Other old, pre-1992 university   ■ New, post-1992 university
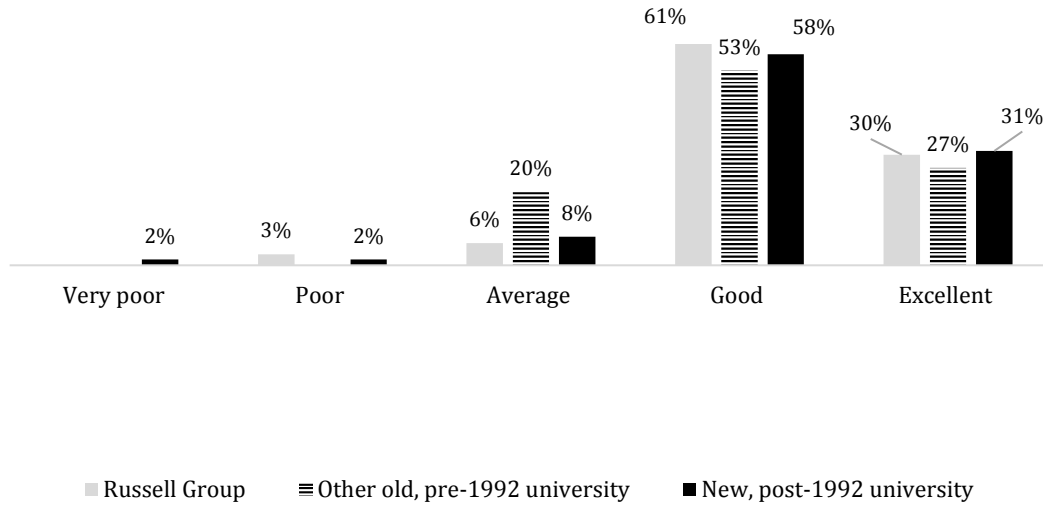
Figure 12: Council competence to handle challenges faced

Source: Henley Business School HEI governance survey (2019)

Russell Group   ≡ Other old, pre-1992 university   ■ New, post-1992 university
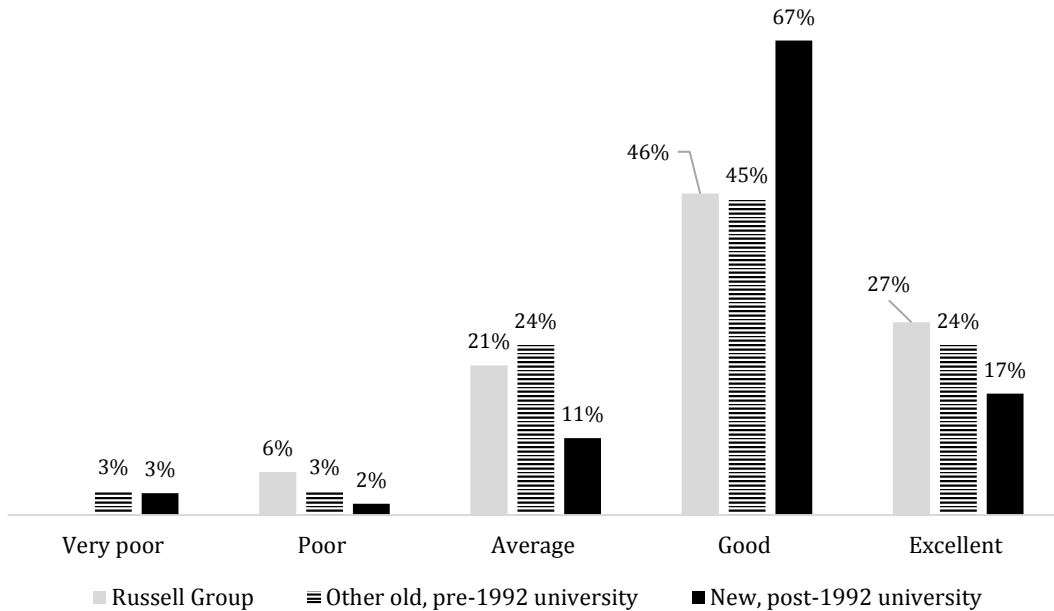
Figure 13: Council ability to handle awkward/sensitive discussions

Source: Henley Business School HEI governance survey (2019)

Here again other old, pre-1992 universities are identified as generally performing worse, followed by Russell Group universities. New, pre-1992 institutions exhibit the best performance based on these indicators.

VII. A call to action: reforming university governance

The CUC Code of Governance (CUC, 2014: 11)[18] states that, "the governing body is unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit."

Despite this bold aspiration, the Henley study identifies that, in reality, councils do not have the necessary ingredients to act as high performing bodies. They are large and unwieldy, devote insufficient time to debate and scrutiny, and are fundamentally dependent on the executive for information. Councils emerge as being not nearly diverse enough, and have been found to be noticeably disengaged from the university reality. The COVID-19 crisis has been testament to this fact. As a result, Councils are understandably mistrusted by academics and other stakeholders.

The Leadership Foundation for Higher Education (2017)[19] has published guidance on the six core duties[20] of a university lay member. However, the evidence suggests that these individuals remain ill-equipped to benefit from the governance arrangements that should enable them to carry out their duties effectively.

---

[18] Committee of University Chairs (2014). The Higher Education Code of Governance. Available at https://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf
[19] Leadership Foundation for Higher Education (2017). Getting to grips with trustee responsibilities in higher education: A guide for governors. LFHE: London.
[20] The six core duties are: 1) ensuring the HEI is carrying out its purpose for the public benefit through the advancement of education; 2) complying with HEI governing instruments; 3) acting in the HEI's best interests; 4) managing HEI's resources responsibly; 5) acting with reasonable skill and care; and 6) ensuring the HEI is accountable for its core purpose.

For example, independent council members are expected to "act with reasonable skill and care" to ensure that all relevant information, evidence, and skills are brought to bear in making well-informed and collective decisions and recommendations. However, as this report shows, there are several deficiencies in information quality and limited freedoms for independent members of council to go out and feel the pulse of the university by speaking to front line workers.

Too much information comes from, or is sponsored by, the VC's office, with little guarantee as to its completeness or accuracy. At the present time a significant percentage of independent members do not work closely together to check evidence and achieve an alignment of their views.

This being the case it is unlikely that many independent members are providing the best possible oversight, or acting as good stewards of the university. Operating in a complex institutional environment with so many constraints against independent, evidence-based action, means independent council members face an uphill struggle.

A call for a reform of university governance is required as follows:

1. Launch a consultation on independent council members' pay and time devoted to council matters. The Henley survey finds a clear division on this matter, with 51% of respondents believing that independent council members should not be paid, versus 34% who think they should, and 15% saying they don't know.

Paying independent council members could:

- Widen the talent pool and support the diversity agenda in areas including gender, background and age.

- Increase the amount of time and engagement that independent directors give to the role and to the university.

2. Review the roles and responsibilities of council, and the relationship between council and senate, including:

- A review of the VC role and performance;

- Reinforcing and expanding the formal authority of the chair of council and council itself. Priority must be given to strengthening the role of chair, allowing for the council to provide critical independent oversight;

- Reinforcing the role of the registrar, especially in areas encompassing the quality of information and independent council members' engagement;

- Reinforcing VC duties around information and communication with the council;

- Reviewing the relationship between the council and senate, identifying ways of making it a true and effective partnership.

3. Ensure universities publish a policy on independent council members' engagement with the wider university and staff. This would include reporting on activities and initiatives taken by the council to ensure independent members have genuine engagement and insight into the reality of university performance and culture.

4. Structurally embed the "dual assurance model" to implement a more engaged way of working in university councils. A similar governance model has been effectively utilised by many leading UK universities, including the University of Exeter which has undergone tremendous transformation and success as a result.

5. Increase sector-led investment on recruitment, induction, training, and council member development. The Henley survey shows that over 16% of independent council members are still recruited by the VC or chair networks, and a further 16% through "other networks." Additionally, 16% consider the selection process "not at all intensive," while 63% say it was intensive "to a moderate extent." Many requests were identified that call for an increase in the availability of training for council members, with some contributors suggesting such a provision should be sector-led.

6. Expand the mandate of the Office for Students. In the face of ongoing and rapid changes in the higher education marketplace and the resulting pressures on many HEIs, where should struggling universities turn to for support? A sector regulator, as has been seen tackling improvements to the NHS, could monitor appropriate dynamics and identify problem institutions before they face irretrievable failure, helping them fix their governance and management in good time. The Office for Students could be the right vehicle to expand its current remit and support universities requiring "special measures." The alternative is to allow failing HEIs to collapse as in any other free and competitive market.

Appendix 1: Methodology and sample characteristics

This report is a small part of a 2-year research programme conducted by a team of researchers at Henley Business School.

The team has conducted in-depth qualitative interviews with 43 key opinion leaders (e.g. chairs, VCs, CEOs, independent directors) across the NHS, charity, sports, and university sectors. The interviews explored board governance across these sectors and focused on independence and the independent director role. It asked one key question: How can independence be gained, sustained, and lost? The ensuing report identified a number of themes and insights that subsequently formed the base for the survey design. The survey was tested with directors both face-to-face and online to eliminate ambiguities and duplications, and to clarify questions. After this process, the length of the survey was substantially reduced. The final version of the survey was also discussed with key stakeholders in each sector who have made some final suggestions.

The CUC supported the Henley team by distributing the survey online to as many university councils as possible.

The survey was sent to directors in each of these sectors. The survey returned 623 completed responses from across the 4 sectors mentioned above. For universities, the number of completed surveys was 135. There was a good spread among university type, size, and role (see below for details on key sample characteristics).
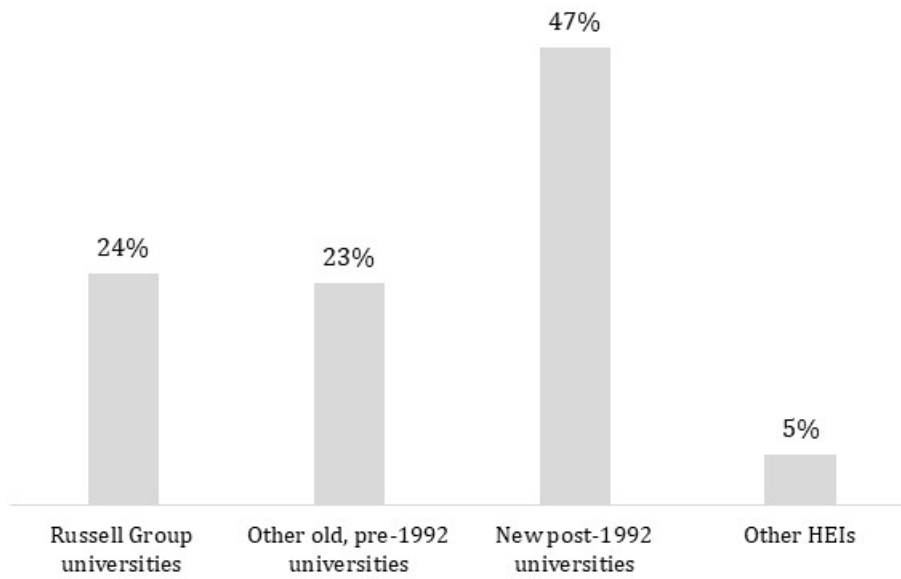
Figure 14: Percentage of respondents by type of HEI

Source: Henley Business School HEI governance survey (2019)
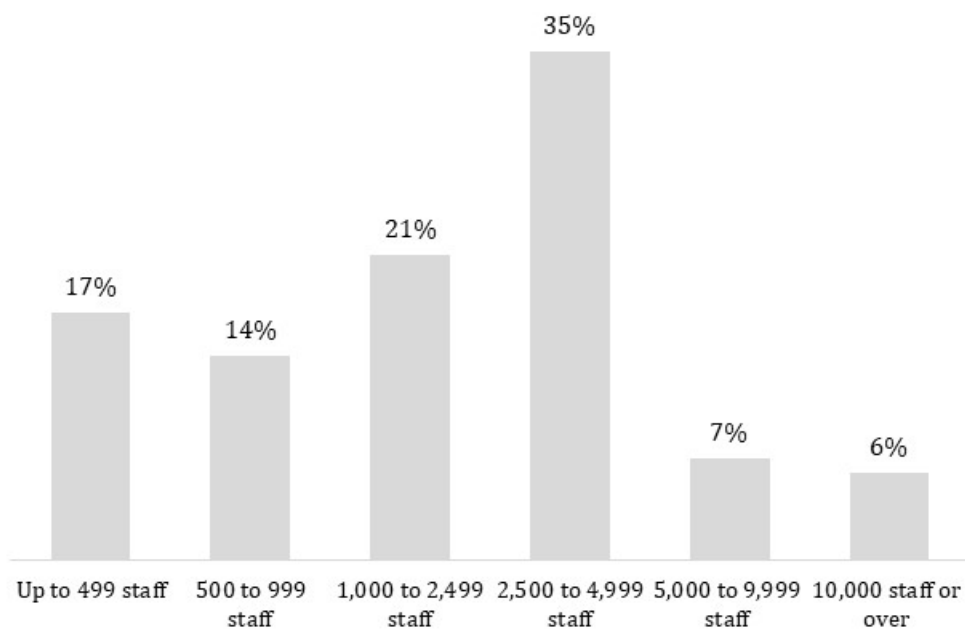
Figure 15: Percentage of respondents by size of HEI

Source: Henley Business School HEI governance survey (2019)

Table 4: Sample of respondents by role

Role	% of Respondents
Lay member	58
Chair	26
Non-academic member of staff	6
Member of senior management team	4
Student representative	2
Academic member of staff	1
Other	3

Source: Henley Business School HEI governance survey (2019)