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# Briefing note

## Challenges for governance models

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### Challenges for governance models

Sector colleagues have written recently about university governance structures and their ability to meet increasingly dynamic external pressures. *Governing Higher Education Today – International Perspectives*, edited by Tony Strike, Jonathan Nicholls and John Rushforth, offered diverse opinions on these challenges and the characteristics and topography of governance in the UK and overseas. Similarly, the structured conversation between Nick Hillman and Dr Steve Jones, published by HEPI in August, with an authoritative introduction by Professor Michael Shattock, explored whether traditional governance models truly serve all stakeholders' needs.

### The new external environment

Since student numbers were uncapped in 2015, competition has been intense. The “demographic dip” in the number of 18–20-year-olds in the population between 2010 and 2021; increased competition from larger, traditional higher tariff institutions; new providers; and emerging alternative pathways have all served to compound the effect. Hence, many universities struggle in a crowded market.

The regulatory environment is markedly different too. Since its establishment in 2018, the Office for Students (OfS) has proved challenging. Beyond the registration process, universities have to navigate additional conditions of registration; reportable events; formal engagement with access and participation plans; explain changes in grade profiles; defend conditional unconditional offers; engage with a more robust financial forecasting regime; and respond to a new and different emphasis on value for money. We also see evidence that the OfS expects greater board engagement, for example in monitoring the aforementioned access and participation plans, the sign-off of data returns, or a stipulation that governors are provided with specific pieces of OfS correspondence. The financial environment is also less predictable. Borrowing costs are currently low, but the sustainability and going concern status of universities, and the need to diversify and grow income, require increasing board attention too.

Finally, the external focus on universities has been unrelenting. Media stories about universities undoubtedly gain traction as greater participation levels mean more households can connect with them. This has intensified since the introduction of the £9k fee and, in recent parliamentary elections, student fees have been a noteworthy campaign issue (although understandably less so this time). Most media coverage has had a negative tone; whether concerning VC pay, responses to student mental health issues, financial or student recruitment problems, grade inflation, the use of conditional unconditional offers, or freedom of speech on campus.

Moreover, our own analysis suggests some disconnect between sector perspectives on risk, and those beyond the sector where digital disruption; social responsibility; and sustainability appear to be in considerably stronger focus.



So, are governing bodies really equipped and structured to deal with today's external environment? Has the role of governors, or the expectations of them, changed? The 'great and good' have served universities well, but are today's governors undertaking primarily charitable roles or are they increasingly the accountable and engaged leaders of large and complex businesses? In summary, can current expectations realistically be met within traditional governance structures?

### **Size and structure**

University boards have largely followed representative models, although private university governance structures are often more corporate, with smaller boards of between 8 and 10 members. Established universities typically feature a majority of external members with one appointed as chair, the vice-chancellor (as accountable officer), senate or academic staff members, one or more representatives of the administration, and one or more student union officers (reflecting the increased importance of the student voice), all supported by a dedicated clerk or secretary. This model produces a board size of between 18 and 25 members. Is this too unwieldy? Many institutions would argue it is needed to cover a significant sub-committee structure, but would smaller boards allow for greater focus and swifter action while supporting an improved level of engagement with the university community?

### **Frequency of meeting and remuneration**

Practice varies, but boards normally meet every two or three months, with one or more strategy related sessions, or briefings that bring the external members up-to-speed on specific issues. Is this sufficient to cover their wide-ranging responsibilities? Given the different background of the external members, does this level of engagement provide enough understanding of the culture, structure and working practices of staff within the university? Currently, most institutions pay no more than out-of-pocket expenses for governors. Is this also a constraint on the time that can be reasonably expected of them to commit to the university?

### **Skills and expertise**

Universities understand that more diversity is required, not just in governance level but throughout staff structures and in student participation and progression. Governing bodies need to represent wider society *and* have the right skills and expertise, and sufficient time, to address the emerging risks and management challenges in today's environment. Universities might consider the recruitment of new people with skills and expertise in: cyber and IT issues, managing disruption in the business (e.g. for a university, challenges to the residential, three-year degree delivery model), ethical considerations and corporate social responsibility, the management of reputational risk and crisis management, to name but a few issues.

### **What next?**

There are some real challenges for models of governance in the current environment, but as Nick Hillman and Steve Jones argued, it is perhaps more about evolution than revolution. However, to borrow from Hemingway (and recent political opinion pieces), there are two ways you go bankrupt; gradually, and then suddenly. In this environment, ensuring boards are equipped and resourced to challenge established orthodoxy and properly stress-test business strategies, has never been more important.



## How can we help?

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As a specialist HE service, Uniac is equipped to undertake independent reviews of your governance arrangements, provide advisory support around constitutional change, or review your underlying governance processes. Similarly, for further information on Uniac's internal audit and assurance service please do get in touch.

## Contact us

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For further information on these sessions, or how we can help on any other aspect of Uniac's internal audit and assurance service, please do get in touch.



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