THE UNIVERSITY OF EXETER

A REVIEW OF THE EFFECTIVENESS OF THE COUNCIL

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John Lauwerys
Consultancy Services

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1   INTRODUCTION

1.1   The University of Exeter, which gained its charter in 1955, has gone through a period of dramatic development and change in the last ten years. It has greatly enhanced its reputation, securing a place among the top ten universities in the UK league tables, almost doubled its student numbers and delivered a major capital development programme. All these changes have taken place at a time of great changes in the higher education sector and in particular the introduction of student fees. The University has managed these changes very effectively and has benefited from the new more market driven context of undergraduate recruitment. The current Vice Chancellor, the former Chair of Council and the former Registrar are widely credited with leading this very successful development of the University, but of course the active support of the Council and the hard work of the University's staff were fundamental to these achievements.

1.2   The Council last conducted a major review of its own effectiveness in 2005. By 2013 it was recognised that a further review was overdue and Council established a Steering Group, chaired by Miss Sarah Turvill, Chair of Council, to oversee the process with the following terms of reference.

- To review the effectiveness of Council in fulfilling this role and those responsibilities set out under the Statement of Primary Responsibilities.

- To make recommendations to Council that will lead to improvements in the effectiveness and efficiency of Council, its Committees and Dual Assurance/Dual Engagement.

- To ensure that emerging Dual Assurance Streams have appropriate governance structures in place behind them.

- To give assurance to Council and other stakeholders that it is fulfilling its role optimally and upholding the model financial memorandum between HEFCE and the University.

1.3   It was decided that the Steering Group should, as well as including an external member (Lee Sanders, the Registrar and Secretary of the University of Birmingham) engage an external Consultant to support its work and in particular to interview all members of Council and key members of the Executive who attend its meetings. John Lauwerys, formerly Secretary and Registrar at the University of Southampton, who has wide experience of governance effectiveness reviews, was appointed for this purpose.

1.4 What follows is a report from John Lauwerys to the Steering Group on the findings and conclusions he has drawn from his engagement in the effectiveness review. An interim report was submitted to the Steering Group for consideration at its meeting on 9 April 2014, but for the sake of completeness this report subsumes aspects of the interim report together with many additional comments and recommendations across the full range of governance issues.

2 SCOPE OF THE REVIEW AND METHODOLOGY

2.1 There have been four main types of input to the review, the first of which has been the outcome of the discussions at three meetings of the Steering Group held on 6 December 2013, 26 February 2014 and 9 April 2014. The second has involved a desk-based scrutiny of key documents relating to the governance of the University (including the report of the 2005 Effectiveness Review and the key papers which led to the establishment of the Dual Assurance system in 2007). Thirdly the Consultant attended two meetings of the Council and one each of the Audit Committee and Nominations Committee together with three Dual Assurance Engagements. Finally, and of greatest importance, thirty one-to-one interviews, each lasting one hour on average, were conducted with the members of Council, two co-opted members of the Audit Committee and senior members of the Executive who regularly attend Council meetings. All those interviewed were very forthcoming and provided extremely useful insights into the operation of the University's governance. Sincere thanks are due to all of this group.

3 THE INTERVIEWS AND OUTCOMES

3.1 The Steering Group had agreed to a series of questions which were used as the basis of discussion at each interview. In addition to the ten core questions which were asked of each interviewee, there were opportunities to pursue other issues related to the operation of Council and the functioning of the University's governance. What follows is a summary of the views expressed in response to each question.

1. **Are the existing roles, responsibilities and accountabilities of the Council and its Committees clearly defined and known by Council members, the Executive and members of the University?**

   Most people gave a positive answer to this question; at least as far as members of Council and the Executive are concerned. A few suggested that there might be less real understanding of Council's role than most assumed and that a 'refresher' session might be timely. One person commented 'I think

there are areas where Council members may not realise they have responsibilities'. Few people thought that members of the University at large had much idea of the role and responsibilities of Council.

I have separately suggested that the Review Group might in this context consider whether the Council complies with all of the provision set down in the 'Statement of the Primary Responsibilities of the Council'.

2. **What is your view on the effectiveness of the Council's decision-making structure (including Dual Assurance and Sub-Committees) and whether the structure is fit for purpose?**

Again all interviewees were very positive in answer to these questions. Council was seen to be very well informed and to determine University policy on the big issues. All Council members felt they had an opportunity to contribute and, particularly in the last year, meetings were felt to have become more 'open'. Many people were very negative about Committees in general which were seen as preventing decisions from being made.

Dual Assurance was strongly supported, particularly by lay members and the Executive. However one lay member commented that 'D.A. leads tend to talk, others don't challenge' and another lay member commented 'It is difficult for other lay members to engage in areas where there is a lay lead'. D.A. was widely recognised as having enabled the engaged lay members to develop a close understanding of the work of the University within their 'lead' area.

3. **How do we know Council has been effective in ensuring that institutional objectives are delivered? How would we know if something unsatisfactory was going on and how do we know we are effective enough to avoid such situations?**

The general view was that the regular reports presented to Council together with the adopted K.P.I.s gave Council the assurance it required. There was less confidence that Council would know whether something unsatisfactory was going on although the integrity of the Executive and its openness with Council was recognised as key in this regard. The last question could not readily be answered with certainty in that Council has not in recent years had to respond to a major issue around a failing in the University.

4. **Does Council have effective processes for meeting its responsibilities for determining educational character including an effective relationship with Senate?**

Most interviewees felt Council was effectively engaged in the development of the educational character of the University (the current development of a revised educational strategy which has been discussed more than once at

Council was cited as evidence). The D.A. process relating to Education and Research were also seen as a key aspect of Council's engagement in the determination of the educational character of the University. Nobody, however, thought that Council had an effective relationship with Senate which was widely thought of as ineffective. As one member put it 'Senate is regarded as a strange talking shop'.

5. **What is your view on the effectiveness of communication to and from the Council both within the University and also key stakeholder bodies and the public at large?**

   The general view was that communication to and from Council as a whole within the University is not as effective as it should be, albeit that some members of Council felt that they were personally very effectively engaged with the University. Equally some individual members of Council felt they were effectively engaged on behalf of the University with the wider community. It was widely hoped Jane Chafer's appointment would lead to improved communication to and from Council.

6. **Are Council meetings chaired and the business conducted in such a way as to encourage an appropriate degree of transparency, openness and engagement and to ensure the general confidence of members?**

   The answers to these questions were very positive. The style of chairing was widely acknowledged as being of a very high standard and the whole way Council business was conducted was well regarded by all interviewees. One member commented however that 'agendas are very comprehensive and there isn't time to discuss issues fully'.   Another commented there is some reluctance to give a 'warts and all' report.

7. **What is your view on the level of effective and constructive challenge at, and between, Council meetings and is it undertaken both appropriately and effectively?**

   The questions produced a rather more mixed response. Most thought that there is constructive challenge at Council meetings whereas others felt this was not always evident or particularly effective. One commented that 'D.A. makes it all look fine. I'd like to see evidence of real challenge'. It was also recognised that it is quite hard to challenge as a non-lay member.

8. **Does Council conduct its affairs in a way that is responsive to changing circumstances and the need for agile decision-making and governance?**

   The general view was that Council is responsive to changing circumstances and is able to be agile when necessary. The high quality of the briefings received, particularly from the V.C., were acknowledged and seen to be influential on Council's willingness to respond to change.

9. **Are you satisfied that Council receives assurance that regular performance reviews of all main departments and services are undertaken and, where necessary, reviews issuing arising there from?**

These questions prompted the least positive answers of all the issues raised in the interviews. Members of Council were not in the main aware of performance reviews taking place or that effective action was taken where necessary to address any shortcomings. Interestingly this was not 'covered off' by the D.A. process which might be expected to be the case. Indeed one professional services department was widely commented on as having underperformed for years without corrective action being taken until relatively recently. One lay member commented 'Perhaps there is still a culture of acceptance of underperformance – it's a management issue.

10. **Does the Council demonstrate an understanding of, and commitment to, organisational vision, mission and culture?**

There was a very positive 'yes' response to these questions while it was acknowledged that not all members of Council had absolutely the same view of what the University's vision and mission should be.

3.2   Conclusions Arising from the Interviews

It is evident from the answers to the questions that the great majority of Council members agree that Council is effective and that it has made, and continues to make, a very significant contribution to the University's successful development. This is often contrasted to a period ten plus years ago when the University was seen to have been underperforming and to have faced some major problems. The perception of the Council members who were interviewed is that the University's governance operates effectively, mirroring the outcomes of the Council self-evaluation exercise 2013/14.

4   OVERALL EFFECTIVENESS OF THE COUNCIL

4.1   My own conclusion is that the University does, in general, have an effective system of governance. The engagement of the lay members of Council in particular is exceptional, and the information Council receives about all aspects of the University's operations, and Council members' knowledge of its activities, are very extensive indeed. All those I meet display a commendable enthusiasm and real commitment to the University. This is demonstrated not least by the outstanding high level of attendance at Council meetings. However, having had the opportunity and privilege to observe how governance operates in many other universities, I can see areas in which Exeter could, with benefit, develop and improve its current practices and these areas are explored below.

4.2 In particular, I conclude that the University is adhering to the main element of the CUC Governance Code of Practice but should revisit this issue when the new CUC Code is issued later in 2014. The University has produced a Statement of the Primary Responsibilities of Council but does not fully comply with all the requirements of this statement. Council should reconsider this statement once a year and do so in Part 1 of its agenda to ensure that it reminds itself of its terms, and when necessary revises the statement.

4.3 There has been some uncertainty about those matters which should be the subject of explicit Council decision and approval (for example, in regard to the proposal to undertake local, as opposed to national, pay bargaining) and in order to provide greater clarity in this regard Council should approve a comprehensive 'Scheme of Delegation' which makes quite clear which issues are delegated and to which other body or University Officer this delegation is made. This document should be reviewed annually.

5 MODELS OF UNIVERSITY GOVERNANCE AND THE EXETER VARIANT

5.1 In all UK universities, the governing body (called the Council, Court or Board of Governors) has ultimate authority for all aspects of the University's operations. Because its responsibilities are so extensive, the governing body has to delegate extensively to either the Vice Chancellor and his/her Executive or the Committees with defined terms of reference. It is regarded as mandatory (c.f. the CUC Code of Governance) for every university to have an Audit Committee, a Nominations Committee and a Remuneration Committee. Thereafter, structures vary considerably but typically governing bodies establish Finance, Estates and Facilities and Human Resources Committees. The oversight of Education and Research are delegated to the Senate (often called the Academic Board in the new universities). The governing body Committees both receive information on behalf of the full body and make decisions on its behalf. In the case of major issues, the Committees' decisions are communicated as recommendations which must be approved by the full governing body.

5.2 This structure in outline existed at Exeter prior to 2007 but was then replaced by the Dual Assurance system. I understand it was widely felt that the former Committee system was ponderous and ineffective and that it was holding back the essential changes that the University needed to make to address the problems it faced. Dual Assurance is not a decision-making process but rather a means by which, through the designated lead lay member, Council can receive assurance that the University Executive is managing effectively and that agreed policy is being properly implemented.

5.3 It should be noted that the change to the Dual Assurance system enhanced the responsibility of VCEG for creating policy and delivering the University's strategy. Council, through the abolition of Committees, became less involved in decision-making and the University became more of a 'managed' institution. At the same time, the academic staff became far less involved in the decision-making process. As the Britten Report puts it

> '*One of the most overwhelming messages is about the top-down management style. Many people feel that the Senior Management Team is remote; that policies are developed and major decisions made by a small group of people behind closed doors without consultation, followed by orders being fed down via the College Deans. It was suggested that this hierarchical structure, which helped the University improve its performance from a low base, is now outmoded, given the achievements of the last ten years and the quality of its staff'.*

5.4 Changes in the way universities are governed and managed have taken place across most of the H.E. sector in the UK not least in response to the turbulent and uncertain environment in which the sector now operates.* Indeed it is doubtful whether any institution could survive if it still functioned in the way it did in the past, and Exeter could hardly have achieved its dramatic progress without having adopted quite new ways of working. However some relatively straightforward changes could improve current practice and achieve a greater degree of engagement by the different constituencies within the University.

5.5 One consequence, for example, of the abolition of the Council Committees (beyond Audit, Nominations and Remuneration) and the establishment of the Dual Assurance system is that none of the non-lay members of Council (apart from the VC and two DVC members) are involved in any of the Council Committees or in the D.A. Engagements. In other equivalent universities, the non-lay members are most often members of Council Committees, and in some cases, of the Nominations and Audit Committees. The Steering Committee has already agreed that non-lay members could be engaged with both these Committees and could be included in the membership of ad-hoc Council groups.

5.6 One fundamental issue which it is recognised must be addressed is the relationship between Council and Senate and clarifying the role of the latter body in providing advice and reassurance to Council in regard to the education and research agendas. This is the subject of the separate Senate Effectiveness Review which will report to Council in July 2014.

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* See for example the article by Michael Shattock in 'Higher Education Quarterly' entitled 'University Governance, Leadership and Management in a Decade of Diversification and Uncertainty' July 2013.

6 THE DUAL ASSURANCE AND DUAL ENGAGEMENT SYSTEM

6.1 My understanding of the D.A./D.E. system before I became engaged in the current governance review was that it was introduced to replace the previous Council Committee system. Closer study reveals that in practice D.A./D.E. does not precisely do what governing body committees do. The latter principally act on delegated powers and take certain decisions on behalf of Council although they do also receive various information reports and thereby are informed of 'work in progress' by the Executive and can gain a better view of the Executive's effectiveness than is possible through the full governing body meetings and papers.

6.2 Dual Assurance is not a decision making process but rather has the character of a management workflow progress meeting which engages a lay member of Council. The most significant items reported upon will have been considered by VCEG and usually will go to full Council too. However many of the issues reviewed at the D.A./D.E. Engagements are quite detailed and purely 'executive' issues rather than governance / policy concerns. In other universities much of what is shared at D.A./D.E. Engagements would not be brought to the attention of the governing body but regarded as a normal executive action.

6.3 In the Exeter model, through the lay lead, the Council has a much more detailed view of the work of the Executive but at the same time more decisions are taken directly by the Executive, with the knowledge of certain key members of Council, than might be the case elsewhere. The 'upside' of this arrangement is that it does perhaps (not for certain) allow for quicker and more decisive decisions and actions. The 'downside' is the process involves only a small group of people and thereby makes it more difficult to achieve wider 'buy in' and denies the added wisdom that might come from a broader involvement in the decision making process.

6.4 As the interviews made clear, there is strong support for the D.A./D.E. system and while there is recognition that some improvements could be made in this operation nobody believes it should be abandoned as a key aspect of the University's governance. I recognise it has been an important contributor to the very impressive progressive the University has made in recent changes and I do not propose any radical change in the D.A. system. I do, however, question whether the number of 'business areas' covered by D.A./D.E. have become too numerous and whether indeed some of these engagements are duplicating what is already happening elsewhere in the structure. An even more fundamental question is to clarify what exactly the <u>governance</u> perspective, as opposed to the <u>management</u> responsibility, is in the business area in question. For example, the D.E. area in regard to sport and wellbeing will only very rarely raise explicit governance issues. My attendance at D.A.

Engagements' meetings and a review of the full range of D.A./D.E. Engagements reveals that often too much of the detail relating to the business area in question is raised which simply doesn't need to engage Council members. Moreover, the more this happens the greater the danger that lay leads will get drawn into the areas of management responsibility, albeit that there is wide awareness of this danger.

6.5   There is one new area, namely risk management, which it has been decided should be the subject of dual assurance. This, I believe, is absolutely appropriate as Council does need to satisfy itself if that 'risk' is being managed very effectively and indeed that all the key business of the University is subject to robust risk assessment. Council should also consider the risk appetite it is willing to adopt as a basis for considering major developments in which the University may wish to engage (for example further borrowing to enable capital development). The Chair of Council will take the lead in this D.A. Engagement, and while in principle it seems to me less desirable for the Chair to be a D.A. lead, Sarah Turvill has enormous experience and knowledge of risk management and is the obvious person to provide the lay lead, at least initially, in this new D.A. Engagement.

6.6   There is, as the Steering Group recognises, a need to 'tighten up' on various aspects of the D.A./D.E. process. There is no consistency in the way the various engagements operate or in the style of the papers prepared for the meetings and in the formal record which is kept of the engagement. I suggest there should be a common format based on best practice and be written in a way which makes it easy for other members of Council to comprehend. The meetings should be held on a regular basis with the minutes readily available in a timely manner to all Council members. It should also be open to any member of Council to attend an occasional D.A./D.E. meeting as an observer.

6.7   At present the D.A./D.E. leads seem to be appointed for an indefinite period but I suggest good practice would be to make these key appointments for a defined period (of perhaps three years) to allow for rotation of engagement among the members of Council. While it is advantageous for the lay lead to have a real understanding of the business area in question (often through their own professional knowledge and experience) this requirement can be over-emphasised. The key role of the lay member is to provide reassurance to Council from a governance perspective, not to provide technical/ professional assurance which should be sought in a different way if required.

7   MEETINGS OF THE FULL COUNCIL

7.1   The reduction in the number of Council Committees and the operation of the Dual Assurance system means that in principle more of the decision-making of Council is concentrated in the meetings of the full Council than is the case in other universities. In recognition of this consequence of the University's governance structure, Council meets seven times a year in contrast with the four or five Council meetings a year typically found in other Russell Group universities. The formal Council meetings are now preceded by reports on the various dual engagement business areas and by presentations on topics of current concern. This makes for a full day's engagement on the part of members and there is often a discussion over dinner on the previous evening. All in all, the time demands on members are considerable and some of the implications of this are considered later in this report.

7.2   The University has adopted the principle that major items coming to Council should be discussed on at least two occasions. The first discussion (often at one of the away day meetings) provides for a wide-ranging exploration of a topic but without the expectation that this would lead to firm conclusions or a decision. At a later stage, perhaps many months after further detailed work by the Executive (and perhaps involving an informal task group), the issue will be brought to Council with a firm proposal or recommendation. In the intervening period there may also be verbal update reports given to Council. The key items, when presented for decision, are usually the subject of a very full and lengthy paper which typically concludes with a single recommendation from the Executive, but the construct of a typical paper does not present alternative proposals for Council to consider and decide upon. It follows that while the Council is presented with a huge amount of information, its role tends to be reduced to giving formal and final approval to a proposal which gives the impression of having effectively been decided elsewhere.

7.3   Furthermore the adoption of the Part I and Part II agenda means that it is rare for matters in Part II to be brought forward for discussion. Even quite significant matters such as the reports from the Audit Committee, not even excluding its Annual Report, are not discussed by full Council; and yet many of the Part I items are essentially information items which do not require any decision from Council although they take up a significant part of the time of the Council meetings. While matters are not hidden from Council and it has the reassurance provided by its D.A. leads, I believe the papers and agenda should be restructured to provide for more active engagement of the full Council in the key issues which require decision. This may mean bringing a paper to Council at the middle 'developmental' stage of determining an issue, namely while the options are under consideration but before a firm conclusion and recommendation are ready for Council to consider.

7.4   There would also be benefit, I suggest, in reducing the length of Council papers by giving the factual detail and supporting evidence in appendices or even making such material available online through the Council intranet. The whole agenda could also be shortened, and the volume of papers going to Council reduced, by weeding out material which just doesn't need to be submitted to the full Council. Much of this material is in the Part II agenda, but even then why does Council, for example, need to be informed of the full calendar for the University, as was the case with the February 2014 agenda? Of course, Council members who wish to access material about any aspect of the University's activities (other than personal data) should be able to do so via the intranet. The recently instituted monthly e-bulletin is also a valuable way to keep Council members up-to-date while reducing the volume of report items on the normal agenda.

7.5   A key aspect of good governance is that there should be regular and effective constructive challenge by the members of Council. This should be (and I believe it is at Exeter) welcomed by the Vice Chancellor and Executive but it does also require that the appropriate items are on the agenda and that there is time for this constructive exchange to take place.

8   COUNCIL COMMITTEES

8.1   At the University of Exeter the word 'Committee' carries very negative connotations. As one member put it 'Committees are cul-de-sacs into which good ideas are lured and quietly strangled'. My impression is that the former structure of the University's governance, which included many committees, did not work well and that ineffective Committees were largely to blame. There are three Committees which are required under the CUC Governance Code (Audit, Nominations and Remuneration) and in the following section I comment on the operation of these three and other Committees and outline the case for establishing a Finance Committee (albeit that the Steering Committee has shown no enthusiasm for this proposal).

8.2   The general benefit of a Committee which works well is that it can allow the parent body to delegate issues which it has neither the time nor the need to consider as a full body. It can also allow for detailed prior consideration of issues in a way that clarifies options and assists the Parent Body to concentrate on the key issues before it decides on the matter. The criticism from those who are involved in both stages is that they have to discuss the same matter twice and that takes time. However, as with the passage of a bill through Parliament, a 'second reading' will often improve the outcome on major issues, and of course the second discussion involves many who have not been part of the first stage consideration. Less significant matters should

be delegated to the Committee to determine without the need for further discussion by the Parent Body.

8.3   A Finance Committee?

My proposal that the Council establishes a Finance Committee (which, to my knowledge exists in every other UK university) was based on the view that it would allow much better scrutiny of financial issues and greater engagement in financial policy development (as opposed to taking the final decision) than is possible if all financial matters are determined by the full Council. Exeter's Council membership includes a number of members with every extensive financial experience but the Dual Assurance system concentrates the process of financial scrutiny outwith the full Council on Richard Hughes as the D.A. lay lead. He clearly does an excellent job as Pro Chancellor leading in this area, and in many other old universities his equivalent would carry the title of Treasurer and would be Chair of the Finance Committee. The University faces some huge financial challenges over the coming years (e.g. the uncertain tuition fee environment, its high capital borrowings with still the need for further investment, the future of the student loan book, Pension liabilities, etc.) and I believe Council would greatly benefit by establishing a Finance Sub-Committee which could bring other members into earlier discussions with key members of the Executive and with Richard Hughes as the Chair. A Finance Committee would also enable non-lay members of Council to be involved in the development of financial policy, as happens in other universities.

I recognise I am making a proposal which goes against what has quickly become the Exeter 'cultural grain'. I believe, however, there is acceptance of the principle of broadening the involvement of members of Council in policy development outwith the full meetings through the use of task groups to address major issues.

8.4   The Audit Committee

Having attended one meeting of the Committee and reviewed the papers of the Audit Committee over the last year, it is clear that the Committee works very effectively and has a strong membership including the co-opted members who bring valuable added expertise. The terms of reference provide for the membership to comprise no fewer than three members of Council with a quorum recently raised to three. Five members is, I believe, a good size for the Committee and I doubt there is any benefit of appointing a further member of Council to the Committee, bearing in mind the pressure on members' time.

I have already commented that the senior lay members with the finance portfolio should not also chair the Audit Committee. This is in no way a criticism of Richard Hughes, who I observed at the Audit Committee being very challenging, but rather an observation that best governance principles (including those in the CUC Code) make clear there should be a separation of these roles.

There is one other issue that the Committee needs to be mindful of. The fact that the University has no Finance Committee means that there is tendency for some issues, which are not strictly matters for the Audit Committee, to be considered by the Committee for want of another forum in which they can be discussed. Provided the Committee and its Chair are alert to this possibility, this need not be a significant problem.

8.5   The Nominations Committee

I attended one meeting of this Committee which carries the key task of recommending the appointment of new members of Council and oversees the appointment of lay Officers and D.A./D.E. leads. To ensure there is a good balance in the membership of Council, the Committee has, for some years, used a template of skills and experience which might ideally be included within the membership of Council. This is good practice and has undoubtedly helped the University to appoint a very effective group of Council members with a wide range of skills and experience.

The Committee also needs to be mindful of diversity issues in regard to the membership of the Council. The gender balance is relatively good compared to many other governing bodies, but ethnic balance, disability and age balance need more consideration and action. The template used to help the Committee identify the 'gaps' it needs to consider when deciding new appointments to Council could be developed by having a vertical axis covering diversity characteristics to complement the horizontal axis covering skills / experience factors. A very high proportion of the lay members on Council are Exeter Alumni, and undoubtedly the University's graduates provide a rich source of highly capable and committed members. However it is probably undesirable for any university to have a governing body who lay membership is almost entirely drawn from its alumni, so this issue should be kept under review.

The University has invited, via the Press, 'Expressions of Interest' from persons interested in joining the Council and this is good practice. However, experience elsewhere has shown that the best results come from combining advertising with head hunting for potential lay members, but doing so against the template to guide the search for those that would best fill vacancies in the

collective 'skills set'. The Committee should then seek to maintain and regularly update a long list of potential appointees.

Consideration could be given to extending the membership of the Nominations Committee to include one or more of the non-lay members of Council.

8.6   The Remuneration Committee

There is growing public interest in the issue of senior staff salaries in universities and there have been criticisms in the Press of what are perceived as very high salaries awarded to some Vice Chancellors. The issue has also been picked up by the Business Secretary in his annual guidance letter to HEFCE. It follows that Council needs to be reassured that the University is managing its approach to the remuneration of senior staff in a rigorous manner and that it would be well able to defend its actions if challenged.

I have reviewed the approach taken by the Remuneration Committee including the form of papers and information it receives. The University has been very open in its public statements of the approach adopted by the Committee, including a commendably full statement published in the Annual Report and Accounts. The Committee also oversees salary increases for all staff at professorial and equivalent level as well as for the most senior staff in the University and this is good practice.

The Committee's membership comprises the three Pro Chancellors, the Vice Chancellor (except, of course, when his salary is under discussion) and one other senior lay member of Council and this is a fairly common pattern in universities. Some universities have co-opted an independent member onto their Remuneration Committee and this is something worth consideration. This might, in particular, enable the Committee to draw in someone with significant public sector/higher education experience to balance the predominantly private sector backgrounds of the current lay members of the Committee.

The Remuneration Committee meets twice a year and submits regular brief reports to Council. These, however, are contained in Part II of the Agenda and I understand have not been the subject of discussion by the full Council. Good governance practice would suggest that the Council should explicitly consider the framework used by the Remuneration Committee to determine senior salaries in the University. This means both approving the total sum within which the senior salaries should be set and the basis of the bonus schemes which are used as a part of the reward structure. To that end, I understand the Director of H.R. is engaged in a review of current practice with

consultant support and that the Remuneration Committee will consider the outcome of this review in July prior to proposals being submitted to Council.

8.7   Standing Committee of Council

Council has established a Standing Committee comprising the Pro Chancellors and Vice Chancellor, the Senior Deputy Vice Chancellor and Chief Operating Officer to deal with urgent issues 'which may arise between meetings of Council and which cannot wait till the next meeting of Council'. The terms of reference do not allow it to 'initiate consideration of issues or to make major strategic decisions'. The latter provision is constitutionally quite proper as otherwise it would undermine Council's authority. However it does not seem reasonable to preclude allowing Standing Committee of Council to initiate consideration of issues. If, for example, the University was faced with a sudden serious crisis before the issue could be considered by the full Council, it would be entirely reasonable and helpful for an urgent meeting of Standing Committee to be summoned for an initial discussion and consideration of proposals to be put to Council.

The Standing Committee of Council seems not to have met recently but could help full Council to deal with some more formal business. For example, another university uses this body to receive formally the schedule of documents to which the University Seal has been fixed and to receive details of highly sensitive information relating to commercial property transactions.

8.8   Other Committees / Joint Committees with Senate

There are two other Committees which report to Council and exist in part to meet statutory/legislative requirements, namely the Health and Safety Committee and the Ethics Committee, both of which make reports directly to Council.   A third Committee which serves a similar purpose is the Equality and Diversity Advisory Group and which, in many other universities, would be a joint Committee of Council and Senate. For a reason I do not understand, Equality and Diversity is a separate Dual Assurance business area whereas H.R. and Health and Safety are joined in a single business area. But in addition, I doubt there is added benefit of having formal Dual Assurance Engagement meetings in addition to having Committees covering these same areas and whilst Council also quite properly receives an Annual Report on Health and Safety and another on Equality and Diversity. There should, without removing Council's oversight of these key areas, be an opportunity for designing a more streamlined system.

9 COMMUNICATION AND FLOW OF INFORMATION TO AND FROM COUNCIL MEMBERS AND THEIR ENGAGEMENT WITH THE WIDER UNIVERSITY

9.1 Nobody I interviewed expressed a view that they had inadequate access to information about any aspect of the University and that matches my observation that there is a very significant flow of information to members of Council. The challenge, however, is to provide more targeted high level data which is directly relevant to the key role of Council policy determination. In this context there would be great benefit if the Council website were developed to provide ready access to key information to support Council members in fulfilling their governance role. For example, the KPIs could be readily accessed through this site and be updated whenever new data became available. Various 'report' items could be lodged on the website and thereby reduce the volume of material which is attached to the Council agendas. This would complement the very useful e-bulletin to Council members which has recently been introduced.

9.2 More thought, I suggest, should be given to how Council's visibility can be raised among the wider University community. The proposal to issue an annual report from Council for circulation in the University may be one helpful means of doing so. Council members also need more opportunity to visit the departments and centres in the University and to meet staff and students. This could be planned as a central part of the additional 'Council Days' planned for next session.

10 OTHER ISSUES

10.1 Senate Effectiveness Review and Senate's Relationship with Council

It is generally recognised that Senate is not operating effectively and that its relationship with Council is almost non-existent. The separate Senate Effectiveness Review is making good progress and will, I believe, bring forward proposals for desirable and necessary changes to enable Senate to perform a key valuable role in the University. In particular, as in other universities, Council should be able to look to Senate for advice and reassurance in regard to the University's education and research agendas. In so doing, Council will need to reassess the parallel role of the Dual Assurance engagements in regard to education and research.

One particular idea which is under consideration is for there to be an annual meeting of Council and Senate (which might take place on the morning before a regular Council meeting). This would seem a valuable idea and one which will hopefully be welcomed by Council.

10.2 Membership and Size of Council

The recent increase in the number of lay members by one brings the total membership to 22 which is well within the CUC Code suggested maximum size of 25 for a governing body. There are fewer Senate members than in many other Russell Group universities and an increasing number are providing for two student members of the governing body (the regular invitation to the FXU President to attend means this is in effect met at Exeter). The inclusion of two Deputy Vice Chancellors (Provost plus Senior DVC) as members is less normal now that Council's have become smaller. In some others either only the Vice Chancellor is a member or just the Vice Chancellor and Provost/Senior DVC.

The move towards smaller governing bodies is partly driven by the view that decision making/discussion is more difficult when so many people are engaged. The problem is exacerbated when there are also many people 'in attendance'. At Exeter the number in this group who regularly attend is in excess of ten plus others who are invited to specific items. Thought should be given to whether all those who attend for all of each Council meeting need do so or whether Council would function better with fewer people in the room.

It is, of course, the case that there need to be sufficient members to fulfil the many tasks that Council members need to undertake. However it is possible to co-op lay members (as happens with the Audit Committee) without them also needing to be members of Council itself as for example I have suggested with the Remuneration Committee.

10.3 Induction and Training of Council Members

The University runs a one day induction programme for new Council members and this is said to be well received. A session could usefully be added to brief members on the role of Senate and its relationship to Council. There are a number of external seminars and events provided by CUC/LFHE and these have sometimes been attended by Council members.

I suggest, however, that ultimately, although resources intensive, the induction/training requirement for each new member should be established when they join Council and then a tailor designed programme needs to be agreed with them and delivered as efficiently as possible.

10.4 Task and Finish Groups

As part of the restructuring of the Council Committee structure and the introduction of the Dual Assurance system, the University established the 'task and finish group' system. This is an excellent means of engaging a wider number of people in the process of policy development and finding solutions to problems. However the number of such groups has grown hugely, and in

some cases the groups show no sign of finishing! A review of their role and operation seems timely.

10.5 Performance Review

The interviews of Council members reveal a lack of confidence that adequate systems exist to review the performance of departments and operational units within Colleges and Professional Service Directorates. This is not the explicit function of the D.A./D.E. system and moreover this system essentially relates to the professional service areas of the University rather than the academic groups. VCEG may wish to review this issue, including deciding how a performance review system could include an external perspective on operational effectiveness.

10.6 Revision of the Charter and Statutes

There have been a number of piecemeal amendments to the statutes in recent years but there are still aspects of the current provision which require further consideration. For example, Section 6 relating to the Deputy Vice Chancellors states that they 'shall be appointed by the Council from among the past or current members of the Senate taking office as Deans of Faculty or College and the current members of the Professoriate…..'.   In many Russell Group universities there is a preference to look first for an internal candidate to fill these key senior posts, but if there are no suitable or willing candidates available then universities increasingly advertise externally. That latter option, even for the new post of Provost, is not allowable under Exeter's Statutes.

It would seem timely to undertake a comprehensive review of the Charter and Statutes to ensure they are appropriately formulated to meet the University's Mission and Structure.

10.7 Demands on the Time of Council Members

The University makes unusually heavy demands on its external members and I believe it needs to be mindful of this fact and not to ask for more of their time than is reasonable or necessary. As I've pointed out above, seven meetings of the governing body per year with pre-meeting briefings is already above sector norms. Allowing for travel, preparation for meetings and attendance at dinners, this already amounts to around 15 days per year. Involvement in Committees and/or Dual Assurance Engagements could easily double this time commitment.

One consequence is that membership of Council becomes an unmanageable proposition for many potential members who might have a hugely valuable contribution to make, particularly if they are at a very busy 'career building' stage of their professional lives. That in turn will adversely impact on the

diversity of the membership of Council, particularly in the context of age diversity.

It follows that the University should be mindful of the demands it makes on its Council members, particularly of lay/external members. There are some demands on the time of lay members which could readily be reduced. For example, Exeter is unusual in continuing a practice long ago dropped by other equivalent universities of requiring a lay Council member to serve on the Appointing Committees for Professors. In practice, this task falls disproportionately on the more local lay members but it can demand several days per year of their time in fulfilling a role which is not an essential governance requirement.

10.8   The Role of Secretary to Council and Support for the Governance Process

It is important to highlight the role of the Secretary of the Council in supporting good governance processes. As the CUC Code makes clear, 'in carrying out the role the Secretary should be solely responsible to the governing body and should have a direct reporting link to its chair for the conduct of governing body business'. As in many other universities, at Exeter the role of Secretary of Council is combined with other major responsibilities carried out by the Chief Operating Officer. The recent changes in persona mean that the situation has been in a state of flux, but it is important that the key role of Secretary of Council is clearly recognised together with the direct reporting line to Council.

A related issue is the extent to which the University has allocated sufficient resource to supporting the governance function in general and Council in particular. My knowledge of comparative practice elsewhere suggests that Exeter is not providing adequate support in this area. This is in no way a criticism of those supporting this function who do an excellent job. However I do believe that some additional resource will be needed if the proposals under discussion by the Steering Group, along with suggestions I have made in this Report, are to be implemented.

11   RECOMMENDATIONS

11.1   Council should review the compliance with its Statement of Primary Responsibilities on an annual basis.

11.2   Council should approve a Scheme of Delegation making explicit those matters which it has delegated and to which other body or University Officer this delegation is made. The Scheme of Delegation should be reviewed annually.

11.3   The Dual Assurance / Dual Engagement process should be subject to review to tighten up on procedure including ensuring greater consistency in the process between different engagements and the avoidance of spending time reviewing issues which are clearly executive responsibilities and not matters which have governance implications. The total range of D.A./D.E. business areas should be reviewed with the aim of reducing the total number.

11.4   The Nominations Committee should consider rotating the D.A./D.E. leads and appointing each for a set period of three years.

11.5   It should be open to any member of Council to attend an occasional D.A./D.E. meeting as an observer.

11.6   The format for Council meetings should be reviewed to reduce the number of 'for information' items on the main part of the agenda, moving them either to the morning briefing sessions or providing 'online' briefings.

11.7   Those items which require approval by Council should be presented in a way which encourages participative discussion and the review of options as well as the consideration of a recommended course of action. On major issues, whenever possible, a discussion paper with a review of options should be submitted to Council ahead of a final paper with a recommendation for approval at a subsequent meeting.

11.8   The range of items included in the current Part II agenda of Council meetings should be subject to review. Certain key items should be 'lifted up' into Part I to ensure proper review and discussion by full Council. Other formal / information items should be removed but still be available for reference on the University / Council websites.

11.9   Council should consider establishing a Finance Committee to allow much better scrutiny of financial issues and greater engagement in financial policy development than is possible when all matters are determined by full Council.

11.10   Whether or not Council decides to establish a Finance Committee, it should consider how the non-lay members can be engaged in Council Committees, the D.A./D.E. system and other Council discussions which take place outwith the full Council meetings.

11.11 The membership of the Audit Committee need not be greater than five but if Council wishes to increase the size to six it should do so by the co-option of a non-Council member.

11.12 The Pro Chancellor who leads on finance issues should cease to be chair of the Audit Committee.

11.13 The Nominations Committee should develop the template it uses to guide the appointment of new Council members to include diversity factors.

11.14 The identification of potential new Council members should involve an active 'headhunting' process as well as through newspaper advertisements.

11.15 The reports from the Remuneration Committee should be subject to active discussion and approval by Council with particular reference to the total sum allocated for senior staff salaries and to the schemes, including the bonus schemes, used by the Committee to determine reward.

11.16 Standing Committee of Council should be acknowledged as a useful means for Council to deal with certain kinds of business and, on urgent issues, for helping determine the questions Council will need to address.

11.17 The means by which Council receives the assurance it needs with regard to Ethics, Equality and Diversity and Health and Safety should be reviewed to avoid duplication of role and unnecessary work between the respective Committees and the Dual Assurance engagements.

11.18 The Council website should be developed to facilitate the flow of information to members of Council and reduce the volume of material circulated with the agendas of each meeting.

11.19 More thought should be given to how Council's profile can be raised among the wider university community. Additional means should also be developed to allow Council members to visit different areas of University and to meet staff and students.

11.20 Council needs to consider how it can develop its relationship with Senate including seeking Senate's assurance in regard to the University's education and research agendas.

11.21 Council should consider whether the current membership of Council remains appropriate. It should also consider the extent to which non-members should be 'in attendance' throughout all meetings of Council.

11.22 There should be a review of the full range of Task and Finish Groups to establish whether they are performing a continuing useful function.

11.23 VCEG should consider how best to review the performance of departments and operational units across the University and report back to Council.

11.24 The University should conduct a review of the Charter and Statutes to ensure they are appropriate to guide the University into the future.

11.25 The University should be mindful of the demands made on the time of Council members, particularly its external members, and avoid calling on them when this is not a necessary part of a good governance process.

11.26 The key role of Secretary to Council (separate from the role of Chief Operating Officer) and the direct reporting line to Council should be explicitly recognised. The University also needs to ensure that sufficient resources, including staffing, is available to support Council and the governance process.

John Lauwerys

14 May 2014