Governing Bodies

The composition of a governing body, the role of committees and effectiveness, as well as the detailed work of the individual committees

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Advance HE

Contents

1. Membership, operation and effectiveness

Size, composition and skills: the size of the governing body, the mix and balance of its members' skills, the membership of committees, the extent of diversity among the membership and succession planning all affect how successfully it operates.

1.1 Briefing note 12: Size, composition and skills

The composition and characteristics of governing bodies, including size of membership and the knowledge, skills and expertise of the members are important factors affecting a governing body's effectiveness. Mindful of the risks of 'group think', attention also needs to be given to the diversity of the membership.

Download the briefing note.

The governance system: offers an overview of an institution's system of governance, including the work of the committees of the governing body, and its effectiveness. Further information on these topics is available from Governors' briefing note No. 13: the governance system and the effectiveness of governing bodies.

1.2 Briefing note 13: The governance system and assessing effectiveness

Higher education has its own distinctive system of governance. For the overall system to be effective, not only must all of the individual elements be effective, but they must work in harmony. Periodically, the governing body should undertake a review of the effectiveness of the system of governance. This may be assisted by use of an independent facilitator.

Download the briefing note.

2. Committees and areas of responsibility

2.1 Audit Committee

The financial memorandum between the funding body and the institution requires the governing body to establish an audit committee. The work of audit committees is to ensure the governing body can be confident about the effective operation of the organisation's processes and systems, the management of risk, and the correctness and integrity of the information provided to governors and external bodies.

The CUC's 'Handbook for Members of Audit Committees in Higher Education Institutions' (2008:6) indicates the audit committee should concern itself with:

- The effectiveness of the institution's risk management, control and governance arrangements, and the arrangements to promote economy, efficiency and effectiveness
- Internal audit arrangements, including advising the governing body on the appointment of the internal audit provider, and oversight of the nature and scope of internal audit and its effectiveness
- External audit arrangements, including advising the governing body on the appointment of the external auditor, and oversight of the nature and scope of external audit and its effectiveness
- Audit aspects of the institution's financial statements, including external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter

While the focus of audit committees has traditionally been on financial records and systems, and this continues to be an important area of work, committees are increasingly concerned with, for example, data quality and returns generally to the institution's funding bodies and the Higher Education Statistical Agency (HESA). Audit Committees will also be mindful of the demands of organisations such as, for example, UK Visa and Immigration, whose actions have the potential to adversely affect an institution's ability to recruit international students.

2.2 Briefing note 14: Audit committee

The audit committee plays a key role in offering assurance to the governing body with regard to internal controls, risk management and governance. Over time the remit of the audit committees has tended to become broader. As a result, there is a need for the committee to have members with a range of expertise and skills, rather than only a background in finance. To discharge its responsibilities, the committee relies upon the work of internal and external auditors.

Download the briefing note.

2.3 Getting to Grips Guide

The Getting to Grips guides provide a comprehensive introduction and overview of key areas of higher education and the responsibilities of governors. Getting to Grips guides are available to Advance HE Members only.

Getting to Grips with Audit covers a large number of issues identified in the area of audit for you to consider in your role as a governor or governance professional.

Download the guide.

2.4 Nominations Committee

A requirement of the higher education codes of governance is that all governing bodies establish a nominations (or similar) committee.

The role of the committee is to make recommendations to the governing body on the appointment of new members, and on the renewal of members whose term of office is coming to an end, but who are eligible to be re-appointed for a further term. The Committee also makes recommendations on the overall size of the governing body's membership.

The Chair of the nominations committee is normally the Chair of the Governing body. Additional members will be drawn from lay/independent/co-opted members, and frequently include the head of institution.

To help inform its decisions on possible new members, the Committee will usually consider a profile of the skills of its current membership and compare this with the skills it considers the governing body should have at its disposal. Recruitment to fill key gaps is likely to be a priority for the Committee. When appointing new members to the governing body, nominations committees are also be mindful of equality and diversity.

When seeking possible new members it is increasingly common to provide a written role description to potential applicants detailing, for example, the responsibilities of a governor and giving an indication of the likely commitment of time required to fulfil the role of governor.

2.5 Briefing note 15: Nominations committee

The nominations committee advises the governing body on the appointment of new ‘lay’ members, and on the membership renewal of ‘lay’ governors who are eligible to serve for a further term, but whose current term is about to expire. When considering the appointment of new members, the committee will need to consider what knowledge, skills and expertise the governing body needs to have at its disposal.

Download the briefing note.

2.6 Board Diversification

Diverse and inclusive boards support institutional success, with the confidence to assure equality, diversity and inclusion matters. Most institutions have issues to address such as widening participation of students from different groups; ensuring fair degree outcomes;

addressing pay gaps; supporting pipelines of diverse teaching and research talent; or connecting with and serving their wider communities. Boards need to be equipped with the range of perspectives and skills to navigate and challenge on these issues.

Find out more.

2.7 Board Diversity Toolkit

Board Diversity Toolkit launched in November 2021 as an output of the Board Diversity Practice Project, run by the University of Gloucestershire, in collaboration with the international executive search firm Perrett Laver as part of Advance HE's 2020-21 Collaborative Development Fund.

The toolkit is designed to help member institutions to improve the diversity and inclusivity of their governing bodies, whether as a Secretary, Chair of Governors, Governance and Nominations Committee member, or anyone interested in tackling under-representation and aiming for inclusion at the Board level in the higher education sector.

Find out more.

2.8 Illustrative Practice Notes

In partnership with the Committee of University Chairs (CUC), we have developed an Illustrative Practice Note on the role of the nominations committee to support governors and share practice from governing bodies throughout the UK.

Download the Illustrative Practice note.

2.9 Remuneration Committee

Governing bodies are expected to establish a remuneration committee. The committee's role is to determine and review the salaries and the terms and conditions of the head of the institution and other senior post holders.

Membership of the committee is expected to include the chair of the governing body and at least three other independent/lay/co-opted members and, where such a position exists, the 'lay treasurer'.

The head of the institution may be a member of the committee and is expected to be consulted on the remuneration of the other senior post holders. They should not however be present during any discussion of their own remuneration.

The committee is expected to obtain and use comparative data to help inform its judgment as to the level of remuneration the head of the institution should receive.

2.10 Briefing Note 16: Remuneration

This briefing note summarises the work of the remuneration committee. The committee's work includes determining the remuneration of the head of the institution and other designated senior post holders. The committee operates with delegated authority, reporting and making recommendations to the institution's governing body for its approval.

Download the briefing note.

2.11 HE Senior Staff Remuneration Code

The Committee of University Chairs (CUC), Remuneration Code encompasses three core principles: fairness, independence and transparency. These principles are key to ensuring that pay levels are both reasonable and appropriate, and also allow HE stakeholders to have confidence that resources are being used effectively.

CUC commissioned Advance HE to undertake an independent review of the Higher Education Senior Staff Remuneration Code (the Remuneration Code), in order to establish if it remains fit for purpose. You can read more here.

Access the code.

2.12 Employment

Staff are the key asset of a higher education institution, but also its largest recurrent cost. The effective and efficient management of human resources is central to the organisation's success, and an aspect of the organisation requiring the close attention of managers and Governors.

Governing body employment responsibilities include:

- Appointing the head of institution and other senior post holders, and determining their pay and conditions. Appointing the 'right' head is often an important factor in determining the future success of the institution. Processes vary by institution, but typically involve the establishment of an appointments panel, and frequently consultation with other stakeholders (who might include staff, students, alumni, Court) to agree the type of individual sought.
- Acting as the employing authority for all staff of the institution. As the institution employs its staff as an independent legal entity, the governing body is responsible for all matters of fundamental importance, highlighting that it should give appropriate attention to the institution's staffing strategy.

2.13 Briefing note 17: Employment

The governing body's responsibilities extend to matters of employment, including appointing the head of the provider and acting as the employing authority for all staff. Governing bodies should ensure that, linked to the strategic plan, that there is a human resources strategy and an associated action plan. They should further keep under review the strategy and action plan, and monitor the outcomes arising from their implementation.

Download the briefing note.

2.14 Getting to Grips Guide

The Getting to Grips with Human Resources Management provides an introduction to the role and responsibilities of governing bodies in relation to human resources.

Download the guide.

2.15 Finance

While the governing body has the collective and ultimate responsibility for ensuring the financial health of the institution, in some (but by no means all) institutions the detailed work on finance is delegated to a Finance (and/or Resources) Committee, which reports to the full governing body.

The responsibilities of the governing body as they relate to financial matters, typically include:

- Ensuring the solvency of the institution and safeguarding its assets
- Approving the financial strategy, and being mindful of the institution's longer-term sustainability
- Approving annual operating plans and budgets
- Ensuring that funds provided by external funding bodies are used in accordance with the terms and conditions specified by the provider of the funds
- Ensuring the existence and integrity of risk management, control and governance systems and monitoring these through the audit committee
- Receiving and approving annual accounts (audited financial statements)
- Monitoring financial performance

2.16 Accounting requirements

For accounting periods starting after 1 January 2015, higher education providers have been required to adopt FRS 102, the reporting standard for the United Kingdom (UK). Alongside FRS 102 a new Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 was issued. The SORP recommends particular accounting treatments and disclosures in relation to a narrower area of activity. Regulators in each of the national jurisdictions expect higher education providers to prepare their financial statements with regard to the SORP.

Following the Triennel Reveiw of FRS 102, an updated version of the SORP applying to Further and Higher Education was published in September 2018.

Although not containing major changes when compared to the previous edition, the updated SORP provides helpful information for governors and governance professionals not just about technical aspects of accounting, but also on helpful information on the following topics:

- the additional disclosures over-and-above those detailed in FRS102 required by the SORP (see paras.1.9 and 1.10)

- the relationship between the SORP and the Accounts Direction issued by the higher education ‘regulator’ in each of the national jurisdictions of the UK (see paras. 1.16 and 1.17)
- the definition of a public benefit entity (see para. 3.14 and 3.15), and public benefit reporting (see paras.3.18-3.22)
- and on what a governing body should consider when making an assessment of whether the institution can be deemed to be a 'going concern', namely:

‘In making this assessment an institution’s governing body must take into account all available information about the future for at least, but not limited to, 12 months from the date on which the accounts are prepared.’ (para. 3.27)

2.17 Briefing Note 18: Finance

This briefing note examines the area of finance. Higher education institutions are independent entities and governing bodies need to oversee the institution’s financial health. They need to ensure the institution is both solvent and sustainable.

Download the briefing note.

2.18 Getting to Grips Guide

The Getting to Grips with Finance provides a useful introduction and overview to the topic of finance.

Download the guide.

2.19 Estates

An institution's attractiveness to students and staff, its operational efficiency and its longer-term sustainability are all influenced by the quality and capacity of its physical estate and related infrastructure.

Fundamental decisions about an institution's physical estate frequently involve major strategic decisions, and require significant amounts of capital expenditure. As the governing body is responsible for 'all matters of fundamental concern' it is generally involved in making these decisions.

The detailed work on estate matters may, in some institutions, be undertaken by a board committee. This might be an Estates or Planning and Resources committee, or alternatively, the Finance and Resources or Finance and General Purposes committee. Where such committees exist, they will work with delegated authority, and report and make recommendations to the governing body.

On occasions the governing body may decide to set up a project group to oversee the strategic development of the institution's estate, including, for example, in cases where a new campus is being proposed.

2.20 Briefing note 19: Estates

The provider's estate typically consumes significant amounts of capital expenditure, and forms the large non-pay item in most provider's revenue budgets. Capital expenditure to maintain or improve the asset base, plays an important role in attracting staff and students to a provider. A provider's estate, its built environment, is an area of 'fundamental concern' to the governing body and one where it is expected to take all final decisions.

Download the briefing note.

2.21 Good practice guidance

The Association of University Directors of Estates (AUDE) published Estates Strategy Good Practice Guidance 2013. This offers a 'simplified good practice guide' to the development of an estates strategy for their members.

AUDE produces an annual HE Estates Statistical Report, which includes trend data.

Find out more.

2.22 Statistical information

The Higher Education Statistical Agency collates information submitted in their annual Estates Management Statistics (EMS) return by institutions. The information is used by HESA to publish the annual Estates Management Record for Higher Education Providers. This includes comparative data allowing institutions to make peer comparisons and undertake benchmarking.

Find out more from HESA.

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Our strategic goals to enhance confidence and trust in HE, address systemic inequalities and advance education to meet the evolving needs of students and society, support the work of our members and the HE sector. We deliver our support through professional development programmes and events, Fellowships, awards, student surveys and research, providing strategic change and consultancy services and through membership (including accreditation of teaching and learning, equality charters, knowledge and resources).

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