

THE COUNCIL

Council Governance Review Report

This paper provides a report and recommendations from the Group established to undertake a review of the effectiveness of the University's Council Governance. The Review was conducted during the period January to June 2016 and was supported externally by the Good Governance Institute.

The Council is asked to

- a) **comment** on the Good Governance Institute Report (Appendix); and
- b) **agree** the recommendations from the Council Governance Review Group (paragraphs 9-11).

INTRODUCTION

1 The Council agreed at its meeting in November 2015 to establish a Group to review the effectiveness and performance of the Council and its substructure in accordance with good practice set out in the Committee of University Chairs (CUC) Higher Education (HE) Code of Governance and the Scottish Code of Good HE Governance.

2 The Group comprised:

- a) a Chair, who is a lay member of the Council - Richard Gillingwater, Pro-Chancellor
- b) two external co-opted members of the Council - Paul Greenwood, Dr Shonaig MacPherson
- c) two appointed members of the Council (University staff and students), one of whom is a Senate appointed member *and one of whom is a student**

Professor John Wolffe, Jake Yeo*

*Ruth Tudor, President, OU Students Association had been proposed as the student member of the Review Group. However, due to other commitments, Ruth delegated this role to the OU Students Association General Manager, Rob Avann. As Mr Avann is not a member of the Council, he could only be 'in attendance' at the meetings of the Review Group. Consequently, another Senate member, Jake Yeo, was appointed in category c).

3 The Good Governance Institute (GGI) were appointed to support the Review Group in accordance with good practice set out in the Scottish Code of Good HE Governance. The methodology followed by GGI is set out in section 2 of their report (Appendix, page 9).

- 4 The Review Group itself met four times as follows:
- January 2016 (by correspondence) to consider a project plan;
 - March 2016 to approve the project plan and consider reports prepared by the Governance Team on the recommendations of previous reviews, lessons learned from recent governance failures and sector benchmarking;
 - May 2016 to consider an oral report from GGI on the interviews and surveys they had conducted; and
 - June 2016 to consider GGI's draft report with recommendations.
- 5 GGI found that the University's governance arrangements served the University well, that the governance system was 'sound' and that business was being effectively discharged. A radical review was not felt to be needed particularly at a time of great change for the University, both internally and externally (note the report was finalised prior to the Brexit vote which adds a further challenge). GGI did however recommend that the University's governance arrangements be strengthened to meet the challenges the University faces and to support its ambitions as set out in the Students First Strategy.

RECOMMENDATIONS

- 6 Section 7 of GGIs report (Appendix, page 36) sets out 12 recommendations under the following headings – Core Governance, Governance Support and Enabling Actions - which together form a package of suggested change.
- 7 Following discussion of the report by the Review Group at its meeting in June 2016, the 20 recommendations set out in paragraphs 7 to 9 below are now made to the Council by the Review Group itself. These include some of the more detailed recommendations set out in the main body of the GGI report.
- 8 Of particular concern to the Review Group in making these recommendations was the need to ensure the full Council itself operated effectively and the need to ensure shared understanding of the respective roles of the Council and the Senate such that overall governance of the University operated effectively.

CORE GOVERNANCE

- 9 The Council is asked to **agree**:
- a) that the size of Council be reduced, but the size of the reduction and the balance of membership be referred to the new Governance and Nominations Committee for report back to the Council in November 2016 with a final recommendation and plan to achieve it;
 - b) that the Senate, through the Academic Quality and Governance Committee, be asked:
 - i) to advise the Governance and Nominations Committee on the balance of Senate's membership of the Council; and
 - ii) to consider the GGI report as a whole and report back to the Council in November 2016 on the implications for its own effectiveness;

- c) that Council's Committees be rationalised down to four primary committees:
 - i) Finance and Resources
 - ii) Governance and Nominations, with Remuneration as a subcommittee
 - iii) Audit
 - iv) Ad-hoc committees, time-limited as required, e.g. Strategy and Planning to support major reviews of the University's strategy;

10 These committees will have the power to establish subcommittees when required. The Finance and Resources Committee will give consideration to incorporating the work of the Investment Committee or to retaining the Investment Committee as a sub-committee in developing its own terms of reference.

- a) as a consequence of recommendation c) to disestablish the Strategic Planning and Resources, Staff Strategy, Estates, Development and Health and Safety Committees;

The University Secretary will report annually to the Council on matters of staff and student health and safety.

- b) to adopt an integrated assurance model in order to consolidate formal governance principles, process, standards and practices into a single framework across the University;
- c) to introduce an annual assessment of risk appetite in full Council;
- d) to refer to the University Secretary for report back to the Council in November 2016 the proposal to develop an OU Impact and Performance Report to strengthen public accounting and openness.

GOVERNANCE SUPPORT

11 The Council is asked to **agree**:

- a) to review the roles and processes for the appointment, induction and performance review of members of the Council and its committees, including Chairs;
- b) to introduce a governance development programme to grow confidence, capacity and the effectiveness of members over time;
- c) to introduce a single code of conduct for everyone engaged in governance activities;
- d) to consider opportunities to increase the value of the time the Council is together through alternative delivery of information updates and presentations to ensure time is available to focus on the implications rather than collective 'listening';
- e) to introduce regular rotation of Council meetings in one of each of the four UK nations and one English region annually to increase visibility;
- f) to introduce a new fifth joint meeting of the Council with the Senate to consider business of joint concern;

- g) that support to all Council committees be provided by the Governance Team to ensure greater consistency;
- h) to introduce a monthly Action log combined with other more informal briefing material to be shared more regularly with members to engage members between meetings;
- i) to undertake a review of the University's Charter and Statutes and supporting regulations, including senior staff appointment procedures, to ensure their fitness for purpose.

ENABLING ACTIONS

12 The Council is asked to **agree**:

- a) to establish a Joint Business Committee to manage the flow of business between the Council, the Senate and the Vice-Chancellor's Executive; the continued need for this committee to be reviewed annually;
- b) to increase the visibility of governance and connectivity between the Council and stakeholders by developing a communications strategy, including a stronger website presence for Council and its members;
- c) to establish short-life Strategic Advisory Groups to support key areas of strategic delivery; the number, membership (including student membership) and areas to be considered by the Vice-Chancellor's Executive for report back to the Council in November 2016;
- d) to refer the setting up of Stakeholder Groups to the Director, External Engagement.

A student stakeholder group formed in partnership with the OU Students Association (OUSA) has been suggested as one group that could pilot an approach to be adopted by other Groups when required. Another could be set up to support the University's 50th Anniversary campaign.

IMPLEMENTATION PLAN

13 Section 6 of the GGI report (Appendix, page 34) suggests a three year implementation programme. The Review Group agrees that it is important to gain momentum and that the changes to Council's Committees, including the Joint Business Committee, be introduced immediately, i.e. from the 2016/17 committee year. A more detailed plan for implementation of all recommendations will be developed by the Governance Team and reported back to the Council in November 2016.

RISK ASSESSMENT

14 As stated by GGI in the concluding section of their report "the governance of the University is sound but will need to be strengthened to meet the challenges it faces and to support the ambition which drives its strategy" (Appendix, page 36). The recommendations provide opportunity to do just this. Failure to implement them could lead to ineffective governance impacting on the University's ability to achieve long term success.

EQUALITY IMPACT

- 15 The importance of having a suitably diverse, skilled and experienced governing body as recommended in the Codes of Governance (CUC and Scottish) is, as noted by GGI, particularly relevant to the Open University. The Council's Diversity Policy is considered elsewhere on the Council's agenda (C-2016-03-18-Appendix). It is recognised that the ability of the University to achieve the objectives set out in that Policy could be impacted by approval of the recommendation to reduce the size of Council. The new Governance and Nominations Committee will monitor performance against the Diversity objectives and report to the Council annually.

COMMUNICATION

- 16 This report is confidential until it has been considered by the Council at its meeting on 12 July 2016. It is intended that it be declassified at that meeting and be published externally in accordance with good practice set out in the Scottish Code of Good HE Governance.

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Attachments:

C-2016-03-16 Appendix: Good Governance Institute Council Effectiveness Review for the Open University Final Report June 2016



Council Effectiveness Review for The Open University

Final Report

A programme from the Good Governance Institute (GGI)

June 2016



Executive Summary

This is an exciting and challenging time for the Open University. In its 50th year it faces a number of significant opportunities and risks which will define its future for the next generation. Effective governance at all levels of the organisation will play a critical role in determining its future success.

Our independent review concludes that the organisation currently takes governance seriously, is well-governed in accordance with its statutory obligations, and is fully compliant with the Committee of University Chairs (CUC) Higher Education Code of Governance and the Scottish Code for Good Higher Education Governance.

Our analysis, based on interviews, document reviews, observations and benchmarking, concludes that it is now timely for the Open University to commit to a programme of governance development in order to strengthen its core structures, processes and relationships. Certain changes are needed to support the University's new strategic priorities and to meet the demands of a rapidly-changing operating environment. This includes strengthening inclusiveness, transparency and agility to make a significant difference to effectiveness.

One of the guiding principles of the review has been to find the best way of balancing the benefits gained by investment in further development of the University's governance against any additional costs that might be incurred.

We make a number of specific recommendations which are designed to be treated as an integrated package.

These include elements which could and should be implemented immediately, not least to ensure key roles and responsibilities are clear, as well as others which would more sensibly be addressed in the longer-term.

The recommendations are as follows, organised under the five main headings of the report:

Governance Structures

We believe there is significant value in setting up a number of **Open University Stakeholder Groups**, each to be chaired by a Lay member of Council. These would be high-visibility groups, with the responsibility for proactive and continuous engagement with stakeholders in a way that directly informs the business of Council, Senate and the University as a whole. These are designed to reduce complexity, bureaucracy and duplication and overall increase the effective use of Council members' time. The recommendation is for a pilot programme of three separate groups covering employers and partners; staff; and students.

The University should consider creating a small number of **Strategic Advisory Groups** to focus on high-priority and complex areas of change. There are a number of strategic priorities where access to additional thinking, exemplary practice and innovation will enhance delivery of change. These short-life Groups would bring together specialist expertise from inside and outside the University, including members of Council, and be responsible to a lead member of the University's Executive team. Each Group would report to Council on an exception basis. We recommend three initial groups linked to the priorities of the new strategy – People and Culture; Digital Transformation and Policy and Influence. These would replace work undertaken in formal committees, with more agile and less restricted vehicles directly supporting strategic change.

The University should set a timescale for reducing the overall **composition of Council** to between 16 and 18 members in order to enhance its strategic focus and decision-making. After considering a number of options we believe the overall balance between members who are appointed and those who are elected should remain broadly the same. We include supporting recommendations on categories of member and on new academic and administrative leadership roles. We emphasise that both student and Senate representation should be retained in proportion to the overall size of Council.

We conclude that the formal **committee structure of Council** would benefit from rationalisation into four primary committees in order to streamline the flow of business around core governance priorities: Finance & Resources; Governance and Nominations and Audit. The current Strategic Planning and Resources Committee, a joint committee with Senate, would become an adhoc committee, specifically used to support development of the University strategy when needed. These changes would allow the skills of members to be deployed to maximum benefit, would enable all Council members to engage in Council business and would release more time for members to engage effectively beyond their commitments to meetings.

We also suggest that an **integrated assurance model** would benefit the whole University. Building on the clear roles and responsibilities set out in current University Charter and Statutes the model would develop a consistent set of principles and standards across the levels of the University. This would include clear statements of primary responsibility, a single code of conduct and clarity on roles, responsibilities and contributions.

Members and Membership

We believe the effectiveness of Council would be enhanced by **re-balancing Council membership**. This would broaden areas of experience and expertise engaged in the business of Council, the OU Strategy Groups and the Stakeholder Groups. We also identify areas of skills and expertise which would potentially enhance the work of Council. In particular, Council would benefit from more lay members with relevant higher, further and commercial education experience.

We also recommend that processes for the **appointment, election, induction, development and deployment** in relation to membership of Council, and its committees, should be strengthened. This will increase the diversity of skills, voice and perspective, generate an enhanced intent amongst members and increase openness and transparency. We see a systemic review as one of the first acts of the newly created Governance and Nominations Committee.

We agree with those who feel that greater priority should be placed on **Council member engagement** in the life of University. To achieve this successfully will require more than the release of members from current time commitments. Engagement must become a more prominent part of the work of all Council members, as part of a clear plan driven by Council to increase both its impact and that of the University.

Council Business

We recommend that Council should also commit to holding its meetings in each of the **four UK nations, including the main English regions**, in rotation across the year. This would be facilitated by the proposed reduction in the size of Council and in the number of committees.

We suggest that the **meeting schedule** for the full Council should also be extended to include a fifth meeting to be held in Milton Keynes. This would reduce the current length of gap between Council meetings. This should include a joint session with Senate, with a business and developmental agenda. This could usefully include an element of retrospective review of decisions taken by both bodies and their impact.

The establishment of a **Joint Business Committee** to manage the flow of business between Council, Senate and the University Executive is suggested to enhance openness and transparency, to reduce bureaucracy and overlap and to enable issues to be raised from within the University which might cut across the specific roles and responsibilities of each body. This committee would be encouraged to oversee the roles, remits and activities of the committees of Council, the committees and sub-committees of Senate and the working groups set up by the Executive. The aim here would be to improve integration, to remove overlaps in purpose and to provide a decisive assessment of when work of value has been completed.

Council business should seek to make the most of **digital engagement** with members and with stakeholders, to increase the effective use of members' time and to extend connectivity. We suggest this should include increased use of social media between meetings, improved access to Council papers and the use of pre-recorded contributions in advance of meetings.

The report includes a number of observations on **Council business**. We recommend that increased time should be devoted in Council meetings to collective decision-making, with a clearer distinction between processes for discussion and development of thinking, requiring an open and engaging environment in which the core business of Council can be conducted.

Governance Development

We see a lot of merit in all members of any University governance body being required to commit themselves to a formal **Code of Conduct**. This would provide an opportunity to consolidate different codes already in existence and embrace new governance bodies being set up in Faculties. The single code would capture a shared set of standards and expectations around roles, responsibilities, behaviours and attitudes which support the core governance of the institution.

The Code could form an important part of an **integrated governance development programme**, timed where possible to complement more formal Council business. This would provide more time to consider issues of substance relating to the direction of the University and the way it works, to increase understanding of what the University does and why and to increase insight and capacity around best practice in governance (such as approaches to risk, impact and performance). Elements of the programme should involve members of Senate members and senior staff, as well as individuals outside the University.

We suggest that the imminent review of the University Charter and Statutes, which we understand is planned to start later in 2016, should be extended to include a root and branch **review of supporting regulations**. From our review it seems that a number of these, for example, those setting the membership of appointments committees, would benefit from a challenge on their fitness for purpose.

Impact and Performance

The report makes a number of suggestions for how the University's **communications strategy** could support greater visibility and connectivity on which governance depends. In relation to Council both a stronger web presence and a **decision map** showing where decisions are made and by whom are suggested. In addition we recommend Charter Day should be developed to include a formal **Annual General Meeting** at which the impact and performance of the University would be shared, with digital access online.

The annual **assessment of risk appetite** in full Council would gain from external facilitation with risk assessments and this should be undertaken by Senate and within Faculties.

We recommend **the evaluation of contribution and performance** needs to be placed on a more formal footing and reported more openly. The current arrangements are not different from many Universities but the introduction of 360 degree assessment, involving the views of key stakeholders, would add value and should be developed over time. Members of the Governance and Nominations Committee should assume responsibility for the effectiveness and reporting of the outcomes.

As a longer-term goal we recommend the development of an innovative **Open University Impact and Performance Report**. This would provide fresh impetus and purpose into governance across the University and take it to the next level. Initially integrating the various strands of assessment and assurance activity undertaken by Council, Senate, the Executive and others across the organisation, the Report could in the longer-term provide the foundation for enhanced public reporting of the organisation's social and economic impact. This would position the University as a leader in the field.

Our report concludes with a suggested implementation programme running over three years. This sets out an approach which could be taken both immediately and longer-term. It would also be sound practice to take independent stock of progress in twelve months.

We would finally express our thanks to those who helped us complete this work by giving freely of their time, ideas, comments and reflections. Any errors or inaccuracies are our responsibility.