

CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Annual Review and Statement of Accounts of Keele University to obtain a better understanding of its governance and legal structure. It covers the period 1 August 2020 to 31 July 2021 and up to the date of approval of the audited financial statements.

The effect of the Covid-19 Pandemic on Corporate Governance in 2020/21

The Covid-19 pandemic continued to have a significant impact on the operation of the University in 2020/21. The vast majority of staff were home working and students learning online. The University rapidly had to make fundamental changes to its governance processes to ensure that decision-making was both agile and transparent and responsive to the fast pace of change in 2019/20 and these remained in place until the end of 2020.

The Council had delegated its authority to a group of senior Council members (the Senior Council Members Group, SCM) which included the Chair, Deputy Chairs and Honorary Treasurer. The Business Review Committee and Nominations & Governance Committee also delegated authority to the SCM. The Council was assured that excessive use would not be made of the delegated powers and that continued, valued input from full Council including staff and student members was ensured. The SCM met virtually on a fortnightly basis and all decisions of the SCM were reported to the Council. In this way, the overuse of Chair's Powers by the Chair of Council was avoided.

At the same time as establishing the SCM, the Council appointed the Chair of the Audit & Risk Committee and Deputy Pro-Chancellor to the role of Senior Independent Member to provide scrutiny and oversight of decision-making.

The delegation was originally put in place until 1 September 2020, but a virtual meeting of full Council was convened on 18 August 2020, and it was agreed that the delegation would continue until 1 January 2021 due to the continued turbulent and unpredictable times and need for swift action. The Council was mindful that the delegation should not continue for longer than was necessary and kept the position under regular review.

The Council remained fully informed of developments throughout the pandemic in the following ways:

- Monthly Webinars on key topics, for example, finance, staff and student welfare, risk management, the effect of Covid-19 on education and research
- Monthly virtual drop-in sessions with the Vice-Chancellor
- Fortnightly reports from the Secretary to Council
- Minutes of the meetings of the SCM
- Copies of all communications sent to staff and students

The Audit & Risk Committee and Senior Remuneration Committee continued to meet throughout but held virtual meetings focussed on essential business.

The Senate initially dealt with some essential business by correspondence, with the Chair taking Chair's action on the final decision, taking into account the comments and feedback received from members and then progressed to virtual meetings of the full Senate.

During this period, the University developed good practice regarding the effective operation of 'e-governance' processes, which will also inform approaches to effective governance during the coming year.

The delegation to the SCM came to an end on 1 January 2021 and the Council, the Business Review Committee and the Nominations & Governance Committee resumed meeting in full, albeit online.

Legal Status of the University

Keele University is an independent corporation and is the successor to the University College of North Staffordshire, founded in 1949. The University derives its legal status from the Royal Charter granted in 1962 (as subsequently amended) and the status of its degrees is recognised by the University of Keele Act 1962. Like many English universities, the University is a charity exempt from registration with the Charity Commission and the Office for Students (OfS) is the principal charity regulator for the University. This means that members of the Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations. An internal review of the University's compliance with charity law requirements in 2021 resulted in the Council being provided with a high level of assurance.

How the University is governed

The University is committed to exhibiting best practice in all aspects of corporate governance. The University, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account the requirements of its funding bodies and the Higher Education Code of Governance published by the Committee of University Chairs (CUC). The University also conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The CUC Code was revised and published in September 2020 and the University is fully compliant. The CUC published a Higher Education Audit Committees Code of Practice in May 2020, which identified the key principles and elements that form an effective Audit Committee. The Council has formally adopted the Code. The University is also committed to the principles of academic freedom and equality of opportunity in its approach to governance.

The University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Modern Slavery and Human Trafficking Statement can be accessed on our website at: <https://www.keele.ac.uk/modern-slavery/>

In line with CUC guidance and sector best practice, the University commissions reviews of Council effectiveness at least every four years, the last one being during the 2017/18 financial year, which was undertaken by the Leadership Foundation for Higher Education. The review concluded that the Council and governance generally was sector leading in a number of areas, for example, board culture, the streamlined and effective approach to decision-making, secretariat support, the Chairing of meetings, briefings on the wider HE policy landscape and a shared commitment and endeavour from members and the executive to ongoing improvements in University governance. The next quadrennial review is due in 2021/22.

The University operates a continuous approach to reviewing the effectiveness of the Council in order to ensure that it maintains its position as an exemplar of good governance. All members of the Council are individually appraised each year and the Chair has a 360 degree review. Each committee reviews its terms of reference on an annual basis to ensure they remain fit for purpose, that the committee has fulfilled its remit, that it has had due regard for the promotion of equality and diversity and that the membership of the committee is appropriate given its responsibilities.

The University's Corporate Governance Framework

The University's powers and framework of governance are set out in the Charter, its supporting Statutes, Ordinances and Regulations. These currently require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council members are sometimes referred to as the Trustees of the University. The Council has a majority of members from outside the University (described as lay members), from whom its Chair and Deputy Chairs must be drawn. Members also include representatives of the University's academic and support staff and student body. For a full list of Council members who have served during the last year see the first page of this report.
- **The Senate** is the academic authority of the University and draws its membership entirely from the academic and academic related staff and the students of the institution. Its role is to regulate and superintend the education, welfare and discipline of students and the promotion of learning and research. The Vice-Chancellor is the Chair of the Senate. A light-touch review of its effectiveness was also undertaken during 2017/18, alongside the review of Council and the next review will take place in 2021/22.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the OfS Regulatory Framework for Higher Education in England, the Vice-Chancellor is the Accountable Officer of the University.

The Council has a number of committees, which undertake a lot of the detailed scrutiny on behalf of the Council and their decisions are reported back to the Council and, where relevant, the Senate. All committees are formally constituted with written terms of reference and have majority lay member representation.

The University has two executive committees with responsibility for Health & Safety and Equality, Diversity & Inclusion, which have lay representation from the Council.

The Council and the Senate hold a joint meeting each year to discuss matters of common interest, and this is just one example of the numerous initiatives to aid the Council's understanding of the academic governance of the University.

The Council approved a new University Strategy 'Our Future' in May 2019, which is articulated through five strands: Purpose, Performance, People, Place and Partnerships. A new set of key performance indicators were developed, and a comprehensive review of the Corporate Risk Register was subsequently undertaken in line with the new Strategy. Performance is reviewed at each meeting of Council and the Corporate Risk Register is reviewed at each meeting of the Audit & Risk Committee and subsequently Council.

Council Committees

The Business Review Committee provides detailed scrutiny on behalf of the Council on matters concerning the operation and financial sustainability of the University. It receives and recommends approval to the Council of the draft budget, financial forecasts and statutory accounts, monitors financial

performance against agreed plans and budgets, receives reports on the University's wholly-owned subsidiary companies and monitors the University's portfolio of investments.

The Nominations & Governance Committee advises the Council on matters relating to corporate governance arrangements, ensuring that the University pursues best practice and complies with external governance requirements in addition to advising the Council on the appointment of new members, members of the College of Fellows and the Chancellor. The Committee takes into account skills and experience and seeks to ensure the promotion of equality and diversity in reflecting both the diversity of society and the needs of the University in all of its appointments. The University, in accordance with guidance based on the Lambert Report, normally advertises vacancies nationally against defined person specifications.

The Senior Remuneration Committee determines the remuneration of the most senior academic and professional services staff, including the Vice-Chancellor. The University adopted the CUC HE Senior Staff Remuneration Code, which was published on 6 June 2018 and demonstrates Council's leadership and stewardship in seeking to protect the University's reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.

The Audit & Risk Committee meets at least three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Audit & Risk Committee undertakes an annual appraisal of its effectiveness and prepares an Annual Report for both the Council and the OfS. It also receives and considers reports from the OfS as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk Committee, they are not members of the Committee, and the Committee members meet both the Internal and External Auditors on their own for independent discussions at least once a year.

Statement of Primary Responsibilities - The Role of Council

The appointment and powers of the Council are laid down by the Charter and Statutes of the University. Its main general responsibilities are as follows:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To ensure, subject to the relevant legislation, that appropriate arrangements are in place for the management and operation of such companies as are wholly or partly owned by the University.
14. To accept ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. And to ensure that the institution has a written statement of policy on health and safety and arrangements for the implementation of that policy.
15. To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
17. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Preparation of the Financial Statements

In accordance with the University Statutes, the Council is responsible for governing, managing and regulating the finances, accounts, investments, property, business and all affairs whatsoever of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting

standards. In addition, within the terms of the OfS's Regulatory Framework for Higher Education in England. The Council, through its accountable officer, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis.

The Council has taken reasonable steps to:

- ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the Regulatory Framework for Higher Education in England and any other conditions which it may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure;
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

Risk Management and the System of Internal Control

As the governing body of Keele University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which the University is responsible in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and in the OfS's Regulatory Framework for Higher Education in England. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The University has reviewed and updated its risk management procedures, which continue to enable it to be fully compliant with OfS requirements.

The University has a published Risk Management Policy, which was approved by the Council in June 2011 and reviewed and updated in November 2011, November 2015 and November 2019. This policy identifies clearly and distinguishes the roles and responsibilities of both the Council and the executive. A key element of the policy is the Corporate Risk Register, which is intrinsically linked to the University's Strategic Plan.

The University employs UNIAC to undertake its internal audit functions. The internal auditors submit regular reports to the Audit & Risk Committee, including the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Chair of Audit & Risk Committee provides the Council with regular reports concerning internal control.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Value for Money

The University strives to apply value for money considerations to all its processes and activities and this is supported by strong awareness and vigilance across the executive. The Council and the Audit & Risk Committee have adequate and effective arrangements in place to ensure value for money in accordance with the OfS's Regulatory Framework for Higher Education in England. The Audit & Risk Committee also receives a comprehensive report on the Transparent Approach to Costing (TRAC) analysis undertaken by the University and submitted to the OfS in January of each year. In addition, all relevant internal audit review undertaken and submitted to the Audit & Risk Committee makes specific observations and judgements concerning the value for money demonstrated.

Register of Interests

The University maintains a Register of Interests of members of the Council and the executive, which may be consulted by arrangement with the Secretary to the Council. Lay members of the Council receive no remuneration for their role although they are reimbursed for travelling and other expenses incurred in attending Council and Committee meetings and other University business in their official capacity. The total sum of expenses claimed by members of the Council for the year to 31 July 2021 was £0 (2020: £3,427 to 8 council members).

Further Information

Any enquiries about the constitution and governance of the University should be addressed to the Secretary to the Council.