

UNIVERSITY OF CAMBRIDGE

Review of Governance
2013-4

History and Constitution of the University

The University is a common law corporation and is thought to have originated in the early thirteenth century (1209 is given as the date of its foundation) as the result of an association of Cambridge-based scholars. In 1318, the University was formally recognised by Pope John XXII as a *Studium Generale* or *Universitas*.

By an Act of Parliament passed in 1571 (13 Elizabeth Cap. 29), the incorporation of the University and all privileges then held under charter or by prescription were duly confirmed. The corporate title of the University is “The Chancellor Masters and Scholars of the University of Cambridge”.

The University’s principal constitutional document is its Statutes. The Statutes give power to the University to enact ordinances to govern and regulate the operation of the University and the University has enacted various ordinances over time for this purpose. The University is therefore governed by its Statutes and Ordinances together with applicable national and EU legislation.

The Statutes may be amended from time to time. The Statutes of the University are 'made' by the University of Cambridge. The Privy Council may hear any petition from an interested party for the disallowance of a statute, and if there is none the Privy Council must lay the Statutes before both Houses of Parliament, and if neither House presents an address for its disallowance it shall be 'lawful' for Her Majesty in Council to approve them (The Universities of Oxford and Cambridge Act, 1923, s 7(1),(3) and Schedule).

The Regent House is the governing body of the University (Statute A, III, 1). The Council is the principal executive and policy-making body of the University (Statute A, IV, 1.a).

The University is an exempt charity subject to regulation by the HEFCE under the Charities Act 2011. The members of the Council are the charity trustees and are responsible for ensuring compliance with United Kingdom charity law.

Brief Description of the University's Governance Arrangements

(a) Values and Principles

The University prides itself on being a self-governing community of scholars and having governance arrangements consistent with its mission statement and core values as first published on 11 June 2001 (<http://www.admin.cam.ac.uk/reporter/2000-01/weekly/5850/6.html>). The University's system of governance is both rules- and principles-based. It is an accountable system that is transparent to members of the Regent House and to other stakeholders (including students, the funding bodies, research funders, benefactors, regulatory bodies, and local, national and international authorities and governments) both within and beyond the University.

The University also subscribes to the Nolan Principles for the conduct of public affairs. These Principles reinforce the University's commitment to its core values.

The Council believes that the purposes and mission of the University should be underpinned and supported by the principles and values of its governance arrangements and that the validity of those governance arrangements will be judged by the performance of the University against its mission and its adherence to its core values over time.

(b) The Regent House

The Regent House is the governing body of the University as noted above. It has more than 4,500 members, comprising University officers, Heads and Fellows of Colleges, and certain other categories of member defined by Ordinance.

The major responsibilities of the Regent House include approving Graces, making, amending, and repealing Ordinances and, subject to the approval of the Privy Council as described earlier, making, amending and repealing Statutes. It is also responsible for electing members both to the Council (except in the case of the four external members, who are appointed by Grace of the Regent House on the nomination of the Council, and of the student members, who are elected by the student body) and to the Board of Scrutiny; in addition it is responsible for electing or making appointments to a number of bodies of the University (including the Finance Committee). The Regent House has the power to delegate all or any of its functions to the Council or other bodies within the University, and has by Ordinance, delegated the power to manage the University's real and personal property and financial affairs to the Finance Committee.

There are a number of Syndicates (including the Press Syndicate, the Local Examinations Syndicate¹, the Syndicate for the West and North West Cambridge Estates, the University Library Syndicate and sixteen others) that report directly to the Regent House. (A full list of Syndicates is available at: <http://www.admin.cam.ac.uk/reporter/2013-14/special/04/section1.shtml#heading2-12>) Again, this ensures the engagement, involvement and accountability of the Regent House in the strategic

¹ The Press Syndicate and the Local Examinations Syndicate oversee Cambridge University Press and Cambridge Assessment respectively.

direction and operational management of the University's academic and other activities.

(c) The Council

The Council is the principal executive and policy-making body of the University. It has overall responsibility for the administration of the University, for defining its mission, for planning its work and for the management of its resources. It has the power to take such action as is necessary to discharge these responsibilities. The Council oversees relations between the University and both Colleges and outside bodies on many matters (other than those relating directly to the educational and research programme of the University, which are dealt with by the General Board). It is responsible for the appointment or nomination of certain members of various committees and for many student matters. It comprises the Chancellor (who does not usually attend), the Vice-Chancellor (who generally chairs), nineteen elected members and four external members, one of whom chairs the Audit Committee. In carrying out its functions, the Council consults the Regent House on questions of both decisions and policy.

In carrying out its business, the Council is advised by an underpinning committee structure. There are two statutory committees: the Audit Committee and the Finance Committee. The latter is chaired by the Vice-Chancellor and includes external members. It has powers delegated by the Council to advise the Council on the management of the University's assets, including real property, moneys, and securities.

(c)(i) Audit Committee

The Audit Committee is chaired by an external member of the Council and has a majority of external members. The Chairs of the Audit Committees of Cambridge Assessment and Cambridge University Press attend the Committee to ensure that the Committee can take an overview of audit work across the University's group activities. The Council receives an Annual Report from the Audit Committee that forms a part of its annual submission of its financial statements to the HEFCE. The Audit Committee is a fundamental element in the University's assurance, internal control and reporting systems. Throughout the year, the Committee closely scrutinises internal audit reports, considering not just the matters specific to individual reports but also any trends across reports in order to identify and address any systemic failures. Risk management and value for money are standing items on the Audit Committee's agenda. The Audit Committee's opinion in its annual report is based on the Committee's consideration of the University's Institutional Risk Register, the internal auditor's annual report, the external auditor's Management Letter, other work commissioned by the Committee during the year, and on discussions at its meetings and informal workshops.

(c)(ii) Other Committees

Other committees include the Remuneration Committee (chaired by the external Deputy Chair of the Council), the Investment Board (on which, again, there is significant external representation), the Advisory Committee on Benefactions and External and Legal Affairs (which is chaired by the Vice-Chancellor and of which the Chairman of the Audit Committee is a member) and the Risk Steering Committee (which is chaired by the Senior Pro-Vice-Chancellor and of which the Chairman of the Audit Committee is a member). The Council fulfils its responsibilities under Section 22 of the Education Act (1994) through the Council Committee for the Supervision of the Student Unions of which the Chair of the Audit Committee is a member.

(c) (iii) Joint Committees

There are also a number of Joint Committees of the Council and the General Board, including the Planning and Resources Committee, the Resource Management Committee, the Human Resources Committee, and the Buildings Committee (for which there is an external Chair and on which there are four additional external members).

Cross-membership and Council representation on these various bodies is intended to ensure proper scrutiny, a consistency of approach and a coherent strategic purpose. It also allows individual members of Council, whether internal or external, to serve on committees and other bodies where their particular skills and experience can best be exploited to the benefit of the University and to enhance accountability.

External membership on committees

Body	Externals
Council	Four, one of whom is deputy Chair
Statutory Committees	
Audit	Chaired by an external Council member; majority external membership
Finance	Four
Council Committees	
Remuneration	Chaired by the external Deputy Chair of the Council
Investment Board	Majority external membership
Advisory Committee on Benefactions and External and Legal Affairs	Chair of the Audit Committee is a member
Risk Steering Committee	Chair of the Audit Committee is a member
Council Committee for the Supervision of the Student Unions	Chair of the Audit Committee is a member
Joint Council/General Board Committees	
Planning and Resources Committee	One (external Chair of the Buildings Committee)
Buildings	Four plus external Chair

(A full list of the Council's Committees and their membership can be found at: <http://www.admin.cam.ac.uk/reporter/2013-14/special/04/section1.shtml#heading2-8>.)

(d) Board of Scrutiny

The Board of Scrutiny exists as a statutory body, to ensure the continued accountability of the Council to the Regent House. The Board of Scrutiny scrutinizes on behalf of the Regent House the Annual Report of the Council, the abstract of the accounts of the University, and any Report of the Council proposing allocations from the Chest. It has the right of reporting to the University and in practice issues an Annual Report. The Report is Discussed and the Council then replies by Notice published in the Reporter both to the Report and to the Remarks made in Discussion.

(e) The General Board of the Faculties

The General Board is responsible, subject to the Regent House and the responsibilities of the Council, for the academic and educational policy of the University and for controlling the resources necessary for the proper implementation of that policy.

(f) Risk management and governance

Governance is identified on the University's Strategic Risk Register as a specific risk. This risk is 'owned' by the Vice-Chancellor supported by the Registry. It is formally reviewed biannually by the Risk Steering Committee and the Audit Committee, and annually by the Council as part of the Risk Steering Committee's annual report.

(g) The engagement of students in the University's governance arrangements

Three students, elected by the undergraduate and graduate student bodies, serve as full members of the Council. There is also student representation on the majority of the central bodies and at almost every level of the University's committee structure. This ensures that the University's governance arrangements are accountable and transparent to its student body and that students can actively participate in the key decision-making processes. Students members of these various bodies participate in all items of business except those defined as 'reserved' in accordance with the provisions of Statute K,20 (<http://www.admin.cam.ac.uk/univ/so/pdfs/statutek.pdf>).

Evidence of Effective Arrangements Consistent with the University's Mission and Values

The University is alert that its inclusive and deliberative form of governance might lack agility when it needs to react to rapid change or take advantage of an opportunity of limited availability. The University's commitment to its particular form of governance relies on the exercise of delegation to committees and senior officers, balanced by their accountability to the Regent House and the Council in particular. A good example of how the University remains able to act decisively to a timetable by the use of powers delegated from the Regent House, while ensuring that the principles of inclusion and transparency are adhered to, would be the recent issue of its inaugural £350m bond. Delegated power for the Council to borrow to this limit for a defined period was granted by the Regent House, following the issue of a Council Report for Discussion. The resulting approval for the delegated power enabled the necessary actions to be taken by senior officers under the supervision and oversight of the Finance Committee and the Council, which resulted in a timely and commercially successful process for the first significant debt raised by the University in its history.

The proceeds have enabled the University to embark on the first phase of its major North West Cambridge development (see www.nwcambridge.org). This is a project that, through a deliberative and consultative process through the Regent House, culminating in a ballot called by the Council, has ensured a strong commitment to the project by the members of the University. The governance and management arrangements, similarly approved, ensure that the project can be pursued with commercial and professional expertise.

In short, the University's governance arrangements permit the University to respond promptly and effectively to internal and external factors and to develop and change in such a way as to remain internationally competitive. Importantly, there are safeguards in place that ensure decisions are not made hastily or on the basis of insufficient reflection, consultation and debate.

Accountability mechanisms and external validation of the University's governance arrangements

The University, in common with all HEIs, is subject to a whole series of regulatory, accountability, assurance and reporting mechanisms and processes.

The HEFCE, in its 2008 Assurance Review Report, confirmed that it could place reliance on the University of Cambridge's accountability information and has continued to confirm that reliance in each of the subsequent accountability exchanges.

The Council notes that the University's governance and management arrangements are described by Moody's, who assigns a rating of Aaa (stable) to the University as a 'unique governance structure [which] provides broad oversight'. Moody's write as follows, in a high profile rating update in October 2012 (Annex A): 'The University of Cambridge is governed through two bodies: the Council and the much larger Regent House. These bodies, which are heavily dominated by university members, provide a high level of internal accountability and strategic planning, and in the execution of university policies.' They also note 'the very high level of transparency within the university'.

The University's external auditors (who undertake an audit of the whole University 'group' including Cambridge University Press and Cambridge Assessment) and the Audit Committee have repeatedly confirmed the reliance that they place on the adequacy and effectiveness of the University's control and assurance arrangements.

The University's approach to the review and reform of its governance arrangements

In response to the recommendations arising from the quinquennial assurance visit undertaken by the HEFCE in 2008, the University was able to demonstrate its incremental and purposeful evolution of its governance arrangements by reference to a series of examples of thoughtful change and adaptation to the University's growing ambitions. Since that assurance visit, a similar process has continued.

The University complies with most of the voluntary Governance Code of Practice published in November 2004 by the Committee of University Chairmen (and as confirmed in the annual statement of corporate governance). However, it differs in that the Vice-Chancellor is chair of the Council, the Council does not have a majority of external members, and the Council is subject to the statutory authority of the Regent House. The appointment of external members in the last decade has brought significant benefits both to the operation of the Council and to the overall governance arrangements for the University. An external member has served as the Council's Deputy Chair since the inception of that role in 2010. Further, changes to the constitution of the Audit Committee since 2010 (particularly in respect of requirements in terms of quorum) have reinforced the arrangements for external oversight of the University's activities. The University also benefits from external membership on a number of central committees and other bodies. External membership on the Syndicate for the West and North West Cambridge has been fundamental to the success and good governance of this important area of development activity. It is also worth noting that many of those who serve on the Council and other bodies as 'internal' members have extensive experience beyond Cambridge – professionally, academically and in the worlds of business, public service and government. The University therefore considers that the current balance of internal and external membership on the Council is appropriate in terms of accountability and in the delivery of the University's mission, and is content with this structure.

While reaffirming its confidence in the fundamental principles of its governance arrangements, the University continues actively to keep those arrangements under review. It is a self-critical and aspirational organisation that wishes to ensure that the principles and values which inform its governance arrangements are maintained and enhanced, where necessary, by progressive, incremental changes to those arrangements and in the practice of their operation. Such changes are made in response to internal requirements as well as to the external legal and social environment and the Council's knowledge and experience of other models of good practice either in higher education or other sectors.

The Council would draw attention to the following examples of significant improvements that have been adopted to its governance arrangements since 2008 as a result of an ongoing and dynamic process of review and self-reflection:

(a) Technical review of the Statutes and Ordinances

In 2010 the Council established a Technical Advisory Group to undertake a technical review of the Statutes and Ordinances, the University's governing instruments. The Technical Advisory Group was tasked with reviewing the structure and presentation of the Statutes. Following significant work and an extensive period of formal and informal consultation, substantive approval (subject to approval of Her Majesty in Council) was given to the repeal of the existing Statutes and the enactment of the New Statutes by Grace of the Regent House in July 2013. Draft Special Ordinances (a new category of legislation) were also approved, conditional upon the enactment of the new Statutes. The introduction of Special Ordinances will enable the focus of the Statutes to be the more fundamental constitutional matters, with the removal to Special Ordinance of a significant amount of detailed material. The Statutes themselves have been redrafted in such a way as to improve clarity and transparency.

(b) Review of Council business

Throughout 2011 and 2012 the Council reviewed the conduct of its business and its role and functioning, both as the principal executive and policy-making body of the University and as the body of charity trustees of the University. The work included a significant review of the Council's fundamental documents including: the Statement of Primary Responsibilities; the Code of Practice; the Council Standing Orders; and the Statement of Corporate Governance and the introduction of materials setting out the role of the Council and of individual Council members/trustees. It also considered the way in which materials were presented to the Council and to the wider University community. This led to the introduction of a web-based Governance hub providing information about the University's governance process and links to its major statutory, legislative and reporting instruments. This website also makes the Council agenda, minutes and many of its papers more easily accessible to members of the University. It is intended that, over time, many of the statutory and other committees of the central bodies will use the website as a resource for disseminating information and materials. The whole process is designed to improve the effectiveness of the Council's operation and the transparency of the conduct of its business. The Council has also committed itself to future periodic reviews of its operation and effectiveness.

(c) Review of the arrangements for the nomination and election of the Chancellor

In summer 2010, HRH The Duke of Edinburgh indicated his intention to step down as Chancellor on 30 June 2011, shortly after his 90th birthday, having served since his election in December 1976. The University was, therefore, in the position of using the provisions for the nomination of a Chancellor for the first time in nearly forty years and of testing the full existing procedure for the election of the Chancellor for the first time. The election was held on Friday, 14 October and Saturday, 15 October 2011, and Lord Sainsbury was elected. While it was generally accepted that the process had been managed and delivered properly and effectively, it was also acknowledged that it would be important to reflect on whether there were any changes which might usefully be made to the regulations for the nomination and election of the Chancellor

in light of the direct experience of their operation in practice. This review has resulted in a Report to the Senate bringing forward proposed changes to the arrangements to take account of the importance of the Chancellor's role to the life and work of the University; to facilitate succession planning; to ensure that the underpinning processes are transparent, relevant and robust of context of an international Senate electorate; and to encourage wider participation in the University's democratic processes.

(d) Reviews of governance in specific areas of activity

The University reviews aspects of its governance and management arrangements in order to ensure their effectiveness and efficiency. In recent years, these reviews have covered significant areas of activity and spend (such as IT infrastructure and support) and other important matters such as the governance arrangements for sport and the implementation of electronic voting in ballots of the Regent House. In the context of the 'Woolf Inquiry into the LSE's link with Libya and lessons to be learned', the Audit Committee undertook a review of the University's arrangements for establishing appropriate institutional partnerships and agreements for accepting donation and other income. This resulted in a significant widening of the remit, and renaming, of the Council's Executive Committee as the Council's Advisory Committee on Benefactions and External and Legal Affairs.

Conclusion

The University is very mindful of the need to ensure that its governance processes are accountable, transparent, effective and efficient in order both to ensure the proper conduct of its business and that its funders and stakeholders can place reliance in them. The University's method of review and revision is continuous rather than periodic and examines the extent to which its arrangements remain consistent with supporting the University's mission to contribute to society through the pursuit of education, learning, and research at the highest international levels of excellence. As evidenced above, the University is active in its review both of the architecture of its governance arrangements (in the form of the Statutes and Ordinance) and of the constituent parts of the University (in the widest sense) as a whole. The University is an ambitious organisation whose governance arrangements enable the expression of ambition and innovation while preserving the core values and culture of self-governance that are its enduring characteristics. It is, however, also aware of its duties of accountability and stewardship for public funds and for the interests of its students, staff, and its many external stakeholders. Following this review, the University remains confident that its governance arrangements will deliver in all of these regards.