



# Hull College Group

## Emerging governance in a further education college with multiple income streams

This case study explores possible changes in governance resulting from the Education Act 2011, the 'Foundation Code of Governance for Colleges' and 'New Challenges, New Chances', for a further education college with multiple income streams. The review considers the changing role and responsibilities of college governors, and examines alternative governance models. It includes the exploration of a 'core' group of governors and the move to governance based on risk and assurance rather than a 'comply or explain' approach.

### **What was the catalyst / driver for reviewing the governance structure?**

The freedoms for FE colleges in the Education Bill 2011, the statement of Government policy in 'New Challenges, New Chances' and the changes within the FE sector in relation to funding, eligibility and support for learners, changing demographics and financial viability were key drivers for reviewing the governance structure.

The internal drivers were a growing awareness from governors and Strategic Leadership Team (SLT) members of the need for risk

management and particularly 'risk appetite' in an FE sector where there is decreasing certainty on funding and student numbers each year.

The College's governors have experienced natural turnover in the last few years and the College has purposefully recruited new governors with business acumen, risk management and quality/performance management skills, to complement the educational and community background of existing governors.

The College has set itself an agenda to remain financially viable over the next four years throughout significant funding changes in FE. The College has a strategy to increase and diversify its income streams, including looking in more detail at 14-16 education, taking part in a national pilot for 14-16 and expanding HE. Governance therefore needs to continue to embrace the totality of the College, its future development, and ensure governors continue to meet their main duties under education and charities law.

Governors have explored the issue of the governance structure and role of governors

at one of their away days and have been kept updated with changes in the sector. The governors would like to review the options available to the College to have in place a governance structure that is fit for purpose in a College that:

- provides extensive 14-19 education and training in Hull, Harrogate and Goole;
- has 1,500 HE students per year and may seek Foundation Degree awarding powers;
- is running a national pilot to provide full-time education to 14-16 year old GCSE students within a College, to help manage the planned closure of a secondary school in Hull;
- sponsors a local 14-19 academy in Hull;
- has been given permission to open a studio school in Hull in September 2012;
- has one of the largest apprenticeship contracts in England;
- is seeking to expand its international work; and
- is expanding, and moving with changes, in employer-responsive and full-cost training.

Governors recognise the increasing need to be 'fleet of foot' in governance, but first and foremost to ensure that governors remain the body responsible for setting the 'educational character' for the College in the face of a rapidly-changing environment.

## What process is being used to carry out the review?

Governors have an away day set for May 2012, at which the options on governance model will be debated. These will be based on:

- emerging knowledge in the sector on the implementation and implications of the freedoms from the Education Act 2011;
- research on different organisational models – i.e. mutualisation, federation, partnership, merger, etc;
- review and reflection by the Clerk, Chair, Chair-Elect, Chief Executive/Principal and Strategic Leadership Team;
- debate on strengths and weaknesses with current governance structure;
- review of recent changes in governance structure; and
- governor working group on Higher education

Recently, in order to strengthen and progress HE within the College, a change to the governance structure has been put in place, for quality and standards issues on HE to be separated out from the existing overall Standards Committee and the responsibility of the HE Academic Board. The HE Academic Board membership was changed to include governors from an HE background and the Board now reports directly to the Corporation as per any corporation committee. It has delegated responsibility for oversight and standards in HE. This provides the College with an HE structure that supports HE development in the College, allows for further academic, pedagogical and research activity and would be recognisable to external bodies as providing sound HE governance leadership within a FE

College, particularly a College considering making an application for Foundation Degree awarding powers.

A further recommendation of this work was to explore a governors' 'Ethics Committee'; to reflect the fact that ethical considerations are an integral part of a traditional HE structure. Governors involved with HE development sought assurance that the HE structure below the HE Academic Board has a developed ethics structure for academia, but also noted that a college such as Hull College, which has a wide breadth of provision and is continually exploring new markets and market share, may be well served by the development of a high level Business Ethics Committee. This would be a governors' committee specifically to review business strategy and new developments from an ethics and social responsibility point of view, and ensure there is strategic fit for new plans. This proposal was accepted in principle but has yet to be taken forward.

Recently, governors have made use of a Working Group for New Opportunities, in order to take swift action on new acquisition or investment opportunities for the College, acting with delegated responsibility from the Corporation. The four governor members of this group were picked for their business acumen and ability to review a proposal from a business-risk and strategic-fit point of view. This Group was convened to take advantage of new business developments that had arisen in-year. It enabled swift decision-making, within a framework agreed by the Corporation, on potential partnerships and investment opportunities that had arisen. It allowed early engagement with governors to review the opportunities from a risk, strategic fit, quality and commercial perspective, and set the parameters for further progress to be made on opportunities by SLT members. This put governors at the forefront of business development and used their experience and skills in business development, quality and risk

management to approve new ideas at an early stage. It also allowed for more detailed debate on the ethics, merits and risks of a particular venture, providing SLT with support, but not interference, in further developing approved ideas.

After debating a briefing paper which was prepared by the Corporation Advisor to cover the issues of new college freedoms, developments in governance, freedoms coming for FE colleges and the breadth of work of the college, governors and senior leadership team members recognised an opportunity to further review the governance model. A formal assessment of the use and delegated responsibility of the Governor Working Group for New Opportunities is being undertaken by the Corporation Adviser now that the Working Group has considered its first significant new business opportunity. This will detail the group's strengths and weaknesses, particularly whether it has been given enough delegated responsibility to respond swiftly without becoming a risk to the Corporation itself.

## **How have stakeholders been involved in this process?**

There have been a number of opportunities to bring together intelligence from the sector, and beyond to inform this review. The review is being led by the Clerk, who has a broader role of Corporation Adviser; the College chose to invest in the role of Clerk and to make it a broader advisory role on policy, statute and company considerations, enabling governance development and support to the SLT.

The review has included the input of strengths, weaknesses and needs for the future from:

- current Corporation Chair;
- Chair-Elect, who will take over the Chair in Summer 2012;
- Chief Executive/Principal;
- detailed feedback from governors at their Strategy Away Day in November 2011; and
- recent discussions at Governor Committee level on the potential impact of freedoms for FE colleges, including developments in risk management and risk appetite in particular.

Valuable intelligence on discussions in the sector and the impact of the freedoms have been drawn from the AoC Governance Summit in February 2012, the Yorkshire and Humber Clerks' Network, the Association of Colleges Governance Portfolio Group (of which the Clerk is a member), from briefings within the sector attended by governors and SLT members, and the recently published 'Foundation Code of Governance for Colleges'.

The Clerk has also been asked to draw on other models within the charitable and third sector, including the mutual model, social enterprise and other public bodies who have gained independence, such as NHS Foundation Trusts.

The research so far suggests that a college with a broad remit such as Hull College, and whose strategic plan is to continue to grow in all of its current markets, requires a governance model to:

- move away from data monitoring towards strategic development and assurance;

- protect and preserve the role of governors, but focus their time and input into strategic and business development;
- develop closer relationships between Strategic Leadership Team members and governors on strategic development, moving away from a document for approval;
- place as much reliance as possible on the role of scrutiny and assurance provided by the Governors' Committees, so that governors meet their monitoring role;
- recognise governance as a key aspect of risk management and be the group that determines the 'risk appetite' of the organisation to develop new projects or strategy; and
- make best use of governors' time; this may mean using different governors in different ways.

The use of the Governor Working Group on New Opportunities has enabled quick decision making by a group with delegated responsibility and built up closer ties with the SLT, without governors stepping into operational management issues. This success can be reflected across the governance structure. Appendix 1 details the current Governance and Committee Structure.

A suggestion put forward is to convene the Chairs of the Corporation Committees to become a 'core' group of governors who meet more regularly with the SLT to provide input and reflection on strategic issues as they arise, providing steer and direction and agreeing strategy before it becomes a 'fait accompli' to be presented to the Corporation. This could be enacted through the combination of the existing Governor Working Group for New Opportunities and the proposed, but

as yet dormant, Business Ethics Committee. This would provide a 'core' membership of governors who already have a heightened responsibility as committee chairs, and provide a balance of membership between quality, audit, educational, finance and business development skills.

In this model, the full Corporation of twenty governors would be retained in order to draw on their full range of skills and experience and to have broader representation in the key role of governors to set the College's strategy and mission and to effectively engage with the communities served by the College. There would be a realistic and recognisable role for committee chairs to provide input and steer on a regular basis and frequently review the strategic direction with the input of SLT of their intelligence and emerging issues from the sector. This 'core' group would feed back issues to their committees on these issues ensuring all governors remain engaged, but also be able to relate this to the work of their committees and how this affects their role to provide overview and scrutiny as trustees equivalents. The governors would continue to meet as a corporation once per term, whose main agenda item becomes strategic development, with elements of performance management and oversight as required, with committees having taken on the monitoring and assurance role on behalf of the corporation, only escalating issues as required or where statute and regulatory requirements dictate receipt of an item by corporation.

### **What questions have arisen for you throughout this process?**

The HE governance development and use of the Governor Working Group has been met positively, but governors have asked for time to review the role and scope of the delegation of such significant powers to a Working Group and to ensure sound risk management and a framework to work within is clearly given by the Corporation.

In relation to further governance developments, the acceptability of this plan has yet to be tested with all governors and will require a key understanding that all governors retain overall responsibility for the success of the College, but that their required input might change. This might also change if the governors and SLT choose to explore adopting a different organisational form, such as a mutual or social enterprise. This suggestion of a 'core' team will be tested out against these other organisational forms before the Governor Strategy Day in May 2012, i.e. what would the governance model look like for each organisational form based on this 'core' team with a wider Corporation around it.

### **What conclusions or decisions have you come to so far?**

The impact of the governor working group development has been immediate and has made excellent use of governors' time and skills to take forward specific developments much more quickly than the traditional FE governance structure normally allows. It has also meant that a series of extraordinary Corporation meetings has not been required.

The development of the governor Working Group into the Business Ethics Committee should, it is hoped, answer the question raised by governors about new opportunities being debated on wider principles than pure business development. This requires further debate between governors and the SLT and to encapsulate the developing dynamic between the Corporation and the SLT to put governors at the top of strategic determination.



## How has the changing external environment for FE and Skills influenced this review?

The new freedoms for FE colleges have had a particular impact on governors wanting to explore further changes to the governance structure. In particular, it is difficult to spot where the different external elements that the College is involved with (Appendix 3) appear in the internal governance structure. This would be worth further exploration with the new freedoms as restrictions are lifted on investments, mergers and type of company.

### Next steps

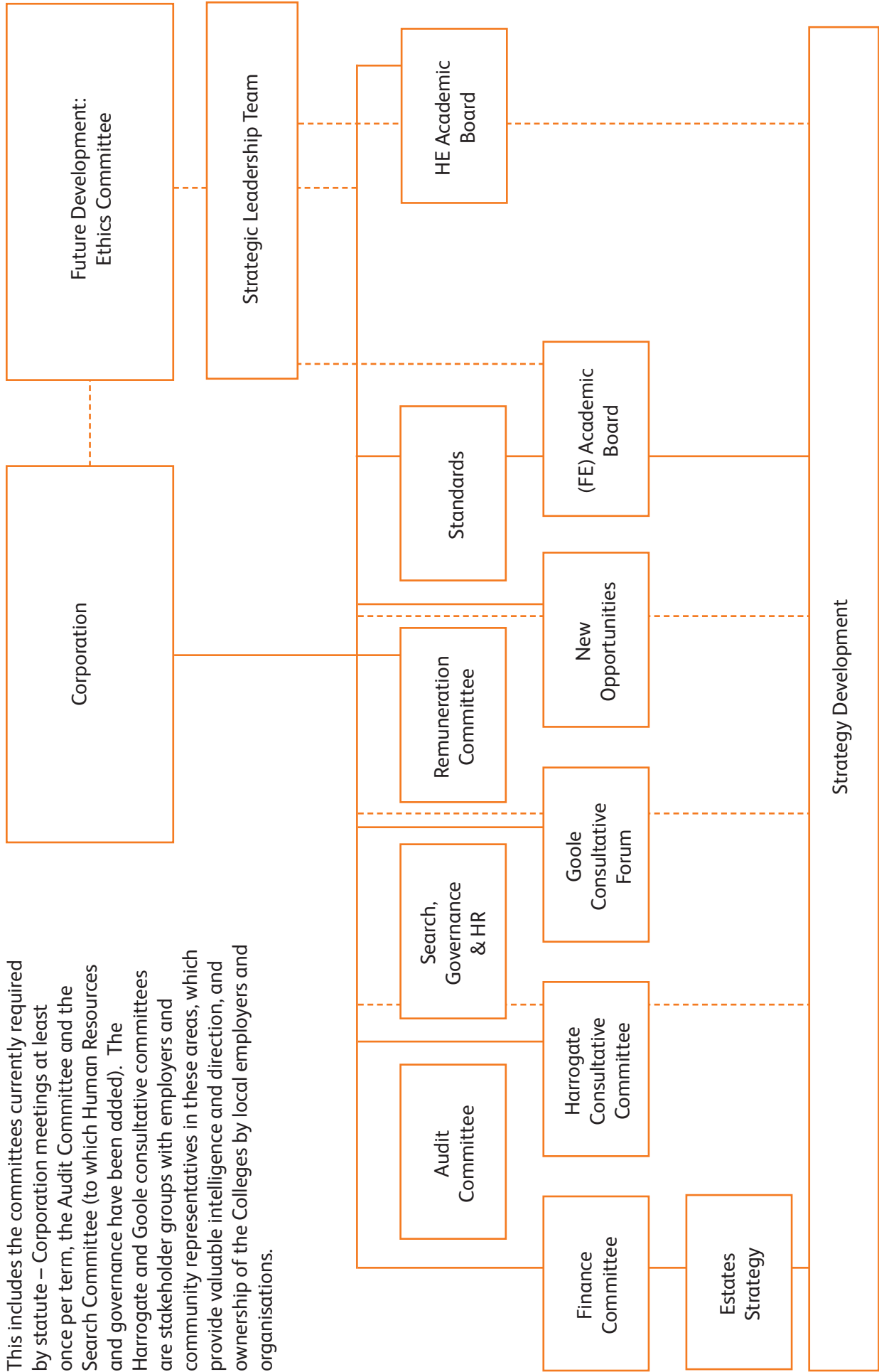
A series of meetings are planned to take place over the next two months to provide opportunity for debate between governors and SLT on overall strategy for the College in the new economic environment, and the revision of the governance structure, including the question of business ethics and external commitments. It is hoped that much progress can be made before the end of the academic year, including the engagement of the wider College management group.

## What three lessons learned would you share with other governing bodies considering a similar change process?

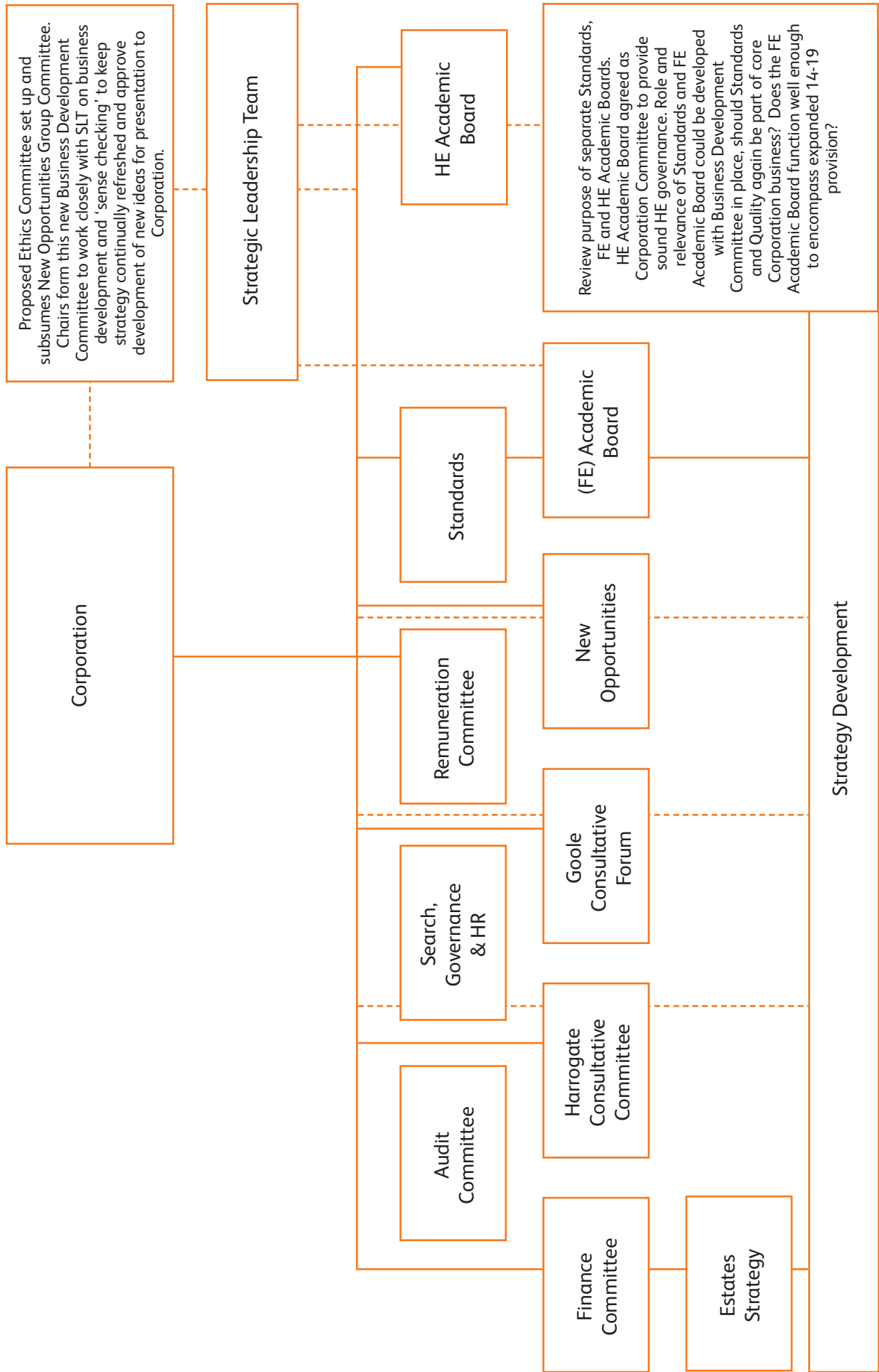
1. Use information that already exists in the sector on governance, freedoms, case studies, etc. Aim for a governance model that fits the College strategy and not the other way around.
2. Ensure that the role of the governor itself is debated; this can change based on the needs of the College and should be considered as part of the debate.
3. Examine relationships between governors and the SLT. How do these need to be developed to meet the College's strategic direction? Does the role of Clerk require development to support this work?

## Appendix 1 - Current governance structure

This includes the committees currently required by statute – Corporation meetings at least once per term, the Audit Committee and the Search Committee (to which Human Resources and governance have been added). The Harrogate and Goole consultative committees are stakeholder groups with employers and community representatives in these areas, which provide valuable intelligence and direction, and ownership of the Colleges by local employers and organisations.

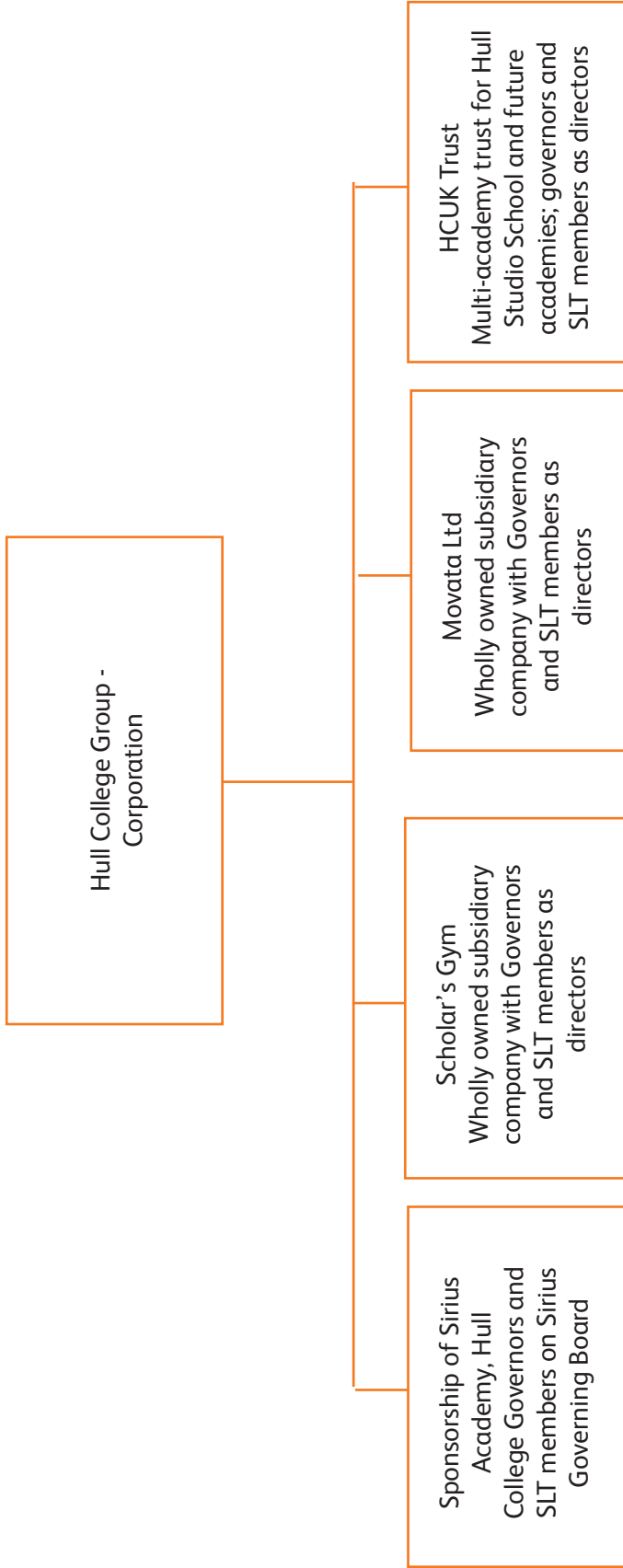


## Appendix 2 - Potential Governance Structure





## Appendix 2 – Current Business Structure



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