

Governance

# Case Studies of Governance Arrangements in the Further Education sector

(UK, Australia, Spain, USA)



January 2011



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## Introduction

This research was carried out by LSIS on behalf of the Welsh Assembly Government to support their review of Governance in Further Education in Wales. The case studies were chosen by the review group and LSIS was asked to look at specific aspects of each case study, hence the differing lengths and detail. Critical success factors for effective governance were then drawn out from the various case studies. LSIS would like to thank the Welsh Assembly Government who have very generously allowed us to share this work with others, who may find the research informative.

## Critical Success Factors for Effective Governance

Having documented 14 case studies of effective governance in Further Education in the UK and abroad, these suggest there are a number of essential requirements for college governance to be successful, regardless of the particular model of governance operated. These requirements or actions can be viewed as **Critical Success Factors (CSF) – those vital few ingredients without which governance will not be fully effective.**

The CSFs can be separated into those overarching CSFs relating to the primary purpose and mission of governance and those which relate to operational effectiveness of governance arrangements. Both sets of CSFs are necessary and are model-free.

### Primary Purpose and Mission CSFs

To achieve their primary purpose in determining and securing the educational character and mission relevant to their communities, governing bodies must:

- create a shared vision for their college;
- set and secure ambitions and standards for their college;
- ensure their college is accountable to its learners, community and broader stakeholders.

### Operational Effectiveness CSFs

To achieve these primary purposes governing bodies need to develop their confidence, skills, capacity and capability through:

- Securing high quality membership by:
  - undertaking a skills audit and recruiting proactively and openly;
  - ensuring a mix of strategic leadership and Board experience drawn from public, private and voluntary sectors;
  - investing in systematic induction and board development to create shared values, common expectations and working methods, clarity about roles and responsibilities, and an understanding of the essential core educational as well as the business operations of the college.
- maintaining a mix of experience, continuity and renewal through effective succession planning.
- Challenging team working achieved through:
  - developing trust through opportunities for informal board discussion and interaction;
  - operating to a set of shared values based on mutual trust and respect;
  - ensuring a vibrant ethos of challenge, self-criticism and self-improvement;

- developing processes and procedures that ensure well understood, effective and efficient decision-making leading to the achievement of key objectives;
- maintaining access to high quality, independent advice and guidance from the Clerk and external advisors.
- Focusing unremittingly on institutional performance and excellence by:
  - being passionate about the commitment to a high quality learner experience, learner success and community impact;
  - insisting on robust systems and reporting mechanisms on institutional performance;
  - ensuring all members have the necessary understanding, skills and confidence to use performance data and challenge the executive.
- Community and stakeholder engagement and accountability by:
  - networking actively to inform the college of community and stakeholder needs and views;
  - working as ambassadors on behalf of the college to assist it to achieve its purposes;
  - providing transparent reporting on college performance to key stakeholders.
- Sustaining a strategic focus by:
  - providing clear recognition of the distinction between governance and management;
  - devoting adequate time and attention to strategic direction and performance issues;
  - maintaining an external focus to scan the environment so the college can anticipate and respond to change successfully.

## Using CSFs

The above CSFs are those which the research team believed were most likely to lead to effective governance and successful colleges. CSFs offer a valuable instrument for Governing bodies to prioritise their activities and monitor their success. For each CSF a set of measurable Key Performance Indicators (KPI) can be established and reviewed regularly and systematically. For example, KPIs for a CSF of Ensuring community and stakeholder engagement and accountability could include:

- a schedule of 'listening events' where governors meet key stakeholders (e.g. learners, employers, community leaders) to consult and hear their views;
- producing an annual/termly report on institutional performance for consideration with stakeholders;
- reviewing membership of the Governing body annually to ensure suitable representation reflecting the diversity of key industries, sectors or communities served by the college and taking action to renew membership where necessary.

Similarly, KPIs for a CSF of Sustaining a strategic focus could include:

- including away days/reflective space in the annual Governing body schedule of events to encourage a focus on strategic issues free of the pressure of busy agendas;
- setting aside time in every meeting for discussion and reflection on strategic issues brought up by governors from their external contacts and perspectives.

A further refinement to make CSFs usable by governors and help them focus their attentions is to use a simple high-level performance rating for each KPI. A 'traffic lights' system, or RAG reporting mechanism, is often used with each KPI rated as Red (Underperforming with serious cause for concern), Amber (Satisfactory performance but with some areas of concern) and Green (Performance to target, no serious cause for concern). An advantage of this approach is that it invites boards to make high-level evaluative judgements about their performance.

## Case Studies

The fourteen case studies below illuminate different aspects of governance. They offer different levels of detail depending on the nature of the case and draw heavily on information volunteered by the institutions or already in the public domain. The research team is grateful for the assistance provided by colleges without which the cases could not have been reported.

**For convenience the fourteen cases have been clustered as follows:**

- **'New Boards'**  
Two cases illustrating how colleges have created new Boards of Governors to go with 'new' institutions usually formed through merger or rationalisation. (Birmingham Metropolitan College, The Manchester College).
- **Partnerships or Collaborations**  
Two partnerships of Universities and Colleges to extend HE provision (Combined Universities of Cornwall, Leeds Regional University Network) and one collaboration of small FE colleges to rationalise services and share good practice (Cumbria Colleges).
- **Federation**  
An innovative partnership of providers of 14-19 education involving college sponsorship (Barnfield College).
- **Private Sector Sponsorship model**  
Sponsorship by fashion outlets to create an industry training college (Fashion Retail Academy).
- **Not-for-Profit Joint Venture Model**  
A college and an independent charity operating through a joint venture company to manage another college (Reading College).
- **State-Controlled models**  
Two cases of college systems acting under direct control of the state (North Carolina Community Colleges, Technical and Further Education in Victoria, Australia).
- **Successful Traditional Models of Governance**  
Three cases of FE college governance deemed Outstanding and with features of relevance to Wales (West Herts College, Hull College Group and Newcastle College Group).
- **Cooperative Model**  
A case of a successful workers' cooperative (Mondragon, Spain).

# New Boards for New Colleges

## • Birmingham Metropolitan College (BMC)

### Creation of a new college

Birmingham Metropolitan College is a further and higher education college with campuses distributed within Birmingham. The college was created in August 2009 as a result of the amalgamation of Matthew Boulton College and Sutton Coldfield College.

In 2003 North Birmingham College, formerly Brooklyn Technical College, merged with Sutton Coldfield College. North Birmingham College was then dissolved with all of its property being transferred to Sutton Coldfield College on 1 August 2003, with the college buildings becoming the Great Barr campus (it is now known as BMCs 'James Watt Campus'). In 2006, plans were put before Parliament for the merger of Josiah Mason Sixth Form College and Sutton Coldfield College. They were approved by the Secretary of State and Josiah Mason College was dissolved on 1 August 2006, with its properties being transferred to Sutton Coldfield College. During this process the Boards of each college were merged with representation from each on the newly formed Board.

By 2008 Matthew Boulton College and Sutton Coldfield College were already collaborating in providing courses to increase access to learners. A document 'A Merger for Improvement: A Compelling Case for Change' was produced as a public consultation document, by the Learning and Skills Council (LSC). The proposal was based on the voluntary commitment of both colleges to merge. Indeed, recognising the potential benefits as highlighted in the Strategic Options Review and Feasibility Study carried out by Tribal on behalf of the LSC, both Corporations positively and proactively embraced and facilitated the merger process.

To allow the merger of the two colleges,

Matthew Boulton College was dissolved and all of its properties transferred to Sutton Coldfield College. The merger to create 'Birmingham Metropolitan College' was approved by the Secretary of State in June 2009 and came into effect from 1 August 2009.

The full rationale is set out in the consultation document and highlights benefits of the merger to learners, businesses and in supporting the city's ability to respond to 'the challenges' set within the City Region Skills and Employment Plan, which will enable the merged college to:

- make an impact in sub regional/regional strategies and targets;
- respond to growth in new technologies and market sectors particularly Health, Public Services, Manufacturing and Creative industries;
- help to build the foundation for the knowledge economy by reducing skills mismatch. Skills at all levels are not matched to the growth in new market sectors;
- address the significant groups of potential learners within the catchment areas of the colleges who are disadvantaged by contributing to the integrated employment and skills system across the city region particularly for young people not in education, employment or training (NEETs);
- strategically respond to the new challenges in employer-led environments by being better able to respond to the integrated strategy;
- change the skills emphasis to become demand-led in key sectors in the Midlands;
- be better placed to attract investment;
- lessen the impact of fluctuations to the local regional needs;
- develop a national and international profile;
- become more attractive to employers with a broader and deeper curriculum focused on our key specialisms.

Upon the merger, the new college had a combined student population of 27,000, making it one of the largest further and higher education institutions in the United Kingdom. The College has three main campuses in Birmingham and 10 smaller satellite centres that cover central and north Birmingham. Students are recruited from fifteen local authorities in the wider West Midlands region. In addition to the existing campuses and facilities, there are proposals for the construction of a new campus in Perry Barr, although these plans are currently on hold due to funding issues. The college is a member of the 157 Group.

With the college being one of the largest providers of sixth form education in the country (8,500 16-19 learners on both academic and vocational programmes) with a record of excellent teaching and learning, it was approached to sponsor Harborne Academy, a struggling secondary school in the city. A Trust has been set up to oversee the academy and the College is responsible for the School Board, which the College Clerk will also service. The College is still working through the implications of this approach and learning as it develops the governance processes.

## **Governance Structure and Recruitment**

When the decision was made to merge Matthew Boulton and Sutton Coldfield Colleges, there were two existing Boards with a mixture of individuals who had extensive history and knowledge of the colleges and communities. They were all very forward thinking and supportive of the merger and hugely influential in it succeeding. However there were many members whose terms were about to expire and a decision was taken to recruit a large number of new Board members for the new college.

The College designed a marketing campaign to attract applications from the community to form the new Board. An advert was placed in the local papers, the national papers and over 100 letters were written to key figures in the community, clearly stating the needs and desires of the new college and the role of the Board. The merger had been high profile over the previous 12 months and well publicised in

the local media. Around 60 applications were received by the College. Two members of the old Board were transferred to the new Board for continuity and their professional skills, an accountant and a chartered surveyor. In the recruitment and selection process a matrix of skills, diversity and community representation was created to recruit against, to ensure a representative Board in gender, ethnicity, skills and knowledge. All applicants were interviewed and 15 were selected to join the Board. Some joined in April 2010 and some in August 2010. To avoid all members having the same term dates and end dates, each governor was appointed on either a two, three or four year term. The new Board is high calibre with senior representation from the local authority, other public services, local entrepreneurs, higher education and professional people (lawyers, accountants).

Student governors are elected through the student focus groups. These are appointed at the beginning of the academic year and usually attend their first meeting in October. Some students serve two years if it fits with their studies. Staff members are elected to the Board through an online process where people who are interested promote themselves through a web page, and an online voting process elects the two members, one academic and one support staff member. Their terms can be up to four years but during the merger staff members were appointed for a year and then the staff election was repeated at the end of the first year. Current staff members' terms are two years.

## **Induction and Development**

In May, all new members (whether officially appointed or not) were invited to an informal evening dinner to meet each other, to meet the senior team and other key members of staff, and were given a pack of information about the College. In June there was a formal induction day that comprised workshops about finance, roles, responsibilities and relationships. They also had information about Instrument and Articles, a presentation of the strategic plan, and policies and procedures. They were also inducted to the College intranet and the governance area, where governors can share

resources and papers. An evaluation form was completed to identify additional training and development needs of the Board.

In October 2010 they attended a strategic residential where the Board considered how to work together and to review the current strategy of the College. It was externally facilitated, and the Board spent time looking at trust, challenge and debating skills, starting to build the team. It also discussed Governance and Management, as part of roles and responsibilities.

As a result of the residential, the governors decided to set up three task and finish groups:

- Governance – what models are there and how do we want to work as a Board in the future? Thinking outside the box, moving towards a more business form of governance. Reviewing the need for each sub-committee.
- Innovation, Future Direction and New Connectivity – partnership and collaboration, system and process harmonisation, potential mergers and acquisitions for future growth, technology enabled learning and strategic investment.
- Opportunities, Developments and Quality Initiatives – growth and diversification, widening access and inclusion, employment engagement and apprenticeship, school and academy expansion, internationalisation.

These are short-term groups, each with a senior member of staff taking the lead on writing the report of findings to present back to the whole Board.

### **Public Accountability and Scrutiny**

The majority of the new Board members have corporate or public service Board experience and are familiar with the process of scrutiny and review of data. All minutes are available for the public to view and the Board will produce an annual report, and a separate audit report.

There is a high level of trust already with the executive, due to the quality and standard of papers, that data and reports presented are valid and accurate. The College has stakeholder focus groups and employer forums, which feed into stakeholder reports to the Board, to ensure that the local community needs are being met.

Internal auditors also provide validating reports to the Board to verify the executive reports. Each governor is linked with an area of the College so they have the chance to understand one part in more detail and to use this as a checking mechanism to verify what they hear at Board.

The newly formed Board is still establishing its working practices, and the Governance Task and Finish groups will be making recommendations about how Governance will be developed at the College that is fit for the future.

## **• The Manchester College**

### **Context**

The Manchester College was created in August 2008 from a merger of City College Manchester and Manchester College of Arts and Technology (MANCAT). The new college has an annual budget of £160 million and is a multi-site operation across the city and beyond. It is also the largest and most successful provider of Offender Learning with 78 contracts across England providing learning for offenders in custody and in the community.

### **Merger Process**

The merger itself was a fiercely fought out affair, much of it in the public arena and the result of a review of post-16 provision in the area instigated by the LSC in 2006 and undertaken by Adrian Perry (former Principal). The main objectives of the review were to: improve curriculum and geographical coherence, support partnership arrangements and recommend the most effective governance and management structure for the city. The review was overseen by a Joint Working Group comprised of representatives from the local authority, the colleges and LSC. A wide range of stakeholders were interviewed for the review. The resulting report included an overview of the current situation in the city of Manchester, with socio-economic information used to illustrate the background and needs of the local communities and employers. It also covered information on the existing make-up of post-16 education and training and levels of collaboration, as well as information on local

and national educational strategies. The report presented LSC, Greater Manchester, with: a summary of current patterns of delivery of post-16 provision in Manchester; options for future delivery patterns, taking account of the needs of young people, employers and the community in the context of local, regional and national priorities; recommendations on how the options might be implemented and risks associated with them; and a final recommendation of a preferred option for consideration by the LSC and its strategic partners. The strong feeling of the Joint Working Group was that bringing the two colleges together would provide the best way forward for the learners and employers of Manchester. Although a single new college, rather than just the merger of the two existing colleges was the preferred solution, the issue was still contested. Consequently a second review was conducted by Jupp and Stanton in 2007 which assessed the preferred options against eleven Success Criteria. This review confirmed the creation of the new college. (This review is included in the Appendix). The whole issue was extremely sensitive politically, both locally and nationally, and a route had to be navigated through some very choppy water.

## **Governance Structure**

The governing body was deliberately constituted as a new body, with only two members continuing, one each from the two previous colleges. The remaining members were all new, representing the five key vocational areas in the city: Local Government, Health and Social Care, Construction, Engineering and the Third Sector. The Board initially had 11 members and the Chairwoman was unanimously elected as she had extensive local authority political experience. The Board has since grown to 20. The period of terms of office for initial governors was staggered and determined by drawing lots. The Principal was previously Principal of MANCAT, the appointment being competitive and externally advertised. This process was assisted as the Principal of City College secured the position of Principal at Preston College.

The Board works through a traditional committee system of: Audit, Curriculum and Quality, Finance and General Purposes,

Governance and Search, Remuneration. There is a strong emphasis on accountability via external audit/Provider Financial Assurance. Additionally, the College has formally had itself included as an accountable body to two key local authority scrutiny committees: Economic Skills and Social Enterprise, and Children and Young Persons. The Principal has given evidence to these committees on four occasions and regards this as an essential element of college accountability to the local community and civic leaders.

# Partnership Models and Collaboration Arrangements

- **Combined Universities of Cornwall (CUC)**

## Context

CUC secures funding for, and coordinates the growth of, university-level education in Cornwall. It ensures that Cornwall's unique University partnership is more than the sum of its parts and is developed in a way that will truly benefit the region's people and businesses. Students are recruited and taught by CUC's partner universities and colleges, each of which brings its own strengths and specialisms to the partnership and to the county.

In the past, one of Cornwall's most serious challenges has been the annual exodus of young people leaving the area because it was not possible for them to study their favoured subjects close to home. Very few of these people returned to live and work in Cornwall, dividing families and making it hard for local businesses to recruit skilled, creative young people. It also hampered new enterprise and innovation. At the time of CUC being set up, Cornwall had 2,500 funded HE places for roughly 450,000 population. It was the poorest economic performing county in England at the time.

The partnership was set up eleven years ago. It came out of a strong vision for the county shared by the social and community partners as well as the education institutions in Cornwall. Key leaders in the universities, the Government Office of the South West and Cornwall County Council at the time, had a clear sense of what Cornwall needed to develop its economic strategy. Previously, Cornwall had had aspirations for a university to stem the outpouring of 17/18 year olds who returned (if at all) in their 30s/40s, so it created a huge demographic dip with consequences for economic development and enterprise in the county. The opportunity to do something about this came through the European Regional

Development Funding Programme Objective 1 (now Convergence Funding).

The partners asked 'What are the really major things we could do with this money that would transform Cornwall, as opposed to lots of little local projects that would produce more of the same?' They realised Cornwall needed transformational change, at the heart of which was increasing opportunities and access to HE in Cornwall. (A second transformational project through Objective 1 was a major broadband upgrade). The funding provided the opportunity to create the Combined Universities of Cornwall Partnership. It was the lever that enabled Cornwall to make significant progress, unlike some other similar counties with similar issues, e.g. Somerset.

Different options were explored and the preferred model was to build on the different strengths of all the HEIs with an existing interest in Cornwall, ie the Universities of Exeter and Plymouth, University College Falmouth, the Open University, College of St Mark and St John, and the FE Colleges in the County. This was seen as the best way of harnessing the complementary strengths, in particular, of the institutions not based in the County. Exeter University in partnership with University College Falmouth invested in the new campus at Tremough – the "hub" – with spokes distributed across the county within a partnership framework. By bringing all the players together, Cornwall benefitted from a greater range of expertise and curriculum. When the partnership started there were five FE colleges in Cornwall, which over the time have merged into two FE colleges, Cornwall College and Truro Penwith College.

CUC is seen as contributing very significantly to improvement in Cornwall's economic prospects: "The CUC may lie in what seems to be the periphery of our Union; but it is very much at the centre of progress." Odile Quintin Director General, DG Education and Culture.

## Legal Status and Membership

Combined Universities in Cornwall is an unincorporated association of universities and colleges, which have signed a written constitution, with the aim of developing and expanding higher education as a driver of economic development in Cornwall. CUC is governed by two groups, which are composed of representatives from the CUC partner universities and colleges. The chair of each group rotates between institutions.

The partnership originally had eight members including the College of St Mark and St John and the Open University, but both left the partnership after a few years, as there was little involving them. The partnership now comprises: the Universities of Exeter and Plymouth, University College Falmouth, Truro Penwith and Cornwall Colleges and Peninsula College of Medicine and Dentistry (itself unincorporated and belonging to Plymouth University, Exeter University and the three Health Authorities across Devon and Cornwall).

## Governance and Management

A Steering Group exists to provide the overall direction for CUC and mainly consists of the heads of the institutions. The Steering Group is currently chaired by Professor Wendy Purcell, Vice-Chancellor and Chief Executive of the University of Plymouth. There are non-voting members of the steering group representing the social and economic partners, GOSW, RDA and Cornwall Council, and the Higher Education Funding Council. It meets three times a year. The focus of the steering group is to discuss higher education's contribution to the strategic economic priorities for Cornwall, supported by the social and economic partners. As a result of these discussions, collaborative projects or individual institutions are tasked to address certain objectives as part of the strategy for Cornwall. The steering group operates from a base of consensus on what the economic needs of Cornwall are, so decisions taken forward generally are not contentious. CUC has no sovereign decision-making powers. Decisions from the CUC discussions go back to each institution to be agreed. The steering group is currently discussing the impact on CUC of the

changes to Higher Education funding and the cuts on public spending in other services and how this will impact the partnership.

An Executive Group is charged with delivering the strategy set by the Steering Group. Members are usually Deputy Head of institutions and representatives from the partner organisations and meet more frequently, approximately six times per year. This group carries out the business of the partnership.

Two years ago a view was expressed that CUC should strengthen its mechanisms for dialogue with local and social community partners. There had been a lot of informal dialogue with key stakeholders across the county but no vehicle for expressing that. So in addition to the Steering group and the Executive, which are closed meetings, there is now an Advisory Forum. It meets twice a year to express views and comment on plans. It has representatives from across Cornwall from major employers, major service providers and community representatives.

CUC also has a small Partnership Support Team, which works on behalf of the partnership. It consists of:

- CUC director
- Business Support manager
- Coordinator
- Marketing & Communications manager
- Widening Participation officer
- 2.5x administrative support staff (including secretariat to partnership meetings).

The CUC Director acts as the objective broker for the partnership and represents CUC in local, national and international forums.

The team has, from the outset, been funded substantially by the Objective 1 and Convergence programmes, with the majority of the funding coming from ERDF with a small ESF element. Match is made up from the partner institutions and Cornwall Council.

## Review of Governance structure

Two years ago the governance arrangements of CUC were reviewed and generally agreed to be working well. One key change was the cessation

of the Academic Planning Group, which had been set up to address the initial recruitment risk by controlling competition in relation to the HE offer in Cornwall. The investment in new programmes and estate carried with it the uncertainty of how many additional learners would participate in Higher Education and what impact it would have on the economic development of Cornwall. To manage these risks the Academic Planning Group was set up to control competition between institutions and to enable a coordinated approach to new programme development.

Initially this structure managed the new programmes in line with predicted growth in numbers, and secured additional funded student numbers. Over the last 10 years, the participation in HE in Cornwall has increased greater than the national average. The demand for additional HE programmes has created a healthy market for new programmes in line with economic developments. The CUC partners were finding the constraint of having to gain agreement on new programmes at the subcommittee too containing, and it became a bone of contention. Because all new HE programmes in the FEC's are anyway validated through the University of Plymouth who have their own internal scrutiny, it was felt that the academic planning group no longer had a constructive role. Both Universities and the Peninsular College of Medicine and Dentistry offered significantly different subjects that this was not an issue. The colleges have agreed that competition is healthy. Since the review other sub groups have also been disbanded, as they are no longer needed, with their functions reverting to the Executive.

### **Future of the partnership**

The partnership still has a strong sense of purpose and has successfully secured sources of funding to support future development. CUC is recognised as part of the local economic development landscape and will have a prominent role in the developing Local Enterprise Partnership in Cornwall and the Isles of Scilly.

## **• Leeds Regional University Network (RUN)**

### **Rationale**

In 2005 Leeds Metropolitan University (LMU) set out its ambition to become a world-class regional university inspired by the American model of State universities working with their local Community Colleges. The ambition was shaped by:

- a desire to become a distinctive and attractive type of university and differentiate itself from a Russell Group university in the same city;
- a desire to extend access and participation to HE in the region, especially to those with no previous history or experience of HE but who were the natural constituency of local FE colleges;
- a desire to respond to changes in demand for Higher Education and the reorientation towards supporting skills development and economic and social regeneration, especially in the north of England.

### **Features**

There was a large expansion of HE through the delivery of LMU-validated HE programmes in 24 colleges across the north of England and also in Glasgow, London and Belfast. Many of the degrees are delivered and funded under franchise from LMU but colleges can also use their own Hefce funding if they wish.

This offered opportunities for progression learners from Level 2 and 3 onto HE programmes (mainly Foundation Degrees) at local colleges with opportunity to progress to LMU for top-up Honours degrees. In some cases progression from the colleges onto LMU programmes is guaranteed through special Compacts. This permits highly cost-effective design of degrees jointly by college and university staff which, once validated are available to all colleges in the Network (subject to quality criteria). This is possible because of a flexible and speedy validation service by LMU, which allows college responsiveness to their distinctive local needs.

RUN also offers Network-wide services. It offers subject and staff development in the colleges and also provides powerful joint marketing across the region of a branded service from initial level study through to Honours degree at a pace and place to suit learners.

The RUN is managed from within LMU but with formal agreements and protocols with the colleges to provide all partners with a degree of confidence in the future.

## • Cumbria Colleges Collaboration

### Context

Cumbria is served by four small FE colleges located on the periphery of a mainly rural county. The colleges are in Kendal, Barrow, Workington/Whitehaven and Carlisle. Until recently they were financially insecure and were judged underperforming by Ofsted – though now they are rated highly by Ofsted. The LSC tried to force a merger of the four colleges but this was resisted by the colleges and local stakeholders. As an alternative the LSC promoted managed collaboration: supporting collaborative activities short of a merger. LSC financed some of the initial collaboration costs and in return the colleges agreed a programme of collaborative activities and established a structure to lead collaboration, which has been continued by the colleges since the demise of LSC.

### Accountability Structure

Colleges and their Principals are held accountable for collaborative action by governors. The main elements of the work and accountability structures, each with formal Terms of Reference and Objectives are:

- A Collaboration Board comprising the four Principals and a governor from each college, which provides oversight of collaboration activities and is increasingly seeking to exercise leadership and encourage collaboration. An annual report on progress in collaboration and outcomes achieved is submitted to the Collaboration Board and then to each College Board in June each year.

- An operational group (FE4) of the four Principals.
- Theme Collaboration Groups (TCG) each with a specific remit and membership drawn from senior managers from each college. Current groups are for Finance, Quality, Business Development and Equality and Diversity but previously groups have focussed on the student experience and HR issues.
- Annual Collaboration Plans drawn up by each TCG to be used throughout colleges. These plans are reviewed and monitored initially by FE4.

### Collaborative Activities

Illustrations of specific collaboration outcomes include: joint tendering by Corporations for audit services; joint procurement, especially in IT; sharing and adopting best practice for example in student tracking; forming a jointly owned company to secure countywide contracts for training beyond the ability of any one college to deliver; agreeing progression agreements and compacts for FE college students to progress onto University of Cumbria courses.

Shared representation is common on the many countywide community organisations and representative bodies such as the Skills Partnership, Connexions and county economic development agencies. Representation is shared out amongst the Principals with one Principal designated to represent all four colleges with formal reporting back to FE4. This has allowed the colleges to have greater impact and speak with a single voice whilst reducing time commitments for Principals.

# Federation

## • Barnfield College

### Context

Barnfield College in Luton is a Beacon College and one of the most innovative and enterprising colleges in England. It is rated Outstanding by Ofsted, including for its Leadership and Management. It became the first FE college to sponsor two academies (two underperforming 11-16 schools) and has established a Studio School organised within a federation. The principal purpose and objectives of creating the federation were to:

- raise standards and GCSE outcomes in the two schools;
- provide students with every opportunity to succeed in a safe, healthy and supportive environment;
- reduce the number of school leavers that became NEET each year, by ensuring progression to further study or employment;
- create a federated structure that would provide excellent value for money and lead to sustainable success;
- develop a positive 'can do' culture that encourages partnership working;
- provide enhanced services to support community cohesion and area regeneration;
- build two brand new academies at a total cost of £60 million by March 2010.

The government policy to transform underperforming schools into Academies (the two schools in Luton were in special measures) required them to use the best practice of an outstanding sponsor, in this case Barnfield College. By 2010 both schools had made considerable progress with one rated by Ofsted as Good with Outstanding Features and the other rated Outstanding Overall and the most improved school in the country in 2008-09.

The College has also formed a Studio School, the first by an FE college. Studio Schools are a new type of state school. They are Enterprise Academies with an optimal number on roll of 300 of mixed ability, disengaged 14-19 year olds from diverse socio-economic backgrounds. The curriculum in such schools is focused on practical learning, real work and creative thinking. Distinctive features of Studio Schools are that they offer:

- a personalised programme and timetable;
- a personal coach and a business mentor;
- follow an entrepreneur's curriculum;
- a mix of vocational and academic qualifications;
- real work, paid employment projects set by employers;
- progression to self-employment, apprenticeships or Higher Education.

They represent an innovative way to offer something distinctive to engage those vulnerable to underachievement or leaving education and training. The experience and excellence of Barnfield College as a Beacon College provided the basis for working with partners to improve educational performance in schools.

### Federal Structure

The College has established a sponsorship trust through which the Academies and Studio School are managed. The Federation is an innovative and flexible legal structure, which offers the potential to add new schools. The legal framework in essence means the constituent parts (the schools) retain their operational independence, with the Trust acting in an advisory and co-ordinating role with significant input from the key sponsor, in this case Barnfield College.

## Private Sector Sponsorship

- **The Fashion Retail Academy (FRA)**

### Development of FRA

FRA was initiated in 2006 by Sir Philip Green of The Arcadia Group as a joint venture between the government and the fashion retail industry. It was the first FE Skills Academy and draws the majority of its funding from the Skills Funding Agency. In 2008-09 it had 319 16-18 full-time learners and 101 19+ full-time learners, including HE students. It operates from a building just off London's Oxford Street and offers excellent state-of-the-art facilities. It combines training in both retail operations and fashion attuned to the needs of the fast changing retail world. FRA was inspected in 2009 and achieved an overall Good Grade 2 for Effectiveness and Capacity to Improve. Leadership and Management was graded Satisfactory Grade 3. Inspectors noted that 'industry partnerships are outstanding'.

The joint sponsors of FRA are: The Arcadia Group, Marks and Spencer, Next and Tesco. This gives FRA immediate access to over seventy high street fashion retail brands. It works in partnership with the London College of Fashion, City Lit, Retail Trust and The Fashion and Textile Children's Trust. It offers industry specific programmes at levels 2, 3 and 4 and a foundation degree in partnership with the London College of Fashion. A variety of short and evening courses are also offered. Fees are charged to learners.

FRA is a Company Limited by Guarantee and therefore not an FE Corporation. There are nine governors including the Chair and include the CEO of the Specialist Schools Trust, the Pro Rector of the University of the Arts, the Principal of the London College of Fashion, the MD of Topman, the Financial Director of the Arcadia

Group, the Commercial Director of Marks and Spencer and the CEO of Whistles. The Company Secretary is provided by Arcadia. Governors have three Committees: Strategy, Finance and Resource and Audit, each of which meets three times per annum.

# Not-for-Profit Joint Venture

## • Reading College

### Context

Further education provision in Reading was provided through Thames Valley University from 2004 but after a public tendering exercise was taken over in 2010 by a partnership of Oxford and Cherwell Valley College (OCVC) and the Learning and Skills Network (LSN), a not-for-profit organisation providing consultancy, outsourcing, technology and training in the learning and skills sector and beyond. This arrangement emerged as a pragmatic solution to Reading's problems and reflected:

- a wish on the part of OCVC to share curriculum and service benefits;
- a wish to improve career development pathways (an interesting example of talent development);
- a desire to utilise LSNs expertise, particularly with regard to support services (HR specifically) but also in terms of their curriculum development and quality improvement experience recently enhanced by the acquisition of FE Associates;
- LSN's willingness to contribute working capital to Reading. LSN is a good cash generator and has put a substantial sum into Reading (which has been running significant budget deficits and would otherwise have had cash problems).

### Governance and Accountability

Reading College is run by a Joint Venture Board (JVB) and is not subject to the provisions of the FEHE Act – it is a non-exempt charity (unlike colleges, which are exempt charities). OCVC is the accountable body for funding and other related purposes. OCVC has 49% of the share interest of the JVB and LSN 51%. The College opened under this arrangement in 2010 following the de-merger from TVU.

Reading College is governed by a board of trustees with 11 members. LSN provide five members of whom two are executive (including the Chief Executive John Stone) and three non-executive. OCVC has five members (two executive, three non-executive). The Principal of Reading College is also a trustee. The Principal of OCVC chairs the Board (OCVC receives all the income for Reading College). Members are appointed jointly by OCVC and LSN. The Board operates a Carver model of governance, with two committees (Audit and Remuneration) and meets monthly. The style of governance and the nature of Board meetings are much more commercial and business-like than is usual in most FE colleges which the Principal believes leads to much more effective challenge from members. The trust reports by a Red-Amber-Green 'traffic lights' system described in 2 (above) to the OCVC Board. The JVB model is thought to have made it easier to attract and utilise good business skills and promote a more corporate approach to governance.

A stakeholder advisory group has been established recently in Reading to enhance stakeholder representation. The appointment of a new Principal at Reading College will accelerate this process.

The original idea of the not-for-profit model arose in discussion with the government, which was concerned about the loss of local involvement and control of smaller FE colleges which get into financial difficulties and are absorbed by larger, stronger colleges. There was also a concern that successful colleges would be more reluctant in future to take on struggling colleges, which might then disappear. This case offers a glimpse of possible future alternative structures in the college sector as colleges adjust to a harsher, more turbulent climate. LSN is undertaking considerable research into alternative structures and developing its capacity to support and guide colleges to create alternative structures.

## State-Controlled Models

### • North Carolina Community Colleges

#### Context and Mission

The mission of the North Carolina Community College System is to open the door to high-quality, accessible educational opportunities that minimise barriers to post-secondary education, maximise student success, develop a globally and multi-culturally competent workforce, and improve the lives and well-being of individuals by providing:

- education, training and retraining for the workforce including basic skills and literacy education, occupational and pre-baccalaureate programmes;
- support for economic development through services to and in partnership with business and industry and in collaboration with the University of North Carolina System and private colleges and universities;
- services to communities and individuals, which improve the quality of life.

#### History and Development

In the years following World War II, North Carolina began a rapid shift from an agricultural to an industrial economy. With that change came an awareness that a different kind of education was needed in the state. People who did not desire a four-year baccalaureate education nevertheless had the need for more than a high school diploma.

In 1950, the State Superintendent of Public Instruction authorised a study of the need for a system of tax-supported community colleges. The resulting report, by Dr. Allan S. Hurlburt, was published in 1952. It proposed a plan for development of state-supported community colleges. In 1957, the General Assembly adopted the first Community College Act and provided funding for community colleges. It also provided funding to initiate

a state-wide system of Industrial Education Centres. These centres were to train adults and selected high school students in skills needed by industry. By 1961, there were five public junior colleges emphasising arts and sciences, and seven industrial education centres focusing on technical and vocational education. To co-ordinate these two post-high school education systems they appointed the Governor's Commission on Education Beyond the High School. In 1962, this commission recommended that the two types of institutions be brought into one administrative organisation under the State Board of Education and local boards of trustees. A Department of Community Colleges under the State Board of Education was established for the administration of institutions in the Community College System. There were then 20 industrial education centres, six community colleges (three of which became four year schools in 1963), and five extension units. The original legislation placed the community college system under the purview of the State Board of Education, and created a State Department of Community Colleges.

In 1979, the General Assembly changed the state control of the system. Provision was made for a separate State Board of Community Colleges. In 1988, the North Carolina Community College System celebrated its 25th anniversary, recognising that in its first quarter century of service, the system had emerged as the nation's third largest community college network, educating millions of students during its 32-year history and employing thousands of faculty and staff.

#### The State Board of Community Colleges

Officially coming into existence in January of 1981, the State Board of Community Colleges serves as the governing authority for the North Carolina Community College System. The Board is empowered by the General Statutes to adopt and implement the policies,

regulations and standards necessary for administering and operating the nation's third largest system of community colleges. Of its twenty-one members, ten are appointed by the Governor, with one member representing each of the six trustee regions and four others. Four members elected by both the State House of Representatives and the Senate, and three others who serve as ex-officio members by virtue of position: the Lieutenant Governor, the State Treasurer, and the President of the NCSGA.

Five standing committees carry out the bulk of the Board's work: Accountability and Audit, Finance and Capital Needs, Personnel, Policy, and Programme Services, with ad hoc committees appointed by the Chair as needed. The Board meets monthly.

The State of North Carolina has assigned the 58 public community colleges to the State Board of Community Colleges with full authority to adopt all policies, regulations and standards deemed necessary for operation of the North Carolina Community College System.

The State Board is responsible for the equitable distribution of funds and fiscal accountability, establishing state priorities and approving educational programmes within the System.

### **North Carolina Community College System**

The North Carolina Community College System, with administrative offices located in Raleigh, serves as a resource agency and administrative arm of the State Board. The System Office provides support services and technical assistance for the community colleges, under the direction of the System President who is appointed by the State Board, and provides other services that would be difficult for an individual institution to address such as state-wide data collection and reporting.

### **An Example: Craven Community College and its Governance**

Craven Community College, as a component of the 58 community colleges in the North Carolina Community College System illustrates how the system works locally. It operates according to and in compliance with the Community College Laws of North Carolina and consistent with the rules set forth by the State Board of Community Colleges.

The Board of Trustees has the responsibility for development and governance of Craven Community College. The 13-member Board of Trustees includes four member appointments by the Governor, four by the Craven County Board of Commissioners and four by the Craven County Board of Education, with each member appointed for a four-year term. The Student Government President serves as an ex-officio, non-voting member. The College President, as executive officer of Craven Community College, also attends and participates in all meetings, without vote. The President submits recommended policies and policy decisions to the Board, along with programme, financial and other resource recommendations. As elected, the President also serves as executive officer of and secretary for the Board. The Board of Trustees is authorised as per the Community College Laws of North Carolina, as a leadership body corporate to be responsible for: setting all College Policy and for appointing the College President; purchasing, holding and transferring title to all land and property; instituting and defending legal actions; providing for receipt and acceptance of donations, gifts and bequests and contracting with other organisations; and encouraging the establishment of private and non-profit corporations to support the College. Board members serve without compensation. The Board meets quarterly, and all members serve on at least one of the four Standing Committees: Academic and Student Affairs, Facilities, Finance and Personnel.

## • **Technical & Further Education (TAFE) in Victoria, Australia**

### **Context**

The Australian Vocational and Education Training (VET) system operates as a joint partnership between the Commonwealth and States and Territories. Under this arrangement, the States and Territories retain responsibility for their training systems. Key providers of VET nationally are colleges and institutes of Technical and Further Education (TAFE) operating under different governance arrangements according to each state authority. TAFE institutes are responsible for 84.3% of total training delivery in Australia, despite 4,500 registered private training organisations.

The Victorian State Training System provides education and skills training across all occupational groups and includes, among other organisations, 14 TAFE institutes and 4 TAFE divisions within universities. TAFE institutes provide skills training in operative/clerical, trades and professional/paraprofessional areas. Training delivery includes apprenticeships and traineeships, and training related to Government policies that address national, state-wide and regional skills shortages and community needs. In Victoria there are designated specialist centres in such areas as manufacturing, hospitality, tourism, primary industries, biotechnology, heritage trades, textiles, e-business, environmental sustainability and services to small and medium enterprises.

### **Tertiary Education Governance, Policy and Planning**

The Tertiary Education Governance, Policy and Planning Branch are responsible for providing strategic support and oversight to the publicly owned tertiary education and training system. In this role, the branch builds relationships with TAFEs and public universities and advises the Minister on their overall performance and viability and on State investment decisions. The Tertiary Education Finance and Facilities Unit provides funding and strategic planning advice to support TAFE infrastructure and student management system requirements.

The Tertiary Education Governance and Policy Unit ensures Victoria's tertiary education needs are factored into all State and Commonwealth planning and decision making.

Victorian TAFE Institutes operate under a structure of autonomous governance. TAFE Boards are ultimately responsible to the Victorian Minister for Skills and Workforce Participation. Board Directors comprise nine to 15 people and more than one half of the Board are appointed by the Minister. Boards include the CEO and elected student and staff representatives. Board Directors are people with knowledge of industry and community training needs. Board Directors are also appointed on the basis of governance skills related to education and training, public sector or corporate management, finance, law, organisational development, risk management and strategic planning.

### **Ministerial Directions and Accountability**

From time to time directions may be issued by the responsible Minister to clarify the management, reporting and other responsibilities of TAFE Institution Boards, and to give direction about employment of staff, the charging of fees, or other specific matters. Directions may take the form of a Ministerial order which TAFE institutions are required to observe.

Institutes are owned by the Government and are accountable to the Minister under the Public Administration Act 2004. The Minister reports to Parliament on the status of TAFE structure as illustrated in the following diagram:

**Minister for Education and Training**  
– responsible to the Parliament for the exercise by the public entity of its functions.  
Minister is funder of non-commercial training.



**Victorian Learning and Employment Skills Commission**  
– purchases non-commercial services from TAFE Institutes and public and private providers. Department of Education and Training administers statutory bodies.



**Office of Training and Tertiary Education (OTTE)**  
– exercises powers delegated from the Minister and the VLESC  
– organises appointments to Boards for Minister  
– purchases training on behalf of VLESC  
– provides overarching direction for VET sector



**TAFE Board**  
is responsible to the Minister for Education and Training for the exercise of its functions. TAFE Institutes report on performance to OTTE

The Minister reports to Parliament on the status of TAFE Institutes, including financial information. The Minister appoints most Board Directors, owns most of the Institute's assets and property and issues directions and guidelines to Board. OTTE represents the Victorian Learning and Employment Skills Commission (VLESC), which advises national bodies on resource allocation. The VLESC, through delegated authority to OTTE, has the power to negotiate with TAFE Institutes, guarantees them a level of funding and

monitors the responsiveness of the Institute through the Performance Agreement, which it has with each institute. The Institute's Board develops a strategic plan, which relates to the performance agreement.

The implementation of the strategic plan is usually through the development of operational plans, developed and managed at divisional level. The Board does not have a role in the management of operational plans. Its role relates to the 'big picture': it is a governance, not a management role.

### TAFE Institutes

- are large, diverse, publicly owned (by state and territory governments) institutions with prescribed accountability and governance arrangements which ensure quality assurance as laid down by the Australian Government's Provider Registration Requirements;
- offer a broad student experience with individualised vocational and further learning options for a diverse range of students, both local and international;
- invest in social inclusion/community service obligations;
- deliver in a range of industry sectors and/or predominantly at tertiary level, emphasise industry relevance, currency and regional workforce development especially insofar as TAFE training and curricula are directly guided by industry requirements;
- are commercially orientated with dividends re-invested in education or for the public good;
- have an increasing role in higher AQF levels, development and delivery;
- operate primarily as state or territory based institutions;
- often have significant international operations;
- represent low risk to government for market failure because of the longstanding processes in place to ensure the delivery of quality programmes to a balanced mix of local and international students, proven market success, and robust administrative procedures.

Institute governance is described in the following extract from the 'Welcome to the Board! An induction for Board Directors' produced by OTTE

It is vital that the Board:

- is aware of its responsibilities;
- asks questions and seek clarification from the CEO;
- continually assesses its performance;
- acts with probity at all times.

In order to do this, Directors must:

- know and understand the organisation's business;
- be satisfied the institution is being run in accordance with proper practices and procedures;
- spend as much time as is required to perform his or her duties (in most cases this will mean more than just going to Board meetings);
- not use their position or information to their own personal gain or cause detriment to the institution.

Directors can be held liable if they do not uphold their duties. Cases such as HIH, Enron, One Tel, amongst others, underscore this point. Although Directors will not be held liable if they are negligent because of errors of judgement, they must carry out their functions with 'reasonable competence'. Where Directors have a particular skill or qualification, a higher standard of care is expected. Each Institute should have in place a suitable Directors and Officers Liability Insurance policy.

A Board can delegate authority to positions or committees in the Institute. However, there are limitations to this power to delegate. The Directors' Duties and Liabilities Handbook outlines what authorities can and cannot be delegated.

The present Governance structure of TAFE has been in place for ten years and the system has matured to a point where Institutes are seen as both learning institutions and businesses. As a consequence, the focus of those charged to govern the Institute has moved beyond the procedural to provide a far greater and more professional emphasis on strategic issues.

Today's Institute Council has a greater leadership role than before and has become increasingly accountable. This ensures not only that the Government is satisfied with its performance and, by direct implication the performance of the Institute, but that external stakeholders, students, and staff are equally satisfied with their interaction with the Institute and its achievements. Institutes are complex and significant organisations in the community.

### **An Example: Box Hill Institute and its Governance**

Box Hill Institute is one of Victoria's TAFE institutes delivering a broad range of vocational education and training services and is illustrative of the balance of state control and local independence and accountability. In 2009 the Institute had more than 40,000 enrolments. The Institute offers more than 500 courses including many that are delivered internationally and within industry, covering a range of Diplomas, Certificates, Associate Degrees and Degrees. A range of services is provided by Box Hill Institute including industry consultancy, skills recognition and employment services.

The key planks underpinning the Institute's approach to education are:

- a culture of community involvement;
- a focus on relevance and currency in our courses;
- innovation in all aspects of our business;
- responsiveness to clients;
- equitable access for all;
- a commitment to quality.

The Institute is well known for its community corporate giving programme and is involved in many projects that give back to the community including building houses for homeless youth, the Burgess Foundation for disadvantage, Special Olympics, Too Young to Work: India, KOTO: Vietnam, Reach Out for Kids, Eastern Relief and Jamie Oliver Foundation.

## **Governance**

Box Hill Institute is governed by a Board that is representative of Government, industry and community. The role of the Board is to establish the Institute's strategic direction, oversee and ensure the effective and efficient management of the Institute, approve management plans, and ensure that the community is serviced effectively with technical and further education programmes which are responsive to its needs. The Board is committed to the adoption of ethical conduct in all areas of its responsibilities and authority. In so doing, it binds its members to the principles and practices determined in the Board's Governance Protocol. The Board is ultimately responsible to the Victorian Government for the governance and management of the Institute.

## **Committees**

As part of sound corporate governance practice, and to assist the Board in meeting its constitutional duties, there are three subcommittees and one ad hoc committee for 2009. These are:

- **Board Executive Committee**

The Board Executive Committee acts on behalf of the Board as a reference point on urgent matters that may arise between Board meetings, and to focus appropriate attention on the selection and appointment of Board members.

- **Audit, Finance and Risk Committee**

The objectives of the Audit, Finance and Risk Committee are to provide independent assurance and assistance to the Board on the Institute's control and compliance framework and its external accountability responsibilities.

- **Board Remuneration Committee**

The Board Remuneration Committee assists the Board in ensuring that the Institute's policy and practice for Board member and Executive Officer remuneration are appropriate and consistent with the requirements of Victorian Government policy and regulations.

- **Project Control Group**  
(Ad-hoc Board Committee)

The Project Control Group monitors the delivery of building capital projects as nominated by the Board, which are included in the approved Institute Building Capital Project Programme. It reviews progress against programme and budget, and provides advice to the Board/Board Executive of the Box Hill Institute of Technical and Further Education regarding the status of the programme.

## Successful Traditional Models

### • West Herts College

#### Context

West Herts College is a general FE college operating four campuses in Watford, Hemel Hempstead and Kings Langley. In 2010 it was rated Outstanding for its Overall Effectiveness and its Leadership, Management and Governance by Ofsted – the first GFE college to receive such high rating under the new, more searching, inspection criteria. This shows a major transformation of Governance rated as Poor by Inspectors in 2003, Good in 2005 and Outstanding in 2010.

#### Governance Characteristics

The main transformation was effected in 2004-06 and changes made have provided a basis for continued development in Governance.

The main changes included:

- A whole college commitment to a model of governance aligned with principles expounded by John Carver. Governors were to focus on 'ends' leaving managers to focus on 'means'.
- The Corporation meets ten times a year (monthly from September to July) and operates a minimal committee structure of Audit and Search which are purely advisory to the Corporation Board.
- A refocus on the strategic role of governors, including envisioning days that have focused on key aspects of policy, e.g. employer engagement.
- Clear setting and monitoring of aims and performance.
- Accountability to owners.
- Robust, honest, evidence-driven and self-critical self-assessment.
- Emphasis on Quality and Achievement.
- A belief in the transforming potential of good leadership.

- The establishment of e-governance whereby all 'papers' have been substituted at meetings by online access for governors to agendas and all items for discussion.
- The sponsorship of a local school academy with the aim of supporting and transforming the opportunities for 11-18 year olds in the local area. The Chair of the Academy trustees is a former Chair of the College and the current Chair and Principal of West Herts are also trustees.

#### Further Information

The College is strongly committed to sharing the lessons learnt as it has moved from recovery to a position of outstanding success. The College website [www.westherts.ac.uk](http://www.westherts.ac.uk) has a useful section on the Corporation which, as well as offering the usual information on governance (roles, responsibilities, minutes etc), contains Corporation documents and information on how to become a governor.

### • Hull College Group

#### Context

Hull College is one of the largest general FE colleges in England and was awarded Grade 1, Outstanding in all areas, including Governance, in its last Ofsted inspection in 2008. It is one of a new breed of GFE colleges large enough and respected enough to influence government policy. It is primarily an FE college but has significant HE level provision and plans to increase this over the next few years. This increase will lead to refashioning the governance arrangements to represent this HE provision more prominently.

#### Hull College Group

As well as serving the city of Hull, one of the most deprived areas in England, the college has absorbed Harrogate and Goole Colleges, 70 miles and 28 miles respectively from Hull. Goole is effectively a small campus but

Harrogate College is an identifiable institution, which was a small FE college within Leeds Metropolitan University. The University found it difficult to reach the standards of excellence it aspired to within its FE College and after a competitive tendering exercise it was absorbed by Hull College in 2008. By transferring from the HE sector the college became eligible for FE funding, including the capital funding then available. But the main driver was the desire to create better provision in Harrogate. Similarly, Goole College was absorbed. Hull College's reputation for excellence and its size and resources were influential in securing the other colleges.

## Governance

The Group operates through a single governing body of twenty members. It has a traditional committee system (Audit, Finance and Estates, Search, Governance and HR, and Standards – the Chair of the Corporation is a member of this latter committee to emphasise its centrality to the work of the Board) with termly Corporation meetings, which are occasionally held in Goole or Harrogate, as are student award ceremonies to celebrate successes locally. It is noted for what Ofsted described as a very robust system for scrutinising the executive against agreed performance standards, using a Balanced Scorecard of KPIs, and the challenging values set for the college. The governors have very high expectations and demand that their college is successful.

There is a Consultative Council at Harrogate College composed of staff, students, local business and community representatives and two members of the Hull College Board. This has no executive power but ensures a degree of local engagement and responsiveness. It is particularly valuable in linking the college with the local authority, e.g. to provide demographic data, school performance data or estimates of the impact on Harrogate students of the withdrawal of EMAs and with emerging employment and skills needs, such as the demand for Apprenticeships.

Hull College promotes itself as a 'Group' but is legally a single FE corporation operating with several campuses. By linking Harrogate and

Goole Colleges (the old names are still used, these alongside Hull College in marketing) with a large successful college it has proved possible to operate with a single, high profile brand and to offer Hull expertise and standards to the two smaller operations. Certainly it has boosted the profile, standing and performance of Harrogate College, which faces strong competition from nearby Leeds and its colleges.

## • Newcastle College Group (NCG)

### Context and Structure

Newcastle College is one of the largest and most successful FE colleges in England and is also the largest provider of HE in the FE sector. It operates through a group structure. The Newcastle College Group consists of three bodies – an FE College Corporation with two companies, which are wholly owned subsidiaries. Newcastle College Corporation is directly responsible for governance of a merged college: Newcastle College merged with (absorbed) Skelmersdale and Ormskirk College in August 2007. Skelmersdale and Ormskirk College was formerly an independent but failing FE college in West Lancs and the merger followed a competitive tendering process. NCG also contains a commercial company, Intraining Group Limited, which provides a wide range of skills and employability programmes and operates nationally. Additionally, it owns Newcastle College Construction Limited, which offers Apprenticeships and training in a wide range of construction occupations and crafts.

### Management Structure

Newcastle College Group is managed as three divisions. The group has centralised support structure that provides shared services across all divisions including finance, information systems and procurement. Reporting relationships are:

- The Group Chief Executive is the accounting officer and accountable to the Corporation for all operations. Direct reports include a Principal of Newcastle College, a Principal of Skelmersdale and Ormskirk College, a Managing Director of Intraining and a small Executive team.
- The Principal of Newcastle College acts as the general manager (but not the accounting

officer) of Newcastle College Division (which includes Newcastle College Construction Limited as well as operations in Newcastle).

- The Principal of Skelmersdale and Ormskirk College acts as the general manager (but not the accounting officer) of operations in Skelmersdale and Ormskirk.
- The Managing Director of Intraining acts as the general manager of Intraining's operations.
- The Executive team are responsible for management functions as well as operation of the centralised support structure. This team includes Group Directors for: Finance and Resources, Business Development, Planning and Performance, and Human Resources and Corporate Services.

### **Governance structure**

The governance structure complies with the Instrument and Articles of Government for Further Education Corporations made by the Secretary of State. Newcastle College Corporation consists of 15 members.

- Ten members appointed for their skills to ensure that the Corporation carries out its functions.
- The Group Chief Executive.
- Two Student members.
- Two staff members (one academic and one support).

The members appointed for their skills include a senior person nominated by a local authority as well as individuals who hold or have held senior roles in business or community organisations. Two student members are nominated and elected by Newcastle College Student Union. One of these individuals is also elected as President of the Student Union.

The Corporation made a conscious decision to reduce the number of committees following a self-assessment exercise and completion of the Governance Health Check questionnaire in 2001. The analysis showed that governors were well informed about main board business, and the business conducted at the committees they were members of, but much less clear and confident about other committees' discussion

and decisions. The Chair at the time lead a change programme to reduce the number of committees and increase the frequency of Corporation meetings to monthly during term time; this has enabled faster decision making and the involvement of all members in a wider range of business.

The Committees of the Corporation are now: Audit Committee, Search Committee, Remuneration Committee, and Skelmersdale and Ormskirk College Advisory Committee.

### **Skelmersdale and Ormskirk Advisory Committee**

Prior to the merger, Skelmersdale and Ormskirk College had its own independent Corporation. At the time of the merger, and in view of the geographical distance between the colleges, Newcastle College Corporation recognised that it would be beneficial to retain local knowledge and expertise. The Skelmersdale and Ormskirk College Advisory Committee was, therefore, created and, whilst this Committee has no formal decision-making powers, it is very influential in informing the Principal of Skelmersdale and Ormskirk College about local needs. She consults with it on plans and she reports performance to it. The initial members of the Skelmersdale and Ormskirk College Advisory Committee were the members of the former Skelmersdale and Ormskirk College Corporation. The Advisory Committee nominates one of its members to become a member of Newcastle College Corporation and (subject to the usual requirement for advice from the Search Committee) this appointment is decided by the Corporation. The person appointed provides a link between the Corporation and the Committee. The other members of the Committee are co-opted locally and are not members of Newcastle College Corporation. Members of the Advisory Committee include some leading figures from the local area and are valued as ambassadors for the College in the local community. With the support of the Advisory Committee, the Corporation maintains good relations with West Lancashire Borough Council.

## **Subsidiary Companies**

The company directors of the two subsidiary companies are the Group Chief Executive and the Group Director, Finance and Resources (who also serves as Company Secretary). Board meetings for the subsidiary companies are held regularly and as required to provide compliance with company law. To safeguard potential risks to the parent organisation, contracting arrangements and compliance are reviewed thorough line management arrangements within Intraining and through line management by the Group Chief Executive with the support of the Executive team. Performance data are monitored through divisional reporting structures. Outcomes of monitoring and self-assessment are reported to the Corporation.

## **Newcastle College Corporation business**

The current Chief Executive, appointed in 2000, led the transformation of Newcastle College from a traditional 'sluggish' public sector institution to a high performing business-like organisation.

Although the Corporation has not made an explicit decision to follow a Carver or Policy model, there are elements of the operations that clearly align to an accountability and ownership model of governance. The Group Chief Executive, supported by the Executive team, proposes policies and strategic plans for discussion and decision by the Corporation: the decisions taken by the Corporation effectively set boundaries within which the Group Chief Executive operates. It is then over to the Group Chief Executive to produce operational plans and strategies which members of the Corporation then review as critical friends. This operates well for Newcastle College Corporation because of the strong and highly competent Group Chief Executive who has a very open and productive relationship with fellow members of the Corporation. There is a high level of trust between members of the Corporation: working relationships are excellent but not always easy; debates are rigorous and opinions aired to reach a basis for decision-making.

In consultation with the Chair of the Corporation and the Group Chief Executive, the

Clerk to the Corporation produces an annual calendar of reporting to ensure that all board responsibilities are covered over the cycle of meetings. In addition to the items scheduled annually, the agenda for each meeting includes proposals for business development from the Executive.

## **Integrated process for Business Planning, Budget Setting and Performance Monitoring**

The Executive proposes Strategic Plans and budgets on an annual cycle for approval by the Corporation.

The Executive manage operations through a quarterly cycle of meetings for Business Planning, Budget Setting and Performance Monitoring; this is an integrated process and the Executive allocate around 3 weeks each quarter to drill down into each part of the organisation to ensure progress is being made and to intervene, as appropriate. Zero-based budgets are set for each year.

The Corporation receives quarterly summary reports on the outcomes of Performance Monitoring; these show learner volumes and values in relation to budget plans as well as learner retention and achievement. The overall volume of evidence used to ensure effective management of operations would be overwhelming for Governors; the reports to the Corporation provide an accessible summary, highlight key issues and provide sufficient detail to achieve accountability and instil confidence.

Self-assessment reports are developed by each division on an annual basis and, following validation meetings with quality managers, these reports are reviewed by the Executive and presented to the Corporation. These reports provide on-going evidence of the organisation's outstanding performance.

## **Linking to the local economic needs and the local businesses**

Networking with employers is at sub-divisional level, where professional and vocational expertise is aligned with the business sectors served. Accountability is achieved through Performance Monitoring and Self Assessment

Reports. Newcastle College has become one of the first colleges in the North East to achieve the Training Quality Standard with excellence in Construction. The Training Quality Standard has been designed to recognise and accredit those organisations which can demonstrate excellence in delivering training solutions to employers.

### **Public accountability**

Ofsted assessed Newcastle College as Grade 1 Outstanding at Inspections in 2004 and 2008. The College publishes an annual report with accounts which is available on the College website; the organisation is financially healthy and offers excellent resources.

### **Induction, training and development of Corporation members**

The Clerk to the Corporation provides an extensive induction for all new Corporation members. This aims to provide sufficient familiarity with the sector and the organisation to enable an effective contribution in the role. The induction programme has 12 learning objectives. Delivery is through meetings with senior post holders and the Clerk and also via a Governors' intranet provided by the Clerk and via on-line materials for the sector. The meetings with senior staff serve to build good working relationships as well as understanding of the organisation, its business environment and the format for the presentation of reports. External training is also arranged, as required.

The Corporation has three scheduled development events each year, which provide opportunities for extended presentations and discussion on strategic issues in addition to any matters arising from members' self-assessment of the performance of the Corporation.

## **Co-operative Model**

### **• The Mondragon Corporation**

#### **Context**

The Mondragon Corporation is a federation of workers' co-operatives based in the Basque region of Spain. Founded in 1956, its origin is linked to the activity of a technical college and a small workshop producing paraffin heaters (History supplied in document, 'The Mondragon Co-operative Experience 1956-2008'). The Co-operatives are owned by their worker-members and power is based on the principle of one person, one vote. Currently it is the seventh largest Spanish company in terms of turnover and the leading business group in the Basque country. At the end of 2009 it was providing employment for 85,066 people working in 256 companies. In terms of organisation, it is divided into four areas of activity: Finance, Industry, Retail and Knowledge.

#### **Mission and Philosophy**

The Corporation's Mission combines the core goals of a business organisation competing on international markets with the use of democratic methods in its business organisation, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment.

Mondragon is 'an entrepreneurial socioeconomic entity with deep cultural roots in the Basque Country, created by and for the people, inspired by the Basic Principles of our Co-operative Experience, committed to the community, to the improvement of competitiveness and to the satisfaction of customers, to create wealth within society through entrepreneurial development and job creation, preferably membership-jobs in co-operatives.'

This philosophy is complemented by the establishment of four Corporate Values: Co-operation, acting as owners and

protagonists; Participation, which takes shape as a commitment to management; Social Responsibility, by means of the distribution of wealth based on solidarity; Innovation, focusing on constant renewal in all areas.

The Federation is bonded through a humanist concept of business, underpinned by a philosophy of participation and solidarity. The Business culture is rooted in ten basic principles that come from the Rochdale Principles (key principles of co-operative operation first set out in Rochdale in 1844). The 10 founding principles of co-operation are: Open Admission; Democratic Organisation; Sovereignty of Labour; Instrumental and Subordinate Nature of Capital; Participatory Management; Wage Solidarity; Inter co-operation; Social Transformation; Universality; and Education.

The price of buying into the co-operative system is fixed at 14,000€, which is withheld from salary over a period of time. Being a member of one of the group's co-ops entitles all members to an equal share in 20% of the corporation's surplus. Other benefits include the automatic admission to the in-house welfare system (additional health-care and retirement benefits, preferential loan rates), and relative job security. The level of lifelong training and education is also high, following the 10% national requirement. Access to the technical university, management and language training centres is also guaranteed.

This business culture translates into compliance with a number of Basic Objectives (Customer Focus, Development, Innovation, Profitability, People in Co-operation and Involvement in the Community) and General Policies approved by the Co-operative Congress, which are taken on board at all the Corporation's organisational levels and incorporated into the four-year strategic plans and the annual business plans of the individual co-operatives, the Divisions, and the Corporation as a whole.

Over the years these links have been embodied in a series of operating rules approved on a majority basis by the Co-operative Congresses, which regulate the activity of the Governing Bodies of the Corporation, the Grassroots Co-operatives and the Divisions they belong

to, from the organisational, institutional and economic points of view as well as in terms of assets.

The co-operatives of the Mondragon Corporation are constituted in accordance with the general regulations for co-operative companies, which means that their basic structure is similar to that of other co-operatives.

However, in addition to being subject to the law that specifies the external regulations which govern all co-operatives, Mondragon co-operatives also have two additional basic internal organisational elements: their Company Statutes, which constitute the true Magna Carta of the organisation, and their internal regulations which specify the way in which the Statutes are to be implemented and developed.

## Governance and Management

The basic social and management bodies of the overall co-operative are the Co-operative Congress, the Standing Committee and the General Council:

- Co-operative Congress – it establishes the strategic criteria by which the Corporation is to be administered, through the planning and co-ordination of its business units. It is comprised of 650 members delegated by the various co-operatives.
- Standing Committee – it governs under a mandate of the Co-operative Congress. Its basic function is to promote and oversee the implementation of the policies and agreements adopted by the Congress, while constantly monitoring the evolution of Mondragon.
- General Council – it is responsible for the development and application of corporate strategies and objectives and co-ordinates the policies of the different Divisions and Co-operatives.

All Co-operatives have the same unique basic structure, and are driven by the same policies and responsibilities, regardless of their number of members.

An interactive model of the management structure can be found at: [www.mondragon-corporation.com/language/en-US/ENG/Who-we-are/Management-Model.aspx](http://www.mondragon-corporation.com/language/en-US/ENG/Who-we-are/Management-Model.aspx)

Each individual Co-operative is managed through a General Assembly and Governing Council. The General Assembly votes on issues that affect the co-operative. Members meet once a year to discuss issues presented throughout the year. At this time, members will approve all the projects, changes, and strategic planning for the next year. Another function of the Assembly is to appoint and dismiss the members of the Governing Council.

Governing Council, the body which represents and governs each co-operative, is elected from all the assembly members. Some larger co-operatives have member representative committees who liaise with members, then attend the general assembly to make it more manageable. The executive management are appointed through this Governing Council, to whom the economic performance and strategy of the company are delegated to a great extent. However, the final decision-making power and control rests with the General Assembly.

Once you become a member of the Mondragon family, you have certain obligations to the rest of the members. One of those obligations is to become an active participant in the General Assembly where all the decisions about the company are made and everyone has the right to express their opinion on what will be best for each employee. Members take this responsibility very seriously because it affects their lives and their communities.

Each co-operative has its own audit committee elected by the general assembly. Also as a requirement of the Government of Spain, the co-operatives are subject to external audits done by big private corporations such as Merrill Lynch.

The Governing Council is composed of twelve members of whom six members are elected every two years. The duration of their term is four years. The functions of the Council are representation, government, and management.

Management of individual Co-operatives is through a Management Council and General Manager. The Management Council are responsible for the basic functions of the co-operatives, like production, sales and human

resources. The president of the Governing Council is also a member of the Management Council. Although he has a voice in the decision-making, he does not have a vote. He is there to make sure that all the objectives and projects are going as planned. Members of the Management Council meet at least once a month to discuss all issues related to the co-operatives and to schedule special meetings to discuss strategic planning that will be proposed to the General Assembly in their annual meeting. Most of the time, the General Assembly will approve all proposals given by the Management Council. The General Manager is the member elected by the Governing Council to manage the Co-operative. He is the Chair of the Management Council and makes sure all the objectives proposed are done in an efficient way and according to protocol. The General Manager, as any General Manager of any company, is responsible for informing the rest of the council how the co-operative is performing, controlling all aspects of production and decision-making. All general managers have a lot of influence because they are business professionals that specialise in working in co-operatives, and the Governing Councils give a lot of latitude on decision making to the General Manager.

### **Mondragon's knowledge companies**

This area of activity has a dual focus: education-training and innovation, which have both been key elements in the development of the Corporation. The University of Mondragon is a university of a co-operative nature, which combines the development of knowledge, skills, and values, and maintains close relations with business, especially the Co-operatives. Technological innovation is generated through the Co-operatives own Research and Development Departments, the Corporate Science and Technology Plan, the work of the Corporation's 12 technology centres and the Garaia Innovation Park.

For their part, the twelve technology centres, with a workforce totalling 742 people and an overall budget of 53.7 million euros in 2009, continue to play a fundamental role in the development of the sectors in which they focus their activity.

There are 11 companies as part of the Mondragon Corporation that provide education and training in areas of general, business and technical education, university and post-graduate education.

The university states that being part of the Mondragon Corporation enables a 'close and permanent relationship with the working world', enabling them to outline their educational offer by adapting it to the needs of companies and organisations. It enables their students to come into direct contact with the working world right from the start of their studies. This includes participation in Mondragon Unibertsitatea's governing bodies and the participation of the professors in research projects enabling them to obtain real, permanent knowledge about the needs of the business world and it keeps their knowledge permanently updated, which is in turn transmitted to the students.

# Appendix

## Further Reading

For further information and resources on the Carver Model of Governance, see [www.carvergovernance.com](http://www.carvergovernance.com)

Review of Scotland's Colleges, Developing capability: How our Colleges can Respond to Future Challenges, Scottish Executive (2007) and subsequent Guidance Notes on Accountability and Governance provide useful insights into how Scotland is seeking to transform its colleges and their governance.

State of Social Enterprise Survey 2009, Social Enterprise Coalition, London (2009) reports the largest survey of social enterprises to shed light on the sector's size, structure and governance, motivations and prospects.

*Making Mondragon: The Growth and Dynamics of the Worker Co-operative complex (1991)*, William Whyte.

*The Mondragon Co-operative Experience (1993)*, J Ormachea.

*Co-operation at Work: The Mondragon Experience (1983)*, K Bradely and A Gelb.

*Values at Work: Employees participation meets market pressure at Mondragon (1999)*, G Cheney.

*Mondragon: An economic analysis (1982)*, C Logan and H Thomas.

*The Myth of Mondragon: Co-operatives, Politics, and Working-Class Life in a Basque Town (1996)*, by Sharryn Kasmir, State University of New York Press.

*From Mondragon to America: Experiments in Community Economic Development (1997)*, by G MacLeod, University College of Cape Breton Press

*Jobs of Our Own: Building a Stakeholder Society (1999)*, by Race Mathews, Pluto Press (Australia) and Comerford and Miller (London), US reprint 2009, The Distributist Review Press

## Endnote

The researchers would like to thank all the institutions which gave time and provided the information that supported the production of this document.

## Learning and Skills Improvement Service (LSIS)

The Learning and Skills Improvement Service's aim is to accelerate the drive for excellence in the learning and skills sector, building the sector's own capacity to design, commission and deliver improvement and strategic change. LSIS's vision is that every learner acquires the skills, knowledge and appetite for learning, living and working and every provider is valued by their community and employers for their contribution to sustainable social and economic priorities.

LSIS's Strategic Ambitions demonstrates how we will contribute to delivering core improvement principles and sets out our new ways of working to engage the sector in everything we do to make LSIS a truly sector-led organisation. You can find this document and other information about LSIS activities and services at [www.lsis.org.uk](http://www.lsis.org.uk)

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