



Association
of Colleges

Promoting. Representing. Supporting.

Review of AoC Proposals for Consultation

February and March 2017



Association
of Colleges

Promoting. Representing. Supporting.

Review of AoC Process, context and summary

AoC Review – the process

- Meetings in every region with principals/chairs and informal soundings in autumn 2016
- Key themes/issues presented at November 2016 AGM
- Questionnaire on key themes/issues November/December
- AoC Board discussion and sub-group oversight
- Proposals now being consulted on with members
- AoC Board strategy session 8/9 March to reach decisions
- Phased implementation over 2017/18



AoC Structure



Association
of Colleges

Promoting. Representing. Supporting.



Sport
For college, for life.



Regions



Create
For the sector by the sector



Association *of* Colleges
Charitable Trust

AoC Sport, AoC Create and AoC Charitable Trust not part of this review

External context for the review

The sector has changed:

- **Fewer colleges** – 400 to 250?
- **Range of needs** – larger/smaller; rural/urban; general/specialist, multi-sited
- **Institutional diversification** – colleges have academies, free schools, private training arms
- **Changes in government** – fewer civil servants with less experience of FE in Whitehall and rise of power of combined authorities and LEPs

Internal context for review

- Current organisation is not affordable on fee levels
 - Rolling forward as we are = £1m overspend on £6m budget in 17/18
 - Drop in fees due to impact of fee cap on merged colleges
 - Fewer opportunities to bid for funds have reduced income from AoC Create dividend and projects margin
- AoC financial year is April – March
- Members recognise value for money from fees in different ways
 - Negotiation to win continued 5% tolerance on English and maths condition of funding worth c£1m to average college versus average fee of c£25k
 - Good progress on English and maths policy changes with DfE
 - Strong positioning of colleges in Industrial Strategy secures future resources

What members want...

- Confident, ambitious AoC – professional and effective
 - Influencing nationally - impacting on policy and funding
 - Making the case for colleges on a day-to-day basis with officials
 - Supporting, engaging and advising regionally
- Raising profile, improving reputation
 - Establishing and promoting a new vision for the place and roles of colleges in economy and society
- Expert advice, intelligence, support
- Networks to share, learn, develop

And members want changes built on strengths

Building on current strengths, key 'asks' are:

- More consistency – feel like and operate as one organisation
- Better communications between members and 'centre'
- Clarity on aims and openness about priorities
- Higher profile public affairs and policy work by engaging members more effectively
- Stability in membership fees and value for money

Summary of the changes proposed by the AoC Board

1. Invest more in public affairs and policy
 - New policy groups to engage members in setting agenda for years ahead
 - Develop sector and AoC capacity for research, analysis and thinking
 - Increase capacity in AoC for public affairs and policy through efficiency savings
2. New management structure for AoC
 - Working to new strategic plan with clear national policy priorities
 - Leading long-term policy thinking and change as well as responding to Government
 - Local teams delivering consistent, high-quality contact, advice, support for members
 - Streamline all support services led by local teams so more responsive to members
3. Fixed membership fees for three years
 - Single fee set at 0.1% of turnover
 - Reduced rebate for largest colleges, as mergers reduce college numbers



Association
of Colleges

Promoting. Representing. Supporting.

Review of AoC
Detailed questions & proposals

Key questions on the AoC Board proposals

1. How will we improve our policy/public affairs work?
2. How will we meet needs of every member in a diverse sector?
3. How will we engage and support at regional level?
4. As number of colleges falls, what fees will we set?
5. Do we need to make changes to AoC governance?

1a: How will we improve our policy/public affairs work?

- Invest more in policy and public affairs staff
- Establish new policy groups structure
- Reorganise internally to achieve efficiencies
- Use technology to improve communications and make savings
- Develop capacity for research, analysis and thinking across the sector
 - Including working with others - ETF, WorldSkills UK, SFCA, Collab Group, Landex, Natspec and so on
- Particular focus on aligning our work, based on new AoC strategic plan, particularly between regional and national staff, across teams

1b: Current AoC policy and national groups

Portfolio groups	National groups	Other groups
<ul style="list-style-type: none"> • 14-19 • Higher education in further education • Governance • International • LLDD • Performance and quality • Sixth form colleges • Skills • Sustainability • Learning technologies 	<ul style="list-style-type: none"> • 14-19 delivery group • 14-16 implementation group • College finance directors group • English, maths and ESOL group • LLDD delivery group • Management information systems group • Offender learning group • VP quality group 	<ul style="list-style-type: none"> • National HR network • Information learning technology group • Information technology group • Examination officers group

1c: Issues with current national group structure

2016 Review of portfolio groups identified the following issues:

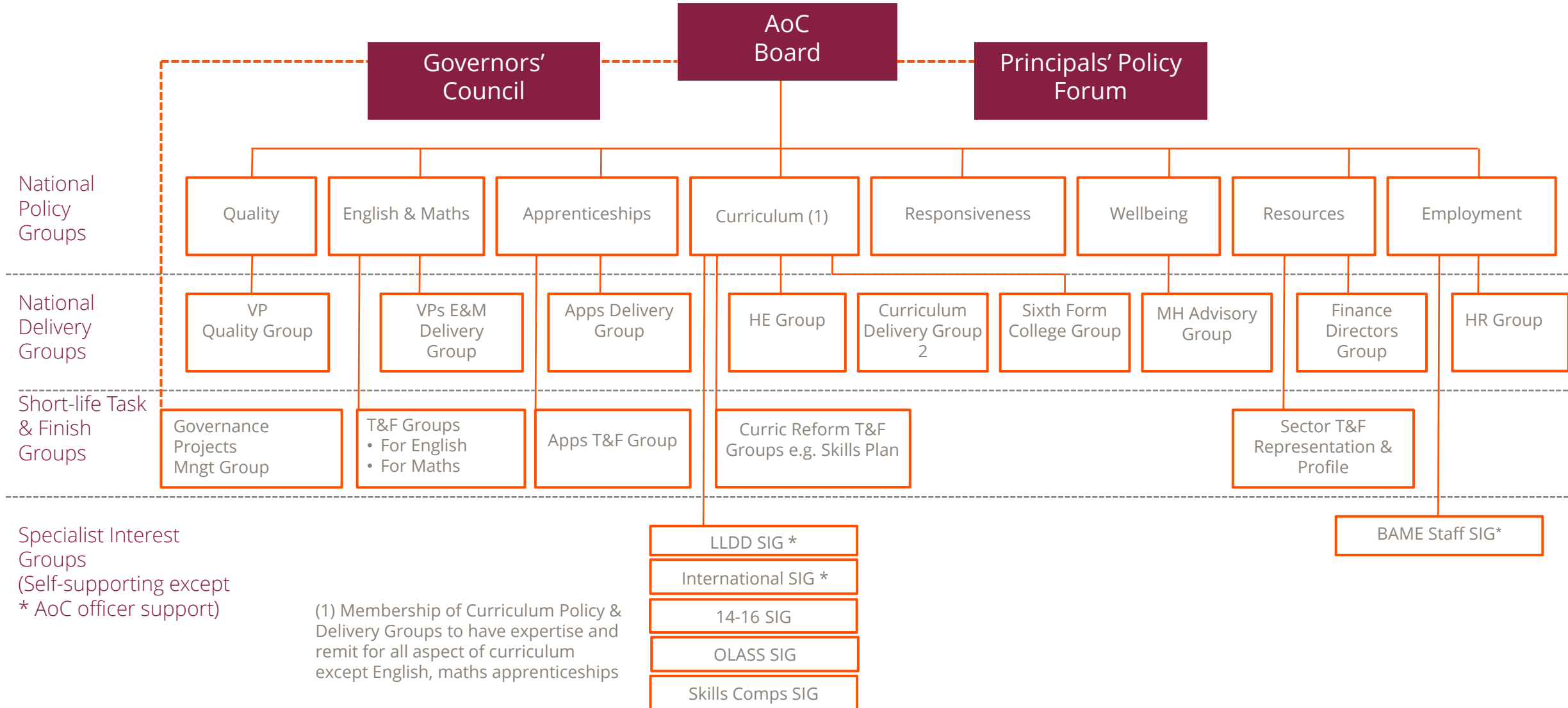
- No coherent pattern of groups, membership or consistency of AoC staff support
- Evolved from history rather than planning or current priorities
- Leads to groups with low membership and some may not be needed
- Membership by 'picking' or 'osmosis', rather than objective criteria
- No obligations to two-way communications with members
- Groups don't necessarily reflect current and future priorities

1d: Proposed national group arrangements

- Fresh start with new groups and new membership
- Coherent pattern of groups reflecting priorities (reviewed bi-annually)
- Leading thinking and influencing policy over long term, working with partners over long term, not just reacting to policy
- Supported by delivery groups helping to implement and challenge policy
- Membership by application, based on clear criteria:
 - Expertise in the issue
 - Coverage of all geographies and types of college
 - Mix of experienced and newer people
 - Commitment to give time and to communicate with members
- AoC officer support for most groups but a tier of self-supporting specialist groups, where members want them, with officers staying in touch



AoC Policy and National Groups (Revised)



Consultation questions

Group structure

- Out of 10, how would you rate your current knowledge of AoC's portfolio and national groups?
- Do you agree with the proposal to refresh AoC's policy and delivery groups?
- Having considered the proposed structure, are there any missing areas you feel should be covered or groups which are not necessary? Please state.

Research, analysis and thinking

- Out of 10, how would you rate AoC's current research and analysis work?
- Do you agree with the proposal to develop capacity for research, analysis and thinking?

Public affairs and policy

- Out of 10, how would you currently rate our public affairs and policy work?
- Do you agree with the proposals for investing more in public affairs and policy?
- Do you agree that AoC should work closer with other sector organisations on public affairs and policy?
- Do you agree that AoC should work closer with college staff to strengthen our public affairs and policy work?

2a: How will we meet needs of every member in a diverse sector?

- Deliver value for money and high quality to members to maintain near 100% membership levels
- With high levels of membership we have collective strength & impact
- Recognise that the key AoC role is influencing policy, funding and regulatory arrangements nationally
- But to achieve that we need:
 - Strong local presence, in close contact with every member to understand needs, challenges, opportunities and to engage members in national work
 - Range of services and networks managed by local teams to support differing needs of members
 - Specialists operating nationally – public affairs, policy, influencing

2b: Core offer to members

- Representation and policy influence
 - National voice for colleges – with you, for you
- Leading thinking
 - Setting the agenda for positive long-term change
- Reputation and profile
 - More confident, assertive, better understood, more respected
- Support, intelligence, advice, networking
 - Supporting colleges to flourish

2c: Maintain range of support, intelligence, advice services

- Finance, pensions, resources, capital
- Quality, inspection, improvement
- Curriculum reform and development
- Data, benchmarking, research
- Employment, HR, legal
- Governance
- Skills competitions
- International
- AoC Charitable Trust awards
- Projects, which deliver sector priorities

2d: Pay negotiations

- AoC conducts national negotiations for member colleges on pay and other employment issues
- Formal relationship with sector unions
- Provides recommendations for colleges to consider
- Last review in 2013 – majority of members confirmed wanted this to continue
- Is this still something members want?

Consultation questions

Support, advice and intelligence

- Out of 10, how would you currently rate our public affairs and policy work?
- Do you agree with the proposals for investing more in public affairs and policy?
- Do you agree that AoC should work closer with other sector organisations on public affairs and policy?
- Do you agree that AoC should work closer with college staff to strengthen our public affairs and policy work?
- Do you agree with the proposal to keep the support services as above?
- Do you have any ideas or observations that will assist or inform the internal review of how we manage and deliver these services?

Pay negotiations

- Overall, how satisfied are you with the national negotiation procedures in place?
- Do you agree that AoC should continue to conduct national negotiations with trade unions in order to provide recommendations to colleges in terms of pay and conditions?

3a: How will we engage and support individual colleges?

- Senior, credible, accessible staff across the country, managed as one team nationally:
 - Provide support, advice, guidance to every member
 - Offer strong links with local stakeholders
 - Engage existing and new sub-regional networks of colleges
 - Support members to work together and run networks
 - Deliver 'national' support services for all colleges more efficiently
- Work locally and nationally on localism, devolution and Industrial Strategy to position colleges and secure resources

3b: AoC and regions – case for change

- Members value local support and networks, but current arrangements for regions are unsustainable
- AoC requires efficiencies in London & regions to meet high-priority member needs
- Inconsistency in support/services across regions and inefficiencies because of:
 - Uneven numbers of colleges in each region
 - Weak accountability framework for regional directors
 - Lack of connection policy/public affairs and 'national' services with regional staff
 - Regional staff talents, capacity and capabilities not fully utilised nationally
 - Role in three regions is 'outsourced' to EMFEC, ACER and AoSEC
- These factors also hinder member engagement in policy and public affairs
- Need to use senior regional staff more on national stage
- Desire for more flexibility of resources across whole organisation to deliver consistent quality of service

3c: AoC and regions – current situation

- Developed in late 1990s, based on Government offices/RDA map
- Unchanged since 2010 while others have changed structures
- Nine regional offices:
 - Six AoC offices with 18 fte staff
 - Plus three external, contracted partners (EMFEC, ACER, AoSEC)
- Uneven numbers of colleges in each region



Numbers based on June 2015 colleges

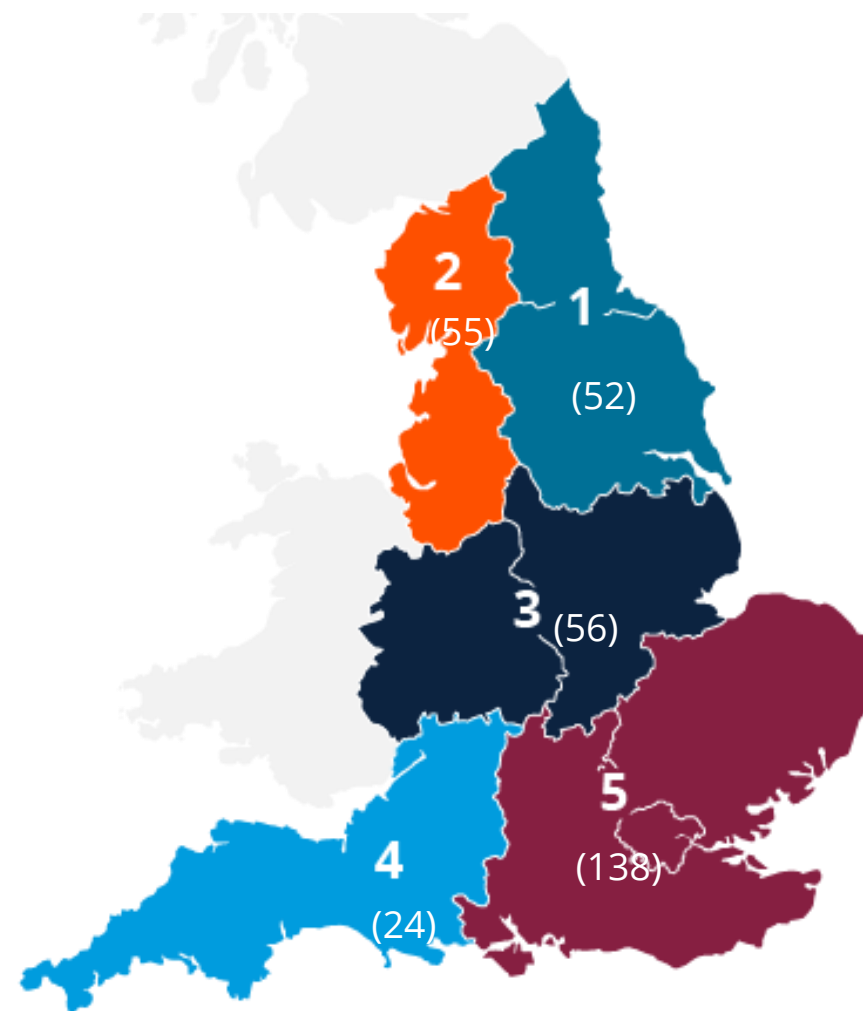
3d: Design principles for managing our services with you

- Balance management resource with numbers of member colleges, with a reasonable caseload to be fairer for all members
- Locate senior staff within reasonable travel time of all colleges
- Directly manage all services for flexibility, consistency & efficient use of resources
- Have one team nationally working together to understand needs, respond flexibly & to lead/manage support services
- More efficient administration of network meetings
- One fee, collected nationally, no need for regional budgets
- Re-purpose existing regional committees to work more on policy & influencing
- Various options could be considered against these criteria – two are proposed here for consideration

3e: Option 1: Five area directors/teams covering nine regions

Maintain current regions with nine regional committees & local contact for every member but review management structure:

- New team approach to individual member and regional support/service to ensure coverage, consistency & quality
- With five area directors and teams rather than nine, with more support in larger areas to operate across country for every member and in every region, with additional support for East, London and South East area
- Led by senior post on national executive team to tie regions into whole organisation and to lead and manage services, advice, support nationally
- Ensure national member influence, with local delivery
- Requires new relationship with ACER, EMFEC and AoSEC – to be discussed over coming months, with phased change
- Helps maintain relationships but allows for new approaches
- More consistent, flexible and efficient
- New management structure & resourcing model to be developed with staff in February/March

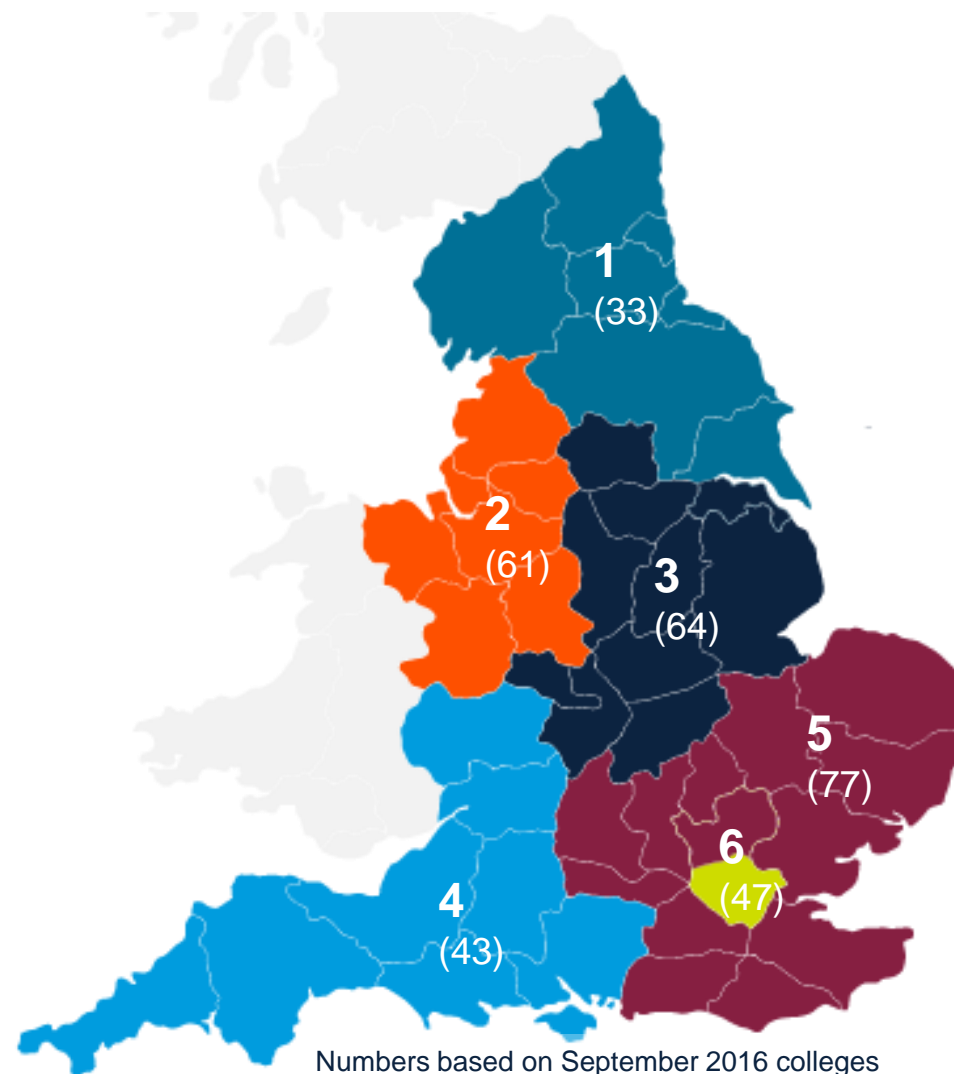


Numbers based on September 2016 colleges

3f: Option 2: Six areas

Six areas with **new** boundaries:

- London
 - SE, East Anglia
 - EM, WMCA area, Warwicks, W & S Yorkshire
 - NE, N Yorkshire, E Yorkshire, Cumbria
 - Lancashire, Gtr. Manchester, Merseyside, Cheshire, Staffordshire,
 - SW, Worcestershire, Herefordshire, Hampshire
-
- Similar approach with new team in changed management structure to reflect this with area directors, managed by new executive director, plus support staff
 - Not linked to current regional structure and committees
 - Balances size of areas and number of members
 - Less continuity because of boundary changes
 - More difficult to explain/understand



Numbers based on September 2016 colleges

Consultation questions

Regional structures

- Do you agree with the proposal to maintain a network of local staff to support and engage every member?
- Do you agree with the proposals that all regional directors should be direct employees of AoC?
- Do you agree with the proposal to review the management structure in order to be more efficient, consistent and effective?
- Which option would you agree with?
- Are there other alternatives you would propose?
- Do you agree with the proposal to reduce the number of core AoC networks?
- Are there other regional networks that should be part of the core? If so, please list them.

4a: As number of colleges falls, what fees should we set?

Current situation

- Overall sector income will be cash-flat for next three years
- 2016/17 total subscription income £5.5 million:
 - National office: £4 million
 - Regional offices: £1.5 million (excludes ACER)
- Cap in place for national subscriptions for largest 25% of colleges
- SFCA & Landex members have 25% discount

4b Fees - proposals

- Set income at £5.5m for three years (17/18, 18/19 and 19/20)
- One fee per college – incorporating regional & national fee, based on audited income in 2015/16 for all three years
- Set fee level at 0.1% of turnover
- Maintain 25% reduction for SFCs and Landex members
- Reduce rebate from (current) largest 25% (by turnover) to largest 15% over three years – to be set at fixed amount
- Need to adjust the current cap for largest colleges to avoid too significant a reduction as mergers take place

4c: Indicative fee levels (based on 14/15 turnover)

% of largest colleges in the cap	2017/18 22%	2018/19 18%	2019/20 15%
Subscription cap	£38,500	£43,800	£47,700
Subscription fee for income below the cap at 0.1%:			
£30,000,000	£30,000	£30,000	£30,000
£25,000,000	£25,000	£25,000	£25,000
£20,000,000	£20,000	£20,000	£20,000
£15,000,000	£15,000	£15,000	£15,000
£10,000,000	£10,000	£10,000	£10,000
£5,000,000	£5,000	£5,000	£5,000

4c Impact of new fees approach

- Fee cap of £38,500 will achieve overall income of £5.53m. However, 89 colleges would see an increase in fee of more than 10%+, whilst 68 colleges would have a reduction of more than 5%
- Proposal therefore is to limit increases and decreases to 5%. This would decrease overall income to £5.25m in 17/18. The same 5% limit in future years:
 - Overall income £5.39m in 18/19
 - Overall income of £5.53m in 19/20
- Every college will receive a letter setting out their own figures

Consultation questions

Fees

- Do you agree with the proposal to keep fees fixed for three years?
- Do you agree that we should aim for overall AoC fee income of £5.5m?
- Do you agree that we should have a single national fee?
- Do you agree with the proposal to set fees at 0.1% of college income for the next three years?
- Do you agree with the proposal to reduce the cap over the three years?
- Do you agree with the proposal to limit the increases and decreases for each college fee?

5a: Do we need to make changes to AoC governance?

- Currently: the AoC Board is the Board of the Company:
 - Board members have full responsibilities and duties as company directors
 - College principals a majority; elected by regions to the Board, supported by co-options (with agreed criteria/process) to ensure spread of types of college and perspectives, geography and diversity
 - Chair annually appointed, part-time, paid position, advertised nationally
 - CEO & FD are board members and company directors, President is an ex-officio member
- Governors' Council has nine regionally elected members, plus co-options
 - Currently two nominees on the Board from the Governors' Council
- Board oversees AoC policy positions based on intelligence from members, officers, portfolio groups etc
- Board follows and models the principles of 'good governance'

5b: How should AoC be governed: proposals

- Governance has not been a key issue raised by members during the consultation to date
- Issues to be tested now:
 - Do you support continuity with the current AoC Board model and principles?
 - If election continues, should this continue to be based primarily on regional geography?
 - Should regional committees remain in place & pick up more of a policy and influencing role?
 - If you want change, what alternatives would you propose?

5c: AoC President

- AoC President currently appointed for one-year term
 - Must be serving principal when nominated
 - Appointed via open election amongst all member colleges
 - Part-time (50%), high-level role that requires time in London and UK travel
- Very effective role in national influencing and understanding member needs
- Feedback from past Presidents is that one year term can be too short – getting to grips with the role when have to stand down
- Concern that with fewer colleges, role may be difficult to fill in some years
- Proposal:
 - Change rules to allow sitting President to be eligible to stand for election for second term, alongside any current principals
 - No change to application & election process - open election between all applicants
 - Maximum of two terms only (two years total)

Consultation questions

Governance

- Do you support the current AoC Board model and principles?
- Do you agree with the proposal to change the remit of regional committees?
- Do you agree with the proposal to amend the process for electing a President?

Overall

We would welcome your wider comments on the proposals, if you feel there are areas missing which should be considered and any other comments on AoC.



Association *of* Colleges

Promoting. Representing. Supporting.

Review of AoC Summary and next steps

January/February 2017

Summary of the changes proposed by the AoC Board

1. Invest more in public affairs and policy

- New policy groups to engage members in setting agenda for years ahead
- Develop sector and AoC capacity for research, analysis and thinking
- Increase capacity in AoC for public affairs and policy through efficiency savings

2. New management structure for AoC:

- Working to a new strategic plan with clear national policy priorities
- Leading long-term policy thinking and change as well as responding to Government
- Local teams delivering consistent, high-quality contact, advice and support for members
- Streamline all support services led by local teams so more responsive to members

3. Fixed membership fees for three years

- Single fee set at 0.1% of turnover
- Reduced rebate for largest colleges, as mergers reduce college numbers

AoC Review – next steps

- Proposals for consultation with members from 1 February to 3 March
- Consultation meetings being held in each region
- Webinars on 2 & 24 February
- AoC Board strategy session 8/9 March

Implementation

- Change plan to be agreed at March Board meeting
 - Not everything has to be finalised immediately
 - But 2017/18 budget has to be set, savings found
 - Transition to new fee arrangements to be phased
 - Transition to any revised regional arrangements to be subject to further consultation on the detail of and phasing of implementation
- Key dates
 - April – new financial year
 - August – subscriptions issued
 - November - AGM