

Committee	Regional Strategy Committee
Subject	Options appraisal for alignment of colleges within the partnership
Action requested	<input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For endorsement <input type="checkbox"/> For approval
Brief summary of the paper	<p>This paper informs the Committee of developments since the last committee on the proposal to explore options for alignment among academic partners.</p> <p>Six colleges – Argyll College, West Highland College, Lews Castle College, North Highland College, Orkney College and the (soon to be formed) new Shetland College – have proposed an options appraisal into three options: a model of shared curriculum and services underpinned by formal agreements, a group structure that maintained the identities of the colleges and merger. These would be compared against a do nothing option. The proposal is that the outcome may be a hybrid model where some partners opt for merger or group structure and some are part of the wider collaboration.</p> <p>While this is a ‘bottom up’ proposal coming from the partners, the university partnership as a whole will, at some point in the future, have to consider the implications of any plan for change that comes from the options appraisal. For that reason, the committee’s views on the proposal are sought.</p> <p>The proposal that the seven colleges have made to the university seeking funding is attached to this paper.</p>
Resource implications (If yes, please provide details)	<p>Yes</p> <p>A proposal for funding the options appraisal will be considered at the partnership council on 4th November.</p>
Risk implications (If yes, please provide details)	<p>Yes</p> <p>There is a risk that the complex nature of the proposal and the overlap with the existing change programme means that the appraisal does not produce a viable outcome and delays progress on related actions. The executive will work with the six colleges to ensure this does not happen.</p>
Date paper prepared	23/10/2020

Date of committee meeting	01/11/2020
Author	John Kemp, Senior Adviser, Change Implementation.
Link with strategy	The project, while not formally part of the change management plan, is strongly related to its aims.
<u>Equality and diversity</u> Does this activity/ proposal require an Equality Impact Assessment?	No
<u>Data Protection</u> Does this activity/ proposal require a Data Protection Impact Assessment?	No
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	Yes Three of the colleges involved in this proposal are in island local authorities. The impact on these communities will need to be considered in the options appraisal.
Status (e.g. confidential, non-confidential)	Non confidential
Freedom of information Can this paper be included in "open" business?	Yes
Consultation How has consultation with partners been carried out?	The proposal has been developed through partnership-wide discussions

Options appraisal for alignment of colleges within the partnership

Background

Seven colleges – Argyll College, West Highland College, Lews Castle College, North Highland College, Orkney College and the (soon to be merged) NAFC and Shetland College – have proposed an options appraisal into three options: a model of shared curriculum and services underpinned by formal agreements, a group structure that maintained the identities of the colleges and merger. These would be compared against a do nothing option. The proposal is that the outcome may be a hybrid model where some partners opt for merger or group structure and some are part of the wider collaboration.

At an early stage in this process a group of academic partner chairs wrote to both the Minister for Further and Higher Education and Science and the Scottish Funding Council. The Minister's staff have apologised for the delay in responding. The SFC response has come in the form of the phase one report of the SFC's review of coherent provision and sustainability which is strongly supportive of exploring mergers and other changes within the partnership

The role of the partnership.

This proposal has been developed by the seven colleges involved following discussions begun by a group of academic partners about the possibility of exploring options for change. In the meetings of chairs and principals to consider possible proposals, several partners made the point that this process should not be driven from the centre of the university. The university executive endorses that view.

The partnership as a whole will however at some stage need to consider whether the outcome of the process is one that it can support. In considering this we may need to take account of the view expressed by SFC in its evaluation of UHI as an RSB that:

...the current structures and ways of organising the delivery of education across UHI are expensive and unwieldy at a time when public funds will become increasingly pressured, funding models will change and outcomes for learners and the Scottish economy will be paramount. When changes have been proposed in the past, either through mergers of academic partners or more vertically integrated models, they have not commanded support from all stakeholders. There has been strong representation from the student body that aligns with our assessment of the current arrangements.

At the time of writing colleges are exploring with UHI options for possible mergers of partner colleges. We recommend UHI considers consolidation, shared services, recalibrated roles and responsibilities, and options to ensure it survives and thrives, and gets closer to the original mission of a more fully integrated tertiary institution. In all options it will be vitally important to preserve local presence and reach, as well as good further education, while streamlining governance and decision-making, securing greater curriculum coherence, and seeking more efficient modes of delivering provision that streamline management costs and support front-facing services, courses and opportunities for students and local communities.

Some of what SFC recommends is beyond the scope of this options appraisal proposal as it only includes some of the partners. Some of the recommendations are related to Assembly/change

programme rather than the mergers or other arrangements proposed in the options appraisal. However, in assessing the outcome of the options – and perhaps – the commission to the consultant, it would be useful to test proposals against the SFC view. As is noted in the proposal by the seven colleges, the options appraisal will be part of the partnership's engagement with SFC on its review. To do this effectively we will need to be assured that the proposals are part of an effective response to that review.

Next steps

We are not seeking a decision at this committee on whether or not to support the options appraisal. That decision will be taken through the appropriate approval processes following discussion at the partnership council. At time of writing the outcome of the partnership council meeting is not known, but we are assuming it will be supportive of the proposal.

However, in order that the options appraisal is carried out with knowledge of the likely future requirements of the partnership, the Committee's views on how well the proposal fits with the partnership response to the SFC, the committee's views on the appraisal would be useful in refining both the proposal or any conditions the university might add to the funding.

Recommendation

The Committee is invited to note the progress of the development of an options appraisal and to consider any advice to either the university or the partners undertaking the options appraisal on the proposals to be assessed or the process.

Project Title: Strategic Investment – Options Appraisal for Highlands and Islands Colleges Group

Date: 28 October 2020

Prepared by: Lydia Rohmer (WHC) - on behalf of Argyll, Lews Castle, North Highland, Orkney, Shetland and West Highland Colleges

1. Background/Context/Rationale	Comments / Agreement / Confirmation
<p>1.1. At the end of August 2020, the Chairs of North Highland, Inverness, Moray and West Highland colleges discussed the potential for appraisal of strategic options for different alignment of academic partners within UHI, including alliances, groups and traditional mergers. The rationale for this approach and potential benefits were highlighted in three main points:</p> <p>1.1.1. Protecting and developing provision – delivering better outcomes and opportunities for students and the communities we serve, recognising that creating larger entities could potentially network curriculum and support provision and deliver more sustainable and enhanced opportunities locally.</p> <p>1.1.2. Efficiency and sustainability – recognition that pressure on public funding is likely to be greater in coming years, therefore creating significant pressures on individual academic partner colleges. Efficiency measure currently considered as part of the UHI change plan may be more effective and potentially more secure through creation of larger groupings of partners, thereby protecting in particular local provision in remote rural and island communities</p> <p>1.1.3. Simplification of the university partnership - the options to be explored would not change the tertiary structure of the university partnership; however, a simplified partnership structure with potentially fewer partners may contribute to more effective partnership working, in particular taking forward the change plan and enhancing the work of Partnership Council.</p> <p>1.2. In order to ensure full transparency, the four Chairs wrote to Scottish Government and Scottish Funding Council to indicate their intention and to seek views to inform such an options appraisal.</p> <p>1.3. Subsequently, all academic partners were invited and encouraged to meet, and consider participating in a partnership -wide options appraisal. An initial meeting was convened for the nine academic partners who indicated they wanted to discuss this further on 28 September 2020, where it was agreed that individual partners should take a period of three weeks to discuss potential combinations of partners to inform an options appraisal.</p>	

<p>1.4. A further meeting on 22 October 2020 was held to discuss any proposals for an options appraisal. One proposal was presented at that meeting on behalf of the seven rural and islands colleges. At this meeting it was proposed that the proposal should be funded and expedited at pace, with the formal funding allocation to come for due process via Partnership Council and relevant governance structures. The subsequent document contains this proposal.</p> <p>1.5. Whilst no formal response has been received from Scottish Government or Scottish Funding Council, SFC's Phase 1 Report on Coherent Provision and Sustainable Funding was published on 20 October 2020, expressing an expectation for UHI to 'consolidate' and consider academic partner options within this context, in particular for efficient delivery for remote, rural and island contexts.</p> <p>1.6. There is a recognition that SFC could be approached for strategic funding to take forward this option appraisal. However, there is agreement that such an application could waste precious months when the colleges (and UHI) want to move forward at pace, intending to have a completed exercise by April 2021 at the latest to inform next steps. Any subsequent change proposals agreed to be taken forward based on the options appraisal would apply to SFC's for strategic funding for support and implementation. There is recognition that an available options appraisal would help secure such funding from SFC more quickly.</p>	
<p>2. Brief Description: Purpose, outputs, benefits</p>	
<p>2.1. The seven rural Highland and Islands colleges would like to explore opportunities for more strategic collaboration in a formal options appraisal to ensure their continued sustainability and grow opportunities for our students and staff and our communities.</p> <p>2.2. They share a common operating context in terms of 'remote rural' and 'island', as well as similar operating size.</p> <p>2.3. Some of the colleges have been sharing some corporate services for a long time (NHC, AC, WHC); some are and have been sharing further and higher education curriculum delivery (AC, WHC, NHC and LCC); and some are linked already in strategic growth deals (LCC, OC, NAFC and SC in the Islands Deal; NHC and WHC in the Inverness City Region Deal). Colleges on Shetland are already working on formal merger and formation of a new college which wishes to be included in these considerations. This grouping therefore is an opportunity to formalise, consolidate and enhance existing collaboration and to collaborate to maximise those opportunities.</p> <p>2.4. The colleges are open to explore strategic options for change that add value and efficiency to their current operating model, including curriculum, research, academic and corporate services.</p>	

<p>2.5. As part of the formal options appraisal, the seven colleges would like to investigate the a number of set options for strategic collaboration which delivers sustained and enhanced provision and opportunity for students, staff and the communities/geographies the colleges currently serve individually; enhanced sustainability and efficiency; positive impact on the wider UHI partnership.</p> <p>2.6. Despite common outlook and agreement on which options to investigate formally as part of this exercise, each of the seven colleges has a different starting point, with some partners currently not yet in position to consider formal merger or requiring additional steps. The purpose of a formal options appraisal will be to create a solid evidence base on which to take a strategic dialogue and subsequent decisions of individual college boards and the boards of all seven colleges forward. The options appraisal will therefore be asked to consider the deliverability of any of the proposals within each option, recognising that we can only proceed with actions that can produce benefits quickly and have a chance of high success. The options appraisal will also provide a recommended roadmap which identifies how partners could engage over a period of time with the options for strategic collaboration investigated. To ensure momentum for change, the option of ‘do nothing’ will also be formally investigated and implications presented.</p> <p>2.7. Whilst there cannot be any formal commitment to adopt any specific recommendation provided by the options appraisal, the seven colleges are agreed in their wish to formally explore the options available to them based on a consensus view that the current status quo is not a sustainable option.</p> <p>2.8. In addition to informing the consideration and decision of the seven academic partner boards, the options appraisal project and report will provide strategic benefit for UHI’s strategic change process to better realise UHI’s potential as an integrated tertiary university, and can form an integral part of UHI’s strategic engagement with SFC’s Review of Coherent Provision and Funding.</p>	
<p>3. Scope</p>	
<p>3.1. The seven colleges would like to take forward an appraisal of the following options through a formal assessment of benefits and risks, to provide a basis of evidence to inform further strategic dialogue at individual Board level and between our colleges:</p> <ul style="list-style-type: none"> ▪ Option 1 - A federated partnership model based on a contractual agreement for sharing of curriculum and identified services, recognising the opportunities of existing collaboration amongst the remote rural and islands partners for curriculum, services and growth deals ▪ Option 2 - A group structure which delivers benefits of a single corporate body in terms of strategic and financial planning and efficiencies, but retains a local identity, management and governance for each member of the group (based on models of group 	

<p>structures currently in existence in FE and HE within the UK [example LTE Group or Newcastle Colleges Group], but currently not utilised in this form in Scotland)</p> <ul style="list-style-type: none"> ▪ Option 3 - A merger model for some or all of the seven members – creation of a single new corporate entity into which members transfer ▪ Option 4 - ‘do nothing’/status quo: what are the implications? <p>3.2. Recognising that some members are not in a position to contemplate Options 2 or 3 at present, we would also want a ‘roadmap’ based on options 1, 2 and 3 over a set period of time for this group of colleges</p> <p>3.3. The report should also provide an assessment over the respective benefits and risks of Option 2 versus Option 3 as variants of merger in the context of local and regional structure and governance arrangements</p> <p>3.4. The report should consider that Option 3 may be possible for some colleges nested within a wider adoption of Option 1 and 2 at the same time</p> <p>3.5. The report should also consider impact of each option on other academic partners in UHI, including impact on UHI as a whole.</p> <p>3.6. In order to progress the above, the seven colleges want to commission an external consultancy resource. Given Option 2 is of particular interest as a potential form of alignment, and currently there are no such structures in operation in tertiary education in Scotland, the colleges are looking specifically for a consultancy service which has direct experience of/expertise in the further and higher education group structures operating in the UK today, including experience of delivering successful shared services in a tertiary education context.</p>	
<p>4. UHI Strategic Plan/ICT Strategy/Roadmap ref/other</p>	
<p>4.1. See section 1 on ‘Background/Rationale’.</p> <p>4.2. This proposal aligns with the UHI Strategic Plan, and the more recent recommendations for UHI’s strategic change expressed by UHI’s Assembly and the approved Change/Crisis Management Plan. The proposal also aligns with SFC’s expectations of UHI to develop at pace to ensure it delivers its full potential as an integrated tertiary organisation. Section 10 also highlights further the strategic benefits of this project and the risks to UHI if it was not progressed.</p>	

5. Assumptions	
5.1. The assumptions of delivering more sustainable provision, efficiency and positive impact on each college and the wider partnership will be tested fully as part of the commissioned options appraisal.	
6. Budget/Funding and Income & Expenditure Forecasts	
<p>6.1. It is proposed to secure the services of a consultant who can undertake all the required investigations and consultation into the proposed options, producing a final report with an options appraisal and a set of recommendations. This report would be received by the seven academic partners and UHI to inform both individual and collective strategic dialogue and action.</p> <p>6.2. Whilst the budget requires to be tested for this through further market testing, it is assumed that the options appraisal and report could be secured for circa 50k (ex VAT/expenses). This value has been arrived at from knowledge of cost of similar exercises and reports in UHI and the sector. Therefore, this is the amount of strategic funding sought for this proposal.</p>	
7. Key personnel (internal) and required commitments	
7.1. In addition to the cost of the consultancy outlined in section 6, an internal project support resource will be required to assist the development of an agreed project brief; procurement process; and act as organisational point of contact for the consultant to undertake their investigation. The procurement process should be able to be supported from within UHI's procurement team. For the internal project support resource, it is hoped that this resource could be found from within the current change management team.	
8. Schedule/Deadlines	
<p>8.1. Subject to being able to securing agreement for strategic investment funding for this project by mid-November 2020, the following timeline is envisaged:</p> <ul style="list-style-type: none"> • Development of Procurement Brief: by mid-November 2020 • Procurement Process: mid-November to mid-December 2020 • Evaluation of Procurement Outcome and Appointment of Consultant: by end of December 2020 • Investigation Phase: January and February 2020 • Report Development and Finalisation: by end of March 2020 • Report to be considered by 7 academic Partners and UHI: April 2020 	

9. Known Issues	
<p>9.1. Colleges on Shetland – Shetland College, Train Shetland and the NAFC Marine Centre are engaged in formal merger. The projected timeline is for the new College (Shetland UHI) to be vested in the summer of 2021. Oversight of the merger project and the new College is with a separate Transition Board which will need to appraise the options for Shetland UHI for the future. At present the two current colleges on Shetland and their boards will have a watching brief and will also need to contribute to the options appraisal for completeness.</p>	
10. Risk Assessment – consider the impact on the university if anything went seriously wrong with this project according to the criteria in the table below	
<p>10.1. Risk of loss of reputation and standing with SFC and potential loss of future strategic funding from SFC if there was no UHI support for this options appraisal: the SFC Review Phase 1 report published on 20 October 2020 highlighted a clear expectation that UHI actively considers options appraisal of academic partners.</p> <p>10.2. If this project was not progressed, UHI would also risk losing out on strategic development and growth opportunities in the following areas:</p> <p>10.2.1. Strategic alignment: the proposal supports national and regional priorities in preserving local presence, opportunity and reach whilst creating a more aligned and efficient model that helps colleges and UHI to survive and thrive.</p> <p>10.2.2. Institutional development – the proposal will provide a foundation on which strategic options for better alignment of academic partners can be considered and which will benefit UHI’s partnership as a whole</p> <p>10.2.3. Growth – the proposal provides options for consideration which may lead to delivery of more equitable and sustainable opportunities for learners and communities in remote rural and islands contexts, and may lead to new opportunities for investment and growth</p> <p>10.2.4. Efficiency – the proposal will test ways to increase efficiency of curriculum and service delivery, as well as effectiveness and impact</p> <p>10.2.5. Sustainable – the proposal is driven by investigating the best way to assure sustainability of academic partners in remote rural and islands contexts within UHI, as well as securing sustainable provision to students, local communities and stakeholders.</p>	

10.2.6. Implementation – once the resource is approved, the project is ready to be implemented at pace, with all participating partners ready to go forward.	
11. Extent of discussion/consultation in developing proposal	
See section 1 above on Background/Context/Rationale	

Recommendations	
Approve/Reject/On-hold	
Category of Activity Work package/minor project/major project	
Lead Person	
Priority	
Next steps/Actions	

Signed off by:

Date