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Higher education in further education colleges

Outcomes of the consultation

**A report to HEFCE by Professor Gareth
Parry and Dr Anne Thompson**

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Available on the web with this document in separate downloads

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Preparation of this report

This report was produced by Professor Gareth Parry and Dr Anne Thompson of the University of Sheffield.

It is based on a quantitative and qualitative analysis of the online and offline responses received by the Higher Education Funding Council for England (HEFCE) to the consultation and data on the size and shape of HEFCE-funded provision in higher education institutions and further education colleges.

Technical support with the presentation of the quantitative data was provided by John Pearson, Mark Pilling and Will Thomas.

Executive summary

Purpose

1. This document reports on the responses made to the consultation in HEFCE 2006/48, 'Higher education in further education colleges: consultation on HEFCE policy'.
2. Representatives from 132 higher education institutions (HEIs) and further education colleges (FECs) (58 HEIs and 74 FECs) responded to the consultation, either online or offline. In addition, a further eight HEIs and 82 FECs were named as being party to a collective response. There were 36 other responses, 33 from bodies or organisations and three from individuals.
2. We have provided annexes together with this main report. Annex A is the online response form; Annex B a list of collective and organisational responses; Annex C includes quantitative data in the form of bar charts and tables summarising the responses of the 132 individual HEIs and FECs; and Annex D is a list of abbreviations used throughout the report.

Key points

3. We have summarised the responses to each of the 12 questions posed in the consultation along with the replies to Question 13 which asked respondents to identify any other issues of concern. Respondents generally replied positively to all the questions except Question 12, with which approximately half of the respondents disagreed.
 - a. Question 1: a large majority (82 per cent) of all providers agreed with the HEFCE view of the distinctive contribution which higher education (HE) in FECs can make. This was endorsed by significantly more FECs (90 per cent) than HEIs (70 per cent). Majority agreement was also reflected in the answers from collective and organisational respondents.
 - b. Question 2: there was overwhelming support for the proposal that all FECs delivering HEFCE-funded HE should provide a strategy statement. Ninety-six per cent of all institutional respondents agreed with the proposal and the collective and organisational responses demonstrated similar support.
 - c. Question 3: a large majority of all providers (81 per cent) supported the proposed aims and objectives for Centres for HE Excellence in FECs, with slightly greater support forthcoming from FECs than HEIs. Almost all the collective and organisational responses indicated support.
 - d. Question 4: approximately three-quarters (74 per cent) of providers supported the initial proposals for the criteria and selection process for

centres for HE excellence, though few agreed strongly. This pattern also held for collective and organisational responses.

- e. Question 5: there was very strong support (94 per cent) for the proposal that under normal circumstances indirect funding arrangements should provide member institutions with security of funding and student numbers for at least three years. HEIs were only slightly less supportive (90 per cent) than FECs (97 per cent). Collective and organisational responses matched this pattern.
- f. Question 6: a clear majority (70 per cent) of institutions agreed that developing information on the costs of teaching will assist in identifying the costs of collaborative activity and there was little difference in response between HEIs and FECs. The organisational responses indicated broad agreement or neutrality.
- g. Question 7: however, a clear majority (72 per cent) of institutions also consider there are other barriers hindering the production of clear and transparent indirect funding agreements, with FECs more likely to do so (77 per cent) than HEIs (66 per cent). Organisations which commented also, with one exception, identified barriers.
- h. Question 8: the same percentage (72 per cent) of institutions agreed that all indirect funding arrangements should reflect the structural and management arrangements associated with consortia and adhere to the principles specified in the HEFCE Code of Practice for consortia. However, evidence suggests that respondents were not always clear about the nature and specificity of HEFCE-funded consortium arrangements. The collective responses were in support but the national organisations showed a more diverse pattern with some responding in the negative.
- i. Question 9: there was a higher level of support (83 per cent) for the proposal that all data returns for consortium arrangements should be made by the lead institution and broad agreement demonstrated in collective and organisational responses.
- j. Question 10: a large majority of all providers (82 per cent) agreed that HEFCE should take steps to satisfy itself that institutions adopt the proposed changes to indirect funding agreements and made proposals as to these steps. The collective and organisational responses similarly indicated agreement with the exception of one organisation which remained unconvinced that there are significant problems.
- k. Question 11: a small majority (55 per cent) of institutions agreed that there are other measures that should be adopted to improve the operation of indirect funding agreements and suggestions reflected the

proposals made in relation to Question 10. Collective and organisational responses followed the same pattern.

- I. Question 12: the responses to Question 12 demonstrated the lowest level of support for HEFCE's proposal and the greatest variability in response. Just over half of providers (51 per cent) disagreed or disagreed strongly with the proposal to take the existing formulaic capital allocations and use these to create a fund for large capital projects in FECs. Collective and organisational responses were also variable with many respondents choosing to neither agree nor disagree, including the Learning and Skills Council.

Introduction

4. In November 2006, HEFCE published the consultation on higher education in further education colleges, HEFCE 2006/48. The focus of the consultation is set out below.

This consultation seeks views on the main elements of our policy for supporting higher education in further education colleges. It focuses on four main areas: our view of the role of HE in FECs, strategic development of provision, proposals for centres for higher education excellence in colleges, and funding and relationships.

5. The consultation document was sent to:

- heads of HEFCE-funded higher education institutions
- heads of HEFCE-funded further education colleges
- heads of indirectly funded FECs with HE provision
- heads of universities in Northern Ireland.

6. Responses were to be made by 20 February 2007 using the online form available on the HEFCE web-site. The online response form is in Annex A.

Response rate

7. Some respondents did not make use of the online format, including almost all non-provider organisational responses. Where a response was made offline, the response was usually open-ended and did not include the pre-coded response categories.

Responses by HE providers

8. The responses made by individual HEIs and FECs using the response template have been subject to a quantitative analysis which is reported with the aid of bar charts and tables in Annex C.

9. Table 1 summarises the total number of HEIs and FECs whose members contributed to a response to the consultation – either online or offline. It indicates, first, the number of institutions making a response in the name of the institution. However, many institutions which did not make a response were cited as party to a collective response to the consultation. Where HEIs and colleges have been named in one or more responses from organisations, the numbers are shown in Table 1¹. In addition to the individual FECs and HEIs that responded in their own right, an additional 82 named FECs and eight named HEIs were party only to collective responses. The overall response rate in Table 2 represents the number of institutions involved in the consultation process as a percentage of the number of providers of HE. This comprises the number of responses on behalf of individual institutions as well as those institutions which were only party to a collective response.

¹ It should be noted that these figures include only those named institutions which had not made an individual response and, therefore, there is no double counting.

Table 1: **Summary of response by institutions**

Type of institution	Response in the name of institution	Response only as part of a combined submission	
		Both forms	
HEI	58	8	66
FEC	74	82	156
Total	132	90	222

Table 2: **Overall institutional response rate**

Type of institution	Number in 2006-07	Response	%
HEI	132 ^a	66	50
FEC	286 ^b	154 ^c	54

a. In 2004-05 there were 128 HEIs (this is the source of data in 2006/48) but, by 2006-07 when the consultation took place, there were 132.

b. The total of 286 colleges with HEFCE funded HE in 2006-07 is taken from unpublished data. For 2004-05 it was 287.

c. Of the 74 colleges from which a response was received, two currently have no funding from HEFCE for HE. They are, therefore, excluded from Table 2 (giving a total of 154 FEC responses against the 156 recorded in Table 1).

10. Some of the HEIs leading large and established partnerships note that they consulted, with varying degrees of formality, with their partners and took this into account in their response – in one case the HEI has quoted views from partners. However, where the response was submitted in the name of the institution rather than the partnership (in all but one case) this has been recorded as an HEI response; the exception has been reported as an organisational response.

11. Annex C reports in statistical form the 132 individual institutional responses (58 HEIs and 74 FECs)². It was determined that responses by provider institutions should be broken down into categories reflecting the diversity of provision across the sectors and using the HEFCE data demonstrating the diversity of amount of HE provision (by headcount) across FECs in 2004-05. College providers were categorised as large, medium and small providers of HE (direct and/or indirectly funded). HEIs were correspondingly categorised on the basis of the amount of provision which was indirectly funded by HEFCE via the HEI (through franchise or consortium relationships)³.

² Where a response was returned by a member of an FEC or an HEI explicitly on behalf of partner institutions these have been analysed separately in the category of organisational responses. However, there are a small number of cases where an online response was made from an institution and an offline response was made separately to HEFCE to represent the views of partners. In these cases the online response has been quantified and included in the tables here.

³ The categories chosen were based on the most recent validated data that is published by HEFCE which was used to describe the 'shape and size of current provision' of HE in FECs in the consultation document, that is, the data for 2004-05. This data represents the higher level provision in colleges which is funded by HEFCE, that is, 'prescribed' higher education. Figure 1 in HEFCE 2006/48 demonstrated the range of provision in colleges from under 100 students to over 1,000 and the decision was made to group these into the two smallest and the two largest deciles and to construct matching categories based on the extent of indirectly funded relationships led by HEIs.

Eight categories of provider were characterised as follows:

1. FECs with a large amount of HE provision, that is, above 900 students
2. FECs with medium provision, 200 – 899

Responses by organisations and collective responses

12. In addition to the responses on behalf of individual HEIs and FECs, there were a total of 37 other responses, 34 from bodies or organisations and three from individuals.

13. Eight organisations returned responses which named individual HEIs, FECs and other 'partners' to the response. In addition, 26 other responses were made by national and regional bodies, partnerships of HEIs and FECs, Sector Skills Councils, Lifelong Learning Networks and bodies representing specialist providers. These respondents are listed at Annex B.

Responses to each consultation question – open-ended commentary

14. The commentary included in all responses has been subject to careful reading. The following section summarises the balance of responses by HEIs and FECs and by organisations and individuals representing local, regional and national interest groups and membership and partnership bodies.

15. The questions for consultation have been set out for ease of reference, followed by a summary of the HEFCE view as set out in HEFCE 2006/48. There then follows a summary of the balance of responses with indicative examples and quotations used for illustration, amplification and qualification.

A distinctive role for FECs

Consultation Question 1

Do you agree with our view of the distinctive contribution which HE in FECs can make to the overall pattern of HE provision in this country?

16. The HEFCE view of future development (paragraph 38) is that FEC provision should:

- focus on the development of higher level skills
- focus on engaging employers closely and directly
- focus on the needs of local and regional communities
 - so, broader provision is likely in isolated areas than urban,
 - in more urban areas there is likely to be a range of complementary provision
 - and, there may be some niche provision for a wider (even national) market
- offer progression from the college's own further education (FE) programmes
- in the case of direct entry to HE, offer provision not available locally
- draw learners from under-represented groups

-
3. FECs with small provision, 1 – 199
 4. FECs with no HE provision
 5. HEIs with a large amount of provision funded indirectly through partnership, above 900 students
 6. HEIs with medium indirect provision, 200 – 899
 7. HEIs with small indirect provision, 1 – 199
 8. HEIs with no indirect provision

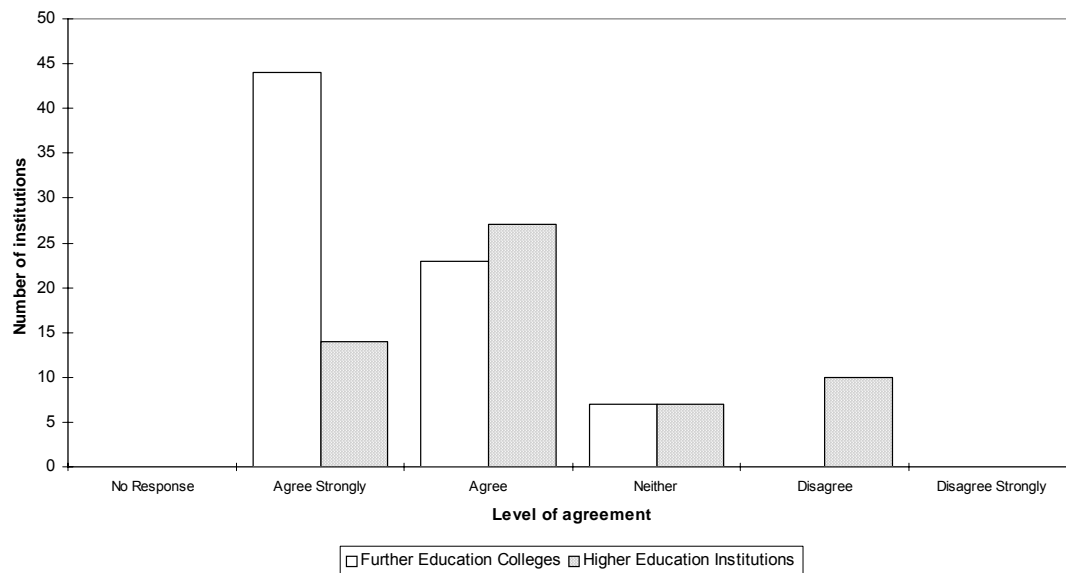
See Annex C for further details.

- focus on dynamic, flexible, short-cycle provision (that is equivalent to two years' full-time study or less)
- offer a variety of modes including work-based
- be a high quality learning experience, supported by scholarship
- meet students' needs and those of the economy and society
- provide the opportunity of successful participation in HE for all who can benefit.

Balance of responses

17. A large majority of all providers (82 per cent) that made an institutional response agreed or agreed strongly with this view. However, support was greater from FECs (90 per cent) than HEIs (70 per cent). Disagreement was more often expressed by HEIs with few or no indirect funding relationships (see Annex C).

Figure 1: **Response by FECs and HEIs to Question 1**



18. The majority agreement was the same for all FECs and HEIs that were party to a collective response and for most national organisations. The Association for Collaborative Provision of HE in FE in England which held nine regional consultation meetings (see Annex B), reported 'overwhelming consensus' with 'some caveats' in line with those reported below. Only the representative bodies for the universities and the colleges of higher education were neutral and negative respectively in their response.

19. Across all categories of respondent, an emphasis was placed on the diversity of this provision and the need to avoid a narrow or over-prescriptive definition of this contribution. Many FECs highlighted the flexibility and responsiveness of the sector and its role in widening participation and progression in higher education and supporting regional economic development.

'For over 30 years the college has pursued a widening participation strategy linked to vocational HE course provision designed primarily to assist the

economic development of the region. A large number of former FE students remain at the college to pursue higher education courses. The college would therefore claim because of its size, diversity and the recognised quality of its courses that it meets and exceeds the criteria for further education colleges' distinctive contribution set out in the consultation document.'

(A college with a large amount of HE provision.)

20. Whilst employer links and opportunities for vocational progression were seen as central to foundation degrees and other higher level qualifications with a skills focus, it was considered equally important that the place of academic and professional programmes at the honours and postgraduate levels be recognised.

'Yes, we are making a distinctive contribution but do not limit us to a narrow definition of vocational. Many of our 'academic' courses have very strong progression into employment. FE should not be restricted to foundation degrees especially where there is a good record of quality delivery.'

(A college with a large amount of HE provision.)

21. Although less common than other types of higher education, the local accessibility of this provision was cited as important for non-traditional students.

'Many FECs make a valuable contribution to the delivery of HE. The distinctiveness embraces engaging those who can only study locally, who need a particularly supportive environment facilitating opportunities for students from lower socio-economic groups and for whom locally provided HE is the only realistic option, seeking progression in the same environment in which they completed FE programmes...'

(A college with a medium amount of HE provision.)

22. Furthermore, some niche and specialist provision is regional or national in scope.

'In general we agree with HEFCE's view of future developments. It is important, however, to be aware that some HE delivered in FECs does meet a national demand, particularly in some specialist subject areas such as land-based. Recognition must also be given to the fact that many land-based colleges deliver up to honours degree level both through a franchised arrangement or/and directly funded.'

(A college with a small amount of HE provision.)

23. Non-prescribed forms of higher education add to this diversity and credit-based funding would support the provision of continuous professional development (CPD) for employers.

'...CPD, for certain sectors of the workforce, would be considerably advanced if the funding of 'non-prescribed' higher education could be made available within FE. The term 'non-prescribed', in itself, could portray a negative image of the qualification gained as well as the potential for funding anomalies. There is also

an increasing need for the acceptance of individual units or modules within a presented qualification to be available in free standing mode and to be recognised in their own right, eg for CPD purposes.'

(A college with a medium amount of HE provision.)

This view was echoed by the response made by the Mixed Economy Group on behalf of its member colleges.

24. Those HEIs leading large partnerships commonly supported a wide range of programmes in colleges as well as recognising areas of specialist and niche provision. However, although the majority of HEIs were in agreement, the extent of this distinctive contribution was frequently qualified or disputed, especially the implication that HEIs were not providers of vocational, employer-linked or work-based higher education. This was a view expressed strongly by some post-1992 universities alongside the significance of their own role in widening participation.

'We agree with the views outlined in paragraph 38, however there are some concerns about the characterisation of provision and approaches in FECs and HEIs which we would like to develop. We agree that it would be unfortunate if recognition of the FECs' contribution to the overall pattern of HE provision resulted in the perception that only HE in FECs was employer focused and flexible. The move towards a model which is more responsive to the needs of employers and which actively seeks to embed employer involvement in the development and delivery of higher education courses is very much in line with [the university's] strategy for foundation degrees, part-time and short cycle courses, within the [HEI] as well as its partners. Equally damaging would be any move towards creating a binary system where foundation degrees, sub degree programmes and short courses were seen as the domain of further education colleges and possibly of less value than the higher education courses delivered in HEIs. We therefore endorse the advice of the Quality Assessment Learning and Teaching Committee in relation to over prescribing the role of FECs and the dangers inherent in a strict division of labour. Whilst we applaud the ability of many further education colleges to respond quickly and flexibly to identified skills needs, we are less comfortable with the implication that HEIs are less committed to responding effectively. There are real dangers in characterising the HE sector as homogenous, at a time when wide variations of mission exist between institutions. At the same time, to represent HEIs as being less committed and effective in 'reaching out to learners and offering them distinctive forms of provision' is to undervalue the very real commitment to widening participation and employer engagement, which characterises the work of a significant number of higher education institutions.'

(An HEI with a medium amount of indirect provision.)

25. Nor should foundation degrees and employer-led qualifications be seen as the preserve of FECs argued some HEIs who also warned that the conferment of degree awarding powers might undermine cooperation.

'It should be noted that strategic cooperation between HEIs and FECs will be made much more difficult if FECs choose to take advantage of the foundation degree-awarding powers that will be available under the new legislation currently going through Parliament. It will turn FECs from partners to competitors, at least in the foundation degree market. The consultation exercise needs to focus more closely on ways in which the nature of the collaboration between a validating HEI and its FEC partner(s) would be fundamentally changed in this situation, not least because the scholarly base and academic oversight provided by the validating university would no longer underpin the quality and standards of the FEC's foundation degree provision. As the number of HE institutions increases nationally, there is increasing competition between HEI and FEC providers, especially with regard to vocational and professional HE degrees, and foundation degree-awarding powers could serve to further divide the market.'

(An HEI with a medium amount of indirect provision.)

26. A minority of HEIs observed and cautioned against mission drift in the college sector:

'Yes, HE in FECs should build on the basis provided by the sector's experience in developing and teaching Higher National Diploma/Certificate (HNC/HND) programmes which align closely with employment and workforce development, particularly in their immediate region, and typically leading to awards up to foundation degree. FECs should neither seek or be encouraged by HEFCE to develop full-time undergraduate programmes of a conventional nature.'

(An HEI with a medium amount of indirect provision.)

27. Some of the same worries were registered in the response from Universities UK (UUK) which chose to neither agree nor disagree with the statement in this question.

'We agree that HE in FECs has a considerable contribution to make to the overall pattern of HE provision in this country but many universities equally have very close links with their communities, have strong links with employers and can respond swiftly and flexibly to the needs of the market. It is crucially important that the quality, reputation and brand of UK HE is maintained, in the UK, Europe and internationally. This means that there should not be any provision of an HE qualification that is not linked, in terms of validation and quality assurance, with a formally designated higher education institution... There is considerable danger of mission drift in relation to HE in FE and provision should be focused on the key areas where there isn't existing provision in the HE sector or where FE can attract students that otherwise wouldn't have entered...'

(UUK)

28. Again, while recognising and applauding the strengths of FECs in meeting the needs of a wide range of learners, in offering short-cycle provision and in engaging with employers, GuildHE responded:

'We feel the paper overstates the extent to which these strengths represent a distinctive feature of higher education in further education colleges, differentiating

it from higher education overall... and we feel that HEFCE is setting up a division between HE in FECs and HE delivered elsewhere that is unhelpful to learners and employers and to institutions as a whole.'

(GuildHE)

29. As the representative body for colleges of further education, the Association of Colleges (AoC) welcomed acknowledgement of the distinctive role played by FE, especially its expertise in delivering to the type of learner who would not access conventional HE provision, who might be returning to study and who might be combining work, study and family responsibilities. At the same time, the AoC did not share the view that HE provision in colleges is or should be short-cycle. Indeed, it argued, there is a strong case for promoting and supporting the development of longer-cycle provision where local demand permitted. On a broader front, the AoC was keen that the impact of the Leitch Review of Skills was reflected in HEFCE's thinking on funding and quality assurance.

'Of particular interest is the way in which an open market, demand driven approach to skills will impact on the allocation of HE places in FE colleges; how degree-awarding powers may in future demand direct rather than the inefficient indirect funding; and how quality assurance will be streamlined in order to align itself with other quality assurance processes (operated in the college), the standard for employer engagement and self regulation.'

(AoC)

30. The response to this question from the Learning and Skills Council (LSC) drew attention to its own higher education strategy which contained a clear commitment to HE in FE and which recognised the unique position of the FE system in both preparing individuals to progress to HE and the delivery of HE in FECs.

'The LSC agrees that the FE system has a distinctive contribution to make to HE in terms of a clear focus on employment related higher level skills which can be short-cycle, part-time, flexible and responsive to the needs of learners and employers. In particular, providers across the FE system, both further education colleges and independent providers have significant experience in delivering provision that is employer-responsive and demand-led. In particular, FE's role in supporting HE and higher level skills *in the workplace* is also important here and should not be overlooked. However, recognising this 'distinctive contribution' must not be at the expense of acknowledging the contribution that the FE system makes to HE in terms of high quality 'traditional' and longer cycle provision (such as degrees) which is delivered both locally and regionally and which has a key role in widening participation to HE for a broader cohort of both adults and young people.'

(LSC)

31. Some of the same themes were echoed in the response from Foundation Degree Forward (FdF), including agreement:

‘...that the focus of growth of HE in FECs should be on the development of higher level skills and on engaging employers closely and directly...’

and

‘...that in areas where the FEC may be the only provider of HE within a considerable distance it can justify a broader HE offer and that in some circumstances a small volume of HE can be strategically important in supporting the economy of a small market town or rural community. ‘

(FdF)

Higher education strategies

Consultation Question 2

Do you agree that all FECs delivering HEFCE-funded HE should provide a strategy statement which reflects our view of the distinctive features of HE in FECs set out in paragraph 38, and demonstrates that their HE meets the principles set out in paragraph 44a-f?

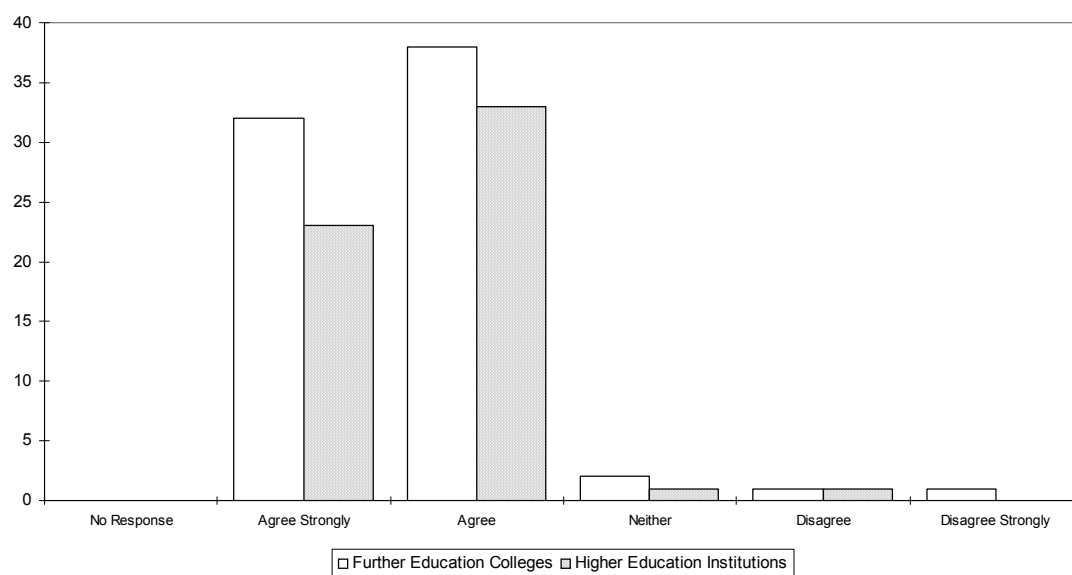
34. The HEFCE expectation (paragraph 44) is that all FECs in planning their HE provision should have a clear strategy for development that:

- is consistent with their overall institutional strategy
- is consistent with the characteristics of HE in FECs described in paragraph 38
- specifies how it adds value and relates to local and regional HE provision
- describes the relationships with other providers of HE
- builds on existing partnerships
- builds on strengths in FE provision (particularly Centres of Vocational Excellence, CoVES)
- offers courses meeting real, identifiable needs
- ensures staff are appropriately qualified and have opportunities for scholarly activity
- ensures adequate learning resources to provide a high quality learning experience
- takes into account HE networks and agencies and develops relationships
- works with a Lifelong Learning Network to support progression.

Balance of responses

35. There was strong support for the provision of a strategy statement by FECs providing HEFCE-funded HE from both HEIs and FECs (96 per cent of all institutional respondents, see Annex C), including those party to a collective response; national bodies were also in support. Many respondents, particularly colleges, considered non-prescribed HE should be addressed in the strategy.

Figure 2: Response to Question 2



36. In qualifying their answers, some respondents questioned the focus on the 'distinctive features of HE in FE', suggesting that the local and regional context needed to be recognised.

'...agreed that all FECs, whether directly or indirectly funded, should have a strategy statement for their HE provision and that this strategy should provide clarity of purpose and place of HE within the college's core mission. It is very likely that in many cases such strategies already exist. It is important, nevertheless, that FECs develop their own strategies which reflect their local and diverse market contexts; these strategy statements, therefore, should not be overly prescriptive.'

(A college with a large amount of HE provision.)

And, the LSC explained:

'The LSC's concern is that an expectation that all HE in FE must conform to the characteristics laid out in paragraph 38 may risk fracturing provision and inadvertently setting boundaries between the 'type' of HE the FE system may offer and the 'type' of HE offered elsewhere. The principles in paragraph 44 do not pose a problem – it is the characteristics they are aligned to that may require review.'

37. The call for an avoidance of 'over-prescription' and for flexibility to allow universities and colleges to respond to demand was a common feature of the commentaries from institutions and organisations.

'The university is in overall agreement, on the understanding that there will be a degree of flexibility exercised to enable its partner colleges, working with the

university to respond quickly to local needs, particularly those of employers. The university anticipates that its partner colleges would wish to integrate their HE strategies into their overall FE strategy and link these with university strategies, LSC requirements and the emerging strategies of the [named] Lifelong Learning Network.'

(An HEI with a large amount of indirect provision.)

And:

'[The Quality Improvement Agency] QIA agrees that all FECs delivering HEFCE-funded HE provision should provide a strategy statement which reflects HEFCE's view of the distinctive features of HE in FECs. However, QIA also believes there should be some caveats: a 'one size fits all' approach will not be acceptable; the requirements for the strategy statements must not be too prescriptive and should enable FECs to demonstrate their diverse missions; the strategy statement should form part of the FEC's overall strategy and not be seen as a stand alone document.'

(QIA)

38. Others suggested the consultation implied a focus on large scale provision and called for small scale provision to be recognised in order to support specialist provision and growth.

'The college agrees that HE should be planned and of high quality, but is concerned that the emphasis may be on funding large scale provision. FE must have the ability to be flexible and respond to local need. This may mean starting with small scale provision and growing as local partnerships with employers develop. We suggest that a successful strategy for HE should be based on quality of provision and demand, rather than necessarily on size.'

(A college with a medium amount of HE provision.)

39. HEIs and organisations generally called for strategies to be developed in partnership and across a region and, in some established partnerships, consultative strategic development across a partnership is embedded. However, the expectation of a regional approach may not always be based on equitable relationships.

'The university would agree with production of a strategy but would ask that within a partnership arrangement it be linked to the HEI's 'HE in FE strategy' and both be aligned to local, regional and national needs.'

This university (one providing a large amount of indirectly funded HE) also questioned:

'What if the FEC strategy does not relate to, conflicts with or duplicates the regional HEIs' strategy?'

40. Another HEI (with a medium amount of indirectly funded HE), one of the minority answering negatively to the question, responded:

'Whilst this might be appropriate for directly funded HE, it is not so for indirectly funded HE. Here there is a partnership between the funded HEI and the

indirectly funded FEC that this proposed arrangement does not address or reflect and indeed runs counter to. The strategic plan of the funded HEI should incorporate the strategy for development of HE in FECs.

I believe that it is expecting too much of FECs, who as HEFCE accepts do not have HE as their core purpose, to write a strategic plan which meets all the principles set out in paragraph 44a-f.'

41. Alternatively, some colleges expressed concerns about producing strategies in collaboration or with HEIs having approval powers.

'Whilst the college intends to develop further its successful partnership with its validating partners, and would intend that a strategic plan was developed in consultation, it feels it would not be appropriate for a requirement that any partner HEI would need to approve and agree such a strategic plan. Do HEIs agree their strategic plans with each other?'

(A college with a large amount of HE provision.)

Particularly, where there are multiple partnerships:

'As the [named] college has always produced a strategy statement, this would meet with our current practice. Whilst we make an effort to ensure that our strategy fits with that of our university partners, having three partners with differing if not conflicting strategies, which are not always made explicit to us, makes this difficult and we need the freedom to develop our own strategy. We are, after all, an institution in our right and not just an extension of the universities with which we work. Accountability to a range of partners and funding bodies, as well as students and employers, justifies the need for freedom to recognise and balance the demands of each in the devising of our strategy.'

(A college with a medium amount of HE provision.)

42. Commonly colleges wanted to ensure their strategy is embedded, reflects their overall strategy and mission, without it becoming an administrative burden to produce:

'We agree that HE provision should be planned and that FECs should have a clear strategy for the development of their HE which is consistent with their organisational strategy. However, there should be sufficient flexibility within the planning arrangements to enable responsiveness to emerging local needs. We welcome the acknowledgement that HEFCE would not wish to place an unacceptable administrative burden on colleges, recognising the existing demands of LSC and other agencies.'

(A college with a large amount of HE provision.)

This is reflected at a national level:

'AoC agrees that HE should be planned, be of high quality and be set within a college's strategic plan. We welcome the recognition of the potential administrative burden that production of such a strategy may place on colleges

and agree that there needs to be a simpler, overarching, demand led planning framework that promotes transition between all levels.'

(AoC)

43. The need for a strategy to include staffing and other learning resources was supported by institutions and organisations but with the caveat that funding opportunities should follow this and that the demands of vocational provision might qualify the definition of 'scholarly'.

'FdF considers there needs to be further exploration of, and clarity about, issues such as appropriate qualifications for staff delivering HE in FECs, and the scale and type of learning resources that can be perceived as sufficient to allow students to achieve the learning outcomes. The nature of scholarly activity that is appropriate to staff delivering HE in FECs needs further exploration that takes account of industrial and work-place experience appropriate to design and delivery of foundation degrees.'

(FdF)

44. Questions were raised as to the mechanism and basis for judging strategies.

Centres for higher education excellence in FECs - aims and objectives

Consultation Question 3

How far do you agree with the proposed aims and objectives for Centres for HE Excellence in FECs?

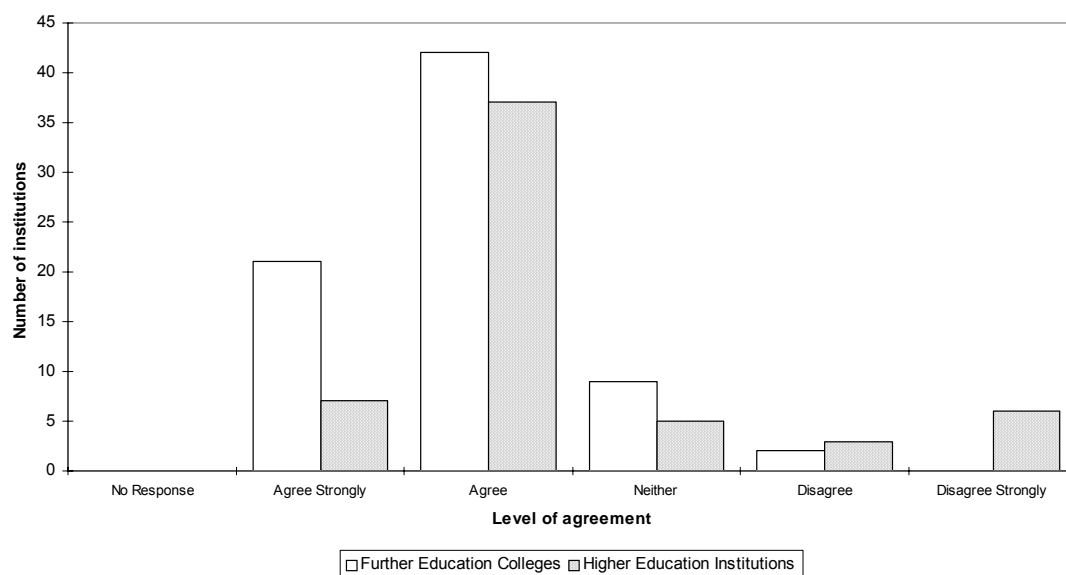
45. The aim of the initiative is to invest in centres to help FECs to maximise potential for development of HE in FECs. HEFCE has identified eight objectives (paragraph 56) to:

- develop responsiveness to local and regional employer needs
- develop work-based learning programmes in partnership with employers
- offer flexible professional, work-related and higher level skills programmes to improve employability
- improve students' learning experiences
- widen participation
- encourage progression
- strengthen HEI/FEC partnerships
- foster regional collaboration and dissemination of good practice.

Balance of responses

46. A clear majority of all providers agreed strongly or agreed with the proposed aims and objectives (81 per cent), however FECs are more likely to do so (85 per cent) than HEIs (76 per cent) and to agree strongly (see Annex C).

Figure 3: Response to Question 3



47. All the collective responses and organisational responses indicated strong or broad agreement with the exception of GuildHE which remained neutral.

48. Many respondents called for clarification of the relationship of the initiative with others such as CoVEs, National Skills Academies, Beacon status and Centres for Excellence in Teaching and Learning (CETLs) and with regional partnerships, particularly Lifelong Learning Networks (LLNs). Clarification was also called for with regard to direct and indirect funding status – both in terms of the eligibility of FECs and the relationship of an indirectly funded FEC to one or more HEIs with regard to a bid.

‘FdF also considers that where bids include HEIs, the lead institution should be an FEC and the funding for the centres for HE excellence should be located within a college. Consideration needs to be given to whether an indirectly funded college could apply for this status. Since FECs were not eligible to lead on CETL developments, and very few were involved by the HE partners, we feel the creation of these centres offers a real opportunity for colleges, particularly where they can build upon existing vocational excellence.
(FdF)

49. While colleges generally focused on their experience of offering vocational provision, particularly through CoVEs, and their links with employers, some felt the HEFCE focus rather narrow and stressed that these Centres for HE Excellence should include the full range of HE.

‘The consultation document does recognise the role FECs play in the development of HE. The objectives that focus on HE learning are somewhat narrow, ie, they concentrate on ‘training’ within a context of economic

development, rather than identifying and valuing the benefits of an HE 'education' to the learners studying HE in FECs. This is especially true in our experience of working with learners from 'groups who are traditionally under-represented in HE.'

(A college with a large amount of HE provision.)

50. Some colleges questioned the impact the creation of centres would have in terms of competition between FECs with other provision relegated to 'second division' status or the creation of a 'two tier system', a concern echoed by FdF and the AoC:

'AoC would support the development of centres for excellence led by FE colleges and would hope that approved centres would have sufficient scope to support smaller colleges with developing HE provision, and those with specialist/niche provision. We would be concerned however, if development of these centres led to creation of a two tier system.'

(AoC)

51. While some colleges assumed that those with established larger provision should be favoured, others proposed that there be no size requirement. Consortia of FECs were sometimes proposed in order to address this issue.

'We broadly agree with the proposed aims and objectives for centres for HE excellence in FECs but have some concerns that this initiative may widen the gap between FECs with a large HE provision and FECs with a small HE offer such as ourselves. Since all FECs will be aiming to achieve the objectives identified as priorities for the future role of colleges, we would suggest a consortia approach to the establishment of centres of excellence, encouraging collaboration between colleges and increasing opportunities for both FECs and HE learners.'

(A college with a medium amount of HE provision.)

52. Specialist institutions emphasised the importance of recognising niche provision, including nationally.

53. HEIs leading large partnerships were supportive but emphasised the role of the HEI and the importance of partnership rather than locating the centres in individual FECs.

'Our response to this question would have been to agree strongly had the proposal been worded to recognise much more emphatically that an HE in FE Partnership in its entirety could be supported as a centre for excellence in HE.'

(An HEI with a large amount of indirect provision.)

Indeed, they sometimes proposed that their current partnership is an example of a centre for HE excellence.

54. Some HEIs suggested a tension with the work of CETLs and questioned the impact of conferring the title of centre for excellence on an FEC with regard to a local HEI:

'As a university with an acknowledged reputation for excellence in providing a high quality student learning experience, we have straightforward reservations

about a public perception that local FECs have formal claims to HE excellence (whereas we, as a separate HEI, are excluded from the prospect of such an institutional designation). There is serious risk of confusion, misperceptions and unreasonable competitive advantage.’

(An HEI with a small amount of indirect relationships.)

55. Again the issue of funding streams was raised with the need to support responsive employer-based provision with the ability to provide non-prescribed HE and small units of accreditation.

Centres for Higher Education Excellence in FECs - criteria

Consultation Question 4

How far do you agree with our initial proposals on the criteria (eligibility, evidence of excellence, potential for development), and the selection process for the Centres for HE Excellence in FECs?

56. With regard to eligibility (paragraph 57) it is proposed that:

- only FECs with an agreed strategy will be eligible to bid
- it is envisaged that smaller colleges will submit a collaborative bid
- HEIs may only bid in partnership with one or more FECs.

57. Evidence of existing excellence (paragraph 59) will need to be provided:

- based on the objectives for the initiative
- in one or a number of curriculum areas
- describing excellent provision and practice
- and pointing to evidence.

58. Bids will need to make a case for further development (paragraph 60) of areas of excellence:

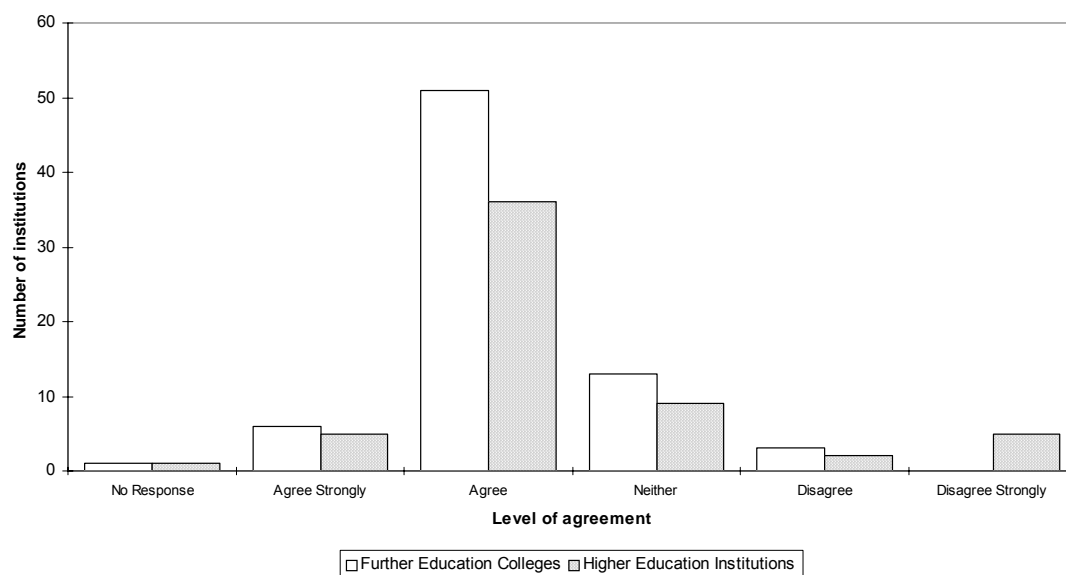
- in line with college strategies
- showing how the college plans to build on its HE strategy
- demonstrating the potential for growth
- incorporating the development of practice and innovative approaches.

59. HEFCE favours a bidding competition (paragraph 61). A two stage process is envisaged and appropriate criteria will be drawn up using a panel of experts.

Balance of responses

60. A clear majority of all FEC and HEI providers supported the proposals (74 per cent) but few agreed strongly, see Annex C. This pattern holds for collective and organisational responses.

Figure 4: Response to Question 4



61. There was a general call for elaboration of the criteria and their application and the geographical distribution of the centres. Some colleges expressed concern that the bidding process should not impose significant administrative burdens and, from some colleges, a request for support for FECs to participate in the bidding process. It was widely suggested that non-prescribed HE should be included.

62. As with the response to Question 3, some colleges stressed the potential for development in the application of the criteria, including recognition of provision which did not, yet, meet all the aims and objectives.

‘If too much emphasis is placed at looking at existing provision in the criteria for selection for centres for excellence then this would seem to be at odds with the need under paragraph 60 to show ‘demonstrating potential for growth’ particularly in looking at new areas.’

(A college with a large amount of HE provision.)

63. Respondents questioned whether allocation of this status would take into account the regional distribution, with some arguing for open competitive bidding and others for regional representation.

64. HEIs frequently suggested that collaboration with an HEI should be a criterion or given a higher weighting.

‘We agree with the criteria and selection processes for centres for HE excellence. However, given the stress on collaboration and partnership throughout the consultative document, the possibility of developing collaborative centres for HE excellence between a number of FECs (with the appropriate involvement and

support of local partner HEIs) would appear to warrant consideration for reasons other than just the stated aim of accommodating the smaller colleges. Where strong local partnerships already exist, a collaborative bid might be the preferred option.’

(An HEI with a medium amount of indirect funding.)

Security of funding and student numbers (indirect provision)

Consultation Question 5

Do you agree that under normal circumstances indirect funding arrangements should provide member institutions with security of funding and student numbers for at least three years?

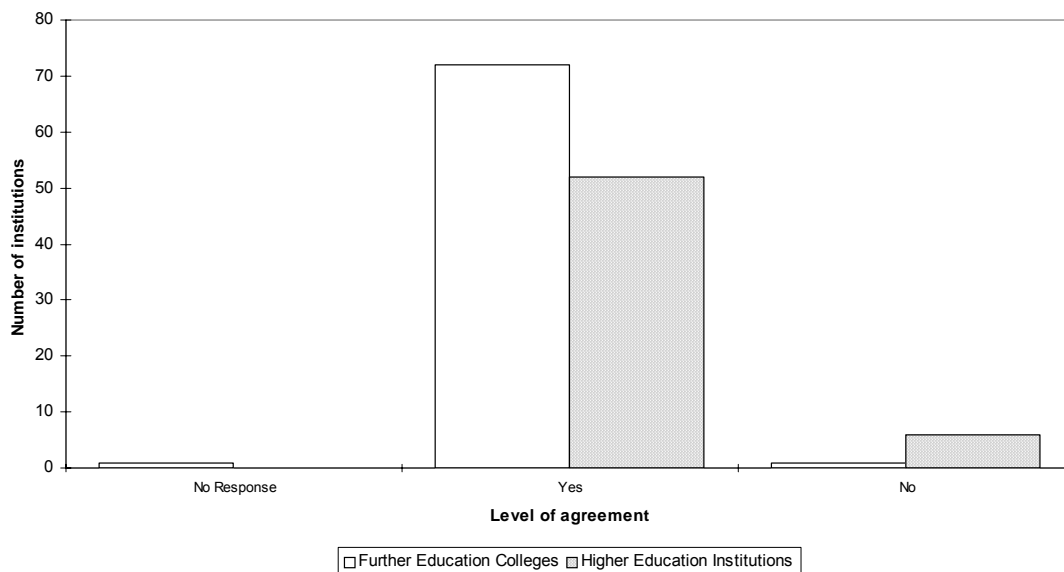
65. The strategic development of HE in FECs implies long-term commitment without unplanned fluctuations in funding or numbers. HEFCE expects (paragraph 78) collaborative funding arrangements to be:

- long-term
- provide security of funding and student numbers for at least three years
- have clear provisions for the termination of individual membership and/or the agreement as a whole.

Balance of responses

66. The response to this question was overwhelmingly ‘yes’ from institutional respondents (94 per cent, with HEIs only slightly less supportive at 90 per cent than FECs at 97 per cent), see Annex C.

Figure 5: Response to Question 5



67. Collective and organisational responses similarly reflected agreement, although the QIA felt unable to comment directly on funding issues and recommended HEFCE to liaise closely with the LSC.

68. Some responses indicated a longer period of security should be provided, usually five years, or be tied to the life of a programme or to cohorts. The University and College Union (UCU) considered five years to be the minimum period to 'ensure time for strategic programmes and partnerships to establish themselves effectively'. Some established partnerships already have an overarching agreement covering five years, or more, with annual adjustments.

69. Others, reflecting the interests of both HEIs and FECs, added the caveat that this proposal should respect the need for flexibility and for adjustments where necessary to support increased demand, under-recruitment and support for developing provision. An HEI that responded 'no' explained:

'This question was very difficult to answer as, in a stable environment, where student numbers in an FEC were either steady or growing, and there were no unexpected changes in funding of the HE sector, the answer would be yes. However without these caveats the university could not guarantee indirect funding agreements, especially where an FEC had failed to recruit and the HEI had either made good the shortfall in numbers or faced holdback. The university supports the principle that indirect funding agreements should provide both security of numbers and funding. The university [named] has adopted an open and transparent approach to numbers and funding through allocation of a numbers envelope to each partner and through agreeing allocation of resources to partner colleges on an annual basis. In the relationship between HEIs and the Funding Council for additional student numbers (ASNs), for example, there is normally a two year time frame in which numbers can be achieved through ASN allocations. In line with HEFCE practice, if the university's partner colleges fail to recruit they have another opportunity to achieve the requisite numbers before consideration is made to potential reallocation of resources. Partnership agreements are generally set by most HEIs for a period of up to five years, although numbers are contingent on the availability of student number resources, and we would suggest that most partnerships operate in such a planning horizon. We would propose that five years should be the normal period in which to provide for planning of numbers and funding, in line with the policy adopted for HEIs, but within a framework that must make adjustments based on recruitment levels.'

(An HEI with a large amount of indirect funding.)

Another HEI with a large amount of indirect provision responded in a similar fashion and (see Annex C) of the six HEIs (out of 58) which responded 'no', half have the largest volume of indirect provision of all the respondents.

70. Rolling agreements were proposed by some.

71. Some directly funded colleges suggested this security should also apply to direct funding. Other respondents felt the solution might be to increase direct funding.

'We welcome the proposal to provide greater certainty and security through funding arrangements of at least three years. However, we feel that there should be further exploration of the expansion of direct funding agreements which would provide most security, would reduce bureaucracy and would ensure that a greater proportion of funding is allocated to front line delivery.'

(A college with a large amount of HE provision.)

Costs (indirect provision)

Consultation Question 6

Do you agree that developing information on the costs of teaching will assist in identifying the costs of collaborative activity?

Consultation Question 7

Are there other barriers that hinder the production of clear and transparent indirect funding agreements, especially in relation to funding and student numbers? If so, what are they?

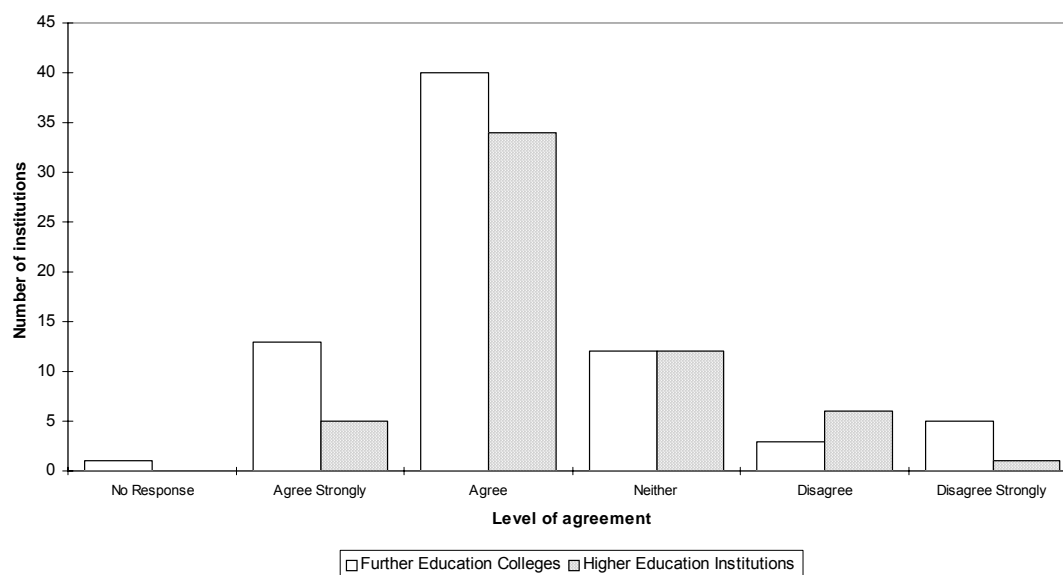
72. Given the diversity of partnership arrangements, HEFCE would not wish to specify a proportion of funding to be retained by an HEI. However, it proposes (paragraph 81) that institutions:

- should know the costs of their teaching activities
- use these to derive the cost of services
- use the Transparent Approach to Costing (TRAC).

Balance of responses

73. A clear majority of institutions agreed strongly or agreed (70 per cent) with little difference between FECs (72 per cent) and HEIs (68 per cent) although FECs were more likely to agree strongly, see Annex C.

Figure 6: Response to Question 6



74. The collective responses showed more diversity with two groupings disagreeing on the basis of reservations about TRAC being extended to FECs. The organisational responses indicate broad agreement or neutrality on the part of UUK and GuildHE. City and Guilds, however, suggested direct funding to 'remove the problems of top-slicing by HEIs'.

75. A common view was that developing teaching cost information would 'assist' but that other aspects of the cost of collaborative activity were significant. The return from the Association of Collaborative Provision (ACP), representing the views of those attending the regional consultation seminars, indicated 'broad agreement – with the important caveat that costs of teaching do not equate to the costs of collaborative activity'. This view was echoed in many of the responses from institutions which identified a range of activities which must be costed. These include:

- the higher costs of non-traditional delivery, eg, distance and work-based
- the cost of higher levels of support for non-traditional students including individual support, longer contact hours and smaller class sizes
- curriculum development
- quality enhancement/assurance
- management and administration
- collaboration and partnership
- staff development and scholarship.

The difference in contracts and conditions of service between HEIs and FECs and between individual FECs would need to be factored into TRAC. Colleges tended to focus on the costs of delivery; HEIs on academic support, validation and quality assurance.

76. A college that disagreed strongly put it bluntly:

'We do not support this proposal. We believe the proposal to introduce the TRAC system to FE colleges will not be helpful and fundamentally asks the wrong question. The issue to be addressed is not how much it costs to teach HE in FE colleges but how much the HEI retains for the services it provides. Since FE colleges should not subsidise its HE activity from LSC funding, the cost of its HE should be whatever the HEI passes on. Most activities provided by the HEI cover validation, QA [quality assurance] and other non-teaching costs. This fundamentally is where there is lack of transparency. We believe a better approach would be the development, led by HEFCE, of a model proforma onto which HEIs could indicate their costs of services provided...'

(A college with a large amount of HE provision.)

An HEI looked at it from another perspective:

'While developing information on the cost of teaching will assist in identifying the cost of collaborative activity, thereby assisting FECs in allocating the appropriate level of resources to support HE activity, we would be concerned if this were deployed to question the agreed funding arrangements between FECs and HEIs. It is acknowledged that for HEIs and FECs the cost of collaboration is significant and in both sectors there would be strong arguments for the allocation of additional resources. TRAC is, and will be, useful in identifying the real cost of collaborative activity but clear guidelines will need to be produced to avoid raising expectations on resource allocations.

(An HEI with a large amount of indirect funding.)

This call for standardisation and a national framework for costs was widely made by colleges.

77. Some HEIs felt guidance would be helpful but should not be overly prescriptive.

'The development of TRAC will help to inform better cost information in HEIs. However, we would, though, wish to avoid an unnecessary level of detail to support the apportionment of funding and believe that a general percentage split of funding which fairly reflects the relative resource input of partner institutions is perceived as fair. Provided that such arrangements are regularly reviewed and that each partner carries out its obligations as outlined in the memorandum of agreement, then our experience has shown that financial issues do not cause much concern.

'Our own analysis of costs and associated income from partnership activity, clearly indicates that neither party experiences significant financial returns. The benefits of partnership provision tend to be more around opening up opportunities and working effectively together for the benefit of the local community rather than direct financial considerations.

‘Too detailed an approach to [the] costing of partnership provision may prove unhelpful in collaborative arrangements, leading to detailed discussions on finance to the detriment of strategic discussion.’

(An HEI with a medium amount of indirect relationships.)

78. The administrative burden associated with introducing TRAC was identified by many respondents and the AoC commented:

‘AoC would support the introduction of TRAC on a voluntary basis only. Colleges have expressed considerable reservations about the use of TRAC methodology in FE colleges, and there are concerns about the additional administrative burden being imposed for what is perceived to be very little benefit, as most colleges already know their teaching costs.’

The LSC reported:

‘We strongly support the proposal to consider using costs processes to help FECs to identify the resources that support HE provision – again with the caveat that this should not add to the college’s administrative burden. The LSC would be particularly keen in working closely with and supporting HEFCE in this area.’

A college which neither agreed nor disagreed wrote:

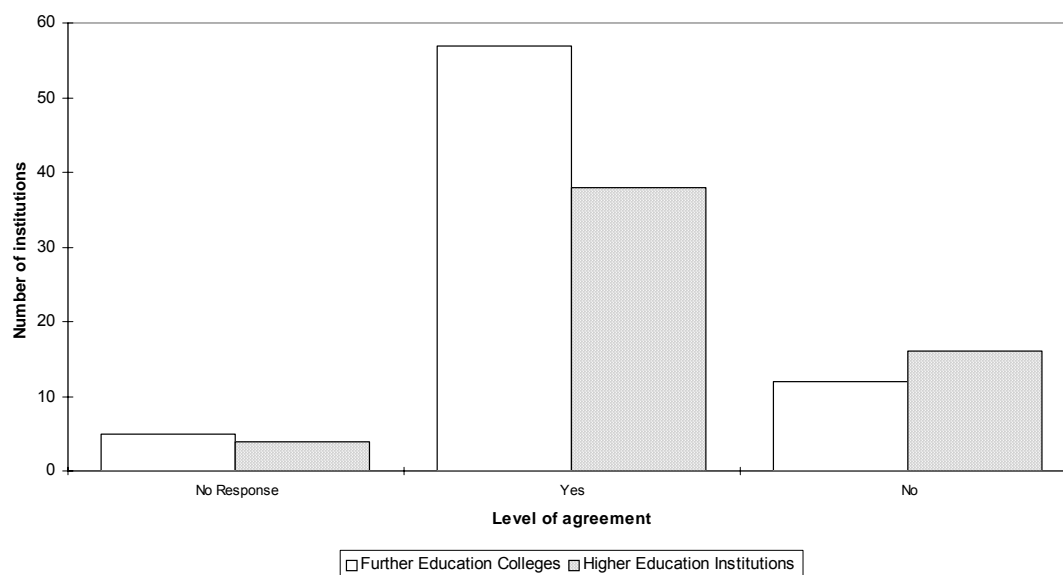
‘Seems a lot of work to find out what exactly?’

(A college with a large amount of HE provision.)

Balance of responses

79. A clear majority (72 per cent) of institutions felt there are other barriers to clear and transparent indirect funding agreements, with FECs more likely to see barriers (77 per cent) than HEIs (66 per cent), see Annex C.

Figure 7: Response to Question 7



80. Some colleges did not respond as they are in receipt of direct funding only and felt it inappropriate to comment. Some organisations also did not comment but most did identify other barriers with the exception of UUK:

‘Given that HE institutions are already open with FECs about costs, services and planning whilst fulfilling their obligations in terms of support, validation and quality assurance, we would question the underlying assumption that there is a lack of clarity and transparency.’

Other respondents however did feel there was a lack of clarity and transparency. Some colleges noted that they had multiple indirectly funded arrangements with differing levels of ‘top-slice’. The ACP reported that:

‘The ‘service charge’ or ‘top-slice’ varies from institution to institution and from partnership to partnership, as does the range of services it is stated or assumed to cover. Whatever funding arrangements exist there needs to be a transparency so that all parties can see a breakdown of costs and overheads.’

81. Some colleges reported that their partnership arrangements were transparent. However, most reported barriers which included: poor communication, no clear methodology to calculate costs and a lack of information about the costs of delivery of teaching and learning and of managing a relationship as well the costs of support services (as indicated in the response to Question 6) and the transfer of widening participation premiums and capital funding. A new issue is the setting of fees and the administration of bursaries. The definition of part-time and full-time students was mentioned, as was the difference in recording and accounting systems and the difficulty of apportioning college infrastructure costs. Some colleges reported that agreements

were not timely and thus did not support planning in the college. Others that the HEI's position within the tolerance band meant the HEI did not wish to support growth in the FEC; HEIs however presented a different perspective (see below).

82. The HEIs with large partnerships generally reported that they had clear and transparent partnership arrangements and supported a clear framework for relationships. Many of the points made by colleges were echoed by HEIs. Additionally, some argued the commercially sensitive nature of information inhibits transparent agreements. Some HEIs suggested that FECs do not understand the HEFCE funding methodology.

83. The issue of ASNs was addressed:

'Indirectly funded partnerships centred on HEIs which are outside the –5 per cent tolerance on student numbers may have difficulty in supporting the development of some new HE programmes in FECs even though there may be strong evidence of demand. We need clear, formal structures for applying for additional student numbers to support the strategic expansion of HE in FE. The variability and volatility in the situation of major funders such as the NHS may also be a factor here. We are fortunate in the [region] to have recourse to a regional Lifelong Learning Network which can underpin strategic development but outside of the three discipline areas where it currently operates it is not always clear where the additional numbers required to support HE in FE can be found.'

(An HEI with a medium amount of indirect funding.)

84. While some FECs reported that they were unable to grow, an HEI made the point that recruitment in FECs had not been as buoyant as in the HEI, causing difficulties in the allocation of ASNs and another commented:

'The barriers to the production of indirect funding agreements are well known and relate primarily to the size and complexity and the possible volatility in recruitment over time associated with any franchise agreement.'

(An HEI with a medium amount of indirect funding.)

85. Respondents identified a barrier in a lack of clearly identified responsibility:

'Problems arise if the institutions do not have in place people and systems to deal with these issues. Each partner must nominate suitable people in positions of authority to negotiate and agree arrangements. There is a need for continuity so that the people can develop professional and trusting relationships that promote clarity and transparency. The partners must also establish clear and simple administrative systems for dealing with such matters as student numbers and finance so that it is easy for the partners to see whether the arrangements are working as intended or not.'

(Association for College Management, ACM)

Similarly:

'Fdf appreciates and welcomes the strength of the steer, as expressed in paragraph 74 of the consultation document, for clarity and transparency in indirect funding arrangements. We believe that barriers would be dissolved if memoranda of collaboration were drawn up in the spirit of partnership agreements with clear and detailed information about what is included in the arrangements. There must be a mechanism for sharing relevant details with staff delivering the programmes and there must be clarity about the roles and responsibilities of staff in each institution.'

(FdF)

Funding routes (indirect funding relationships)

Consultation Question 8

Do you agree that all indirect funding arrangements should reflect the structural and management arrangements associated with consortia, and adhere to the principles specified in our code of practice for consortia?

Consultation Question 9

Do you agree that all data returns for consortium arrangements should be made by the lead institution?

86. HEFCE notes that the structural and management arrangements of the consortium funding model are perceived to have benefits and proposes that indirect funding relationships should reflect these. Franchise and consortium collaborations currently differ in terms of data return arrangements. HEFCE proposes (paragraph 92) that:

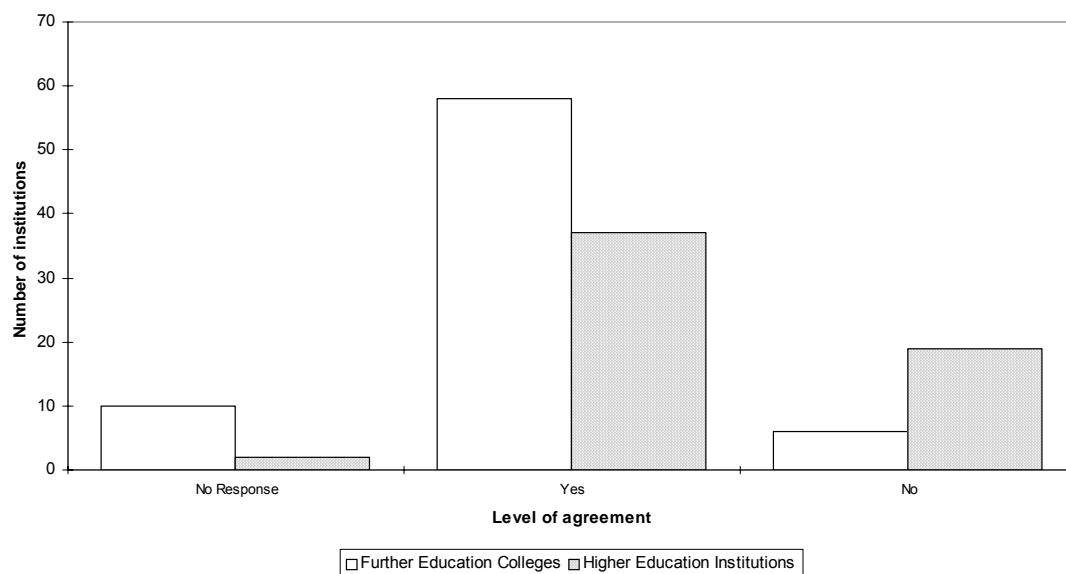
- all data returns for consortia are made by the lead institution
- all formal responsibilities and accountability flow through the lead institution (registration and quality).

Balance of responses

87. A clear majority (72 per cent) of the universities and colleges that responded agreed with the proposition that indirect funding arrangements should reflect those for consortia with more support forthcoming from FECs (78 per cent) than HEIs (64 per cent), see Annex C. However, evidence from the ACP's summative response, and internal evidence from the content of the comments made in responses, suggests that respondents were not always clear about the nature and specificity of HEFCE-funded consortium arrangements (as summarised in paragraph 87 of HEFCE 2006/48). That is, some were not clear about how they differed from collaborative partnerships based on 'franchises', indirectly funded relationships, and whether they can be led by an FEC⁴. They weren't necessarily familiar with the codes of practice for both arrangements as set out in HEFCE 2000/54 either. Many responses appeared to relate to the operation of successful formal partnerships rather than specifically to HEFCE-funded consortium arrangements.

⁴ In 2006-07 there are nine HEFCE-funded consortia, three of which have an FEC as the lead institution.

Figure 8: Response to Question 8



88. The collective responses were in support of the statement in Question 8 but the national organisations showed a more diverse pattern with UUK and City and Guilds responding in the negative. UUK commented: 'All indirect funding arrangements should reflect the structural and management arrangements of whatever the partnership whether consortia based or not,' and City and Guilds, as for Question 6, argued for direct funding.

89. FdF supported the view that the consortia have more equitable relationships:

'Fdf believes that there is some consensus that the funded consortia have more equitable and transparent arrangements than other partnerships. We are aware that there are also concerns about the extent of validation costs for directly funded colleges and that there is an argument that these too should be more carefully costed.'

(FdF)

90. There were few developed comments by institutions on this proposal or that in Question 9.

91. Some colleges suggested that the complexity of consortium arrangements might make an HEI reluctant to engage in a relationship with a college with very small provision. Another opposed the move to consortium arrangements on the basis that 'larger costly consortia' would mean less funding for FECs.

92. While many HEIs supported the proposal, others called for a more flexible approach in line with the position of UUK.

'We agree that all indirect funding arrangements should reflect the principles specified within the HEFCE code of practice for consortia.

'We do not agree that all indirect funding arrangements should necessarily reflect the structural and management arrangements associated with consortia. The consortia model is one approach to organising HEI and FEC partnerships, but there are other models which have different structural and management arrangements but adhere to the principles of good practice indicated within the HEFCE code of practice. Local circumstances and regional contexts are important factors in shaping the types of partnership that are regarded by partners as most beneficial.

'Insofar as the different models of HEI and FEC partnership are able to achieve coherent strategic planning outcomes, effective delivery arrangements for HE in FE and conform to the HEFCE code of practice, then the particular structural and management arrangements should be a matter for local decision-making.'
(An HEI with a large amount of indirect funding.)

93. One HEI wished to maintain its (successful) series of bilateral relationships:

'There are no benefits accruing from forcing the structure of a consortium on these arrangements.'

Another commented:

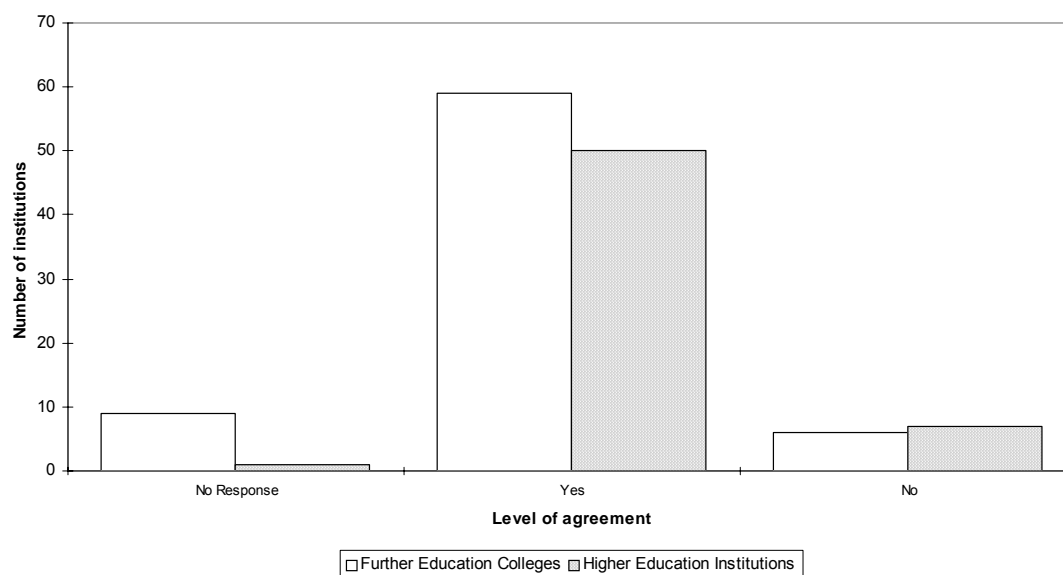
'We believe that elements of the franchise arrangement – where properly managed – provide greater support for FECs and enable a better spread geographically, less competition leading to fewer cancelled courses and greater financial viability for the FECs...'
(An HEI with a medium amount of indirectly funded relationships.)

94. The question was raised by both colleges and HEIs whether a consortium model would support an FEC having multiple relationships to accommodate different subject specialisms.

Balance of responses

95. With regard to the proposal that all data returns for consortia should be made by the lead institution there was a higher level of support, with 83 per cent of respondents in favour and little difference between FECs (80 per cent) and HEIs (86 per cent), see Annex C.

Figure 9: Response to Question 9



96. There was broad agreement in collective and organisational responses. However, the agreement of the UUK was contingent on the lead institution being an HEI while City and Guilds felt FECs should be lead institutions ‘directly and in their own right’.

97. The AoC noted that FE colleges are also required to maintain data in their own institutions and recommended alignment of data collection systems and the ACM responded:

‘Yes, this would be a welcome clarification of responsibilities. However, at the moment the LSC requires all students, regardless of funding source, to be included in the ILR [Individualised Learner Record]. This requirement would have to be dropped and this should also apply to directly funded FECs which should only have to return data about HEFCE funded students to HEFCE.’

The LSC, for its part, commented:

‘On the issue of data and information returns, both HEFCE and LSC are aware of the problems of incompatibility of data and both Councils are working to resolve these issues. Whilst the proposal in paragraph 92 might ease the problems, the LSC believes that the wider issue of common definitions across similar provision needs to be specifically addressed in order to arrive at greater compatibility. The work of MIAP [Managing Information Across Partners] will also need to be taken into account.’

98. While the proposal was welcomed as a simplification by some, others felt it would increase the expense of collaborative arrangements and raise governance issues with regard to responsibility for the accuracy of the data. One HEI leading a consortium

disagreed and noted that this consortium had not experienced problems with making returns and that to centralise the return would be to undermine the democratic ethos.

Monitoring agreements (indirect provision)

Consultation Question 10

Do you agree that HEFCE should take steps to satisfy itself that institutions adopt the proposed changes to indirect funding agreements? If so, what should these be?

Consultation Question 11

Are there other measures that should be adopted to improve the operation of indirect funding agreements? If so, what should these be?

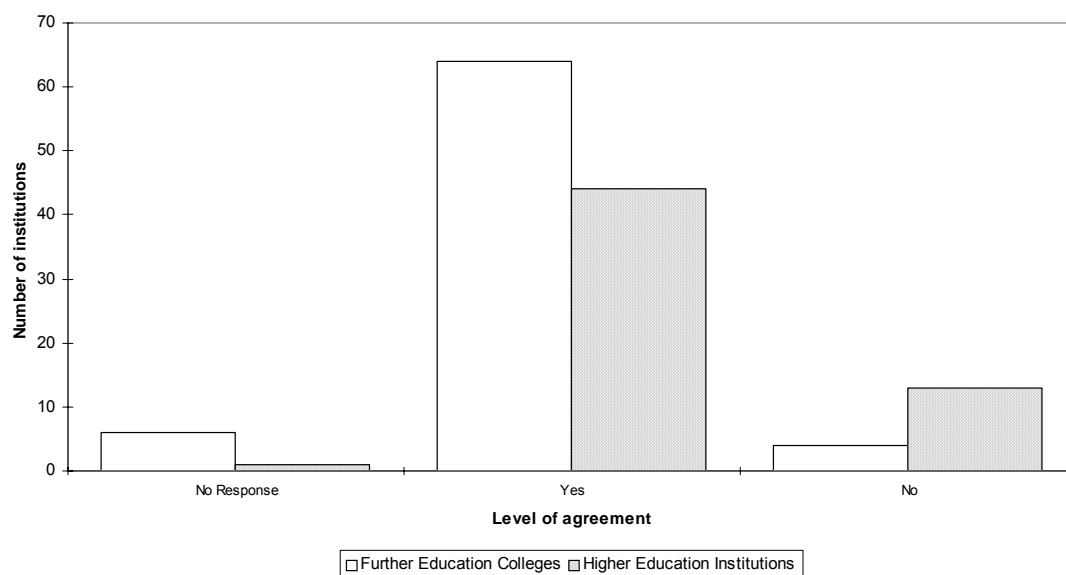
99. In the absence of a formal monitoring process for indirect funding arrangements HEFCE has invited FECs and HEIs to adopt the principles of the relevant code of practice. HEFCE proposes (paragraphs 96 and 97) to:

- update the codes
- take action to ensure they are adhered to
- without increasing the burden on partnerships unreasonably
- consider partnership arrangements as a criterion in awarding ASNs or funds for centres for HE excellence.

Balance of responses

100. A significant majority of all providers (82 per cent) agreed that HEFCE should take steps to satisfy itself that changes to indirect funding agreements are adopted by institutions, with FECs more likely to do so (86 per cent) than HEIs (76 per cent), see Annex C.

Figure 10: Response to Question 10



101. The collective and organisational responses similarly indicated agreement with the exception of UUK: 'We remain to be convinced that there are substantial problems with indirect funding agreements.' City and Guilds, in line with its expressed support for direct funding, commented: 'If FECs are directly funded then there will be less or no need for potentially complex, difficult and unsatisfactory indirect funding agreements between FECs and HEIs.' GuildHE and QIA did not indicate either agreement or disagreement and said they had no comment. Some directly funded FECs felt it inappropriate to comment, although one suggested that a similar approach be taken to validating arrangements.

102. The proposals for steps to be taken included: providing guidance and or a checklist, model or template for agreements; making compliance a condition of grant for the HEI; a systematic review by HEFCE of all partnership arrangements (including formal agreements, financial memoranda or service level agreements) and approval of new ones with updates notified to HEFCE. Proposed arrangements for monitoring of agreements included: the annual monitoring statement, financial audit, and HEFCE regional teams. Alternatively, it was suggested this could be linked to the QAA collaborative review arrangements and the integrated quality and enhancement review or as a role for LLNs.

103. While HEIs generally viewed it as reasonable that HEFCE should assure itself that its guidelines are being followed, concern was expressed that this should not involve new and separate audit processes. Similarly, the LSC said:

'We are concerned that there may have been inappropriate arrangements in relationships and that these may have been to the detriment of FE colleges.'

However, we accept that this may be a minority and that any further or more formal monitoring of compliance to codes of practice should not be burdensome or to the detriment of existing arrangements which work well.'

104. The AoC, while agreeing that the HEFCE and QAA Codes of Practice 'provide a sound framework for collaborative working', reported differences experienced by colleges with interpretation and implementation and welcomed 'the introduction of a monitoring arrangement for collaborative arrangements' adding:

'AoC suggests that, in the interests of reducing bureaucracy, FE colleges could self-assess whether or not such arrangements were working via a return to HEFCE, who could then take appropriate action.'

105. Other respondents suggested the HEI conduct a self-assessment. The HEI leads of large established partnerships emphasised their current arrangements reflected good practice and the Codes and suggested that over-arching principles of good practice and the spirit of the Codes should be applied rather than prescription – 'the university and its partners should be allowed to develop their own effective auditing arrangements'.

106. Other respondents suggested monitoring would run counter to the 'light touch' approach. An HEI which disagreed with the proposal commented:

'Whilst it is difficult to argue against the underlying intention to improve clarity and transparency, we are opposed to the proposal which is a disproportionate response to problems which are likely to be localised and could be dealt with through other HEFCE mechanisms. It runs counter to the otherwise lighter touch direction of HEFCE policies.'

(An HEI with a small amount of indirect relationships.)

107. Alternatively, a college opposed the proposal on the grounds that it was not sufficiently robust:

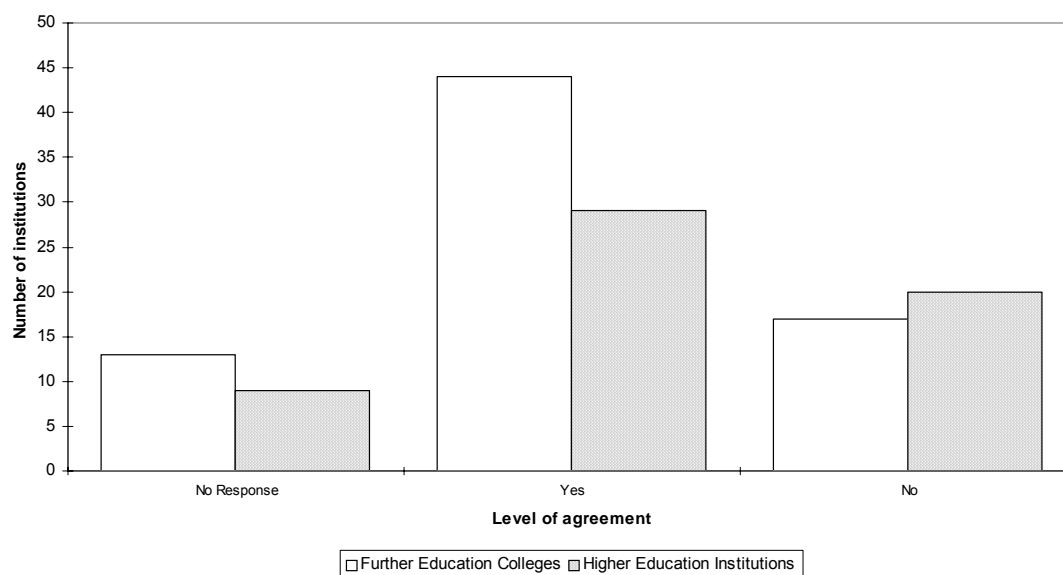
'We cannot support this proposal as it is far too weak. HEFCE should undertake a systematic review of partnership arrangements which fully take into account the views of both sides. The mere existence of partnership agreements which meet the standards is totally inadequate. For one it assumes the revised standards are appropriate and two that they are implemented.'

(A college with a large amount of HE provision.)

Balance of responses

108. While a small majority (55 per cent) of respondents agreed that other measures should be adopted, support was markedly lower than for the proposals above, partly due to the non-response rate (18 per cent). Again, FECs were more supportive (59 per cent) than HEIs (50 per cent), see Annex C.

Figure 11: Response to Question 11



109. Collective and organisation responses reflected those to Question 10 and many simply referred to their previous answer.

110. Few 'other measures' diverged significantly from 'the steps' proposed in response to Question 10. The protection of intellectual property rights was raised along with recognition of the costs of maintaining successful partnerships and one college suggested: 'The HEI should also be required to write a strategy for developing HE in FE'. Specific funding streams, including capital, and the timing of funding transfers were raised but these were included as suggested elements for guidance as to indirect funding agreements.

111. The return from the ACP included a comment reflecting reports from some members of partnerships present at the consultation events:

'The spirit, rather than the letter, of the formal agreement is highly significant in establishing a sense of 'partnership' versus 'hierarchy'. Some FECs observe the word 'partnership' being used, and yet they feel that they receive dictats from HEIs rather than being part of a mutually agreed process, and this can cut across an FEC's overall strategy.'

The LSC responded:

'In response to this question, we would reference the prospect that, given the proposals in the FE Bill and the recommendations arising from the Leitch Review, it may be opportune to more widely review the notion and model of indirect funding.'

112. Some responses to Questions 10 and 11 suggested that 'market forces' would apply to colleges selecting their relationships with HEIs and that it was for FECs to ensure agreements were equitable.

'Our view is that HEFCE is a funding council with little influence other than removing funded student numbers for non performance. It is for the FECs to assure themselves that all of their costs are addressed in any funding arrangement with an HEI.'

(A college with a large amount of HE provision.)

Capital funding

Consultation Question 12

Would you support HEFCE taking the existing formulaic capital allocations and using these to create a fund for large capital projects in FECs?

113. HEFCE is considering changes to the current system of providing capital funding as an entitlement based on total standard teaching resource (paragraph 103), by either:

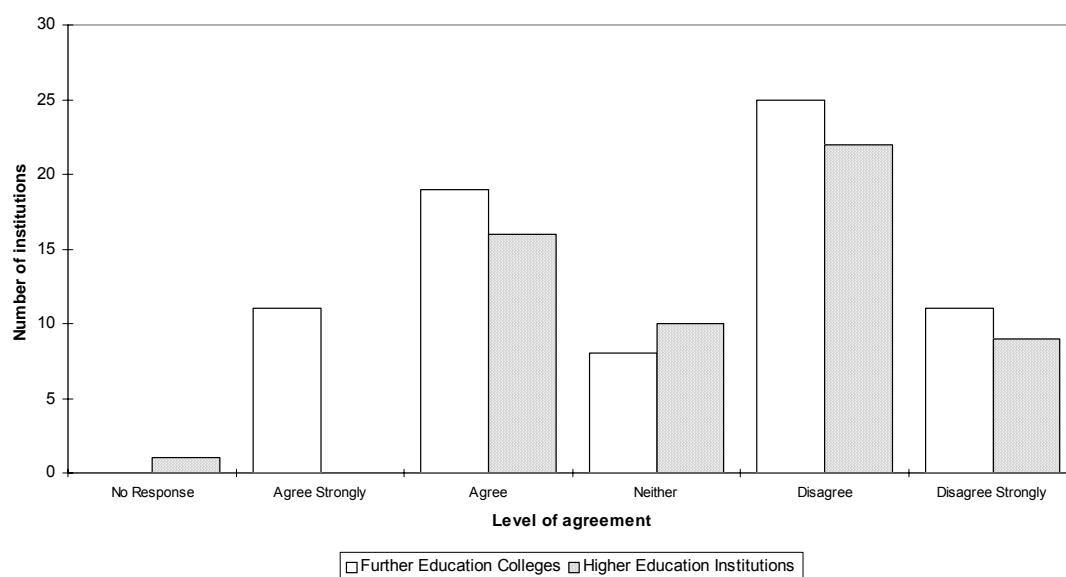
- applying a minimum allocation with low student numbers, or
- taking the current formula capital allocations and creating a selective fund for larger projects.

Balance of responses

114. The response to this question demonstrated the lowest level of support for the expressed HEFCE position and the greatest variability in response.

115. Just over half of providers (51 per cent) disagreed or disagreed strongly with the proposal, with marginally more HEIs disagreeing (54 per cent) than FECs (49 per cent). There was also a different pattern across FECs (see Annex C), with the colleges with a large amount of provision being in favour (54 per cent) with medium and small providers (39 per cent and 35 per cent respectively) generally opposed. Amongst HEIs a variable pattern was also in evidence with the HEIs with the largest indirect provision being least in favour (21 per cent), see Annex C.

Figure 12: Response to Question 12



116. Collective and organisational responses were also variable with many choosing to neither agree nor disagree, including the LSC:

‘The LSC welcomes the recent changes to HEFCE capital allocations policy whereby for the first time FE colleges, directly funded by HEFCE, receive formulaic capital allocations. Colleges working with HEIs under franchise arrangements, however, are generally dependent on the goodwill of their franchise partners for any capital funding and often do not receive the full value of the formulaic HEFCE allocation that their HE partners receive. FE colleges have, of course, been able to benefit from HEFCE capital development funds in qualifying locations for some years.

‘Reflecting the different developmental environment in the FE sector, the LSC, however, allocates most of its capital funds to colleges on a project grant basis and has no plans to move to a general formulaic allocation. In some cases the formulaic approach still leaves a funding shortfall to the HE elements of some colleges’ major schemes (those where the HE element is more than 20 per cent of learner numbers) and establishing an HE project fund would enable proportionate HE investment in appropriate cases. Determining the proportion of formulaic and project based funds that might be allocated is a matter for HEFCE, but the LSC is of the view that any ‘HE in FE’ capital funds should also be available to those colleges in franchise arrangements with HE partners, subject to appropriate learner number thresholds being set.

‘The LSC does not see any particular advantage in a jointly administered fund for mixed FE/HE projects. But the availability of project funds for the HE elements of major FE projects, mirroring the arrangements whereby HEIs can already apply

for FE capital funds, would provide benefits by increasing the pace and quality of investment.'

117. Comments from respondents indicated varying positions, but commonly there was concern about inequalities with (smaller) providers receiving nothing.

'As with the proposals under Question 3 above, this would appear to create a system in which there were clear 'winners' and 'losers' with greater uncertainty for the institutions concerned in respect of forward planning. It is not clear that a system of this kind would sit well with the proposals to bring about greater stability in agreements between institutions on funding and student numbers.'
(GuildHE)

118. Colleges which did support the proposal to allocate some funding to large capital projects generally proposed maintaining some formula funding.

'The opportunity for accessing funding for large capital projects is attractive but the existing formulaic approach is apparently fairer. To have a reduced allocation for each college based on a formula and then the opportunity to bid for funding for a major capital project would provide advantage to both.'
(A college with a medium amount of HE provision.)

119. Some colleges suggested that large projects should be seen as part of strategic development and could perhaps be supported via the Strategic Development Fund. A college which agreed with the proposal commented:

'There are significant changes taking place in FE capital investment and institutions that deliver HE in FE should be supported by both the LSC and HEFCE. FE institutions should be able to bid into the HEFCE capital funds in the same way as HEIs but utilising the LSC capital process to avoid duplication. The specific capital allocations prove extremely useful and if additional funds could be found they should remain in place and be based upon a formulaic approach, probably based on full-time equivalents (FTEs). Funds for large capital schemes should be an addition.'
(A college with a large amount of HE provision.)

120. Several colleges saw formulaic funding as supporting strategic planning. One which strongly disagreed with the proposal commented:

'We would recommend maintaining the current formula allocations for FECs which allows colleges to plan strategically, and maintain both financial stability and quality of resources for teaching and learning. The creation of a single capital fund, from existing formula capital allocations, for larger projects is likely to destabilise all HE in FE providers with regard to their longer term strategic planning.'

‘Colleges with a critical mass of HE students would effectively lose the ability to plan for capital investment on an annual basis in support of their HE provision. A single capital fund that favours a ‘selective approach’ to support ‘larger projects’ assumes a bidding process that will inevitably lead to ‘many colleges’ being potentially disadvantaged. Furthermore such a process would create a potentially wasteful and time-consuming use of resources.’

(A college with a large amount of HE provision.)

Another college echoed this concern over the bidding process:

‘We would not support this recommendation if this means bidding into a capital funding pot. The current system where capital is allocated to the HEIs directly based on FTEs delivered within the franchised FE partner works well. This has enabled significant investment in FECs without the need to go through a bureaucratic process applying for capital support.’

(A college with a small amount of HE provision.)

121. A view expressed by some HEIs was that investment in colleges with low student numbers was not appropriate:

‘The capital requirement raises the issues with which we began, how realistic is it to support HE in FE unless the provision is large enough to offer a distinctive and full HE experience, informed by scholarship, or distinctive in that the provision is not available through a local HE provider. The demands for capital funding from HE remain considerable and this should be the priority that informs HEFCE.’

(An HEI with a small amount of indirect funding.)

122. And, from HEIs, as well as the impact on capital funding to HEIs themselves there was a concern about the impact on regional partnerships:

‘We would not support this idea. It would almost certainly disadvantage smaller institutions who would thus have to find funding from their own resources for capital projects. It would also, presumably, result in the formulaic capital funding to HEIs being reduced by a commensurate amount, which in turn could hinder their ability to fund region-wide developments (in IT and distributed learning, for example) intended to benefit all rather than specific individual partner colleges.’

(An HEI with a large amount of indirect funding.)

Other issues

123. In preparing the consultation HEFCE focused on questions about ‘what we see as the major issues’. Respondents were, however, asked to make comments on any further issues if they wished to.

124. It should be noted that the quality assurance arrangements for HE in FECs were not included in the questions as they had already been the subject of a sector consultation but a section on quality assurance was included in the consultation document (paragraphs 106 to 111) as an integral part of HEFCE’s policy on HE in FE.

Consultation Question 13

Do you have any further comments?

125. Many colleges called for credit-based, unitised funding arrangements in the response to consultation questions and here this was again a common theme (in responses by individual colleges and some HEIs and in collective responses and by organisations) in particular for employer-linked provision. Similarly attention was frequently drawn (including by the AoC, FdF and ACM) to the prevalence of non-prescribed HE, currently within the funding remit of the LSC and a wish that it be included within a strategic consideration of the nature and volume of HE in FE.

126. Some colleges re-emphasised the point they had made in relation to 'distinctiveness' and elsewhere that their provision included full degree and postgraduate courses and there was a concern from some respondents that a focus on short-cycle provision in colleges could lead to them being seen as 'second class'.

127. Respondents, particularly organisations, raised the question of the impact on HE in FE strategy of developments including the Further Education and Training Bill and the Leitch Report.

128. Some colleges used the opportunity to welcome the proposal for foundation degree awarding powers whilst some HEIs considered this a threat to quality. Some HEIs also expressed a view that degree awarding powers would threaten partnerships.

129. Some directly funded colleges commented that they experience inconsistency and inequality with regard to the HEIs that validate their provision.

130. Some colleges called for ASNs to be directly funded to support growth and some indirectly funded colleges expressed a wish to move to direct funding.

131. Some HEIs leading established partnerships took the opportunity to endorse their current arrangements. Others felt the emphasis of the content of the consultation was on independent delivery by FECs rather than through a partnership (consortium or franchise) and that it did not sufficiently recognise the successful operation of partnerships.

132. A minority of HEIs expressed the view that the expansion of HE in FECs was an example of mission drift and not to be supported.