Fee income

A good practice guide

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department for
education and skills
creating opportunity, releasing potential, achieving excellence

Foreword

In July 2004 the Learning and Skills Council (LSC) published its consultation paper on Fees Funding and Learner Support. Alongside that document, a research paper by Adrian Perry OBE (former Principal of Lambeth College) was also published; *Talking about fees: Provider policy and practice on course fees* which looked in some detail at the range of existing approaches to this issue in the sector. The paper was widely welcomed as an illuminating picture of a relatively neglected area of policy.

The responses to the fees consultation found strong support for the proposal to develop a good practice guide in respect of fee policy and practice for further education institutions and their governors. It was felt that this would be a useful tool to support the work that is already undertaken in this area, and the LSC and DfES commissioned Adrian to produce this handbook.

Building on the work that informed the original research paper, the guide covers the full range of issues that a provider should address when setting a fee policy as part of its strategic planning processes. Drawing on experience from a wide range of practitioners throughout the sector, and providing examples of good practice throughout, the guidance provides clear, practical and realistic suggestions on a range of topics, from consideration of the wider strategic issues, to more detailed areas such as managing concessions policy.

As the LSC takes forward its proposals on fee income and an increase in the fee assumption, we hope this handbook will be a valuable tool in increasing the overall level of funding available to the sector, and will assist in the required culture change in respect of relative contributions from state, individual and employer in investment in learning.

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Section 1
Introduction

Introduction

1.1 A buoyant and well-resourced post-16 education and training sector is crucially important for employers, communities and individuals. For employers, it helps develop the skills needed to increase prosperity and competitiveness. For communities, it supports the Skills for Life objectives and provides varied community education programmes. And for individuals, our learning and skills sector provides a base for new choices, for increased opportunities and confidence.

1.2 The Skills Strategy White Paper was published in July 2003[1]. It brought together a number of strands of government policy that aim to increase the supply of skills to the economy. The government's ambitions will be matched by substantial additional investment. However, public funding alone will not provide all the resources needed to meet our skill needs. The Skills Strategy therefore proposed that:

- government help is targeted on those who need it most - those with low skills, and lacking first step qualifications.
- other students would contribute more, in line with the benefits they get from improved qualifications and higher skill levels.

This message was underscored by the DfES grant letter for 2005/6 which told the Learning and Skills Council (LSC) "to secure greater contributions from individuals and employers towards the cost of learning"[2].

It was further emphasised in the new Skills White Paper *Skills: Getting on in Business, Getting on at Work* published in March 2005 - see particularly paragraphs 264 and 265 of Part 2.

1.3 An approach which offers more help for those who need it most alongside greater contributions from those that stand to benefit needs to be managed in a way that delivers the extra income the sector needs for success.

[1] 21st Century Skills: Realising Our Potential - Individuals, Employers, Nation HMSO Cm 5810 July 2003
[2] DfES Grant Letter 2005/6, 15th November 2004

With this in mind, the LSC has been consulting on further education tuition fees, funding and learning support. The consultation covered a number of issues:

- introducing an income measure for colleges and other providers, prompting them to view fee income as an important part of college strategy.
- changing the assumed fee contribution from learners, so that priority learners get free tuition and others contribute more.
- promoting a change of culture, moving towards a clear expectation that people will contribute to their career development and learning.
- improving the way that financial support is managed, so that help for disadvantaged learners is arranged in the most effective way.

1.4 The funding of work based learning (WBL) is organised on a different basis to that of further education. This publication does not address the issues in WBL, which will be the subject of separate guidance. School sixth form funding, too, is not relevant to this debate as almost all the students there are in the fee-free category.

1.5 Alongside its consultation, the LSC published a report on policy and practice on fees[3] by colleges and adult education providers. The report took a representative sample of providers, and looked at current fee policy and practice. It particularly looked at the shortfall between the income chargeable to individuals for their LSC funded courses, and the amount actually collected. LSC statistics indicate that there is a gap of more than £100m which needs to be closed. The report made a number of recommendations, one of which was the publication of a good practice guide on fees. Respondents to the survey were keen to retain the freedom to set fees at the level they judged appropriate for their business climate and clients, but they made clear that they would welcome advice and shared good practice to help maximise the fee income coming from their LSC funded provision.

1.6 Increasing fee income will be increasingly important to the sector's diverse range of providers. It insulates them against variations in public subsidy. It will increase the resources available to provide a high standard of education and training, and give providers more autonomy to develop new work and make independent choices. Good practice in fee income, then, is a sign of effectiveness from senior management teams. But we hope the guide will be of interest beyond the leaders and managers of colleges and other providers. Local LSCs will need to build their understanding of the economics of fee income, in order that they can judge appropriate measures for their partner providers, and put in place local arrangements which avoid beggar-my-neighbour policies. College governors, too, will have an interest, as they are ultimately responsible for college fee policies and financial forecasts.

[3] Talking About Fees: provider policy and practice on course fees by Adrian Perry, LSC Research Paper LSC/AAOOO/1175/04

1.7 This guide relates to LSC fee income though many providers have successfully identified other ways to draw in income - for example customised employer-based provision delivered at full-cost, or popular aspects of adult learning. This is a different topic, but many providers see it as complementary to efforts to raise LSC related fee income. Both have a part to play in moving the sector to be more customer facing and responsive, as well as more self-sufficient. It will be important not to lose sight of the importance of effective performance on LSC fee income: better collection of LSC fee income is all surplus, whereas extra commercial income must cover the costs of the additional activity.

1.8 This guide cannot cover every aspect of fee generation. It aims however to cover the major areas of concern. The next section starts with a look at the links between fee income and college strategy. Section 3 looks at the issues that arise when considering the overall fee target - and the management processes involved in staying on course to hit it. There is a discussion on how to set fees in section 4. One aspect that affects adult and college providers with equal force is the matter of concessions for disadvantaged learners: section 5 discusses how this issue might be tackled most effectively. Section 6 runs through the ways that local LSCs, local education authorities (LEAs), colleges and other providers can ensure sensible fee policies are not knocked off course. The particular issues of adult and community education are discussed in section 7. During discussions about this document, it became clear that communication was a major issue - explaining the changes to staff, students and local communities. For this reason, there is a separate section on the communication issues.

1.9 Preparing this document has been helped enormously by contributions of the colleagues from the sector who have taken the time to join us in focus groups or comment on early drafts of this document. There is always a danger in 'good practice' documents of telling grandmother how to suck eggs, but discussions on drafts have shown that there is much good practice out there to share.

1.10 Fee income will be a continuing topic for post-school education. Whether considering the future or the past of our system, its importance is clear. Looking back, our further education system owes much to Victorian technical institutes and working men's colleges - institutions that relied on substantial course fees. Looking forward, writers on economic trends see a world of portfolio careers and technological change where successful individuals will increasingly need to invest in their own skills and qualifications. The LSC and DfES would value your views on this topic, with the aim of learning about good practice and keeping up to date with the concerns and priorities of the sector. A contact address is given at the end of the guide.

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Section 2
Funding and Strategy

Funding and Strategy

2.1 The fee legacy. There was little dissent when a recent report into fee policy and practice claimed that few sector institutions made fee policy an important part of their corporate strategy. As one respondent put it - it's "not used to move the business". There are always exceptions - some colleges raise more than half their resources from fee income - but this is not the usual picture. Generally the issue has been well down the list of managers' priorities. And that's understandable. Their agenda has been full of other concerns - like growth, industrial relations, governance, widening participation, partnership, success rates, and unit cost.

2.2 However, the DfES and LSC - in *Success for All* and the Skills Strategy - have signalled a decisive change of approach. The emphasis has moved to quality, responsiveness and a new view of mission. Alongside the new priorities was recognition of the limits to public investment. In this context institutions face a future where they will have to generate more of their own resources. The LSC's 2005/6 guidance on planning and funding made it clear: the "long-term goal is for colleges to raise substantially the income they raise from sources other than the LSC". So fee income must feature more strongly in all strategic plans, and will be particularly important for those in financial difficulty.

> Huntingdon College's successful financial recovery plan looked at all the elements of college cost and income - including course hours, group sizes and staff costs. But as an integral part of the project, they factored in revised fee and contribution levels in a number of programme areas to speed the turnaround. All courses were expected to make a contribution of 40% after direct costs, and no concessions were granted on full-cost provision.

2.3 Fees and the development plan. Most providers in the learning and skills sector have a well defined process for making their strategic choices. A three year development plan provides the essential base document. The plan is typically developed and reviewed as part of an annual routine which fits together plans for student recruitment, programme development, staff training, financial projections and premises needs. Fee issues enter this process in a number of places:

- the potential for fee generation should be brought in early to discussions about which courses to launch or fold. This is particularly relevant as providers have to make choices within a tight LSC budget. Of course, most providers look at the fee earnings from the planned courses when making their financial forecast - but this is often a calculation made after decisions have been made. The trick is to bring the fee factor into those decisions earlier, helping an institution move into areas that will yield extra resources.
- the roll out of the level 2 entitlement (L2E) is an important factor that could affect both course choices and fee targets: it needs to be explicitly included in course and financial planning.
- human resource policies and practice should take into account the staff skills that would increase the ability to access fee generating areas of work. Does this mean new recruitment, or can staff training be programmed that with enhance your capacity in this respect?

2.4 **When discussing fee earnings with the LSC, providers should show how they intend to reduce any gap between their actual fee earnings and the amount that could be due from their course offer**. Given the Skills Strategy's plans to raise fees, sensible projections might show a trajectory over a period of three years. Progress points should be programmed to show how well the projection is staying on track.

2.5 **Benchmarking fees**. Colleges and other providers often feel they are collecting as much as is possible given their circumstances. But it's worth checking this view, given the wide gap that exists between the LSC calculation of fees due and actual earnings, and the difference between colleges in apparently similar positions. Almost all respondents in recent fee research said they would find to useful to know their position. NIACE publishes a helpful guide to adult fee policy and practice every year. For FE colleges, the LSC's tables are a good place to start. Managers can get a good check on how well they are performing by seeing how comparable institutions do in the LSC data, using professional benchmark consultants or by twinning with a similar institution.

> In a large southern LSC, one college raises twice as much income from its LSC courses as two comparable neighbouring institutions - 24% against 13% and 12%. On top of that, an additional 10% of income is earned from commercial work.

2.6 Reviewing policy. Provider fee policies have generally developed incrementally over time, and often annual reviews do little more than add a percentage for inflation. The coming of the Skills Strategy provides an opportunity to look again at fee policies and practice. Governors and other stakeholders could be involved in a root and branch look at the potential of fee income to enhance your resources.

> One London college established a working party to assess the implications of the new fees strategies on the college - it contained a mix of finance, academic and student support staff and was tasked to report to senior management team (SMT) and governors.

2.7 Locating responsibility. Whilst it is a good idea to ensure that a wide range of people are involved in the fees debate, once decisions are taken the management responsibility for achieving a level of fee income must remain clear. Surveys have shown that the attention given to fee policy and practice can be hampered by structural divisions - for example, if 'funding' and 'finance' are the responsibility of different people. Such a division makes less sense in a world where the balance of fee and public income is changing. But whatever the structural choice, institutions need to establish a clear responsibility and lead in fee matters.

2.8 Fees and demand. One worry that many providers have about a more austere fee policy is the effect on student recruitment. It is difficult to be certain about the relation between fees and enrolments. A recent report noted some examples of growth driven by low fees, but other respondents who had raised fees without damage to enrolment numbers. Those providers who maintained a policy of granting only LSC fee concessions did not seem to lose students or grow more slowly than those offering wider remission. The important thing is to gather evidence - perhaps using pilots or trials on particular aspects of provision.

The likelihood is that the effect will vary according to the target group of students and the nature of the course. Providers need to tabulate enrolment numbers on courses against price rises to give a rational basis for discussion and decisions about future fees. Local LSCs and providers will need a dialogue that recognises the importance of measured progress but shares information about what is happening. This can be fed into future national and local decisions about fee income and policy.

> "Our fee procedures have been tightened further and are now very robust, and interestingly do not appear to have had the negative impact with learners that I had feared". *Principal of large central England College.*

2.9 The bottom line? Even in the light of evidence of successful fee strategies, some providers remain worried that charging even the 27.5% fee involved in LSC work will have an adverse impact on demand. This needs thinking through. Of course there may be groups of people, or crucial skill areas, where fee remission may have a role to play: this is discussed in section 5. But not every area can be a priority. If there is a course which enrols poorly at standard fee levels, providers should consider withdrawal rather than running it on very high levels of subsidy.

2.10 **Working with governors.** Colleges are required by their financial regulations to gain governor approval for fee levels: and outside the further education sector, local authorities, voluntary bodies and adult education institutes will want to involve their governing boards in the fee dialogue. Governing bodies bring substantial business and community experience to discussions on pricing levels: they will be central to developing new fee policies, and the monitoring of outcomes.

2.11 Good practice suggests that fee policy proposals coming before governors should:

- be accurately costed, contrasting the receipts that would follow from full fee earnings against what is actually received and setting an overall target for the following financial period based upon the course portfolio.
- give clear explanations of any gap between the fees that could be earned from the courses you are running as against actual performance, together with any required management action.
- allocate a budget for proposed concessions, with clear policy on delegated decision making.
- be kept aware throughout the year of the match between received and predicted fee income.

An outline of a model paper for governors is attached as an Annex B.

Activities and key questions

• **Strategy**

- Have you brought fee issues into your strategic planning process? How has it changed your decisions?
- Have you factored in the consequences for future years as the fee presumption rises?
- Could increasing your fee income affect your financial rating?
- How recently have you had a substantial review of the potential of fee income to enhance your resources?
- Have you analysed the effects of the Skills Strategy on your institution?
- How did your discussion on potential fee changes involve all stakeholders?
- Is it clear who is in charge of fee policy and performance?

- **Fee performance**
  - Could you gain from an independent investigation of your fee policy and performance?
  - Has the local LSC shown you a table of fee collection showing national norms?
  - Have you benchmarked fees against a reasonable comparison group? How does fee performance vary between the worst and the best?
  - Would it help to identify a 'twin' with which to benchmark and discuss fee policy?

- **Fees and demand**
  - What additional arrangements should you put in place to get good information on the effect of fees on enrolments?
  - Which areas of provision would be appropriate for pilot work on fees?

- **Policy formation and review**
  - How do you plan to involve governors in fee policy?
  - Does your paper provide genuine review of policy?
  - What is the system for reporting fee receipts to SMT?
  - How will you involve governors in monitoring and review of the chosen policies and targets?

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Section 3
Setting and hitting the target

Setting and hitting the target

3.1 The fee gap. The current discussion about fees comes from the Skills Strategy and its recognition of the need to raise productivity to the levels of our major international competitors. This calls for increased training to improve job-related skills. But public spending is necessarily limited, and there is in any case an argument in fairness that those who benefit from provision that will raise their incomes should be expected to contribute. So, fees should provide some of the extra resource for the future. However, an additional driver has been the observation that many providers in the learning and skills sector are even now raising much less from student fees than would be expected from their volume of eligible activity.

3.2 How it works. Everyone working in the post-16 system knows how complex the current system of funding LSC further and community education is, but the principles underlying it are straightforward enough. The Council funds the total cost of provision for full-time 16-18 year old students, and for those on approved courses improving basic skills - such as language, literacy and numeracy. Students in receipt of income related benefits are also eligible for this level of support. It is important to realise that this exemption from fees does not cover all social security benefits. For provision and client groups outside the priority categories, the LSC deducts a percentage of the base course costs from the provider allocation. This percentage will be 27.5% in 2005/6, and is expected to rise in coming years. The assumption is that this money will be regained by providers in the form of fees charged to enrolling students or their employers. Of course, as we have noted earlier, providers retain their autonomy to set fees at the level they feel is right for their students and local conditions. Many, however, use the LSC percentage assumption as a guide when setting fees and this is the assumption used in this section.

3.3 The provider's Individual Learner Record - the common management information return used to record student volumes and characteristics - identifies students who obtain fee-free entry because they fall into the LSC exempt categories. This allows a calculation to be made of the income that would be received if the expected fee contribution was recovered from the non-eligible students. Most providers however start from a position where there is a substantial gap between the actual fee earnings and the amount that 'should' be earned from the course portfolio. Analysis of the accounts of colleges and other providers suggest that less than half of this due amount is in fact charged: it is a key issue for providers to know how big their shortfall is, the reasons behind it, and where in the course portfolio it falls.

"Amongst the evidence of this problem was one well organised (and financial grade A) college, which has only recently noticed a dissonance between real income and the fees that should be received under its chosen policy: full fee income should be £1.6m, but is actually about a third of that". *Thinking About Fees, LSC, 2004*

"Our LSC course fee income is £150,000 - but it should be £290,000 had we could have pulled down a full 25%. When we looked into it and classified fee income according to the number of hours on a course, we can see that as the number of hours goes up the gap rises." *Assistant Principal of a London FE College*

Hertfordshire Regional College has constructed a spreadsheet that shows the earnings that should be derived from each programme area, and allows managers to interrogate the data to show where shortfalls occur.

3.4 Setting the goal. In the past, providers have often set fee levels by simply looking at last year's out-turn, and adding a sum for inflation. This is unlikely to be enough in the future. A simple calculation shows that a provider which gains a typical 7% of its income from fees and increases them by 3% raises its overall resources by less than one quarter of one per cent - even assuming costs don't rise. Section 2 argued that providers need to look at their strategic approach to fees to see where new income can be raised. They must also make realistic plans to close any gap between the historic income figure and the fee income level due from existing provision if they are to attract the extra resources they will need. When setting a fee target for the coming financial period, managers will however be keen to remember the characteristics of SMART targets: they need to be challenging but achievable. This suggests:

- They need to start with the fee assumption as an indication of level of income that is expected.
- If there is an institution-wide shortfall, showing how you will close the gap over two or three years.
- Managers need to identify where the shortfall of fee income is occurring, and put in place remedial action.

West Thames College's management team analyses the fee data to check the contribution gap of particular areas of college work, and works with divisional managers on recovery plans to bring income back on track.

3.5 Mind the gap. It's important for managers to find out where the gap between the level of fee receipts calculated from the course portfolio, and the income actually received comes from. There may be good reasons for a shortfall. Many colleges offer concessions for people who, whilst not falling in to the automatic remission categories, deserve support. This might cover those on low incomes, or with difficult personal circumstances. This is dealt with in section 5 of this guide. Other providers wish to favour particular aspects of their course offer in order to meet local skill needs or maintain a full range of provision. This is discussed in our section 6. But good practice would involve actively monitoring and budgeting for these exceptions:

What are the exceptional concessions granted inside your own institution beyond the national categories? Have you calculated what these cost last year?

3.6 Many institutions have a substantial fee gap even when their explicit fee policy is to stick within the national exemption categories alone. This suggests that there are other reasons for the discrepancy beside conscious organisational policy. These include:

- an inevitable small amount of slippage caused by uncollected fees or dishonoured cheques that it would be uneconomic to chase, and compassionate decisions based on changing student circumstances.
- a failure to collect fees due from late enrollers, and weaknesses in registration systems or arrangements for deferred fee payment.
- unauthorised levels of fee remission offered by departmental staff: some colleges report academic staff/tutors are unwilling to take responsibility for follow up action on student fees.

3.7 Reconciling the figures. These problems should be picked up by internal audit reports. Even so, it must be recognised that management information software does not always monitor the collection and registration of fees as well as it could. For example, in some systems fees that are invoiced to employers appear as paid before any cash is received. There is a need to bring together the relevant data to ensure fees are fully collected to avoid loss. Effective managers reconcile the enrolments recorded in the student record and the payment of fees shown in the finance record. Robust checks between enrolments and fees paid are essential, and should be a significant exercise, particularly in the first term.

Colleges with electronic access/swipe card systems are able to use them to pick up students attending college with outstanding fees.

3.8 Interviews with finance managers have shown that the size of the problem of unpaid fees varies greatly between sector institutions. One large urban college reported a six figure shortfall - but elsewhere, many were confident that losses were insignificant. External debt collection agencies can be used, but these tend to be expensive. As a result, one college in the Home Counties established an in-house debt collection agency that proved remarkably effective, but it is better to ensure the problem doesn't arise in the first place.

"I believe a robust credit control function needs to be established. Fees are all too easily written off with not enough attention given to collecting them. There could be a role for external agencies to be used depending on the level of debt involved. Colleges need to take a more robust business approach in this area." *Finance Director of general FE College in West of England*

3.9 Deferred payments. Many providers require that prospective students make their due fee payment before they can be admitted to any classes. This has the advantage of simplicity, and avoids many of later administrative problems. Other institutions have put in place instalment plans to enable students to spread the costs of programmes - particularly high cost courses - say when fees were above £100. Some asked for two payments in the first two months of the course, others spread it over three terms. This practice needs to be carefully organised if it is not to lead to substantial loss due to problems in chasing instalments. On top of any administrative difficulty, expelling a student for failure to pay a second tranche will involve the college in a much greater financial loss than could be gained from the fee. Many providers have decided that the use of credit cards or debit cards limits the need for staged payments. Others offer discount for early enrolment and payment: but they need to be clear that the benefit to cash flow and reduced default rate compensates for lower receipts.

3.10 Collecting the fees. Enrolment is a time of peak demand which stretches the staff resource of all providers. As a result, staff outside the finance and student service teams are often involved in enrolment. This can lead to the problem mentioned in para 3.6 - where agency or academic staff grant a higher level of concessionary entry to students than is covered by institutional policy. It is important to realise that poorly managed delegation can cost large sums of money: in some providers it is the major reason for fee leakage. Errors can also arise where decisions are not confined to business support staff with knowledge of all the college enrolment policies and systems. If academic staff are to be involved in enrolment procedures - particularly in fee selection - there must be clear training on guidelines and an effective method for checking decisions against policy.

3.11 Getting delegation right. Where fee delegation is used, effective schemes can show departments and divisions the benefits of full fee collection. Some respondents to the fee research had a conscious policy of delegating fee policy within their organisation: one set 'contribution targets' for its divisions, another left it to departmental heads to assess the market in their areas of work. In one large Midland college, departments can charge more than the going rate for courses in high market demand, but have to obtain clearance from the Vice Principal for reducing the price. When planning such schemes, it is important to be clear that:

- any scheme can be managed easily - with targets set and attainment monitored - without additional bureaucracy. The prime responsibility for academic staff and their programme managers, after all, is to secure high quality education and training for the learners in their care.
- any incentivisation is fair between areas of work that find it easy to raise extra income, and those that are more constrained. What may be good news for those delivering management and supervisory studies might not be so welcome for those working with students with learning difficulties.
- where "Principal's discretion" is delegated, clear guidelines are given to subordinate staff to ensure economy and consistency in its application. The concessions need to be costed and reported to SMT and governors.

3.12 Some colleges have decided that the most effective way to avoid clash of interests is to free teaching staff from administrative duties at enrolment:

> At enrolment at Huddersfield Technical College, there is a clear separation of duties. Teaching staff do not give out fee information other than the price quoted in the Course Handbook. All decisions relating to fee remission etc are made by either the Admissions or the Finance Staff.

3.13 Fee monitoring. Once a fee target is established, it will be important to make regular reconciliation against the actual fee income received. This will involve checking against a profile of the income target. Institutions that make progress in this respect are ahead of the game. Only a minority of respondents to previous surveys felt they could claim high-profile and regular reports on fee income, and for most providers, reporting was generally just another line in the management accounts. Usually the report is against the fee prediction, rather than against the total fees that could be earned from the portfolio.

3.14 Administering the level 2 entitlement(L2E). A key element in the Skills Strategy was the proposal for a L2E for adults - that is, free tuition for adults that are following their first full level 2 qualification. L2E was trialled in the NE and SE regions during 2004/5, and Ministers have announced that the Level 2 entitlement package will be rolled out in full from 2006/7, with transitional arrangements in 2005/6 to incorporate the Level 2 entitlement within the LSC's national funding approach. In order to get the necessary systems and policies in place, providers will need to consider, for example:

- establishing an effective process for identifying those learners who would qualify for the L2E, considering the difficulty of assessing someone's prior qualifications under the pressure of the enrolment period.
- additional staff training as the arrangements and systems are developed.
- the development of a checklist of the most common L2E qualifications, perhaps in the form of a card or plasticized checklist.
- a check by internal auditors of the workings of the system in the first year.

Effective practice will need contact between admissions and student services staff on the one hand and the finance team on the other to establish clear and simple ways to deal with queries.

Activities and key questions

• Setting the target

- Is your fee target based on the course offer?
- Is your trajectory of improvement challenging but realistic?

• The fee gap

- Have you made the calculation of the gap between expected income and receipts?
- Have you identified the reason for the shortfall? How does it divide between college remission, slippage, failure to collect late fees, or departmental decisions?
- Looking at the areas where there is the biggest and smallest difference between actual and expected earnings - are you satisfied why these differences occur?
- What's your trajectory of improvement - and can it be delivered by your management actions?

• Getting the information

- Have you checked any weaknesses your financial and management software might present in assessing fee performance?
- How are you going to remedy them?

• Closing the gap

- Have you put in place recovery for the areas where shortfall is greatest?
- How can you prevent unauthorised remission being granted during the enrolment process?
- Are you satisfied that arrangements for collection of deferred fees are managed without undue loss to the institution?

• Level 2 Entitlement

- Have you considered what the changes will mean for the college - in finance, course offer and systems?
- Have you trained staff in recognising the full L2E categories?

• Monitoring

- Have you calendared the targets for fee income?
- What monitoring has been set in place to check you're hitting the enhanced fee target?
- Have you spoken to auditors about the new policies and procedures?

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Section 4
Getting course fees right

Getting course fees right

4.1 Introduction. The overall course fee target established in section 3 was based on the idea of providers reclaiming the proportion of base costs that are not covered by LSC support. Hitting an ambitious fee target will, of course, be the result of collecting fees from thousands of students on hundreds of courses. So it's important to make sure that the individual fees charged are right. Pricing and course costing are expert matters, and there are a number of models in use. Guidance can be sought from a provider's professional advisers, and from networks of peers. This section aims to give an overall view of the subject, and to look at how providers have been able to demonstrate effective practice in fees that:

- reflects the balance between public and private contributions
- relates to the costs of provision
- makes adjustments for demand
- is clear and fair

4.2 Who sets fees? Other than the national remission categories, the setting of fee levels is a matter for providers. However, as we have seen, the Skills Strategy is a major change in policy that will affect most of them, and should prompt a major review by providers of their fee policy and practice. It will also be the start of a dialogue between a provider and their local LSC about the issue. This will be at a strategic level: local LSCs won't wish to second guess provider decisions, though they will wish to discuss policies that might affect the ability of other providers to recover appropriate levels of income.

4.3 Keeping it simple. Institutions will need to make a judgement about the complexity of fees charged to students. Some have chosen to charge differing fees course-by-course, according to LSC funding or costing information. This enables them to accurately reflect costs and demand, but can lead to a confusing array of prices - one institution reported more than a thousand different course fees. Other providers prefer a system of banding that creates a limited number of prices. In adult education, providers often choose a standard module - such as a 20 hr course - to deliver a broad range of provision. Some colleges have found standardising course sizes useful not just for calculating their fees and marketing, but also for timetabling and staffing purposes.

4.4 A pricing model. Providers could choose to base the fees they charge learners on the LSC base rate. This has the advantage of simplicity, and removes the need for sophisticated costing models that can take too much management time. Some colleges go further and believe that individual course costing can give an illusory picture of the resources committed to programmes. They argue that cost models can be skewed by administrative decisions on the attribution of central costs: rates between 40% to 55% have been reported in surveyed colleges. Providers who hold this view - and they include successful providers with strong financial ratings and well-regarded leadership - will still need to ensure that they have an understanding of those areas which are delivering a surplus to the college, and those which are being subsidised.

4.5 Course costing. Even if a minority of providers is sceptical about detailed course costing, many others feel that it is important to have a clear idea of the costs of a particular piece of provision when deciding on its price. This requires a model of course costs. There is no single widely used system, though a number of proprietary and in-house models exist that attribute costs to particular courses. A number of finance directors claim that where this process had been attempted it was relatively quick and not as onerous as anticipated.

Dearne Valley College developed a simple in-house costing model that could be used to provide the basis of pricing decisions. At Huddersfield Technical College a similar spreadsheet is available on the College Intranet and is widely used in curriculum planning which incorporates Programme Area Costs (teaching and non teaching) and LSC Income; "suggests" a level of fee which is needed to generate the assumed contribution to central overheads; and can also be used to calculate optimal group size.

Cambridge Regional College looks at the balance between LSC income, fee income, teaching hours and other direct costs to give a ready view of the contribution from each course area. The Finance Director reports "this need not be a huge management exercise but we've found it invaluable - it ties together lots of activities that determine the financial efficiency of a college."

4.6 Any costing model needs to start with the major cost of course provision - staff costs. This is reflected in the widespread use of cost-per-taught-hour as the underlying basis of course fees. Many providers use a single figure across their institutions. The benefits - in simplicity and communication - of building this up to a single course fee per hour are obvious. However other costs vary according to programme area. For example, class size needs to be small in some practical areas, and others demand above average capital and materials costs. In these circumstances a single figure per hour would lead to a degree of cross subsidy, penalising low cost provision.

> Weymouth College attributes staff costs flexibly, but establishes a minimum for staff cost per hour that they will not go below.

4.7 Expensive courses. Providers will need to take a view on how to reflect course costs other than staffing in their fees. The LSC's national percentage calculation of the student fee contribution relates to the base cost, without the cost weighting that exists to acknowledge the costs of equipment and practical materials in areas like engineering, construction and some of the visual arts. It could therefore be argued that the LSC funds coming to the college already cover these additional cost factors. However, it is common to charge higher fees for expensive provision. This helps out the sections of the institution that have to meet greater costs, and makes learners and employers more aware of the real resource cost of activity.

4.8 Fee levels and quality. Some providers have argued that some courses are valued if they charge a higher price. The case generally made is that fees charged for professional or para-professional courses - CMS and supervisory studies, AAT, ILEX, high-end computing - often reflect quality in the customer's eye. A low price can sometimes cause potential customers to see them as a low quality option: there are reports of employers being deterred by low course fees. This may be anecdotal - some providers claim the reverse - but even they would agree that students continue on-programme (and recommend the college to work colleagues) on the basis of quality not price. A provider's marketing staff will often have the information that underlies student decisions, which should inform policy choices.

4.9 Examination costs. Most provision in the sector leads to a qualification issued by a national awarding body. This means that examination fees will be required in addition to teaching and materials costs. Some programmes require payments on top of this - registration for construction students, supervision for counselling, residential experiences on supervisory management courses. Again, practice varies. Generally, students are expected to meet these costs as they become due during the progress of their studies. However, an increasing number of providers have decided to include examination and registration fees when they collect the initial course fee.

This has a number of advantages:

- the total cost of study is made clear to the enrolling student at the time they make the decision to commit to a course.
- it makes examination entry easier and eliminates the hassle involved in informing students of entry deadlines and collecting fees later in the year.
- it is easier to deal with concessionary students - decisions about whether a learner is entitled to help need only be made once.
- some of the respondents to fee research felt that when students are obliged to invest in exam fees paid up front, it encourages them to stay on the course.

There are matching disadvantages, it:

- asks students to pay a lot of money at one go, when many might prefer to stage their payment.
- creates an administrative task of organising refunds where students withdraw before the entry date for their examination is passed.

Whichever of these approaches are chosen, it is important to ensure students know the full financial consequences of their decisions to study at the outset. The need to pay examination entry fees should not come as a nasty shock in mid-course.

4.10 Courses in demand. Effective institutions look at their provision to assess which of the programmes might be capable of delivering higher income than that suggested by a simple cost (or LSC percentage) model. This will be the case where provision is in high demand - for example where enrolling learners anticipate high income after successful completion. The recent surge of plumbing enrolments that followed press stories is an obvious example, but it's not the only one. Research shows that gaining technician and professional qualifications at level 3 and 4 contributes significantly to an individual's future earnings. There are also areas where employers need staff with a given qualification - CORGI, food hygiene - as a 'licence to practice'. Providers with a national or regional specialism - for example, those with CoVE status - will find themselves well placed to charge fees that reflect the quality of staff and equipment in their programmes. It sometimes seems that course demand reflects trends in the wider society - shown in the way that, for example, counselling courses have grown substantially in recent years. Staff in a provider's vocational departments can keep an eye on market conditions and inform managers of promising areas. They will be able to spot where student preferences have shifted.

> One Midland college found its construction craft provision in heavy demand, but their ability to respond was limited by the availability of expert staff and specialist accommodation: so they raised the enrolment fee to act as a rationing tool. Demand was drawn back to a level they could satisfy - and the college raised extra resources to help meet future demand.

4.11 Low demand courses. Just as there are areas where providers can increase fee earnings, there may be some where provision is vulnerable to increases. More modest levels of fee rises may be justified where such provision forms an important contribution to local skill needs, or provides a link in an otherwise healthy cluster of provision. However, senior managers will wish to be satisfied in this case that the position really is temporary, and that there are no alternative ways to deliver components of their provision that customers appear to under-value.

4.12 Working with employers. The same considerations that apply to fees for individuals should apply for work charged to employers, or learners attached to training organisations. There should be a clear idea of the underlying cost of provision, an assessment of demand factors, and a presumption in favour of recovering the fee element. The additional costs of a differentiated level of service - for example a provider that offered provision on-site and out of normal working hours to accommodate shift working - need to be fed through. It is particularly important to be clear about course cost when delivering customised 'full-cost' work: the benefit to institutions of this activity is, after all, not the level of income per se but the surplus that fee level generates over costs.

4.13 ETP, RDA, ESF and all that. Sometimes relations with employers are made more complex by different funding streams available for industry-facing work - for example Employer Training Programmes, RDA supported initiatives and European Social Fund - many of which offer subsidies to customers. It has been argued that this makes it less easy for institutions to charge employers: that will certainly be the case where provider full-fee courses compete with comparable subsidised provision. The experience of pilots, though, has shown how low-fee initiatives can give providers an opportunity to build links and demonstrate their effectiveness, and so help them build their employer based income. This process of selling-on is important, for initiatives generally seek to create good practice and build links that can inform and expand mainstream working. Colleges and other providers should seek to use initiatives to build long term relationships with their local employer base.

4.14 "Full cost" provision and the funding methodology. During consultation a number of institutions, both adult and FE, complained that the LSC disallows provision where the fee set is 75% or more of the standard rate. The reason for the rule was to prevent providers being effectively paid twice for a single piece of work - once by the employer, and again by the taxpayer. Some respondents, whilst recognising the rationality of this view, still felt it created a disincentive to the broader campaign to raise higher levels of fee income from clients. The LSC has reviewed this threshold and has agreed an increase for 2005/6.

4.15 Bringing in the new fees. Some institutions in the sector already raise very substantial amounts in fees. Most will however not be in that position. For them, the re-balancing of contributions that comes from the Skills Strategy will mean managing fee increases. There will be natural anxiety that too precipitate a move will cause loss of students. This matter is addressed elsewhere in this document and it is suggested that providers consider how best to move from the historic position to one with higher contributions from clients. This will be a nervous journey, where communications will be crucial - see section 8. It is however, one that some institutions have travelled successfully:

A Midland college raised their fee levels as part of a longer term financial strategy. They reported that, although there was price-sensitivity in most courses ("demand can drop off very quickly at a certain threshold") it was more marked in some areas than others. Their fees had historically been set at a modest level and from this base the first increases did not seem to deter students - two 10% rises on ACL had not had any observable effect.

Another provider said "What we did was raise fees compared with national base rate. Where they were already in line with the 25% assumption, fees went up 2.5% - where they were 2.5% to 10% below, we raised by up to 10%, and for those even further below we capped annual increases to 10%. Looking at the 10% fee rises, there has not been a decrease in student recruitment".

Activities and key questions

• Course pricing

- Does your institution have an integrated course price policy?
- Is it monitored across all areas?
- When it was last reviewed?
- Do you use the LSC fee presumption as a basis?
- Would there be advantages in simplifying the number of fees charged?
- Do you take advantage of in-demand areas? How do you know what these are ? Are there areas where price could be used as a rationing device?

• Course costing

- Do you have a simple and robust course cost model?
- Does it accommodate differences in staff and other costs?
- Have you standardised the treatment of additional costs?
- Are you clear as to the areas which contribute a surplus, and those which require cross-subsidy from other activities? Are you happy with the current balance between these?

• Extra charges

- Is there a standard and workable way of dealing with examination fees?
- How are students made aware of full course costs when they join?

• Marketing

- Have marketing staff identified why students choose your institution?
- How important is price to these decisions?
- What additional help do you need to assess the impact of price, especially on employer facing provision?

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Section 5
Managing concessions

Managing concessions

5.1 Why providers don't charge. Why is it that post-16 providers, with a good product that raises the income of successful students, and who are often under severe budget pressures, don't see fee income as an important strategic issue? Recent studies have identified two major factors in the mind of providers:

- a concern to ensure that education and training opportunities should be open to members of the community on restricted incomes, not rationed by price.
- the worry that charging the fullest level of fees will result in students being lost to rival providers.

5.2 Section 6 of this guide will take a look at the second of these issues and explore ways that LSCs and local providers can work together to increase resources and better match provision. This section discusses the first - how colleges and other providers might frame their concessionary policies in a way that safeguards college income without disadvantage to poorer learners.

It suggests that concessionary arrangements can have clear goals and targets, be costed in the institutional budget plans, and regularly evaluated for effectiveness against alternatives, whilst still reflecting a provider's mission and values.

5.3 The national exemptions. LSC funding arrangements already offer national arrangements for full fee exemption to a wide range of students. The full statement is in the LSC Funding Guidance for 2004/5, as amended for 2005/6, available on the LSC web-site. The concessions include fee free tuition for:

- all learners who are below 19 years old on 1 September of the year of first enrolment.
- applicants who are in receipt of income related benefits. Remember this doesn't cover all social security benefits. Providers will need to ensure staff are trained to understand the relevant categories - particularly where a number of centres are used.

- students taking courses to improve their basic skills, such as literacy, numeracy or ESOL.
- students able to access the level 2 entitlement.

5.4 There are no plans to reduce the coverage of these concessions. The categories offer a substantial safety net - and many providers think they are sufficient to address the needs of disadvantaged groups. Institutions which have made the choice of sticking with the national exemptions should find that their overall fee income is close to that calculated from the course portfolio.

5.5 Local concessionary policies. Other providers consider it is appropriate to go beyond the national categories of exemption. Such decisions reflect a desire to protect the position of, for example:

- People on low wages or their dependants (or on non-income related benefits, such as retirement pensions or disability benefit, that do not trigger national exemptions).
- Employment sectors where there are skill needs, but local employers are resistant to increases in current fee levels.
- Parts of the college curriculum where managers feel that full fees would reduce provision. It is sometimes argued, for example, that demand for adult access to HE courses is particularly price sensitive.

Sometimes a segmented approach can be used when considering charging fees. One Home Counties college charges employers the full LSC fee, except in the case of care homes. Here, there is a plethora of small enterprises which have major skill needs but exist on very tight budgets.

5.6 Justifying concessions. Providers are, of course, free to make these choices about fees. Our post-16 system has a distinguished and successful record in engaging with disadvantaged learners. The Kennedy Report[1] paid tribute to the sector's record, and was supported by a number of expert publications reviewing effective practice in widening participation. However, this should not lead to an uncritical attitude to fee concessions. Concessionary fee policies should be costed, planned and set within a wider strategy on engaging priority groups. Across-the-board concessions - and research has discovered some which offer fee free provision to successful managers or employed graduates - will rarely provide a cost-effective way of meeting needs.

5.7 Concessionary fee policies should be brought together in a single document to be approved by college governors. This might best be presented in the papers prepared for governor annual consideration of fee levels: Annex B gives guidance on a possible format. Providers will be required to share the college's concessionary policy with their local LSC as part of their funding agreement for the 2005/6 year.

[1] "Learning Works: Widening Participation in Further Education" HMSO 1997

5.8 Aims of concessions. Statements of concessionary policy should have clear goals showing the outcomes that managers hope to achieve with lower fees. These will certainly need to fit with the college's mission and plans. The aims might, for example, be to:

- expand the number of part-time students from small/medium employers (SME).
- increase the number of students from particular wards or post-code areas going on to higher education.
- raise participation from a specific ethnic minority or gender.

Effective practice involves attaching numbers to these goals. Providers might plan that the fee concession be part of a drive that would add, for example, 200 additional learners from SMEs to part-time vocational programmes in each of the following three years. If providers offer concessions to their staff (or staff of community partners or franchise providers) to gain qualifications, this too should be quantified and incorporated into staff development programmes.

5.9 Costing out the policy. Resources are constrained in any organisation, and foregoing an opportunity to gain income is a cost. The concessionary fee policy should therefore be not just targeted, but also costed out in terms of lost income. By comparing the overall cost of the concessions with the success in reaching the policy's target groups, institutions will be able to check the cost-effectiveness of their approach. They will be able to see whether fee concessions have had a marked effect on recruitment of target groups, at reasonable cost, or by contrast have lost large sums of money in return for little apparent impact. When fee concessions are chosen as part of widening participation strategies, providers may wish to reduce risk by being selective - for example, offering individuals only the first course free, or switching the focus of fee-free provision to different target areas within their catchment.

> "Discretionary fee remission policies are considered on the basis of social objectives, but they are rarely costed. Indeed, a number of the respondents - even some who said governors regularly scrutinise fee policy - used the opportunity of the current survey to cost out for the first time their loss of income from in-house remission"
> *'Talking About Fees: provider policy and practice' LSC September 2004*

5.10 Considering the options. Managers and governors considering concessionary fee policy as part of their widening participation strategy should be presented with options. For example, money lost in foregone fees in an attempt to increase enrolment from a deprived estate or disengaged ethnic group might be better spent with the employment of an out-reach worker. Effective work on widening participation needs to be local and "on the street" - it is unlikely that fee concessions alone will achieve goals. Deprivation is not always economic - where education is undervalued in some communities, drawing in the non-engaged might best be achieved by better programme design or marketing. And when it comes to small or medium sized employers money spent making provision more flexible, or updating vocational staff in work placements, is likely to be more effective than cheap prices.

5.11 **One approach may be to establish a sum that the college or other provider will wish to spend on its widening participation or employer engagement plans** - say £100,000[2], or perhaps a given percentage of what would be the full fee earnings - and consider what that might buy in terms of a mix of fee concessions, marketing initiatives, community or employer out-reach and so on. It may turn out that spending the full amount on foregone fee income is the best way forward: but that should be the subject of rational debate, and not presumed from the start without evidence or alternatives.

West Nottinghamshire College has a widening participation strategy in which the fee remission element is just part of a broader approach that includes the employment of outreach workers in poor communities to identify needs and raise participation.

5.12 **Partial contribution**. It is not uncommon for providers to offer either a full fee concession, or no help at all. "We go for a very simple yes or no - anything else is difficult when talking to potential students" said one. This may be worth reconsidering. It can be unfair to those just over the trigger level, and costs the institution money from learners who may in fact be able to meet a proportion of their tuition fee. Some providers by contrast use partial fees, arguing that their policies are not just a more prudent use of funds, but that also help build a culture of partnership in educational investment. In this case, a sliding scale is used and concessionary learners are asked to contribute varying proportions of the full course fee. Student support workers have a ready-reckoner that establishes the level of contribution felt appropriate. This helps by making decisions clear, consistent, fair between different learners, and easy to publicise.

5.13 **Special care is needed where, because of the number of sites or organisational design, there is delegation of fee decisions**. Discretion should not be so distributed that a learner is more likely to be granted fee reduction from one department or site than another, or so secret that it benefits only learners who are 'in the know'. Posters and leaflets can be supplemented by the appropriate entry on web-sites.

[2] this may seem over-generous until it is remembered that this sum is considerably less than most colleges forego in fee income currently

5.14 The alternatives to fee concessions. Providers should investigate, as part of their concessionary scheme, the alternative ways for learners to meet tuition costs. The Learner Support Fund (LSF) is used by a number of institutions to provide support for low-income learners in meeting course costs. This should be considered where, for example, students need to buy safety boots, catering knives or a hair and beauty therapy kit. It should be remembered, though, that using the LSF widely to replace fee remission will reduce funds available for (for example) transport and child-care - matters which can be as great a barrier to entering learning as tuition costs. It should not therefore be regarded as a way to avoid charging reasonable fees. Student services staff will know how career development loans (CDL), or adult learning grants (ALG) might help. A number of providers have used commercial or other earnings to increase the funds available for work with disadvantaged students.

5.15 Providers will be used to discussing financial matters with students in a sensitive manner. Some have found that talking through fee issues with learners not only reveals a wider number than previously thought were eligible for fee free tuition, but also provided useful tutorial information.

Rotherham College of Arts and Technology introduced a policy of scrutiny of applicants for fee-free tuition that shifted 800 from fee liable to fee free categories. The interviews were also useful in identifying whether learners triggered a Kennedy widening participation uplift on grounds of mental health issues, homelessness or recovery from substance abuse.

Activities and key questions

• The national concession groups

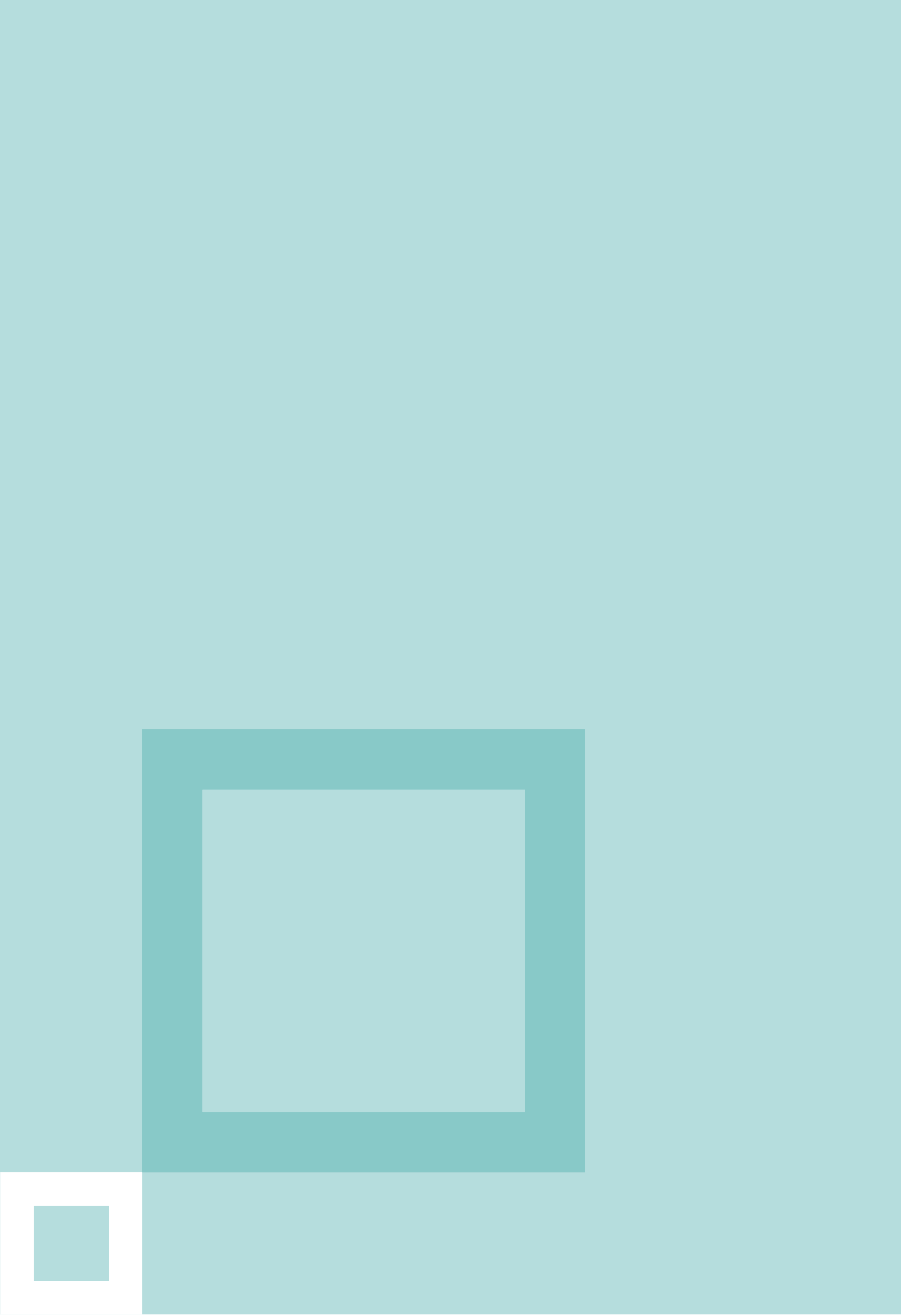
- Are all staff clear as to the extent of the national concessions?
- Will the level 2 entitlement increase the number of your learners who will gain fee free tuition?

• Local concessions

- Which groups justify going beyond national concessions?
- Have you checked that learners are not eligible for the national concessions?
- Have you specified numbers who will be attracted by the concessions?
- What other policies - course design, outreach, promotional work, partnership - need to be brought into play to help reach the target group?
- Has your policy taken advantage of good practice publications and research on work with disadvantaged groups or employer engagement?

- **Costing it out**
  - What does your fee remission policy cost the college?
  - Is this a real cost - would students come if charged full fee?
  - What alternatives could be bought for that money?
  - Can learners access other ways to meet study costs - such as L SF, ESF, CDLs or ALGs?
- **Shaping the concession policy**
  - Have you considered using partial fees?
  - Have you shown the concessions available in a simple document?
  - Is there clear publicity explaining college policies available to all?
  - Have you put in place a review process that will assess the effectiveness of the policies?

- **Working with stakeholders**
  - Does your policy follow good practice guidelines?
  - Have governors discussed and approved the approach chosen?
  - Have you made arrangements to share the policy with the local LSC?
  - Have you discussed any employer concessions with the local LSC and Business Link?



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Section 6
Fees and the local network

Fees and the local network

6.1 Introduction. Many providers agree that they would be stronger financially, and more able to make its own strategic choices, if they earned a larger proportion of income from its customers. However, they worry that if they were the only local college or adult provider to raise fees, they would lose students to rivals. This concern can lead to a 'beggar-my-neighbour' position. If every institution in a given area maintains an artificially low fee regime, overall income remains depressed but none of them actually manages to capture any students from their neighbours. It is the opposite of a 'win-win' position: everyone loses. It will be important for the success of the Skills Strategy to avoid this situation, while fully observing all of the requirements of competition legislation.

6.2 Each of the local partners has a role in creating a more realistic fee climate, but it will inevitably be the local LSC that will hold the ring. Colleges and other providers will remain free to choose the fee levels they think appropriate, both at individual course level and as an aggregate contribution to their total budget. But when they do so, they will have to bear in mind the LSC's fee presumption. At the course level, the allocation to providers assumes that a proportion of base rate - 27.5% in 2005/6 - will be recovered from enrolling learners or their employers. We have seen earlier that this percentage is important to bear in mind when setting individual course fees.

6.3 Provider-LSC discussions. It is anticipated that institutions will discuss with their local LSC the contribution to college income that they expect to gain from the fees of LSC funded courses. It will be a dialogue: the local LSCs expect a reasonable measure will be set, and providers will expect the process to be fair across the local network. This is a new conversation for the sector, and it is important to get it right if we are to be successful in identifying and securing the extra resources that are needed. It will be a process in which those partners will grow in expertise. Section 3 of this document suggests ways that institutions - colleges and other providers - might arrive at an appropriate target. It will be important that the dialogue takes place early enough in the year for the outcome to inform governor decisions on fees, and the financial forecast.

6.4 The factors that affect fee earnings? Guidance has been given to LSCs and will be shared with providers on the considerations that will underlie the discussion. The obvious place to start is the level of earnings that should flow from the course portfolio. LSC and providers will agree the level of fees that is associated with the number of students and the nature of the LSC funded courses planned for the coming year. This will be reduced in line with the number of fee-free students, like 16-19 year olds and those in the level 2 entitlement (L2E) group to reach a due sum. However, that will not be the end of the matter. Other considerations will include:

(a) **the transition from the level of fee earnings that has historically been collected to the level expected from the portfolio**. This latter figure will be central to any discussion. However, the proportion of that 'due' fee income currently earned varies between providers, and it would be unrealistic to expect everyone to move in one year to full recovery of the fee contribution. Institutional managers need to discuss with their colleagues at the local LSC the trajectory they feel is right. It will be one that is challenging but attainable, showing a realistic final position and the intermediate positions, to be represented in the financial forecast. It will be important to minimise the risk of destabilising any particular institution. Colleges for example vary considerably in the age range of their students and the level of study: local LSCs will understand therefore that the demands of the Skills Strategy will not fall equally between them. The dialogue needs also to assess risk appropriately. LSCs need to be sensitive to the effects of multiple changes: for example, the fee changes may take place just as an LEA education contract shifts, higher education (HE) funding dips or a major commercial customer is gained.

(b) **frictional losses**. It will never be possible to recover absolutely all due fee income. Student withdrawals and compassionate factors will come into play. There are bound to be some debts that it will not be realistic to chase. Sometimes security and administrative consideration involved in enrolment in remote or inner city outreach centres suggest the gain of collecting relatively modest sums in cash is outweighed by potential problems[1]. Good practice will however keep the levels of frictional loss at a modest level: research has indicated substantial differences between institutions, and managers may feel that there would be benefit from benchmarking with comparable providers in similar settings to establish good

[1] Though some providers have got round this by the use of credit card payments, or asking students to attend the main site for cash transactions.

practice benchmarks and exchange ideas on the policies and procedures that deliver this level of performance. It will be useful to share with governors and the local LSC the anticipated levels of frictional loss, how it has been calculated and the measures that are being put in place to minimise it.

(c) **planning flexibility**. Fee targets will be set well ahead of recruitment. Whilst effective managers will have the experience of local needs and knowledge of current labour market trends to make good planning assumptions and predictions, LSCs will not expect out-turns to be the exactly the same as planned numbers. Providers will wish to respond flexibly to changes in demand, and this will sometimes have knock on effects on the fee measure - for example if more 16-19 year olds apply to a college, or an adult service sees a growth in ESOL. This is not a one-way street to excuse fee underperformance. Colleges and other providers will wish to analyse the reasons for differences between actual and anticipated fee income: and sometimes fees will come in above predictions rather than below. One college finance director favoured an approach that established a reasonable range, setting the upper and lower ranges within which fee income for a range of programmes is expected to fall.

(d) **the fee loss from in-house concessions**. LSCs must avoid second-guessing or micro-managing college choices but they should be involved in discussions with a provider to understand the key programmes or employment sectors to be safeguarded within fee policies. The same is true of the fee loss associated with concessions granted for individuals under the arrangements agreed with governors and shared with the local LSC. The important thing is for any fee shortfall to have been identified, the available budget costed, and a decision made that fits within the institutional strategy and does not unfairly disadvantage other sector providers.

(e) **in-demand courses**. The expected gains from charging fees above the national fee presumption when market conditions allow should be factored in. This will tend to move the fee target upwards.

6.5 **Local rivalry**. The institution's assessment of the risk presented by local rivalry, whether from LSC funded institutions or private providers, should not be a major consideration in fee policy.

6.6 **Managing the dialogue**. If the discussion about fees can take place in the context of the normal relationship with an LSC funded provider, it will not add to providers' administrative or bureaucratic burden. For example, a copy of the fee policy document produced for Governors should normally be enough to show the local LSC the logic and costs of the chosen approach. This would be easier if that document demonstrated the good practice suggested earlier in going beyond a mere list of agreed fee levels to show the overall rationale, costings and list of options considered.

6.7 **Local LSCs will wish to discuss fees with all their providers, whether they are funded via the FE, adult and community learning (ACL) or University for Industry (UfI) streams**. It will be important to ensure a common approach. This has led some providers to enquire whether such a discussion would fall foul of the Competition Act as has possibly been the case with independent school fees. The DfES and LSC have sought legal advice, and had discussion with the Office of Fair Trading. Their view, and ours, is that it is not price fixing to indicate the Department's view of the appropriate balance between individual and state contributions. The changes involved in the Skills Strategy do create a strong incentive for a local provider to review and update its fee policies - which also happened when the 25% assumption was first presented. However, it would be open to challenge if providers simply got together to fix fees.

6.8 **Working for coherence**. Special attention is needed where provision stretches across sectoral boundaries - further and higher education, adult and sixth form centres, *learndirect*. The LSC's discussion of fee expectations will need to include the whole range of providers who come within the further and adult education funding streams. In many parts of the country, LEAs will have a leading role in the provision of adult and community education. In others they contract with local colleges, community schools and independent providers to deliver part of the LEA adult offer, a process which will often involve agreed fee assumptions with their franchisers. In either case it will be important to bring LEAs into the local fee forum. Similarly, it will be important to involve universities where they hold a contract for the provision of FE. Local LSCs will be expected to maintain a consistent line not only between similar types of provider - say, FE colleges or LEA adult education - but also across similar provision in different types of provider.

6.9 **Projects and initiatives**. The need for a common approach does not rule out innovation. Overall, the presumption should be that provision is fee-paying. However, there may be times when piloting genuinely new provision and modes of delivery with employers and communities could justify a low or nil fee regime at the start. Initiatives outside the LSC mainstream - those attracting ETP money, or support from ESF or single regeneration budget (SRB) - can involve such fee-free entry. LSCs should work for coherence and consistency to avoid a situation where the fees required of a given course or learner to vary depending on which fund or initiative is behind it.

6.10 **The fee debate will be easier where the processes under theme 1 of Success for All** - such as strategic area reviews (StAR) and provider mission reviews - have identified distinctive roles that tend towards reducing competitive pressures.

Some of the sites of different colleges in Huddersfield are very close - and they share partner schools. But a shared understanding of institutional mission between two strong sixth form colleges and a focussed technical college has improved competition.

One Principal comments:

"The openness of discussion between colleges does mean we can make educated decisions about strategic developments, and potential areas of conflict are identified and managed in advance rather than in the heat of the moment."

6.11 **However, even where institutional purpose is differentiated, there are still likely to be areas of common provision**. Suspicions may still remain between providers, wary of losing market share. Accusations and rumours of institutional sharp practice rarely stand up to investigation, but they can have a powerful effect in undermining shared assumptions and collaborative approaches. Local LSCs may wish to consider how they can clarify and resolve allegations of 'poaching'.

6.12 **Carrots and sticks?** It is not currently proposed that LSCs will impose financial penalties for institutions that fall short of acceptable fee performance. The approach advocated in this guide will reveal to governors and managers that there is already a substantial financial penalty in failing to recover due fees. However, when the LSC is considering requests for additional or growth funding it will:

- bear in mind the potential income an institution voluntarily forgoes through discretionary remission of fees.
- take a view as to the reasons behind student growth, and may discount numbers attracted from other providers by artificially low course pricing.

It is also to be expected that assessments of the strength of the college management processes - at provider review, and in briefing the Adult Learning Inspectorate (ALI) and Ofsted before inspection - will be influenced by demonstrable competence and clear information on the fee issue.

6.13 **Commercial earnings**. The discussions on fee earnings will be concerned mostly with the sums expected from LSC funded provision. Consultation responses to the LSC's fee proposals expressed a clear view that earnings from non-LSC activities are not an appropriate matter for LSC scrutiny. Many providers will, however, feel that they need to reconsider the contribution these activities might make to their finances.

6.14 Exchanging information. Earlier surveys showed that many providers would value accurate estimates of their position in the fee league tables, and a fuller understanding of their position in regard to comparable institutions. The National Instiutute of Adult Continuing Education (NIACE) fee survey is an example of the helpful information sharing that could be used to illustrate debates about fee policy. The LSC plan to talk to providers to assess how best to secure and publish fees information: it is expected that it can be done without any need for additional returns by a simple analysis of ILR data and audited college accounts. It is anticipated that the information will be available for the LSC/provider discussions outlined above, allowing providers to see how comparable institutions in the learning and skills world fare.

Activities and key questions

• Preparing for the LSC discussion
- Have the local LSC and provider finalised arrangements to discuss the fee measure?
- Is the provider documentation enough to support the discussion?
- Has the LSC shared the national guidance on the issue?

• Looking at the fee target
- Are the categories in para 6.4 helpful in reaching a fee income measure?
- What are the boundaries - above and below target - that are reasonable? How will under-achievement be funded?

• Local rivalry
- Is the local LSC aware of the areas of difficulty in local competition?
- How has the StAR process affected the contribution of different local partners? Does this affect fee policy?

• Commercial earnings
- Is this the right time to reconsider policy on non-LSC funding?
- What potential is there for customised courses or overseas students?
- Can there be a contribution from non-course activities - such as premises lettings?

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Section 7
Issues in adult education

Issues in adult education

7.1 Many of the issues that have been considered in the rest of this document - income targets, changing fee levels, worries about deterring learners, managing concessions, effective marketing and communications - also apply to adult education delivered by a range of providers including LEAs, colleges, former external institutions, specialist designated colleges and voluntary organisations. The LSC is in the process of reforming the funding and planning arrangements for this range of provision for adults, and this section considers the fee issue in this context

7.2 The proposals in the LSC consultation document. *Reforming the Funding and Planning Arrangements for First Step and Personal and Community Development Learning for Adults* take forward the commitments around opportunity and progression in lifelong learning that were set out in the White Paper. The consultation sets out a future where adult and continuing providers will be delivering a three-pronged programme, made up of:

- courses which are part of the standard FE menu.
- first step provision which aims to engage new learners and encourage them to move forward to level 2 qualifications. It will include Skills for Life and independent living skills for students with learning difficulties and disabilities.
- learning for personal and community development - which includes a broad raft of work from liberal adult education through to commissioned work in association with social services or housing associations.

7.3 The consultation document recognised that the delivery arrangements for the range of adult education provision is mixed and varies across the country: some LEA adult education services are substantial providers of further education courses: and many colleges deliver adult and community education, either as part of their mainstream course mix or under contract from a partner LEA. The fee performance of different adult services varies as widely as those of colleges. Sometimes the contrast is explained by social context (with the higher earning LEAs being in affluent parts of the country) or by mission (specialist adult education colleges in London earn substantial sums from liberal adult education). But there are differences between similar areas, and local adult educators might benefit from twinning with a number of comparator organisations to benchmark performance and share good practice.

7.4 **The LSC is working to identify the volumes of learning for personal and community development learning currently delivered across LEA and FE providers to inform the final decision on the amount that should be subject to the White Paper safeguard**. Current systems will broadly stay in place until 2006, after which there will be a process of redistribution of the safeguarded amount, to address the current unevenness of funding and provision. Providers need to keep abreast of developments, maybe by allocating a senior member of staff as a central referral point to check progress on the consultation and brief colleagues.

7.5 **Providers will need to think how the changes in fee policy can best be managed to release extra resources for the adult service without damage to the participation of priority groups**. They will want to avoid a situation where very similar courses are charged markedly different fees because they come into different subsidy categories.

7.6 **Where a LEA contracts its adult programme to another provider** - such as an FE college, school or charitable provider - it will need to discuss fee policies with them. They will wish to have a common understanding of the fees to be charged, arrangements for concessionary entry and the overall amount of income that will result from those decisions. They must be sensitive to the fact that a further education provider will be making decisions about their own mainstream course fees, and if there is a distinctive adult and community programme, the fee structure needs to be consistent with them. It would make no sense for students enrolling for a given course to be charged wildly different fees according to the timing or location of the class.

7.7 **There is a place for local networking even where the LEA and college run separate provision**. Agreements to charge identical fees for particular provision would probably be against competition law. But a sensible understanding of the areas of specialism and the priority groups of each provider will increase the chance that local people will be offered a diverse programme and minimise the problems of overlap or beggar-my-neighbour competition.

> In a number of areas, local colleges and adult education service agree on the areas in which they will offer Adult Access to Higher Education programmes - ensuring fuller classes and a wider range of choice.

7.8 **Some adult and community learning (ACL) services cover a wide area, and the management of county wide services necessarily requires local decision making**. So the issue of fee delegation needs careful management in a widespread adult education service just as it does in a large college: the NIACE fee survey suggests that about a fifth of LEAs grant local autonomy in fee matters. But here too, service leaders need to ensure that local managers understand the changes taking place, and the agreed response. Too much local freedom could lead to 'post-code providing' - with people in one district paying more than is expected next door: excessive differences would make it hard for service managers to hold the line when enhancing course fee levels.

7.9 **Currently, local LSCs support adult and community education with a distinctive ACL budget line**. In its place, it is proposed that a safeguard for 'learning for personal and community development' (PCD) will be introduced - probably as an allocation derived from the size and characteristics of the adult population served, and reflecting the volume of planned work. There will be an expectation that fee income will provide a significant part of the overall budget. Many adult educators will be familiar with this: indeed, some already raise substantial sums to support their programmes. In fact, the specialist adult education institutions head the college league table of income generation. This is a tradition that will come in useful. Provision for personal and community development work is not funded at the levels associated with basic skills or FE work, so fee income will be important in maintaining the volume and breadth of provision. Some providers have found that the right sort of courses can be charged at a full economic rate, feeding back resources to support work with priority groups.

> Stockton Adult Education service will be reacting to the changed LSC priorities by developing a range of self-funding adult education programmes in the more affluent areas of the borough and allocating LSC funding to support provision in deprived areas.

7.10 **It may not be sensible to link fee policy too closely to the particular funding stream supporting a given course**. It might seem tempting to say that first level work is fee free, but that personal and community development should carry a substantial element of self-financing. In fact, many ACL providers will see the PCD category as a way of supporting innovative outreach work with disengaged and disadvantaged groups - often involving partnership with social services, tenants groups and so on - not just liberal adult education. It may be inappropriate to be charging fees for this activity even if it is not 'first steps'. But if students are able to contribute, it will enhance the offer. It's a question of balance, and the advice contained in section 5 applies here as to colleges. Adult and community providers will be expected to share their fee concession policy with the local LSC, and so will need to make sure that fee concessions:

- have a clear purpose and rationale - identifying which precise groups and individuals are to be encouraged, and which elements of the programme to be safeguarded.
- form part of an overall marketing mix that will engage the target groups - without the right staff expertise or course design, fee concessions alone are unlikely to break down long standing barriers to wider participation.
- are costed realistically - looking at the forgone income from your concessions - and asking if there might be more cost-effective ways to achieve your goals.
- are carefully monitored by programme managers to ensure practice on-the-ground is in line with agreed policies.
- can be evaluated for their success - with a regular review to see whether the investment has been worthwhile in achieving its aims.

7.11 Surveys on fee policy have identified a problem with payment of fees for HE Access courses. Even in institutions that have been successful in securing high levels of fee income see this work as an area where full fee treatment deters entrants. This is understandable: adult students joining an access course are facing a number of years without a normal wage. Adult learning grants can be helpful, though the modest level make them probably more relevant to a young adult living at home rather than a mature student as commonly understood. Providers may find it useful to separate different sorts of access provision for fee purposes. It may not be sensible to charge full fees for courses feeding HE courses in teaching, nursing and para-medical subjects which attract bursary support in universities: but they may work where students plan to enter degrees that lead to high earning jobs. It may also be worth differentiating between students. Some learners joining an access course may not hold a first full level 2 and the access programme might qualify as part of the level 2 entitlement. Others may be already well qualified, and taking the course as part of a liberal adult education programme.

Ealing, Hammersmith and West London College distinguishes between different adult access courses for fee purposes - e.g. access to medicine v. access to uniformed services - based on background of student and likely income on successful completion.

7.12 Another difficult area is the question of fee concessions for older clients. Many retired people are on fixed incomes, which will not rise at anything like the rate proposed for fees. Furthermore, the justification for higher fees in the further education stream - that it is reasonable to ask for some personal investment in exchange for future earnings - is plainly less relevant to retired people. But LSC funded provision does not include automatic concessions for those on retirement pensions, and there are areas where the more affluent might reasonably be expected to make a contribution. So whilst care is needed when presenting increases in fees, the current changes create an opportunity to look again at across-the-board concessions. Many providers only allow concessionary fees on ACL funded provision, with a more restrictive approach to FE-funded courses (where fees are anyway often lower).

> Some adult education services have a policy of moving well-established leisure provision from programmed classes to self-managing clubs. This frees up public resources for development of new work.

7.13 This section opened with the idea that many of the fee issues that relate to general FE also impact on adult education. The need for communication is a further factor to be considered. Adult educators have an understanding that the funding comes from three sources - the LSC, the LEA and the learner - but this rarely follows through to an idea that shows the lost resources from fee remission. ACL services need to develop a communications plan that explains the changes to stakeholders, learners and staff. For many LEA based services, this will include a dialogue with key elected members. Without the right briefing for them, fees decisions may be taken without the consequences in terms of income being taken into account. This makes it important to ensure that papers show the costs of concessions, and their consequences for the adult and community education offer.

Activities and key questions

- **Changes in funding policy**

- Are your managers fully aware of changes in fee policy?
- Have you identified a contact point to stay abreast of the proposed changes and manage response to consultations?
- Have you discussed the fee expectations with any providers used to deliver your ACL programme?
- Which LEAs or adult providers could you approach to benchmark fee policies and earnings?
- Have you agreed any changes with partners involved in delivery through contractual or franchise arrangements?

- **Reduced fee policies**
  - Have you updated your reduced fee policy, identifying the target groups and the cost of concessions?
  - Is your scheme in a form that can be shared with the local LSC? Does it follow the good practice points in para 7.10 and Annex A?
  - How will any planned changes impact on disadvantaged groups, and older clients?
  - What will be your policy on adult access work? To older learners?
  - Have you ensured that councillors taking fee decisions are aware of the cost and consequences of the concessionary decisions?

- **Course offer**
  - Have you reviewed your course portfolio in the light of income generating opportunities?
  - Have you checked your fee structure to ensure there are no unreasonable contrasts between similar work in different centres or under different funders?

- **Communications**
  - Do your brochures show the fee expected, and make clear the element of subsidy?
  - Have you prepared for any objections to fee changes from local stakeholders and users?

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Section 8
Communicating the issues

Communicating the issues

8.1 Getting the message right. It will be important for providers and local LSCs to think carefully about how they will communicate the changes involved in the Skills Strategy. As with all communication, it is best to present a positive face. Although the new focus will bring higher fees for some, for many in priority areas - such as the level 2 entitlement (L2E) groups, or benefiting from Employer Training Pilots (ETP) - there will be lower cost provision. And even in the areas where fees rise, it will help to emphasise how improving qualifications raises income and reduces the chance of unemployment. Promotional work can go beyond increased income and qualifications - student feedback talks about the sense of enjoyment and personal fulfilment they have got from their course and substantial numbers say it has changed their life for the better. Nevertheless, the fees element is a major element of the new approach: many students will be paying more than in the past, and college departments and adult providers will need to give income generation a higher profile. This will require careful presentation - UK residents are used to investing less than their foreign counterparts in their own education and training.

8.2 Transparency in course costs. Providers might consider whether it would be useful in the discussion of the fee changes to reveal the full cost of provision. There might be a wider acceptance of the need to balance state and private contributions if people knew they weren't paying a "full fee" at all: two-thirds of the cost is covered by public funding and learners are at most expected to pay a third. The Learning and Skills Development Agency (LSDA) project Saving for Learning has not yet been completed, but work there has suggested that students are unaware of (and sometimes shocked when informed of) the real cost of their course. The section of provider prospectuses dealing with fees might gain from including a section explaining this to potential students, and emphasising that the course fee is in fact a contribution to study costs.

Funding Guidance for Further Education published by the LSC each year contains a table of the full course costs of all their provision, together with the fee assumption. So, for example:

- day-release NVQ in construction costs £2000 to run, but the fee for employers or students is £316
- GCSE evening class costs £392, but the fee is £98

This provides a convenient source document showing the size of the government course subsidy for publicity materials or discussions with sponsors.

8.3 Talking to the right audience. Effective communication starts with a clear understanding of two things: what precisely is the message we are trying to send, and who is our audience for the message. The overall Skills Strategy message is clear. The prosperity of the country, and the inclusion of all its people, depends on our success in increasing our level of skills. For the individual, new qualifications add to personal income and widen life choices. So a message of 'buying into education and skills' should be part of the message to students, employers and staff. But below that simple headline will be a range of information and messages that vary according to audience.

8.4 The audiences include these groups:

- employers. There is a national push - led by government, LSC as well as employer-led bodies like the Sector Skills Councils - to ensure all employers understand the need for skills and benefit from investing in their people. Providers will wish to reflect this message at the level of local marketing, but they must also to work to ensure employers know the local opportunities for training that meets their needs
- individuals. Individual students also need to be engaged on two levels. The broader picture is to understand how higher skills and better qualifications are the key to a more prosperous future - and so it's worth investing in them. Locally, they need to be clear about the opportunities offered for level 2 and other priority work, and about the fees needed to support participation.
- colleagues in the management and governing bodies of providers. They need to be made aware of the drivers of the new policies, the benefits of raising income from fees, and be engaged in developing and implementing the practical measures that need to be taken by the institution.
- staff, who will need to know the practical arrangements - changed programme design, marketing, remission policies, revised fee levels and enrolment. But people always work better when they understand not just what is happening but why. And they will be the people talking to the thousands of students who enrol about the college and its policies. So

there's a broader job in selling the reasons for a sharper focus on employment needs, and a new contribution balance between state and individual. Taking the changes through the organisation will be easier if academic, administrative and technical staff can see the good sense of the policies, and how important they are to the success of their institution.

- local stakeholders. Providers that engage with local stakeholders - employers, community groups, local authorities - on a regular basis will already have the forums that allow them to explain what is changing and why. They should also give attention to the response that will be appropriate to enquiries - perhaps from the local press or an MP - about changes in fees and programmes.

8.5 The audience: employers The driver for the Skills Strategy is the need for a more focussed response to labour market needs. Providers should give particular attention to the ways to get their message across to their employer clients. There will be opportunities to engage new customers from the prioritisation of basic skills, and the L2E. Providers will find it useful to develop targeted publicity material explaining the changes to their employer base. It may be easier to engage employers in the environment that expects them to pay more in the long run if there is creativity in promotional work. Rather than relying on permanently low fees, for example, it may be better to offer training needs analysis at a discounted rate, or try a version of 'buy-one-get-one-free' with employers.

8.6 One common objection made by employers is the idea that provision should all be free - "I've already paid for it in my taxes". It is helpful for those working in provider marketing departments and in contact with employers and learners to be aware of the volume of subsidy which is coming from the public purse. With employers, presenting the full course cost, and then discounting for the LSC contribution may be a worthwhile approach. It will help if providers are aware of provision which allows them to make a higher level of public subsidy available - for example the ETP, or those eligible for European support. Their existence will, of course, have implications for the current vocational course offer. Charging for provision that is available fee-free under ETP, or other initiative, is unlikely to be successful. Effective marketing involves integrating these programmes into a broader offer - including mainstream LSC funded provision and fully-priced customised training - that makes sense as a total package.

8.7 Linking mainstream provision with the new priority areas will be important if we are to increase the number of students moving through from level 2 attainment - important for employability - to the level 3 qualifications which make a difference to earnings. Providers need to think how they will talk to students who hope to move from a fee free course (such as the L2E) to fee-bearing provision one step up.

> Many colleges and other providers make sure that their end of course interviews with completing students outline the opportunities and benefits from follow-on provision.

8.8 Changing the offer. The Skills Strategy places great emphasis on the importance of shaping provision to directly meet employer needs. The response to the LSC's consultation document showed that many providers were aware of this: "providers would be likely to be increasingly responsive, flexible and innovative in developing provision to meet employer needs". This means looking - as a matter of urgency - at the way that provision is delivered, in order to find a product that not only develops the skills relevant to the job-market students enter and operate in, but also delivers it in a way that meets the preferences of employers and individuals. Some provision will remain much as it is at the moment. But in many areas it will be important to modify traditional patterns of delivery, particularly for small and medium sized enterprises that may have difficulties in releasing staff for training and sometimes fit their employee development around a seasonal pattern of working. There is no need for guesswork here; most providers have rich links with employers. Many sit on governing bodies or management committees, and are able either to provide direct comment on the needs and preferences of local companies, or suggest contacts who would help. Providers will also be helped by good relations with their local Business Link.

> Newcastle College worked as part of the Skills Strategy pilot by providing Employer Training Pilots. They had little success selling traditional FE courses under this initiative. But when they adapted their provision in line with employer preferences, the number of clients for their provision grew rapidly.

8.9 Working together. In many areas, providers will wish to think about the benefits of a joint approach to marketing and provision. If the partners could ensure the right marketing and quality, a joint brand would help engage local employers, identify priority skill areas and share skills. It can be a cost-effective way of ensuring that start dates can be spread through the year or specialist staff skills are made available wherever needed. Partnership could offer a wide range of entry level opportunities, but concentrate higher level progression in specialist centres like a CoVE. Such partnerships could bring in local ACL and WBL providers: the local LSCs' newly appointed Skills Directors could have a role helping to facilitate this working.

Hampshire's CoVE colleges in construction collaborate to engage many small and medium-sized employers: this has led to considerable follow-on work for each of the colleges involved. Providers worked together to meet demand in a timely manner.

Wiltshire LSC plan to develop an employer-facing brand to assist their response to the Skills Strategy

8.10 Marketing to students. Although the bulk of LSC funded provision has a vocational focus, most of the learners are not sent by employers. They make an individual choice to study in the sector, and the success of our efforts depends on maintaining their support. Providers will need to think how they will present the new approach to their customers. Some strands of that campaign would be:

- emphasising the personal and financial benefits from study. Effective marketing sells benefits not products. Providers might consider a change of emphasis, from selling a given college or training organisation to a greater emphasis on how commitment to education and training can earn a prestige qualification, improve job opportunities, open up the way to university - and provide real enjoyment in meeting new friends and gaining new skills.
- building on the rising standards in the sector to present a quality product. One college expressed a clear view in consultation: "fees are to an extent irrelevant - demand depends on lots of other issues like reputation and flexibility. Fees are also a signal students can use for quality judgements". Remember too that learners who are paying a larger proportion of course cost may turn out to be more assertive in their judgements of course quality.
- being aware of, and making easy arrangements to access, the available financial support for learners - such as Learner Support Funds, Adult Learning Grants and Career Development Loans. Providers may wish to give sympathetic consideration of the position of students in the middle of two or three year courses.

8.11 Effective publicity. If we are increasing the 'expectation to pay' it must be reflected in publicity. Of course concessionary students - 16-18 year olds, those on income related benefits or in priority groups - need to know unambiguously of their entitlement. But other students deserve a clear statement of the likely costs. A brief look at course brochures and prospectuses reveals that too few providers have clear fee information; in some, fees are presented almost apologetically. It is rare, for example, to find a college website that gives clear information about course fees. Providers need to check the layout and messages in their publicity media to see if they will work well in a world where there is a different balance of costs between student and taxpayer.

Lambeth College is a large FE college in south London. Its web-site lists more than 1,000 courses - each with accurate information on fees, locations and times, and (during enrolment) information on whether the course is full or still recruiting.

8.12 What should the policy look like? Students will normally use college publicity media - such as course guides, advertisements, prospectuses and web-sites - for their understanding of fee levels. But there will still be a place for a well-presented fee policy document. The danger is that, with the large and diverse organisations that typify our sector, comprehensive policies will be bulky and complex. Providers should aim for a crisp and comprehensive document laying out the college policy, with any necessary appendices (on, for example, income levels used to calculate concessions). They may consider separate leaflets on aspects of course cost - "How to pay for your examination" or "Help with practical course costs". Such leaflets may gain from the approach mentioned in this section - emphasising that provision is already heavily subsidised, and offers substantial benefits in income and personal satisfaction.

8.13 The management team. Communications within the management team of providers will also be crucial. Senior managers will prepare the implementation plans for the changes in course design, fee policy and marketing that are needed. But managers, who will be working with staff and students day-to-day, also need to be onside. They are the engine-room of any institution. And it isn't just a matter of doing the job: managers can create the right climate. Newsletters or staff meetings have a role in getting the message across, but a face to face briefing from a head of department or programme coordinator will usually be more effective in outlining how the changes will happen, and answering questions on why they are necessary. Senior management teams may find it's useful to prepare a briefing sheet for their managers.

8.14 Getting staff on-side. Research has shown that one of the reasons that some providers fail to collect the amount of income corresponding to their LSC funded portfolio is concessions granted by front-line staff. Teachers, trainers and administrators want to offer fee free admissions for a number of reasons. They want to encourage enrolment in their section, and feel remitting fees will open courses to the widest range of learners. It's important, then, that all staff are signed up to the changes in fee structure and course design we need - what one senior college manager described as a 'hearts and minds job'. The key punch-lines to be communicated are:

- the state will continue to grant a very big subsidy to students - even those paying "full fee" are meeting less than one third of the costs of their course.

- concessionary fees will stay for disadvantaged people - those with basic skills needs or living on income related benefits - and be extended to many others via the L2E.
- qualifications provably improve people's income and life chances. It's only fair that beneficiaries contribute.
- the UK is well behind comparable countries in technician qualifications: we need to get additional resources to boost our skills in a competitive world.
- good vocational provision gets close to employer needs - the Skills Strategy offers great openings for providers who can deliver flexible and relevant programmes.
- the LSC has changed the way that institutional budgets are allocated. Providers will be getting a lower proportion of course costs from government funds, and so raising more from clients is essential to safeguard jobs and maintain quality.

8.15 These national messages need to be supported locally, making sure all staff know of the changes that will take place, why they are important and the opportunities they present. Incentives have a role to play. Success in exceeding fee income can be rewarded in noticeable improvements in environment, consumable budgets, library book stock or (where targets are delegated) departmental allocations.

8.16 Stakeholders. Providers also need to anticipate reactions and responses from local stakeholders. Standard letters can annoy as much as assure, but here may be a place for a provider's marketing staff to agree a statement of key points that should be used to respond to local representations. Many colleges and other providers have established good relations with local press, with a regular flow of stories that celebrate the success of students and the launch of new programmes and facilities. These could well be linked to the Skills Strategy with stories about - and, where appropriate, invitations to see - effective work with employers. Real life examples, showing personal success and enthusiasm, are much more likely to attract attention than press releases about government policy. Local MPs may be contacted by students or employers when fees or provision changes. It would be useful to:

- underline that you are responding to government policies and priorities - maybe specifying the cash sum that has to be earned to balance the books!
- stress the benefits to the country and locality of success in raising skills, with facts about our gap in relation to overseas competitors.
- give examples of successful work with employers, communities and individuals.

8.17 Communications policies aim to change public perception. This will be a big job, but it can be tackled with success. The learning and skills sector has a great product, and one the public value. Millions of people choose to attend our provision each year. They build skills that help them to better jobs, meet new friends, and gain personal fulfilment. Many providers deliver courses of high quality, and the Skills Strategy encourages them to shape that work to today's employment needs. Getting a better balance between public and individual contribution is a sensible approach, and it will be greatly helped by effective communication between everyone who's affected.

Activities and key questions

• Public subsidy

- How will you present current levels of subsidy in your briefings and publicity?
- Have you prepared a quick reference sheet that shows the real costs of popular courses?

• The communication plan

- What will be in your communication plan - and when will it be completed
- Who is in charge of the communications?
- Have you got hold of the LSC national learner survey - with its data on satisfied customers, and positive comments about course benefits?
- What college events can be used to sell the message?
- Have you planned to contact local press and radio about the changes coming from the Skills Strategy - such as L2E?
- How will you collect examples of positive practice to illustrate media stories?
- Is it a good idea to brief local councillors and MPs before the changes are implemented?

• Briefing staff

- Have you prepared a brief for middle managers to use when talking to staff?
- Can that be adapted for staff to speak to students?
- Are the remarks made about teacher attitudes right? How are you going to sway their views?
- What incentives can be put in place to encourage better fee generation: could staff be engaged in a 'wish-list' of desirable changes to be funded from any new resources?

• Working with employers

- What channels can be used to discuss the Skills Strategy with employers?
- Can employer governors play a positive role?
- How can you publicise your more flexible provision to break stereotypes about the unresponsive public sector providers?
- Can local collaborative networks help employers with a flexible and expert range of provision?

- **Responding to individual students**
  - Have you checked that all course material has clear fee information - including the web-site?
  - Have you prepared some key points to include in letters responding to enquiries about fees?
  - What arrangements have you made to encourage progression from one course to another?
  - Are there some quick and simple things - such as improving social areas or library stock - you can do to remove all doubt that you are providing a quality service?

Annexes

Annex A

Provider concessions policy - a suggested outline

1. Introduction

Mission of the provider, and brief analysis of key local needs. Explanation of LSC fee free categories. Current institutional practice in fee policy, and a view on its effectiveness. The implications of the Skills Strategy proposals.

2. The financial context, including:

(a) Total income in previous year

(b) Amount and proportion of that income that is earned from tuition fees

(c) The income that would be earned if the full fee was charged in all cases

3. Proposed concessionary scheme

If the institution decides not to extend concessions beyond the national categories, there will be no need for a full report. The following outline is suggested for those providers who wish to offer an additional scheme of internal remission of fees.

(a) Précis of proposals

(b) How it will be administered, checked and publicised: delegation arrangements.

(c) Use of partial or total fee remission

(d) Estimated total cost of the proposals in foregone fees

4. Rationale for concessions

(a) Reasons for adopting or going beyond LSC categories.

(b) Target groups to receive concessionary treatment:

- individuals
- members of staff of institution or its partners
- employer groups
- programme areas

and why these groups or areas have been chosen

(c) Supporting activity to reach these groups (promotional activity, course redesign, outreach work, partnership, use of ETP/ESF/LSF etc), with costs. Reference to research on good practice in widening participation and employer engagement.

(d) Review of alternative ways to reach these groups that have been rejected

(e) Target numbers for the coming year against which success can be evaluated

(f) Plans for review and evaluation, and date for report back (presumably when setting following year's policy).

5. Discussions with (and if relevant comments of) local LSC

(a) Arrangements for meeting and any comments received

(b) LSC calculation on fee gap for cross-reference

6. Recommendations

Annex B

Fee paper for Governors - a suggested outline

1. Introduction

Executive summary of the paper

Constitutional position of governors in setting fees

Date decision is needed

Preview of the main proposals and significant changes

The LSC's fee presumption, and presentation of the degree of subsidy involved

Changes arising from the Skills Strategy and Funding Letter 2005/6

2. Current Position

Fee receipts in past year

The fee income that would be earned by full fee collection on LSC funded courses

Reasons for difference and proposals for action

3. Fee Policy of Neighbouring Providers

Review of rival providers and market position

Discussions with LSC regarding fees and the local network

4. Tuition Fee Recommendations - Home Students

Explanation of proposed basis of fees - LSC rate, fee per hour, costing model

Current and proposed rate per hour

Decisions on banding - and number of bands

Examination fee arrangements

Levies on high cost courses - banding arrangements

Opportunities for charging for high demand courses

Arrangements for students undertaking multiple enrolment

5. Concessionary arrangements for those not covered by national exemptions

Explanation of the national exempt categories

Reference to separate report - see proposed outline

6. Tuition Fee Recommendations - Overseas Students

7. Tuition Fee Recommendations - LDD Students

8. Tuition Fee Recommendations - School Link Fees

9. Tuition Fee Recommendations - Adult & Community Learning Provision

This might include different charging arrangements for provision funded by the LSC's ACL stream, income-generating adult provision or work undertaken on a franchised basis from the LEA. Issues regarding fees for the older learner.

10. Tuition Fee Recommendations - Higher Education

11. Tuition Fee Recommendations - Commercial Income

Arrangements for costing and charging for bespoke courses, premises, consultancy etc

Opportunities and plans for coming year - reference to separate report/plan

12. Administrative Issues

Enrolment charge, arrangements for security passes etc

Payment by instalments

Discounts for early or full settlement of fees

College policy for making refunds of tuition fees

13. Other Charges to Students

Policy with regard to charges for materials, tools, residentials, supervision etc

14. Summary and Recommendations

Appendices

Tuition Fees by course (or band)

Originating Officer

Document version

Date

Annex C

Acknowledgements and contacts

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