

November 2006/48

**Policy development  
Consultation**

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Responses should be made online by  
Tuesday 20 February 2007

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

# Higher education in further education colleges

## Consultation on HEFCE policy

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# Higher education in further education colleges

## Consultation on HEFCE policy

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# Higher education in further education colleges

## Consultation on HEFCE policy

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| <b>To</b>                                   | Heads of HEFCE-funded higher education institutions<br>Heads of HEFCE-funded further education colleges<br>Heads of indirectly funded FECs with HE provision<br>Heads of universities in Northern Ireland |
| <b>Of interest to those responsible for</b> | Management, Strategic planning, HE in FE colleges, Finance, Governance  |
| <b>Reference</b>                            | 2006/48   |
| <b>Publication date</b>                     | November 2006   |
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### Executive summary

#### Purpose

1. This consultation seeks views on the main elements of our policy for supporting higher education (HE) in further education colleges (FECs).

#### Key points

2. We began a review of HE in FECs in November 2005, with the aim of developing a consistent and coherent HEFCE policy on the contribution of FECs to higher education provision. The review included consideration of the White Paper, 'Further education: raising skills, improving life chances', published in March 2006.

3. During 2006 we consulted informally with a number of stakeholders, and this informed the development of our policy.

4. This formal consultation focuses on four main areas:

a. **Our view of the role of HE in FECs.** We have developed a statement of our view of the distinctive contribution that FECs can make to the overall provision of HE and we seek views on this.

b. **Strategic development.** We seek a strategic commitment from FECs and propose that all colleges, whether directly or indirectly funded by HEFCE, should have a strategy for the development and delivery of their HE. We intend that this will be available to HEFCE and will support our future decisions on funding HE in FECs.

- c. **Centres for Higher Education Excellence in FECs.** We want to support Centres for HE Excellence, and expect to make available both capital and revenue funding, though our proposals depend upon the resources available following the Government's Comprehensive Spending Review. We want the centres to be developmental and we do not envisage one model. Centres might be formed by a single institution or by several. All FECs that have agreed a strategy with HEFCE will be able to bid for a centre; higher education institutions (HEIs) will also be eligible to bid, but only in partnership with one or more FECs.
- d. **Funding and relationships.** We propose that colleges with indirectly funded provision should have a minimum period (three years) of security for the funding and student numbers available to them, so that they have more opportunity for long-term strategic investment in HE. We also make proposals to promote clarity and transparency in funding partnerships between FECs and HEIs.

### **Action required**

5. Responses to this consultation should be made by **Tuesday 20 February 2007**, using the online form available with this document at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Publications.

## Background

6. We began a review of higher education (HE) in further education colleges (FECs) in November 2005. We have developed proposals for the strategic development of HE in FECs<sup>1</sup>, Centres for HE Excellence, funding, and relationships between FECs and higher education institutions (HEIs). Through this formal consultation we are seeking to test our ideas, with a view to being ready to implement our policy from the academic year 2007-08. For ease of reference, the consultation questions in the main text are also listed separately in Annex A.

7. There are a number of reasons why this policy review of HE in FECs is timely. An initial discussion of our policy on funding and supporting HE in FECs concluded that we should explore the issues further, in the light of significant changes in funding and student support arrangements. In addition, there is continuing concern that advanced occupational and vocational provision at Levels 3 and 4, the interface between FE and HE, is insufficiently developed in England in comparison with other countries, notably Germany and the US. This provision exists at what is currently a funding and institutional boundary in England; it has grown up in a piecemeal way straddling FE and HE, and has rarely been the core focus of any funding body or institution. It has often been neglected in mainstream strategies for HE and FE. This is not just a problem about the HE provided in FECs; rather it concerns access to HE more generally.

8. Our particular interests are in how the HE that is delivered in FECs now, and in the future, can contribute to the changing landscape of HE; and what it does, and might do, to enhance progression, enabling more people to access HE. The aims and objectives of our review are attached at Annex B.

9. The White Paper, 'Further education: raising skills, improving life chances'<sup>2</sup> proposes a changed role for HEFCE in funding and managing provision

of HE in FECs, and will create a period of uncertainty for FECs and their partners. We are seeking the views of the HE and FE sectors about the proposed new approach and about possible mechanisms for implementing it.

## Developing the proposals

10. The development of our proposals has been influenced by dialogue with providers. In November 2005 we commissioned think pieces from providers,<sup>3</sup> which addressed:

- the purpose and role of HE in FECs
- relationships between HE and FE
- differences between HE and FE, including the contribution of FECs to progression from FE into HE
- the policy context, including the development of foundation degrees and Lifelong Learning Networks, and the skills agenda
- possible forms of delivery
- the respective responsibilities of HEFCE and the Learning and Skills Council (LSC).

11. The Association of Colleges/HEFCE Annual Conference in May 2006 gave us the opportunity to discuss the role, purpose, funding and quality assurance of higher education delivered in FECs. We set out the main issues and shared our current thinking. We were able to discuss with colleges the complexities of relationships between HE and FECs, and to consider ways to address the issues. We received advice and comments from HEFCE's strategic committees on widening participation (WP) and on quality assessment, learning and teaching (QALT).

12. The QALT Committee, which commented on the early work of the review, advised against over-prescribing a role for FECs in delivering HE, which could stifle dynamism and responsiveness, both of which were important characteristics in embracing

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<sup>1</sup> We use the term 'higher education' for provision above Level 3 and 'further education' for provision up to Level 3. Thus, the commonly used phrase 'HE in FE', which we have ourselves used in the past, is not strictly meaningful. We are therefore using 'HE in FECs' to refer to higher education delivered by further education colleges.

<sup>2</sup> Cm 6768, DfES, March 2006.

<sup>3</sup> Work was commissioned through the Practitioner Sounding Board of the DfES/HEFCE/LSC Joint Progression Strategy.

the changing nature of HE. The WP Committee, which commented at a later stage, welcomed the concept of Centres for HE Excellence, especially as there were no Centres for Excellence in Teaching and Learning (CETLs) located within FECs, and a number of funding initiatives had not been open to directly-funded FECs. Both committees drew attention to the need to promote good practice in partnerships.

13. Subsequently, we consulted informally with representative groups from both the HE and FE sectors. We shared our thinking overall, and specifically invited responses to our proposals about the strategic development of HE in FE, and about Centres for HE Excellence. We received responses from the Association for Collaborative Provision of Higher Education in Further Education in England, the Association of Colleges, the LSC, Foundation Degree Forward, the Mixed Economy Group, GuildHE (formerly the Standing Conference of Principals) and Universities UK. In addition, we received feedback from representatives of individual HEIs and colleges, whom we contacted in their role as members of advisory groups to HEFCE that share an interest in this area of policy. We have benefited, too, from feedback from the DfES, who provided an overview of the responses to the FE White Paper that were about delivering HE through FE providers. We also made visits to a number of colleges. This feedback has enabled us to refine the proposals set out below.

14. Two other related developments are being considered in parallel with developing this policy. One is the review of our funding method for teaching; the other is the joint exercise with the Quality Assurance Agency (QAA) to develop a new method for the quality assurance of HE in FECs (the Integrated Quality and Enhancement Review, IQER). The QAA published the results of its consultation in April 2006 (see paragraphs 106-111 below). We have taken account of this, and we will continue to ensure that IQER, the review of our funding method, and this policy review of HE in FECs are aligned.

15. The timescale that we propose is as follows. From November 2006, we shall consult on the principles of our policy for delivering HE in FECs. Following analysis of the responses, we propose a further consultation in summer 2007 on the mechanisms for implementing the policy. Within the academic year 2007-08 we expect to begin implementing our policy. By this time we shall know the outcome of the Comprehensive Spending Review.

## **The changing context for delivery**

16. We recognise that FECs perform two main functions in HE, both of which are long-standing. First they are a major source of recruits to both full-time and part-time undergraduate education, whether provided by HEIs or FECs. Second they are a setting for the delivery of HE and higher level qualifications.

17. In the light of the emphasis on the skills agenda, specifically the delivery of higher level skills through both HE and FE, and the changing environment for higher education, we need to adopt a more strategic view of HE delivered in FECs. In particular, HE will be affected by the introduction of variable fees for full-time provision. Also, higher level learning will no longer be predominantly linear, for example from undergraduate to postgraduate. Much more learning will take place over an extended period, with individuals moving in and out of learning, and with learners moving around at the same level, or moving between levels as needs dictate.

18. We and the Government have argued, at least since the publication of the Dearing report on 'Higher education in the learning society'<sup>4</sup>, that HE in FECs has a 'crucial role to play in the development of a higher education system that meets the growing needs of the learning society and increases the opportunities for students from disadvantaged backgrounds to participate'.<sup>5</sup> We continue to assert this principle in our latest strategic plan where we state that: 'We will work to

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<sup>4</sup> 'Higher education in the learning society', report of the National Committee of Inquiry into Higher Education, chaired by Sir Ron Dearing, July 1997, [www.leeds.ac.uk/educol/ncihe/](http://www.leeds.ac.uk/educol/ncihe/)

<sup>5</sup> 'Funding higher education in further education colleges', HEFCE 98/59.



strengthen HE in FECs, both to improve local access to HE and to provide opportunities for higher level learning throughout life. We will encourage close working relationships between HEIs and FECs to help expand opportunities in both HE and further education.<sup>6</sup>

### Shape and size of current provision

19. In spite of our commitment to the role of HE in FECs and a number of policy initiatives, including development funding and the introduction of foundation degrees, the volume of HE in FECs has at best remained static and may be declining. We do not know why this is and we are currently analysing the data. It may be the result of market forces, but it may be due to some of the organisational and administrative complexities of funding, partnerships, and capital allocations.

20. The following summary illustrates the shape and size of the provision of HE delivered in FECs in 2004-05<sup>7</sup>:

- over 104,000 students are undertaking HEFCE-funded HE programmes in FECs
- HEFCE provides funding for HE in 287 colleges, of which 77 per cent have fewer than 500 HE students by headcount (see Annex C Figure 1)
- students on HE courses work towards a range of qualification aims. This includes 44 per cent taking Higher National Certificates or Diplomas (HNCs or HNDs), 10 per cent studying for foundation degrees and 22 per cent for degrees (Annex C, Figure 2)
- while 52 per cent of students are part-time, the majority of students taking degrees, foundation degrees and HNDs are studying full time (Annex C, Figure 3).

21. The most popular subjects by qualification aim in 2004-05 were<sup>8</sup>:

- degree subjects – business and management studies (16 per cent), and creative arts and design, excluding performing arts (22 per cent)
- foundation degrees – business and management studies (18 per cent), computer science (11 per cent), education (19 per cent), creative arts and design, excluding performing arts (11 per cent), social, economic and political studies (11 per cent)
- HNCs – architecture, building and planning (18 per cent), business and management studies (19 per cent), computer science (11 per cent), electrical and electronic engineering (12 per cent), other engineering, excluding electrical and electronic engineering (21 per cent)
- HNDs – business and management studies (19 per cent), computer science (12 per cent), creative arts and design, excluding performing arts (20 per cent)
- postgraduate – education (80 per cent).

22. Between 2002 and 2005 some 90 per cent of the programmes in FECs reviewed by the QAA received ‘confidence’ judgements in respect of academic standards, and 99 per cent received ‘commendable’ or ‘approved’ judgements in respect of the quality of learning opportunities.

### The wider picture

23. In the Secretary of State’s grant letter to the Chairman of HEFCE, in January 2006, she asked us to lead ‘radical changes in the provision of HE’ through a strategy of growth which would incentivise provision that is wholly or partly designed, funded or provided by employers. This might include more opportunities for part-time

<sup>6</sup> ‘HEFCE strategic plan 2006-11’, reference HEFCE 2006/13, paragraph 92.

<sup>7</sup> These statistics include students registered at FECs on prescribed HE courses and students registered at HEIs and taught at FECs on any HE course, both prescribed and non-prescribed. Full details of definitions and sources are at Annex C.

<sup>8</sup> Students studying combinations of subjects are assigned to the subject with the highest full-time equivalence. Where subjects are balanced, the subject reported in the first subject field is used.

study and short-cycle courses, curricula that are more responsive to learner and employer demand, and a more diverse range of providers, including reinforcement of the role of FECs in delivering HE.

24. The FE White Paper recognised things that we are already doing, such as supporting foundation degrees, increasing local provision through HE centres, developing Lifelong Learning Networks, and seeking to co-ordinate our capital funding streams with those of the LSC and other funders. It asked us to review the financial arrangements that underpin HE courses in FECs, including franchising arrangements. It also asked us to prioritise funding for the development of ‘centres of HE excellence in FE colleges, focused on the twin themes of employability and widening participation’, and ‘to review the effectiveness of small pockets of HE in FE colleges’.

25. In May 2006 the LSC published its strategy for higher education<sup>9</sup> which will support the delivery of both the widening participation agenda for HE and the development of higher level skills and learning. We will continue discussion with the LSC, as it develops policy on HE in FECs, about how we can best take forward our strategic approaches, and in particular how we might make the arrangements for Level 4 and 5 provision more fit for purpose.

### **Non-prescribed higher education**

26. Any consideration of the role of HE in FECs needs to take account of ‘non-prescribed’ higher education. HEFCE is empowered to fund any education at HEIs<sup>10</sup>, but only prescribed courses of higher education at FECs<sup>11</sup>. Both HEFCE and the LSC can fund non-prescribed HE but HEFCE must do so in or through an HEI. There are two kinds of non-prescribed provision that is described as HE:

- higher level provision, accredited by the Qualifications and Curriculum Authority (QCA) for inclusion in the National Qualifications Framework at Level 4 or higher

- provision leading to a qualification given by awarding bodies or other external organisations, which is not accredited by the QCA and is outside the National Qualifications Framework, but which is described as HE level by the awarding body.

27. Following the recommendations of the Dearing report, responsibility for funding all higher national qualifications (HNCs/HNDs) was transferred to HEFCE from what was then the Further Education Funding Council, now the LSC; but other higher level provision falling outside the definition of prescribed courses has remained the funding responsibility of the LSC.

28. Non-prescribed HE is offered by both FECs and HEIs. It includes courses leading to a range of qualifications awarded or recognised by professional bodies, the bulk of which are found in colleges. The provision leading to such awards could make a significant contribution to the development of new kinds of higher level and workplace learning to meet the need for a qualified workforce.

29. We would expect professional and work-related higher level learning of all kinds to be reflected in colleges’ HE strategies (see paragraphs 39-49 below). The distinctions arising from different funding arrangements will have little meaning for learners and ought not to influence the way the curriculum is developed to meet the needs of learners and employers. An important challenge for the HE sector as a whole is to think more positively about professional and work-related education at higher levels, and how to ensure that learners have access to the full range of opportunities in HE. Therefore we are discussing with the LSC and the DfES whether changes to the current funding powers and responsibilities might be feasible.

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<sup>9</sup> ‘Partnership, provision, participation and progression: the Learning and Skills Council’s strategy for higher education’, LSC, May 2006.

<sup>10</sup> Under section 65(2) of the Further and Higher Education Act 1992, which can be found at [www.opsi.gov.uk/acts/acts1992/Ukpga\\_19920013\\_en\\_1.htm](http://www.opsi.gov.uk/acts/acts1992/Ukpga_19920013_en_1.htm)

<sup>11</sup> Prescribed courses are defined in the Education (Prescribed Courses of Higher Education) (Wales) (Amendment) Regulations 1998, which were amended to apply to England, see [www.opsi.gov.uk/si/si1998/19981970.htm](http://www.opsi.gov.uk/si/si1998/19981970.htm)

## HEFCE policy for supporting higher education in FECs

30. HE in FECs is important to the delivery of our strategic aims, particularly to:

- promote and provide the opportunity for successful participation in HE to everyone who can benefit from it
- ensure that all HE students benefit from a high quality learning experience fully meeting their needs and the needs of the economy and society.

31. In supporting further development of HE in FECs, we want our policies and investment to contribute to our strategic purposes and help us achieve our overall aims for HE. We suggest how we might do this below, for example by supporting Centres for HE Excellence in FECs, and by creating firmer foundations for effective and balanced FE-HE partnerships. However, strategic development must begin with those responsible for meeting the needs of learners and other stakeholders, that is to say, with the colleges that provide programmes of higher education.

### A distinctive role for FECs

32. HE in FECs is already a distinctive part of the HE system. While it is dangerous to over-generalise about a diverse system, HE students in FECs are more likely to be over 25, more likely to study part-time, and more likely to come from areas with low rates of participation in HE than students in HEIs. They are more likely to be studying foundation degrees and sub-degree programmes such as HNCs and HNDs.

33. These distinctive features derive from the particular place that FECs occupy in their communities and the nature of the FE curriculum on which the HE provision is often based. They lie in the extent to which FECs' focus on short-cycle HE enables them to offer more higher level learning within a context of lifelong learning, to respond swiftly to skills needs, to deliver programmes flexibly, and to work effectively within a turbulent

market. We believe these distinctive features constitute a particular strength and should continue to provide the focus of HE in FECs.

34. In addition to being more effective than HE generally in reaching out to learners and offering them distinctive forms of provision, FECs have a particular strength and role in meeting the needs of employers. Sir Andrew Foster's report on the future role of FECs<sup>12</sup> concluded that there is a need for colleges to adopt as their primary purpose improving employability and supplying economically valuable skills. The report also saw the contribution of colleges to progression and delivery of higher level skills as absolutely essential. The FE White Paper takes up this theme when it states that:

'We agree with Sir Andrew Foster that the key strategic role for the sector – the role in which the contribution of FE to learners' lives, to society and the economy can exceed that of any other part of the education and training system – is to help people gain the skills and qualifications for employability, so that they are equipped for productive, sustainable and fulfilling employment in a modern economy.'<sup>13</sup>

35. We echoed this view in our response to the FE White Paper when we wrote: 'FECs play a crucial role in delivering the higher level skills that employers want, act as hubs for local access to HE, and provide opportunities for higher level learning throughout life.' In saying this, we did not imply that only FECs had this role, since many HEIs would rightly claim that they also made a significant contribution to this kind of activity, nor that this was all that FECs did in providing HE.

36. In devising our proposals, we have been conscious of the points made by our QALT Committee. It advised strongly against over-prescribing a role for FECs in delivering HE, taking the view that there was a need for HE in FECs, but not for a strict division of labour, and that there was a need for HE in FECs to grow, with support from HEIs. The committee thought that an overly-rigid system of provision would be likely to stifle

<sup>12</sup> 'Realising the potential: a review of the future role of further education colleges', DfES, November 2005.

<sup>13</sup> Cm 6768, DfES, March 2006, paragraph 2-4.

dynamism and responsiveness, both of which were important characteristics in embracing the changing nature of HE.

### **Our view of future development**

37. Taking all this into account, our view of HE in FECs is that it should have a number of characteristics – most of which will not be unique to it but will nevertheless differentiate it from the mainstream of provision in HEIs. To some extent HE has been evolving in this direction and, left to itself, it may respond to the changing needs of the market by continuing to do so. However, this ad-hoc approach is unlikely to be the most effective or efficient way of dealing with the challenges that are facing HE. Instead, we believe there is a need to build more deliberately and systematically on existing patterns of provision, to encourage the development of HE that is flexible, responsive, employment focused, and informed by the workplace. This implies a more active and strategic role for FECs.

38. Before seeking such a strategic commitment, we believe it is important to set out our view of the future role and development of HE in FECs. Our view is that:

- a. While we would not expect higher education provided in FECs to conform to a single model of provision, we believe that it should focus on the development of higher level skills and on engaging employers closely and directly.
- b. We expect that provision of HE in FECs will primarily focus on the needs of local and regional communities. This means that where FECs operate in relatively isolated communities, it is likely that the provision will be broader in scope than in more urban areas in which there is likely to be a range of complementary HE provision. Notwithstanding the above focus, in niche curriculum areas some FECs may need to serve a wider and even national market, but we would not expect this to be the case in general.
- c. Because of this local and regional focus, we expect that HE in FECs will attract learners who will be seeking progression opportunities

from within their FE programmes, or, if entering HE directly, provision that is not otherwise available locally. It is likely, therefore, that these learners will be drawn from groups which are under-represented in HE overall.

- d. We expect that HE in FECs will generally focus on dynamic, flexible ‘short-cycle’ provision (typically the equivalent of two years or fewer of full-time study) delivered in a variety of modes, including work-based learning.
- e. This focus for HE in FECs should be set within the general expectation that all HE students should benefit from a high quality learning experience, supported by scholarship, that meets their needs and the needs of the economy and society, and which provides the opportunity of successful participation in HE to all who can benefit from it.

### **Consultation question 1**

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

## **Strategic development of HE in FECs**

39. We believe that most HE delivered in FECs has been carefully planned and fits with the strategic direction of the college and its HEI partners. However, in some cases, HEIs and FECs have been opportunistic, seeking to pursue a short-term funding opportunity. This may not fit with the college’s strategic direction or be in an area of strength. Such opportunism may have led to what the FE White Paper calls ‘small pockets’ of HE in FECs, but this kind of provision can also exist within the portfolio of larger centres. The quality of the student learning experience, the quality of the resources provided to support it, and the value of any public investment in the provision, must always be of primary importance to any delivery of HE programmes.

40. It is important not to confuse opportunism with entrepreneurship. We are keen to encourage all those delivering HE programmes to develop provision which is flexible, innovative and responsive to market needs, but this needs to be done within a coherent strategy consistent with the institution's overall strengths, its resource base and its staffing.

41. HE in FECs operates at a funding and administrative boundary, which has meant that neither HEFCE nor the LSC have taken the strategic overview of the provision that is now warranted. We have in the past required learning and teaching strategies from directly funded FECs as a condition of their receiving funding from the HE in FE Development Fund. However, we have not done so from colleges that were indirectly funded through an HEI, so inevitably only received partial statements from those FECs which have a mixture of directly and indirectly funded provision.

42. The core purpose of HEIs is to provide higher education and this is reflected in mission statements and other corporate policy commitments. But higher education is not the principal purpose of FECs, not even for those 'mixed economy' colleges that are significant providers of HE. Moreover, the curriculum mix and forms of delivery (full and part-time) vary with context and mission. We need a clear understanding of what the college's higher education provision sets out to achieve, and how it relates to the core mission of the college itself as well as to other higher education provision locally. We believe, therefore, that all FECs providing HE, whether funded directly or indirectly by HEFCE, should develop and deliver their HE in the light of a strategic policy commitment set out in a document that is made available to us. We would expect to use these strategic documents to support our future funding decisions, particularly about the development and growth of HE in FECs and in the establishment of Centres for HE Excellence in FECs (see paragraphs 52-61).

### Higher education strategies

43. Higher education strategies from FECs will help to address a number of issues. There are concerns, for example, and these are reflected in the

White Paper, that small and isolated pockets of HE provision might not be appropriate because they cannot guarantee a higher education experience for the learner. However, we recognise that small pockets of provision may still meet particular needs and be strategically planned and managed. While there are core characteristics that we would expect to find in all higher education, we acknowledge that a diverse sector will encompass a range of learner experiences. We do not wish to 'freeze' the existing pattern of provision, and we recognise that new entrants to the higher education market may well start on a small scale.

44. While recognising this diversity and the need for dynamism, we would expect all FECs, in planning their HE provision, to:

- a. Have a **clear strategy** for the development of their HE, which is consistent with their overall institutional strategy and the desired characteristics of HE in FECs as described in paragraph 38 above.
- b. Have a strategy which specifies how it adds value and relates to **other HE provision** locally and/or regionally, and describes the relationships with **other HE providers**.
- c. Build on their **existing partnerships and strengths in FE provision**, particularly where they are recognised as a Centre of Vocational Excellence (CoVE).
- d. Offer courses that meet real, identifiable needs.
- e. Ensure that **staff** involved in HE provision are appropriately qualified, have opportunities for scholarly activity and are supported by adequate **learning resources**, in order to ensure a high quality learning experience for the learners. Where the scale of provision is such that the college cannot provide such resources on its own, there will need to be clear arrangements to ensure that the provision is not isolated and that learners have access to such resources from one or more partner institutions.
- f. Take into account **other higher education networks** and agencies, including the Higher Education Academy, the QAA, the Joint



Information Systems Committee and Foundation Degree Forward, and develop appropriate relationships with them. In particular, where a local **Lifelong Learning Network** exists or is being developed, we would expect that the FEC's provision will be designed to feed into appropriate progression agreements negotiated through the network, to ensure that there is clear progression into and through HE for learners.

45. We do not mean by this that we wish to plan local provision or to restrict competition. We do mean that we will be reluctant to support small scale provision where there are accessible local alternatives unless there are good strategic reasons for doing so. While some colleges will be able to demonstrate this strategic commitment, for example through their contribution to a Lifelong Learning Network, we expect that others will not. We will work closely with all colleges to ensure that the interests of learners are met and that high quality is maintained. We will not expect to support colleges if they do not have a strategy for their HE that reflects our view of the distinctive role of HE in FECs as set out in paragraph 38 above.

46. We would expect all strategies for HE in FECs to address all the above principles, but we do not expect them to conform to a single model: we recognise that strategy will reflect context and mission. We say more about this below in the discussion of Centres for HE Excellence in FECs. HE strategies may differ for colleges in a rural or small town environment from those in urban centres where there are a number of colleges and HEIs. Strategies will also be sensitive to demand. In some cases provision will focus strongly on short-cycle programmes; elsewhere there may be significant demand for three-year undergraduate degrees and, in some circumstances, for postgraduate courses.

47. We have summarised the essential content of a higher education strategy (paragraph 44) and we do not think that producing such a strategy will place an unacceptable burden on colleges. In the short term the requirement can be satisfied in a number of ways. Colleges already produce strategies for different purposes. For example they prepare an

annual business development plan for the LSC; and directly funded colleges produce learning and teaching strategies for HEFCE. We will not prescribe the precise form for colleges' HE strategies, so they will be able to build on existing documents to provide the core information required. In the longer term our aim is that colleges should have a single strategic document that will satisfy all the different requirements.

48. Forty four per cent of HE provision in FECs is indirectly funded through an HEI. Such provision will therefore reflect the strategic decisions of HEIs as much as of FECs. However, we do not regard indirectly-funded provision in colleges as a simple extension of the programmes offered by the HEI. If this were the case, we would expect the HEI to take direct responsibility for the delivery of the programmes even if delivered on college premises. Partnership agreements involve a strategic commitment on the part of the college as well as the HEI. Moreover many colleges have agreed indirectly-funded provision with more than one HEI. The pattern of provision that results should be seen as a strategic whole. We would therefore expect the college to take responsibility for the HE strategy. It would, first and foremost, be a statement of the college's strategic commitment. But we would expect the college to consult with its HE partners and we would expect to see the results of the consultation in the strategy itself. There are different sorts of partnership, and the contribution of HEIs to colleges' HE strategies will reflect that. Our proposals for developing HE-FE partnerships are discussed in paragraphs 85-97 below.

49. Colleges' HE strategies will be considered as a criterion in the award of additional funded student numbers and in the designation of Centres for HE Excellence in FECs (see paragraphs 57 and 58).

### **Consultation question 2**

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

## **Outreach to communities with limited access to HE**

50. Below we describe proposals for new Centres for HE Excellence in FECs. For a number of years we have invested in the creation or extension of physical HE centres in parts of the country where access to HE provision for some communities has been restricted. These centres need not necessarily have connection with an FEC: they may be satellite operations of HEIs, based in converted premises. However, in practice the additional benefits of progression opportunities have meant a number of centres have been in or co-located with FECs.

51. Because the strategic objective is to make provision more accessible, we do not usually consider such investment where there is HE provision close by. We seek co-financing opportunities with other bodies such as the LSC and Regional Development Agencies, as well as colleges and HEIs themselves. We intend to continue to address our strategic aim of making HE accessible through similar investments in future, addressing needs as they are identified.

## **Centres for Higher Education Excellence in FECs**

52. Investing in excellence is one of our strategic priorities. We state in our strategic plan (HEFCE 2006/13) that we will explore establishing additional CETLs in HEIs. The FE White Paper asked us to prioritise funding to develop centres for HE excellence in FECs, focused on the twin themes of employability and widening participation. This aligns with our priorities for the sector.

53. Our use of the term ‘Centres *for* HE Excellence’ reflects first our purpose that they should be vehicles for directly influencing the emergence of excellent practice, and second that they should contribute towards the strategic development of HE provided in FECs. We have developed outline proposals for these centres and would welcome feedback on these.

54. The proposals are conditional upon the resources available to HEFCE following the forthcoming Comprehensive Spending Review. Thus it is not possible at this stage to predict the scale or

number of centres that we expect to support.

However, assuming that we are able to proceed, we would expect to make available both capital and revenue funding, through a competitive bidding process.

## **Aims and objectives**

55. The aim of the initiative will be to invest in the centres to help FECs (and HEIs working with them) to maximise the potential for further development of HE provided in FECs.

56. To achieve this aim, we have identified eight objectives which relate to the distinctiveness of HE provided in FECs, and which the FE White Paper identified as priorities for the future role for colleges. The creation of the centres, which may cover the whole HE provision in a college or only part of it, will achieve these objectives, which are to:

- develop responsiveness to local and regional employer needs through strong links with employers, involving them in discussions on curriculum design and delivery
- develop work-based learning programmes in partnership with employers
- offer flexible professional, work-related and higher level skills programmes that improve the employability of learners
- support development designed to improve students’ learning experiences
- widen participation in HE among under-represented groups of learners
- encourage progression into and through HE
- strengthen partnerships between HEIs and FECs
- foster regional collaboration and the dissemination of good practice.

### **Consultation question 3**

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

## Criteria

### Eligibility

57. There are different models for providing HE in FECs, as highlighted above. Subject to resources being available, we intend to invite bidders to make their case for becoming a Centre for HE Excellence by describing their model, providing evidence of excellence and making their case for further development. All FECs that have agreed a strategy with HEFCE will be able to bid for a centre, although we envisage smaller colleges are more likely to do this through a collaborative bid. HEIs will also be eligible to bid, but only in partnership with one or more FECs.

58. We intend to link the invitation to bid with the submission of HE strategies. Colleges that have a strategy agreed by HEFCE will then be able to bid for a centre, and the strategy would form part of the bid. This will ensure that any investment from HEFCE will support the strategic development of HE in FECs and achieve best value across the sector.

### Evidence of existing excellence

59. We envisage the evidence for excellence will be based on the objectives for the initiative (see paragraph 56), in one or a number of curriculum areas. Institutions would make their case to be a centre, describing excellent provision and practice and pointing to evidence. Examples might be external recognition and investment (such as CoVEs), QAA reviews, student feedback, and testimony from employers or professional bodies.

### Potential for strategic development

60. We are keen to support the development of areas of excellence in line with college strategies and identified through the bidding process. To receive funds from HEFCE, bids would need to show how colleges planned to build on their HE strategies, demonstrating the potential for growth, and incorporating the development of practice and innovative approaches.

### Selection process

61. If we proceed with the centres, we would favour a bidding competition over an open-ended fund, given that resources will be limited. To minimise the burden on colleges we intend to adopt

a two-stage selection process. We will develop appropriate assessment criteria, using a panel of experts drawn together once the outcomes of this consultation have been considered.

### Consultation question 4

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

## Funding and relationships

### Funding method

62. HEFCE provides funding for teaching to HEIs and FECs as a block grant, which institutions are free to spend according to their own priorities. We calculate the grant through formula and non-formula methods. The method is broad-brush, with modifications designed to protect important and unique features of HE. Currently we are reviewing the funding method for teaching, through a two-cycle approach. The first cycle is intended to address issues that require attention and to put in place the foundations for changes that may be required in the future. The second cycle will address changes that might be needed after the Government's review of HE fees in 2009.

63. The first cycle set our priorities for the funding method, and in particular considered:

- the need for stability and predictability of the HEFCE grant
- our belief that we should support and protect strategic priorities through the funding method
- the need for a simplified method.

64. We published the outcomes of the first cycle of consultation in March 2006 (see HEFCE 2006/12). The implications of our proposals for HE delivered in FECs are important, and we are working closely with the Association of Colleges, the LSC, and



colleges directly to ensure that we have a full understanding of the issues.

65. Our policy on HE in FECs needs to take into account our priorities for the funding method, and the changes that we propose should support those priorities.

### **Funding routes**

66. We have offered three types of funding relationship with HEFCE for HE in FECs. Many colleges have a mixture of these funding types and sometimes are in partnership with a number of HEIs. The funding types are:

- a. **Indirect funding**, in which the student numbers belong to an HEI and are franchised to the FEC. The HEI retains responsibility for the student numbers, the curriculum, and the quality of the provision and the student experience.
- b. **Direct funding**, in which the FEC has a direct contract with HEFCE, which it manages itself. It can set its own fees but needs to have the curriculum validated by an awarding body, usually an HEI. The FEC has responsibility for the student numbers, and the quality of the provision and the student experience, but the standards of the award are the responsibility of the awarding body. We are empowered to fund only certain types of full HE qualifications in directly funded FECs (see paragraphs 26-28).
- c. **Consortium funding**, in which the members of the consortium enter into a partnership in which one member (usually but not always an HEI) manages the contract with HEFCE on behalf of the others. The student numbers are shared among the consortium members and can be moved between them, while the individual members retain responsibility for the quality of the student experience. The precise nature of the relationship is determined by the consortium agreement. The constraints upon what we can fund are as for direct funding.

67. We published advisory codes of practice for franchised and consortium arrangements in 2000 (HEFCE 00/54). Since a consortium was a new funding option we included, as a drafting aid, a

checklist of the requirements to cover and the terms to include in consortium agreements, and asked to see the agreements before funding through this route. Currently we do not monitor the operation of franchise or consortium agreements.

### **Issues**

68. We have already noted the wide range of organisational arrangements that exist across colleges for the management of their HE provision. These differ according to the size and range of the HE provision, but they also reflect the nature of the funding arrangements and the requirements of partnership working. Not surprisingly, most of the feedback that we received to inform our review focused on indirect funding.

69. The think pieces we commissioned in November 2005 from the Practitioner Sounding Board raised a number of common issues about indirect funding arrangements. Overall they concluded that where collaborative partnerships worked well there were significant benefits in the development and delivery of HE, for all partner institutions and for students. However, practice was not always of a high standard and there were a number of shortcomings, particularly related to funding. Where there were criticisms of partnership working these focused on:

- a tendency towards short-term opportunistic working rather than a commitment to strategic planned development
- failure by some lead institutions to fund partners in a long-term and transparent manner
- failure by some lead institutions to include all HEFCE funding when calculating the resources to be passed on to member institutions
- a lack of true partnership working.

### **Clarity and transparency**

70. In December 2003 we published our review of indirect funding agreements and arrangements between HEIs and FECs (HEFCE 2003/57). It concluded that while at a minimal level most agreements met the formal requirements of the HEFCE codes of practice, few agreements expressed the 'spirit' of the codes, either in the philosophy of

the partnership or in relation to joint authorship and ownership of the agreement. The review found that franchise agreements were generally uneven, with the weakest and least satisfactory sections usually relating to funding, collaborative working and the quality of the learning experience. In these sections, information was often incomplete or opaque, and sometimes missing. On funding, the missing or least transparent information most often related to the proportion of funding retained by the lead institution. Consortium agreements were generally fuller and more transparent, although not without examples where the coverage of some aspects was thin or absent.

71. Since then, there have been substantial developments in collaborative working between FECs and HEIs, for example in establishing Lifelong Learning Networks. The need to collaborate will continue, particularly in response to the challenges of the changing nature of HE. There is evidence of more positive and supportive partnership arrangements between colleges and HEIs.

72. The QAA reported earlier this year on the outcomes of its reviews, completed in November 2004, of collaborative provision in institutions which did not have large or complex portfolios of such provision. The report identified strengths in aspects including general management and support of collaborative links, and developmental approaches to quality management. Where there were concerns they included the formulation and operation of management systems, liaison arrangements, and documentation.

73. Our discussions with colleges, particularly at our annual conferences, and through seminars arranged by the Association of Colleges, have indicated that these positive features of good practice in collaborative provision between institutions have not necessarily been accompanied by the same attention to the indirect funding agreements. Colleges tell us of cases where it is still unclear what services are being provided by the HEI, and how the costs of the services have been determined. HEIs also may not be clear about the costs, but most believe that they do not recover the full costs involved.

74. We do not think that lack of clarity and transparency is defensible in indirect funding arrangements.

75. We are already supporting initiatives that focus on good practice in collaborative arrangements. In 2003 we commissioned two companion good practice guides (HEFCE 2003/15 and HEFCE 2003/16). These are aimed at supporting senior managers and practitioners engaged in HE in FECs, and provide a framework for planning and managing HE activity. The recent establishment of the Association for Collaborative Provision of HE in FE in England brings together on a more formal footing those HEIs and FECs that are collaborating through indirect funding arrangements. The association's meetings provide a forum where FECs and HEIs can share and discuss issues relating to collaborative arrangements. In addition, we have asked the Higher Education Academy to undertake work over the coming year to identify and disseminate examples of good practice in all forms of indirect funding relationships, and specifically the key transferable factors which contribute to the successful operation of those arrangements.

76. So, increasingly, support and advice are becoming available to help institutions develop effective partnerships and indirect funding agreements.

### **Security of funding and student numbers**

77. We have said that we expect FECs that offer HE to have a rationale for wanting to continue to provide it and a strategy for doing so. This implies a mature, long-term commitment to the development of HE, and that cannot best flourish where FECs – or HEIs – are subject to short-term, unplanned fluctuations in funding or student numbers. We believe it is important that institutions involved in collaborative funding arrangements should reflect the strategic nature of those arrangements in their indirect funding agreements.

78. The duration of collaborative arrangements will depend upon the particular circumstances, but we would expect them to be long-term associations between member institutions. While these arrangements are in place, we would expect the funding agreements between institutions to provide

them with security of funding and student numbers over an agreed period. Unless there were exceptional circumstances, that period should be at least three years. Linked to this, there should be clear provisions for the termination of individual membership and/or the agreement as a whole. Thus all institutions involved in collaboration would be able to develop and implement their strategies in the knowledge that the funding and student numbers were committed over a significant period. The agreements, of course, would need to have regard to individual institutions' success in fulfilling their obligations and responsibilities to the collaborative activity, but this need not deflect from establishing agreements that provide long-term stability and predictability.

#### **Consultation question 5**

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

#### **Costs**

79. In the past colleges have often asked us to specify the proportion of funding that the lead institution should retain for the services it provides in an indirect funding arrangement. The review of indirect funding (HEFCE 2003/57) noted that there was increasing awareness of the actual costs attached to indirectly funded partnerships, but that institutions that had tried to cost the service they provided had found it very difficult and there was no consensus. Franchise agreements were wide ranging in size, composition and scope, reflecting a diversity of partnership arrangements in more than 500 agreements then in operation.

80. Given this diversity, it would not make sense for us to specify a proportion of funding to be retained, as this would differ according to the particular arrangements. Instead, we believe a more useful and defensible approach is for institutions to know their own costs of teaching activities and to use these in a

transparent way to derive the costs of the services involved in indirectly funded partnerships.

81. We are already moving ahead with the development of the Transparent Approach to Costing (TRAC) for teaching as the basis for a consistent national framework for collecting cost information. One of the objectives is to help inform institutions about the costs of teaching. It will enable them to make more use of cost information, for example in deciding fee levels and allocating resources across activities. Currently only HEIs use the TRAC methodology, but we are considering with FECs the options for introducing measures that are informed by costs, without adding to their administrative burden. We believe that using cost processes in particular will help FECs to identify the resources that support their HE provision.

#### **Consultation question 6**

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

#### **Consultation question 7**

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

#### **Funding routes**

82. The 2003 review of indirect funding found that comparatively few FECs welcomed indirect funding, and that control and transparency were the central issues for many colleges. Some FECs valued the flexibility that indirect funding arrangements could give; most believed them to be inherently unstable. Since 2003, the arguments from colleges with indirect funding have tended to focus on the practical difficulties of funding relationships. They have stressed the importance of securing a funding relationship that is based on mutual respect and

that would help the college to plan strategically and build capacity.

83. For the future we believe we will increasingly fund activity that is collaborative and that supports widening participation and progression into and through HE. This requires close, supportive and sustainable arrangements between FECs and HEIs. We would be concerned that increasing the number of colleges that are directly funded and reducing those that are indirectly funded would increase the administrative burden on them and could put at risk the sustainability of some colleges' HE. Our preference, as set out in paragraph 78 above, is that colleges with indirectly funded provision should have security in respect of the funding and student numbers for which they are responsible under the funding agreement.

84. FECs have raised two other issues with us linked to direct funding. The first relates to them not having powers to award their own HE qualifications. This is an issue outside our control and therefore we have not addressed it here. The second issue concerns the bureaucracy of the validation arrangements with some HEIs. This is something we shall be looking at jointly with the QAA.

### **Relationships**

85. We have already noted that there is a wide diversity of partnership arrangements between FECs and HEIs. At one end of the spectrum are bilateral relationships where an FEC may be contracted to deliver a specific award, or part of an award, that an HEI has designed and specified how it should be delivered, and where the HEI monitors delivery to assure the quality and standards of the provision. Many FECs have multiple bilateral arrangements of this type. In bilateral arrangements, the FEC will typically have at most only limited strategic involvement in its contribution to HE.

86. At the other end of the spectrum are multiple collaborative arrangements spanning a large network of institutions and a wide range of programmes in a region or beyond. These are typified by the consortium indirect funding

arrangement, though some franchises also involve multiple collaborations.

87. The feedback that we have received during our review generally favoured the consortium model of indirect funding. Most consortia involve a cluster of institutions, normally including an HEI, who pool funding and student numbers to develop and deliver HE programmes but formally retain individual ownership of them. FECs and HEIs have commented positively on the 'democratic ethos' of consortia and their potential for encouraging the strategic participation of all members, and particularly FECs. Consortia were seen to offer a more equitable structure for collaboration than franchised relationships which formally are hierarchical, though there are many examples of good partnerships in franchise relationships.

88. The comparative study about to be published of leadership, governance and management issues of three consortium arrangements<sup>14</sup> concluded that 'consortia do not present the potential problem of a differential in power relationships in such sharp contrast as might be the case in a franchise relationship'. This is because the ultimate decisions over allocation of resources lie with the relevant committee of the consortium itself, and not with an individual institution.

89. We consider that indirect funding arrangements in future should reflect the perceived benefits of partnership working through the structural and management arrangements of the consortium funding model, and should adhere to the principles outlined in our codes of practice (HEFCE 00/54, to be updated following this consultation). These codes involve an inclusive approach whereby member institutions collectively agree the purposes for which the consortium or partnership is established, the responsibilities of each member, including how fee levels will be agreed, and the structures and mechanisms for operating and reviewing the arrangement.

90. Our proposal that indirectly funded institutions should have a minimum period of security over

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<sup>14</sup> 'Comparative study of the leadership, governance and management issues for three FE/HE partnerships' (forthcoming University of Huddersfield publication).

student numbers and funding (see paragraph 78), should also benefit both the lead institution and its partners, as it will provide stability and predictability and support a more strategic approach to developments in HE.

91. The arrangements for data returns by colleges currently differ for franchise and consortium agreements due to the different formal responsibilities in each. In franchises, the lead institution is responsible for all the data returns, to HEFCE and to the Higher Education Statistics Agency (HESA) or the Individualised Learner Record (ILR) of the LSC. However, in consortium arrangements, the lead institution is responsible for the data return to HEFCE for all the consortium members, whereas the individual members each make their own data returns to HESA and in the ILR.

92. In practice this has resulted in persistent difficulties in reconciling the two sets of data returns, increasing the administrative burden on the institutions involved. All current consortia have asked us to resolve this problem. We propose, therefore, that in future all data returns should be made by the institution that leads the indirect funding arrangement. This change would affect the formal responsibilities and accountability of institutions, which in future would all flow through the lead institution. Thus, the students would be registered at, and belong to, the lead institution, which would also be responsible for the quality of the provision at the FE colleges.

### **Consultation question 8**

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

### **Consultation question 9**

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

### **Monitoring agreements**

93. Currently there is no formal monitoring process for either franchise or consortium agreements. Instead we invited FECs and HEIs either to adopt the principles of the relevant code of practice (HEFCE 00/54) when the arrangements were established or to use the code to review existing franchise arrangements. We stated that if there was evidence of concern about the effectiveness of indirect funding partnerships or the operation of franchise or consortium agreements we would consider what further steps would be appropriate.

94. There have been very positive developments in partnership arrangements and, in many cases, these are genuine partnerships of equals. However, there are many others in which the indirect funding agreements that underpin partnerships do not demonstrate the clarity and transparency expected in the codes of practice, and in which relationships are not long term and strategic. Therefore we believe that we need to introduce some form of monitoring for indirect funding agreements.

95. Furthermore, as we have made specific proposals to change indirect funding arrangements so that they offer increased security of funding and student numbers, we will want to be satisfied that they have been adopted and incorporated into full indirect funding agreements. We will consider further how best we can achieve this while also taking into account the need to keep the administrative burden to a minimum. We would welcome advice from institutions on the approach we should take.

96. We believe that our existing codes of practice, updated to ensure they are consistent with and complementary to the QAA's code of practice covering collaborative provision, provide an appropriate specification for these agreements but that they have not been adequately adhered to. It is clear from our informal consultation that a significant minority of partnerships have not adhered to our codes of practice, and we believe that we need to take stronger action to ensure that all do so. We do not wish to increase the burden on partnerships unreasonably and would welcome feedback on how to ensure compliance without a burdensome process.



97. As one measure, we will consider the existence of partnership agreements that meet the standards of our codes of practice as a criterion in awarding additional student numbers or funds for Centres for HE Excellence to those partnerships.

#### **Consultation question 10**

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

#### **Consultation question 11**

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

#### **Access to special funding**

98. Feedback from a number of colleges, both in the think pieces we commissioned at the outset of the review and subsequently at our joint conference with the Association of Colleges in May 2006, indicated some confusion about which HEFCE special funding initiatives FECs were able to access and about the rationale for routeing some funds through HEIs. In particular there was a concern, especially among colleges with large amounts of directly-funded HE, that there was insufficient HEFCE investment to support the planned strategic development of their HE.

99. Subject to resources being available we would wish to support strategic developments in Centres for HE Excellence in FECs. We will also consider further our investment of HE in FECs, including how best to channel that funding.

#### **Capital funding**

100. HEFCE's capital funding is formula driven; for both FECs and HEIs it is based upon the institution's total standard teaching resource, and so is weighted by its HE student numbers. HEFCE's approach is to provide each institution with an allocation as an entitlement, so there is no bidding

process. This differs from the method used by the LSC to distribute capital funding for further education, which is determined by a bidding process through which FECs apply for a percentage of grant support towards project costs.

101. Over the two years 2006-08 HEFCE has allocated £52 million through formula allocations for FECs, and since December 2003 has allocated a further £35 million to HEIs for HE centres, which in some cases involve FECs, to support outreach to communities with limited access to HE.

102. There are two main issues: the size of the capital funding available to institutions with low student numbers, and the disjunction between the different capital funding models of the two funding councils.

103. When we consider the next round of capital funding, from 2008-09, we may review the formulaic allocations to see whether there is a need to apply a minimum allocation for institutions with low student numbers. An alternative approach would be for HEFCE to take all the current formula capital allocations and create a fund for larger projects. This would mean adopting a selective approach whereby some colleges would receive support for large developments but many colleges would not receive any capital funding.

#### **Consultation question 12**

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

104. The different allocation methods of the two funding councils particularly affect mixed economy institutions – that is FECs with significant amounts of HE, and HEIs with significant amounts of FE. Some have expressed concern that inequitable access to capital funding hinders the possibility of integrated FE and HE provision to support progression of learners within an institution. We are currently exploring with the LSC in one region how we might work together on aligning the funding bodies' different approaches to capital investment.

105. To enhance the distinctive features of HE in FECs we propose that, subject to resources being available, we will make additional specific capital funding available for Centres for HE Excellence in FECs.

## Quality assurance

106. As the quality assurance arrangements for HE in FECs have already been the subject of a sector consultation, no consultation questions are being asked about it here. However, it is included as an integral part of HEFCE's policy on HE in FE.

107. Institutions will be aware that HEFCE and the QAA are developing a new method for quality assurance of HE in FECs, entitled Integrated Quality and Enhancement Review, or IQER. IQER considers the FEC's entire portfolio of HE provision (both directly and indirectly funded) and makes judgements on how the college is managing its own responsibilities with regard to that provision. The QAA sought the sector's views on IQER in a consultation published in April 2006. As a result of the responses it made some adjustments to the handbook to be used for piloting the new method, which will take place in 2006-07. This will be followed by a five-year cycle of reviews. Full details are in the pilot handbook<sup>15</sup>.

108. The decision to move from academic review to IQER was taken in response to the following considerations:

- a. Academic review had shown that the majority of HE in FE provision was of satisfactory quality or better. It therefore seemed appropriate to move to a new method that was less burdensome on FECs while satisfying statutory requirements regarding quality assessment.
- b. The burden of IQER will be more proportionate as it takes a risk based approach: those institutions that have a good record of quality will receive less scrutiny than those with a poorer record.
- c. FECs had commented that the disparity in quality assurance methods between HEIs and FECs meant that FECs appeared at a

disadvantage. IQER will result in a set of judgements that are analogous to those used for HEIs in institutional audit. This will enable the public, particularly potential students, to compare provision between providers and give FECs more parity with HEIs.

- d. Feedback from FECs indicated that they appreciated the peer-review approach taken by QAA and wished this to continue, rather than extending OFSTED inspections to include HE.
- e. IQER will provide specific information about indirectly-funded HE in FECs which was not previously available as it was included within the details for the franchising HEI. IQER will look at an FEC's entire portfolio of HE, whether funded directly or indirectly. Collaborative audit only samples provision in FECs so does not provide a full picture.
- f. IQER will also provide new information about the quality of very small pockets of provision. This will help to inform HEFCE's policy in this area.

109. Although the pilot has slightly preceded this consultation, IQER has been fully incorporated into, and in turn informed by, discussion of policy for HE in FECs within HEFCE. IQER supports the overall policy in the following ways:

- a. It presupposes that FECs have a strategic approach to the delivery of HE, whether it is funded directly or indirectly, and a clear rationale for providing it. Lack of a strategic approach will be a cause for concern and may result in a limited or no confidence judgement.
- b. While recognising the roles of both HEIs and FECs in providing HE (HEIs remain responsible for the academic standards of all awards granted in their name), IQER acknowledges that FECs have specific responsibilities as deliverers of HE provision, and that it is not sufficient for them to rely entirely on an HEI partner to maintain the quality of that provision.
- c. IQER judgements will be made within the context of partnership agreements.
- d. In keeping with our wish to work more closely with the LSC and OFSTED, acknowledging FECs'

<sup>15</sup> 'The handbook for a pilot study of an integrated quality and enhancement review', QAA 2006, [www.qaa.ac.uk](http://www.qaa.ac.uk) under Publications.

responsibility for their own provision is also consistent with ongoing work in the FE sector, where quality assurance is increasingly based upon self-regulation and self-assessment. It is also intended that IQER reviewers may join OFSTED inspections for reviews of small amounts of provision, to reduce the burden on these institutions.

- e. The provision of new and specific information on indirectly funded provision and on FECs with small numbers of HE students will enable HEFCE to make informed decisions regarding policy on these areas.

### Next steps

110. IQER will be piloted in a number of colleges during the 2006-07 academic year. The pilots will be selected to represent a range of provision and partnership arrangements across the sector. After the pilot year, there will be a gap of one term before IQER proper begins in 2008. This gap will allow for a full evaluation of the pilot and, if necessary, further consultation with the sector before the final method is rolled out. It will also enable us to take the outcomes of the pilot into account in our policy for HE in FECs before this is implemented later in 2008. During 2006-07, we will discuss with the QAA issues arising from the pilots and from the HE in FECs review, so the two initiatives will continue to influence each other. The outcomes of IQER pilot evaluations will also inform the redevelopment of collaborative provision audit by the QAA.

111. We are currently consulting on the detailed information to be published regarding quality and standards (see HEFCE Circular letter 23/2006).

### Other issues

112. In preparing this consultation we have focused on questions about what we see as the major issues. There may well be other issues which we have not considered, or you may have comments that are not directly related to any of the questions so far. We would be happy to hear them.

## Responses to the consultation

113. Responses to this consultation on our strategy for HE in FECs should be made by Tuesday 20 February 2007, using the online form available with this document at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Publications.

114. We will publish an analysis of responses to the consultation. Additionally, all responses may be disclosed on request, under the terms of the Freedom of Information Act. The Act gives a public right of access to any information held by a public authority, in this case HEFCE. This includes information provided in response to a consultation. We have a responsibility to decide whether any responses, including information about your identity, should be made public or treated as confidential. We can refuse to disclose information only in exceptional circumstances. This means responses to this consultation are unlikely to be treated as confidential except in very particular circumstances. Further information about the Act is available at [www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

#### Consultation question 13

Do you have any further comments?



# Annex A

## Consultation questions

1. Do you agree with our view of the distinctive contribution which HE in FECs can make to the overall pattern of HE provision in this country?
2. Do you agree that all FECs delivering HEFCE funded HE should provide a strategy statement which reflects our view of the distinctive features of HE in FECs set out in paragraph 38, and demonstrates that their HE meets the principles set out in paragraph 44 points a-f?
3. How far do you agree with the proposed aims and objectives for Centres for HE Excellence in FECs?
4. How far do you agree with our initial proposals on the criteria (eligibility, evidence of excellence, potential for development), and the selection process for the Centres for HE Excellence in FECs?
5. Do you agree that under normal circumstances indirect funding agreements should provide member institutions with security of funding and student numbers for at least three years?
6. Do you agree that developing information on the cost of teaching will assist in identifying the costs of collaborative activity?
7. Are there other barriers that hinder the production of clear and transparent indirect funding agreements, especially in relation to funding and student numbers? If so, what are they?
8. Do you agree that all indirect funding arrangements should reflect the structural and management arrangements associated with consortia and adhere to the principles specified in our code of practice for consortia?
9. Do you agree that all data returns for consortium arrangements should be made by the lead institution?
10. Do you agree that HEFCE should take steps to satisfy itself that institutions adopt the proposed changes to indirect funding agreements? If so, what should these be?
11. Are there other measures that should be adopted to improve the operation of indirect funding agreements? If so, what should these be?
12. Would you support HEFCE taking the existing formulaic capital allocations and using these to create a fund for large capital projects in FECs?
13. Do you have any further comments?

# Annex B

## Review of higher education in FECs

### Aim of the review

To develop a consistent and coherent HEFCE policy on the contribution of FECs to HE.

### Objectives

1. To consider the main purpose of HE provided within FE institutions, addressing:

- the purpose of HE, and what HEFCE wants to achieve by developing HE in FECs
- the relationship between HE and FE, and how HE is different from FE
- the nature of the HE experience
- the current policy context, including the development of foundation degrees and Lifelong Learning Networks, and the skills agenda
- the contribution of FECs to progression from FE into HE.

2. To develop an overarching strategy for the support of HE in FECs taking into account:

- the role(s) FECs can play in providing HE
- possible forms of delivery
- the provision of high quality HE
- how HE in FECs can most appropriately be delivered to meet the changing environment for both FE and HE
- the respective responsibilities of HEFCE and the LSC.

# Annex C

## The shape and size of HE provision delivered in FECs

### Data sources

1. Data are drawn from the HESA individualised student record and the Individualised Learner Record (ILR) collected by the LSC.

### Definitions

2. The counts of students include students registered at FECs in England and students registered at HEIs in England and taught at an FEC in England. Where multiple records relating to the same student studying for the same qualification aim ('a student instance') are found, the student instance is only counted once. Home, EU and overseas students are included.

### Students registered at HEIs

3. The counts are based on the population definitions used in HESA publications ([www.hesa.ac.uk/holisdocs/pubinfo/student/studefs0405.htm](http://www.hesa.ac.uk/holisdocs/pubinfo/student/studefs0405.htm)) with the following exclusions:

- students on sandwich year placements
- students studying towards a research degree.

### Students registered at FECs

4. The counts follow the same definitions as for HEIs with the additional restriction that only students on prescribed courses are included.

Figure 1 **Diversity of college size based on HE students only (2004-05)**

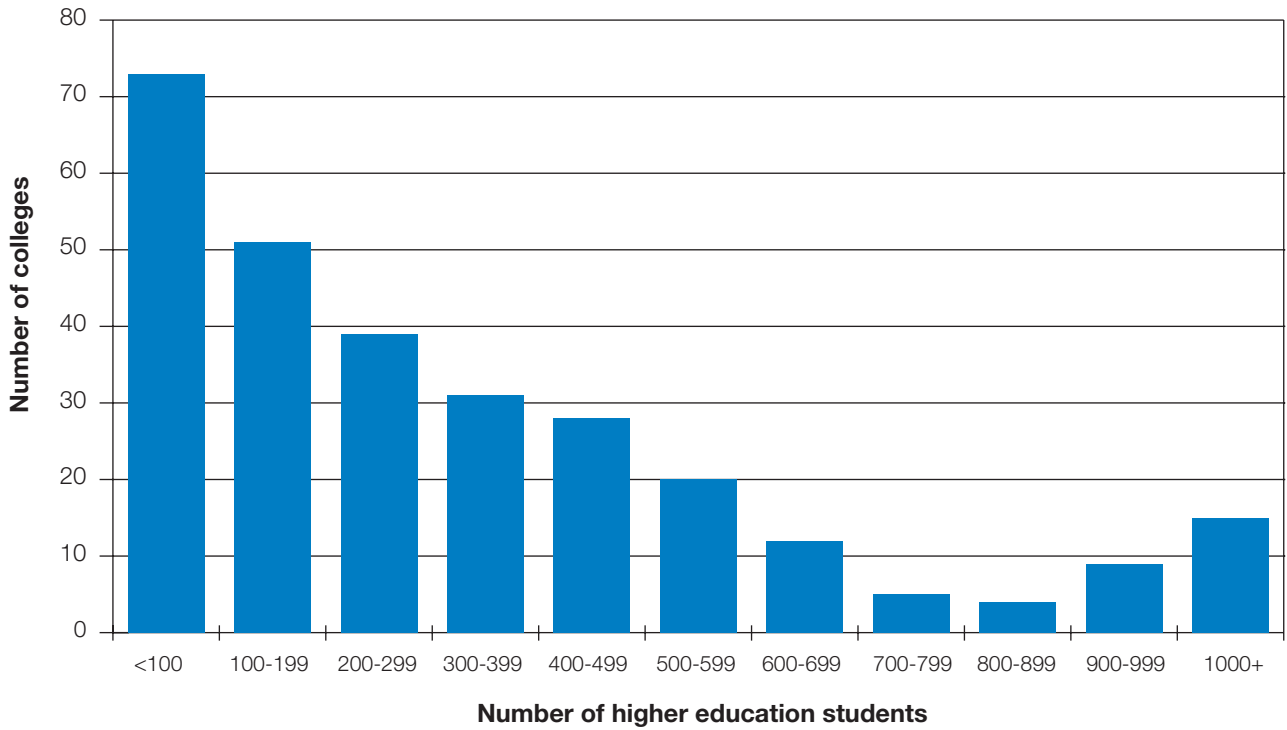


Figure 2 **HE in FECs: qualification aim by percentage of students (2004-05)**

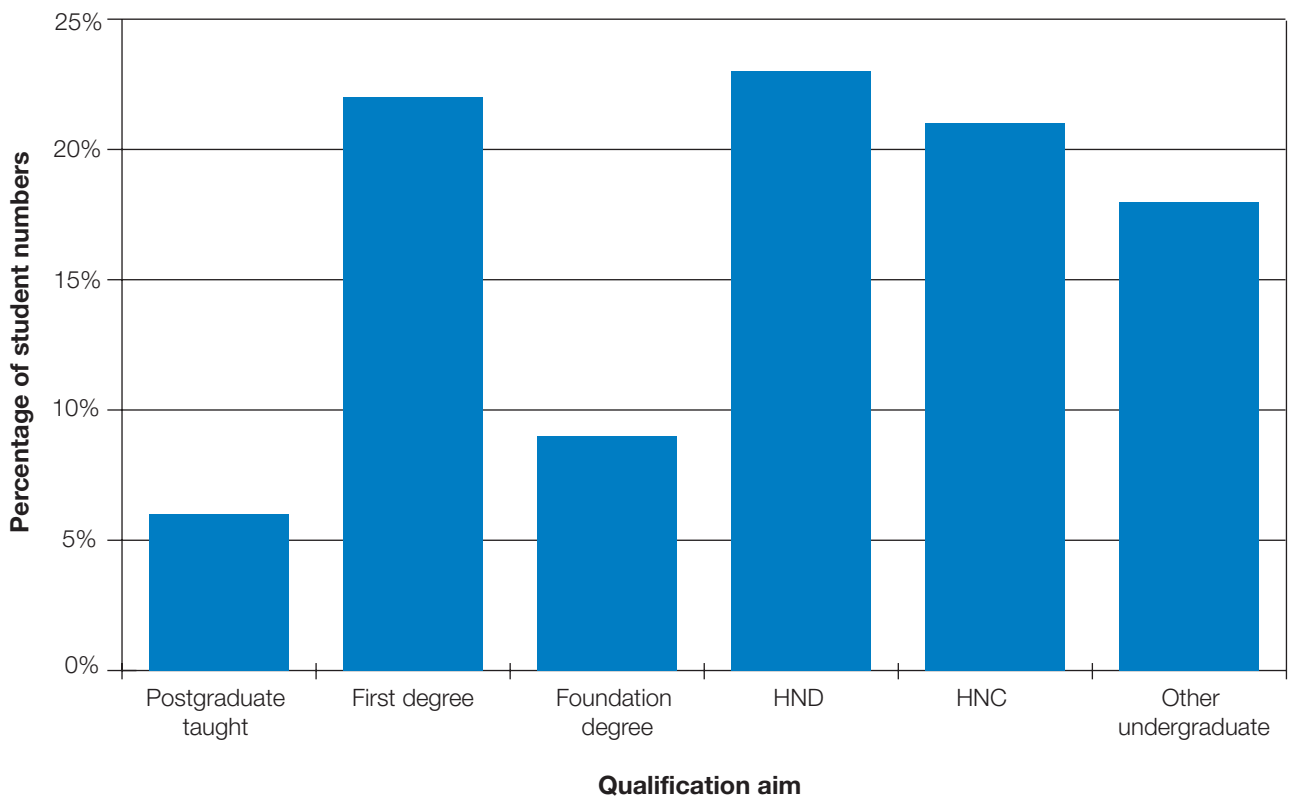
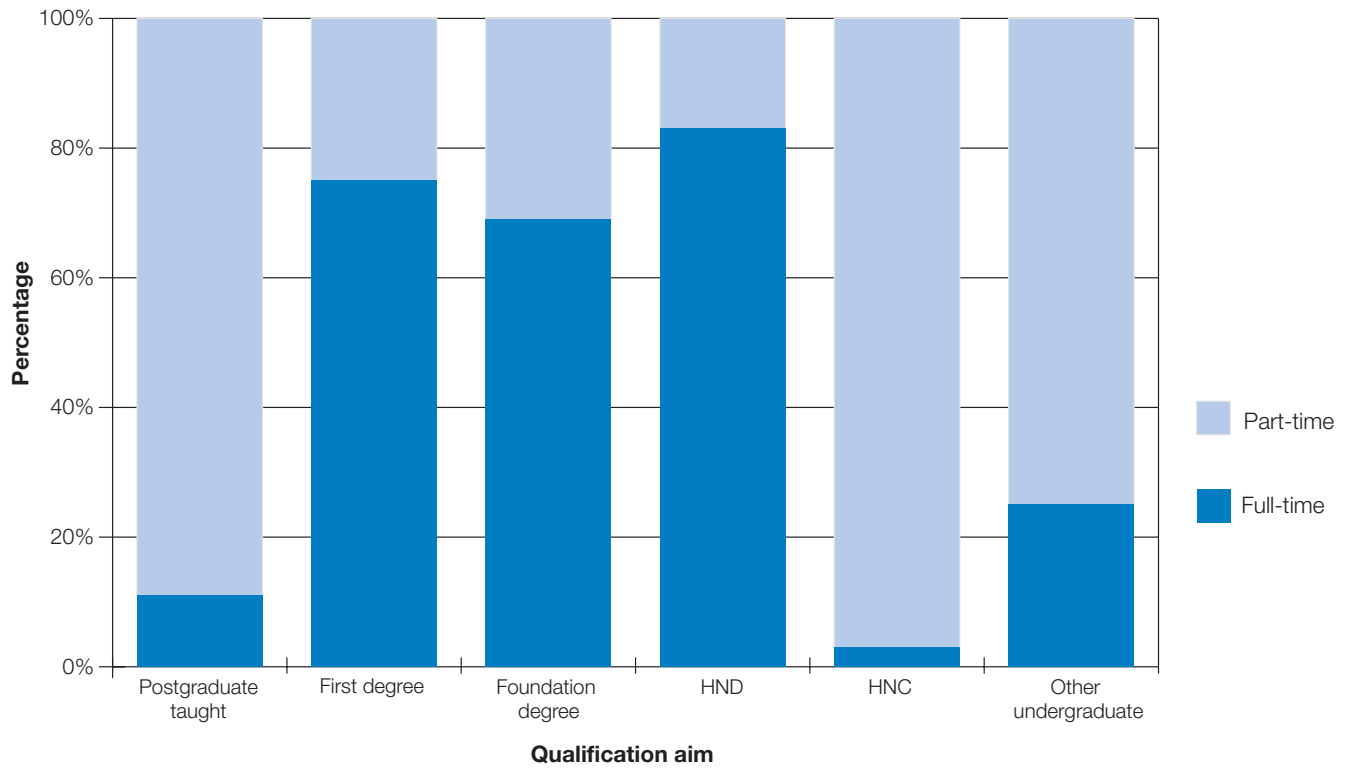



Figure 3 HE in FECs: Qualification aims by mode of study (2004-05)



# List of abbreviations

|              |   |
|--------------|---|
| <b>ACP</b>   | Association for Collaborative Provision for HE in FE in England |
| <b>CETL</b>  | Centre for Excellence in Teaching and Learning                  |
| <b>CoVE</b>  | Centre of Vocational Excellence                                 |
| <b>DfES</b>  | Department for Education and Skills                             |
| <b>FE</b>    | Further education   |
| <b>FEC</b>   | Further education college                                       |
| <b>HE</b>    | Higher education  |
| <b>HEFCE</b> | Higher Education Funding Council for England                    |
| <b>HEI</b>   | Higher education institution                                    |
| <b>HESA</b>  | Higher Education Statistics Agency                              |
| <b>HNC</b>   | Higher National Certificate                                     |
| <b>HND</b>   | Higher National Diploma   |
| <b>ILR</b>   | Individualised Learner Record                                   |
| <b>IQER</b>  | Integrated Quality and Enhancement Review                       |
| <b>LSC</b>   | Learning and Skills Council                                     |
| <b>QAA</b>   | Quality Assurance Agency  |
| <b>QALT</b>  | Quality Assessment Learning and Teaching Committee              |
| <b>QCA</b>   | Qualifications and Curriculum Authority                         |
| <b>TRAC</b>  | Transparent Approach to Costing                                 |
| <b>WP</b>    | Widening participation  |



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