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Issues paper

This report is for information

This report reviews the indirect funding arrangements that exist between higher education institutions and further education colleges. It provides information on the variety and conduct of these arrangements and highlights aspects that work well and those where there is cause for concern. This information will enable HEFCE to give feedback to the sector on the pattern and extent of such partnerships with a view to offering further guidance on good practice.

Review of indirect funding agreements and arrangements between higher education institutions and further education colleges

Report to HEFCE by the National Institute of Adult Continuing Education and the Universities of Sheffield and Warwick, with City College, Manchester

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Executive summary

- This report reviews indirect funding agreements and arrangements between higher education institutions (HEIs) and further education colleges (FECs). This information will enable the HEFCE to give feedback to the sector on the pattern and extent of indirectly funded partnerships with a view to offering further guidance on good practice.

- In this study commissioned by the HEFCE, a team from the University of Sheffield, the University of Warwick and the National Institute of Adult Continuing Education, plus City College, Manchester, undertook a review of the indirect funding agreements and arrangements currently operated between HEIs and FECs in England. These take two main forms: franchises between a lead HEI and one or more FECs; and HEFCE-recognised funding consortia where an HEI or FEC is identified to receive and distribute HEFCE funds to member institutions. Those institutions seeking recognition as a funding consortium are required to provide the Council with a copy of their agreement. No such requirement is applied to a franchise agreement.

- During the course of the review the government published its White Paper on *The future of higher education* (2003). In this document, proposals are made for the expansion of new foundation degrees, with FECs expected to play a significant role in delivering this growth. To ensure that any expanded provision is of high quality, structured partnerships between colleges and universities – franchise or consortium arrangements with colleges funded through partner HEIs – are identified as the primary vehicles to achieve these aims. However, there might be some instances where direct funding is deemed more appropriate.

- The first part of the review was concerned with collecting copies of indirect funding agreements from HEIs and FECs, to describe their characteristics, and to assess the extent to which they incorporated the principles set down in the HEFCE Codes of Practice for franchise and consortium arrangements (HEFCE 00/54). The second part of the review, based on a questionnaire survey and case studies, provided information on the variety and style of partnership arrangements, including how partner institutions viewed their working.

- Nearly all HEIs and some two-thirds of FECs responded to a request for information about whether or not they were involved in indirect funding partnerships. This indicated that 75 HEIs were party to 522 agreements involving 289 FECs. The great majority of these related to franchises and the remainder related to HEFCE-recognised consortia.

- The franchise agreements were wide-ranging in size, composition and scope. The variety of formats indicated a range of understandings, interpretations and decisions by institutions about what constituted a funding agreement, or what was deemed appropriate for the review team to receive. Most were reported as original documents. However, several examples of template agreements were received where only a copy of the template for the standard agreement was submitted. In these and other cases, it was common for the main document to be accompanied by a number of annexes. Most consortium agreements were more recent in origin and more uniform in size, format and coverage.

- These documents usually served two purposes: as commercial agreements and as statements of partnership. In most, the emphasis was placed on the commercial and legal aspects rather than the principles of partnership underpinning the relationship. In franchise documents, the content, style and language usually reflected the lead role of the HEI. Given that the lead institution in a franchise is fully responsible for the students and accountable for all aspects of finance, administration and quality, this necessarily implied a hierarchical relationship. Consortia agreements, on the other hand, gave more recognition to FECs as key and equal partners.

- Franchise agreements were generally uneven in their coverage, with the least satisfactory sections relating to funding, collaborative working and the quality of the learning experience. On funding, the missing or least transparent information usually related to the proportion of funding retained by the lead institution. On quality and collaboration, it was not always clear what specific responsibilities and duties were to be performed by the lead institution. Consortia agreements were generally fuller and more transparent, although not without examples where the coverage of some aspects was thin or absent.

- At a minimal level, most agreements were meeting the formal requirements of the relevant Code of Practice. However, few agreements expressed the ‘spirit’ of the Code, either in terms of a philosophy of partnership or in relation to joint authorship and ownership of the agreement.

- Agreements reflected a wide diversity of partnership arrangements. Some were relatively recent; some had been in existence for a considerable time; some involved only an HEI and an FEC; other partnerships were complex and involved a large number of institutions. HEIs operating indirect funding agreements (IFAs) with a number of different partners did not believe this presented any particular difficulties. More surprisingly perhaps, FECs working with a number of HEIs through quite different IFAs also found that operating with several partners was relatively unproblematic.

- For HEIs the main reasons offered for entering into an indirectly funded relationship were widening participation and increasing access; responding to the local and regional agenda; and increasing their student numbers. For FECs, the most commonly offered reason was that working with an HEI through an IFA was the only way they could increase their higher education (HE) provision.

- Some FECs, especially those which are part of a HEFCE recognised funding consortium, acknowledged a range of benefits from working through an IFA but the majority of colleges expressed a strong preference for direct funding. These colleges frequently drew attention to the inherently asymmetric nature of an indirectly funded relationship and what they perceived to be a lack of genuine partnership.

- Most colleges and HEIs found the HEFCE Codes of Practice for franchise and consortia arrangements to be helpful in providing a ‘checklist’ and as a reminder of what was expected of partners. A minority of HEIs, however, were critical of the codes and believed them to be unhelpful.

- There was a significant variation in the figures for the amount of funding retained by the HEI in an IFA. HEIs reported figures ranging from 2.75% to 42%; FECs from 8% to 50%. Most of the HEFCE recognised funding consortia operated with a figure below the mean for the system as a whole. Many FECs were unclear as to how the figure was calculated and what was provided by the HEI in return. HEIs admitted to some difficulty in accurately costing the services they provided but, nonetheless, believed that the proportion of the funding retained did not cover their costs.

- As far as future developments were concerned, many HEIs took the 2003 White Paper on higher education to be a confirmation and endorsement of their existing policies and expected to continue or expand their indirectly funded work. A smaller number indicated they may scale back or withdraw from such activities on grounds of either cost or incompatibility with institutional mission. Colleges welcomed the commitment to the growth of HE in FECs, but many took the opportunity to emphasise again their preference for this expansion to be achieved through direct funding.

- In conclusion, a number of recommendations are made to the HEFCE: re-writing the Codes of Practice; exploring ways by which indirectly funded relationships could be made more attractive to FECs; recognising the costs of collaborative working; and carrying out further work to identify and communicate examples of good practice in indirect funding relationships.

1 Introduction

This is a report on a review of indirect funding agreements and arrangements between higher education institutions and further education colleges. The review was commissioned by the HEFCE in October 2002 and, following a tender process, was undertaken jointly by a team from the University of Sheffield, the University of Warwick and the National Institute of Adult Continuing Education.

The arrangements covered by the review are those involving higher education institutions and further education colleges in two types of indirectly funded partnership:

(a) franchises between a lead HEI and one or more FECs;

(b) HEFCE-recognised funding consortia where an HEI or FEC is identified as the lead institution to receive and distribute HEFCE funds to member institutions.

In a franchise, the students are attributed to the lead institution and this establishment has full responsibility for all aspects of finance, administration and quality relating to these students. In a consortium, by contrast, the students are attributed to individual member institutions and each establishment is directly responsible for the quality and standards of the programmes offered to these students.

These two types of indirectly funded partnership are the subject of separate Codes of Practice (both are documented in HEFCE 00/54). The Codes of Practice apply to arrangements in England. Although some institutions have funding relationships with establishments in other parts of the United Kingdom and overseas, the review is only concerned with funding partnerships entered into by HEIs and FECs in England.

The review was intended to:

- Assess the extent to which current indirect funding agreements incorporate the principles set down in the HEFCE Codes of Practice for franchise and consortium arrangements;

- Provide information on the variety of partnerships that exist, including the range and costs of the activities involved, and the management structures that institutions have adopted to run the partnerships;

- Identify common themes among partnership arrangements and to highlight those aspects that institutions consider to be working well and those areas where there are concerns;

- Enable HEFCE to feed back to the sector substantial information on the pattern and extent of indirectly funded partnerships, at regional and national levels, and to offer further guidance on good practice.

In this document, we report the main findings of the review. A web-based source document detailing the evidence base for the study is also available together with an electronic version of this report on the HEFCE web-site (www.hefce.ac.uk) under Publications.

Structure of this report

The findings are reported here in two main sections. Section 4 is based on an analysis of indirect funding agreements submitted by HEIs and FECs to the review team. The other, section 5, is based on an analysis of the results of a questionnaire survey that was sent to those responsible for indirect funding arrangements in HEIs and FECs, together with the findings of case studies conducted in a range of franchise and consortia partnerships. In section 6 we summarise our main findings and conclusions, and we make a number of recommendations. Before moving to these sections, we outline the background to the review and the approach taken by the review team.

2 Background

Partnerships between HEIs and FECs in England take a variety of forms and many are long-standing. At one end of the spectrum are bilateral relationships between an HEI and a single FEC in respect of the whole or part of one course. At the other are multilateral collaborative arrangements spanning a large number of institutions and a wide range of programmes in a region or beyond. Some partnerships have their origin in the rapid expansion of higher education at the end of the 1980s and the early 1990s, some were established earlier and others have been recent developments. Before being considered by the Dearing inquiry into higher education in 1997, the nature, role and potential of these arrangements had been reviewed by a succession of bodies, including Her Majesty's Inspectorate, the Higher Education Quality Council and, most notably, by the HEFCE.

The Dearing report made specific recommendations regarding the quality assurance of franchise arrangements and the direct funding of higher education in FECs. On the former, the committee proposed tighter regulation by the Quality Assurance Agency for Higher Education (QAA). On the latter, the inquiry recommended that priority in future growth in sub-degree provision should be accorded to FECs:

> 'We are keen to see directly-funded sub-degree higher education develop as a special mission for further education colleges. In general, over time, we see much more of this level of provision being offered in these colleges.' (NCIHE 1997, p.260)

In the post-Dearing period, collaborative activities have been the subject of guidance and monitoring by the quality and funding authorities. Collaborative provision of all kinds, in both the United Kingdom and overseas, has come under a Code of Practice published by the QAA in 1999 (QAA 1999). In England, indirectly funded franchise and consortium arrangements entered into by HEIs and FECs have come under separate Codes of Practice issued by the HEFCE (HEFCE 00/54).

Unlike the QAA Code, which was one section in an overall Code of Practice for the assurance of quality and standards in higher education, the HEFCE Codes arose from decisions about funding as well as considerations of quality. At the same time that plans were agreed for HEFCE to assume responsibility for much of the higher education previously funded by the Further Education Funding Council, the FECs were offered a choice between three funding options:

(1) direct funding from the HEFCE to an individual college;

(2) indirect funding ('franchising') through an HEI; and

(3) indirect funding through consortium composed of a cluster of FECs, usually with at least one HEI.

Although the Dearing committee had favoured direct funding for FECs, in support of their ‘special mission’ in sub-degree higher education, the preference for multiple funding routes was explained by the HEFCE in terms of the complexity of the issues involved. Not only was there wide variation in the scale and nature of the higher education provided by FECs, with the Council expecting to be initially responsible for funding another 200 FECs, but the more structured and regulated approach to collaboration encouraged by the Dearing recommendations on franchising was expected to provide new structures for funding.

The issue of scale was, in turn, related to the quality and comparability of the student experience. Where, it was argued, a small volume of higher education was provided in a college whose focus and mission was oriented towards further education, there was a danger it could become ‘isolated’ and ‘harder to safeguard the quality of the student experience’. However, the benefits of collaboration or partnership were broader than this. In choosing their funding routes, colleges were asked to consider carefully whether some form of collaboration with an HEI (or other FECs) might help them ‘secure high quality and standards’; and, whichever the route chosen, colleges were encouraged to work in partnership with an HEI ‘specifically in developing their quality assurance arrangements’ (HEFCE 99/36).

Colleges were able, if they wanted, to continue with multiple funding routes, such as being indirectly funded through an HEI for some provision while being directly funded for other programmes. Nevertheless, the HEFCE believed that, to avoid unnecessary complexity, it would ‘normally make sense’ for a college to choose a single funding route for all its provision. The new funding approach was introduced in 2000-2001. The transfer of funding responsibility to the HEFCE had taken place in 1999-2000 and interim arrangements covered the transitional year.

As a result of some colleges choosing to be funded indirectly or through consortia, the total number of colleges receiving funds directly from the HEFCE reduced from a high of 270 in 1999-2000 to 226 in 2000-2001 and 202 in 2001-2002. By the end of 2001, seven consortia had been recognised by the HEFCE for funding purposes, and this had increased to thirteen by the time of this review. According to the most recent published data (HEFCE 02/51), some 36,000 students in 2000-2001 were registered at an HEI and taught (in whole or part) at an FEC. In this year, 60 HEIs and 262 FECs were partners in franchise agreements of this kind.

To support decision-making by colleges, as well as quality and standards more generally, the HEFCE Codes of Practice were introduced in 1999-2000. A draft Code on franchise arrangements was circulated in June 1999 (HEFCE 99/37) and, following consultation, a final version was published in November of that year (HEFCE 99/63). A draft Code on consortia arrangements was issued in January 2000 (HEFCE 00/02) and was followed by regional seminars which gave institutions an opportunity to learn about consortia arrangements that were already well-developed. A final version was published in December 2000 (HEFCE 00/54) which, like the Code on franchise arrangements, took into account responses to the draft. At the request of institutions, the two Codes were brought together in this last document. The same document included a checklist for consortium agreements and an annex summarising the respective responsibilities of institutions in the two types of indirectly funded partnership.

Each Code of Practice set out guidance on the principles to be reflected in the franchise and consortia agreements that underpinned indirectly funded partnerships:

> ‘These codes are intended to provide guidance to HEIs and FECs but are not intended to be either exhaustive or prescriptive. The circumstances of individual partnerships vary. So long as the end result is high-quality teaching and learning for students, it is for the partners to determine the precise arrangements that will best suit them. The arrangements must ensure that there are clear lines of accountability for the programmes and that they are financially viable.’ (HEFCE 00/54, p.3)

The principles themselves were a means of ensuring that:

> ‘the agreements are well understood, transparent and able to command the confidence of all the partners involved. These principles provide frameworks for promoting good practice in indirect funding relationships, whether through franchise or consortium arrangements. The best test of such an arrangement is whether the parties to the agreement believe that it helps them deliver high quality, accessible and cost-effective HE programmes, taking account of their individual circumstances and needs.’ (ibid., p.4)

In the case of franchise arrangements, the Code of Practice acknowledged that a variety of partnerships was already in operation. Some of these were working well, but there were also examples where colleges had in the past experienced ‘difficulties’. The Code sought to identify the characteristics of effective franchise funding partnerships and so enable current good practice to become universal. Furthermore, there were good reasons for maintaining and encouraging these partnerships:

> ‘They fulfil an important role in widening access for students. They can provide good opportunities for student progression. They offer a valuable vehicle for close collaboration between HEIs and FECs in meeting local and regional needs for coherent provision of HE. They also help to develop diversity in the sector. Where partnerships are already working well, we want to sustain them. We also want to encourage the formation of new partnerships.’ (ibid., p.9)

Those establishing any new franchising arrangement were expected to reflect the principles of the relevant Code in the associated funding agreement. Those already operating franchise partnerships were expected to use the Code as a basis for reviewing existing agreements and arrangements.

The Code of Practice on franchise arrangements was intended to complement the Code on collaborative provision produced by the QAA. Indeed, there was ‘deliberate overlap’ between the two since they were ‘addressing the same issue from different perspectives’. Whereas the QAA would expect to assess and report on how effectively individual institutions were meeting the expectations of the precepts in its Code, there was no formal monitoring process of franchise agreements.

The rejection of tight regulation and rigid criteria for the development of franchise arrangements was echoed in the Code of Practice for consortia. As a new feature of the HEFCE funding method, there was no record or range of experience by which to identify good practice in consortium arrangements. However, unlike for franchise arrangements, the HEFCE required to receive and approve the full underpinning contract before it agreed to fund a consortium. Consortia were expected to observe the requirements of the Code and the Council would ‘have regard to the code when deciding whether to fund or continue funding a consortium’. Beyond that, ‘we shall not regulate’.

Again, there were good reasons for encouraging consortium agreements:

> ‘They can offer advantages to students by providing a wider network of HE experience among the member institutions. They can simplify and allow flexibility in administration, and promote collaboration between HE providers in planning, particularly the local and sub-regional pattern of HE. Consortia also fulfil an important role in widening access for students. They can provide good opportunities for student progression, and they help to support diversity in the sector.’ (ibid., p.6)

The Code of Practice sought to deal with ‘some uncertainty’ about the difference between a consortium and a traditional franchise arrangement, and the important consequences this had for quality assurance. The primary difference between the two related to the respective responsibilities of the institutions concerned. In a franchise partnership, the franchiser receiving HEFCE funds was ‘fully responsible’ for the students and accountable for ‘all aspects’ of finance, administration and quality relating to those students: ‘That necessarily implies a hierarchical relationship between the franchiser and the franchisee’. A consortium, by contrast, recognised ‘FECs as key and equal partners with HEIs’ and each institution remained responsible for the quality of the experience it provided for its students.

Finally, notice was given in the Codes of Practice of a survey to be conducted by the Council in 2001-2002. This would:

> ‘find out how effectively the franchise and consortium agreements are working, and how far they meet the terms of the respective codes. If the survey provides evidence of concern about the effectiveness of indirect funding partnerships or the operation of franchise or consortia agreements, we will consider at that stage what further steps would be appropriate.’ (ibid., p.8)

The proposed survey was incorporated into the terms of reference for the present review.

Shortly after the commencement of the review the government published in January 2003 its White Paper *The future of higher education*. In this document, the policy of expanding higher education mainly through foundation degrees was reaffirmed, together with the important role of FECs in their delivery. To support the foundation degree route, a ‘new national network’ would be established to ‘underwrite the quality of foundation degrees in FE Colleges and support their development across the board’.

The significant role of the FECs in meeting local and regional skills needs, including the higher education they provided, was expected ‘to continue and to grow’. In order that any expanded provision was of the required high quality:

> ‘We believe that structured partnerships between colleges and universities – franchise or consortium arrangements with colleges funded through partner HEIs – will be the primary vehicles to meet these aims and will deliver the best benefits for learners.’ (DfES 2003, p.62)

However, there would be ‘some instances’ – such as where niche provision was delivered or where there were no obvious higher education partners – where direct funding of higher education in FECs ‘may be more appropriate’.

At the same time, not all FECs had local universities in the position to develop foundation degrees with them in ‘a close and supportive way’. To address this and to widen the choice for FECs, and other colleges without degree-awarding powers, the government proposed to establish a new national network of universities – Foundation Degree Forward – to offer a ‘dedicated validation service’ for foundation degrees. It would also act as a ‘national centre for foundation degree expertise’, liaising with sector skills councils and professional bodies, acting as a catalyst for further development, and making available a reservoir of good practice.

As part of making it easier to form ‘sensible’ partnerships between HEIs and FECs, and to remove unnecessary bureaucracy where provision crossed the sectors, the government proposed to work with the HEFCE and the Learning and Skills Council to streamline the funding regimes. Different ‘mixed economy’ institutions and federal arrangements were developing where the traditional boundaries were ‘no longer relevant or desirable’. In taking forward ways of reducing the difficulties faced by institutions in responding to two funding councils and two quality assurance arrangements, the three parties would also be:

> ‘reviewing the administrative and legislative barriers that exist to improve greater integration of systems.’ (ibid., p.63)

3 Review strategy

The review was undertaken between December 2002 and July 2003 by a team of nine researchers, including senior managers in further education with day-to-day experience of cross-sector funding arrangements. The composition of the review team and the advisory group established to support the work is given at Annex I.

The strategy for the review was based on strict rules of confidentiality, quantitative and qualitative approaches, comprehensiveness in the coverage sought, and liaison with parallel projects to guard against institutions being overloaded with requests for similar information. The review collected data and analysed evidence using three main methods: a systematic reading of funding agreements; a questionnaire survey of HEIs and FECs; and case studies of indirect funding partnerships.

Collection and analysis of funding agreements

HEIs and FECs in England were asked to state whether or not they were involved in indirect funding partnerships and, if they were, to submit copies of the full agreements and the associated financial details. Following reminders by letter and telephone, we received responses from nearly all HEIs and some two-thirds of FECs.

A total of 126 out of 131 HEIs (96%) responded to our request for information and, of these, 70 confirmed they were involved in one or more indirect funding agreements. Responses were received from 271 out of 403 FECs (67%) and, of these, 157 stated they were partners in one or more such agreements. Among the agreements supplied by FECs were those which involved the five non-respondent HEIs. As a result, we were able to acquire examples of the funding agreements entered into by all HEIs which operated franchise and consortium arrangements. At the same time, we received copies of the agreements for each of the funding consortia recognised by the Council at the time of the review.

Based on the information supplied in the 664 funding agreements received from 227 establishments we were able to build a comprehensive picture of the current scale of partnership activity in England. This indicated that 75 HEIs were party to 522 agreements involving 289 FECs.

Each agreement was read and its contents recorded using a coding frame designed to assess the extent to which the principles in the relevant Code of Practice were reflected in the individual document. To supplement the database of information derived from the coding frame, a sample of agreements was also selected for synoptic reading by members of the review team. This involved a more holistic approach based on a judgement about whether these documents reflected the ‘spirit’ of the code. The results of these two kinds of reading are reported in section 4.

Questionnaire survey of HEIs and FECs

In order to place these agreements in context as well as to explore their actual operation, a questionnaire was distributed to those responsible for franchise and consortium funding arrangements in HEIs and FECs. The questionnaire asked for information and views on the management, funding and conduct of partnership arrangements, together with matters relating to the drawing up, adoption and review of funding agreements.

Several questions dealt with the financial aspects of partnership agreements, including information about the share of the total resource retained by the lead institution. Data from the questionnaire survey on this aspect of funding, together with the same information supplied in funding agreements and from a follow-up e-mail survey of HEIs, are brought together and reported in section 5 of the report. The publication in January 2003 of the White Paper *The Future of Higher Education* also enabled us to include a question about the intention to employ 'structured partnerships between colleges and universities' as the primary vehicles to deliver expanded provision of higher education in further education.

Questionnaires were distributed to those institutions that indicated they were involved in indirect funding partnerships. These were completed and returned by 43 HEIs and 75 FECs, a response rate of 61% and 48% respectively. The questionnaire returns generated both quantitative and qualitative data. The findings from the questionnaire survey and from the case studies are combined in our report and summarised in section 5.

Case studies of partnership arrangements

To guide the identification of our case studies, a typology of thirteen different partnership arrangements was drawn up to reflect the range, scale and diversity of working practices. Individual case studies were chosen as indicative of specific types of arrangements rather than as statistically representative of the arrangements as a whole. The case studies comprised:

- a university with multiple FE partners;
- a university with two FE partners;
- a university with partners in a single subject area only;
- two universities with the same FE partners;
- a university college with partners;
- one FEC and all its university partners;
- a funding consortium led by a university;
- a funding consortium led by an FEC;
- a non-funding consortium;
- a large FEC in partnership with one university;
- an FEC with small provision and a university partner;
- an FEC with specialist provision and a university partner;
- multiple HE and FE partners working in an urban environment.

Thirteen case studies were produced. They involved semi-structured interviews lasting approximately one hour with individual members of staff from partner institutions. In each case ‘some’ rather than ‘all’ partners were interviewed on a fairly random but typical basis and in relation to their willingness or otherwise to be interviewed. In total, eighteen senior staff in HEIs and nineteen staff in FECs with management responsibilities for higher education programmes contributed their observations and experiences. Wherever possible their institutions’ funding agreements and questionnaire returns informed the interview.

4 Content and character of indirect funding agreements

Over 600 indirect funding agreements were received from more than 200 establishments. These were documents submitted in a variety of formats and featuring a diversity of styles. A number of these were documents submitted separately by the HEI and the FEC partners pertaining to the same agreement. In some cases, there were differences in what was received from each partner. This was not the case with consortium agreements in which each member was generally clearer about what constituted the definitive document.

The great majority of agreements related to franchise arrangements. At the time of the review, there were thirteen HEFCE-recognised consortia and we received agreements for each of these. The franchise agreements were wide-ranging in their size, composition and scope.

In terms of length, the largest comprised more than 30 pages and some were accompanied by booklets and other materials which helped to explain the history, structure, nomenclature and operation of a partnership set of arrangements. The shortest were just three pages in length, with ten or so paragraphs each devoted to a discrete element in the agreement. In one case, the response took the form of a note explaining that the new franchise arrangements were currently covered by existing validation agreements. In another case, the response took the form of a published leaflet describing a newly created partnership.

Consortium agreements tended to be more uniform in their size, format and coverage whereas franchise agreements represented a larger and more heterogeneous set of documents.

The variety of formats taken by franchise agreements indicated a range of understandings, interpretations and decisions by institutions about what constituted a funding agreement, or what was deemed appropriate for the review team to receive. Our letter to institutions requested copies of the ‘full agreement(s) and the financial details’. Except where institutions did not complete our information sheet or where they did not provide a list of the partner institutions and franchise programmes, we did not seek additional information. Our aim in this part of the review was to examine the content and character of the documents received, not their relationship to the working of such partnerships.

Based on the details given on the information sheet, we found that most were reported as original documents, with only a small minority described as revised. However, over 150 agreements sent to us were a copy of the template for the standard agreement. In other words, we did not receive a copy of the actual agreement, but only a word processed version. Sometimes this was the only document received. In other cases, it might be accompanied by a standard memorandum of agreement and anonymised (sometimes empty) annexes covering, for example, approved programmes, committee structures and financial payments. Template agreements were generally a feature of large franchising HEIs with multiple FEC partners.

Other HEIs also had template or standard forms of franchise agreement, but in these cases they were able to provide at least one example of an actual agreement with a named partner college (often described as 'typical'). Where such an example was supplied it was not always stated whether the same agreements and conditions, financial or otherwise, applied to each partner establishment. Indeed, a common feature of template or standard agreements from the major franchising HEIs was the streamlined nature of their documentation.

Where, in the minority of their submissions, actual examples of detailed financial information were supplied they usually took the form of spreadsheets giving student numbers and funding allocations. In most cases, these were not readily intelligible to anyone outside the partnership and, for this reason, we were frequently unable to derive information about the distribution of funds between the parties to the agreement. Nor were we able in many cases to identify the names of the courses approved for franchising or whether they were franchised in whole or in part.

Where HEIs indicated that they had only one or a small number of franchise partnerships, it was more common for copies of the actual funding agreements to be provided. Even so, it was not always the case that detailed financial and other information was supplied and, as might be expected, the range of variation in the format and character of these agreements was very wide.

Our assessment of the extent to which these agreements reflected the principles of the relevant HEFCE Code of Practice is based mainly on the results of the content analysis we applied to each agreement. However, our synoptic reading of a sample of individual agreements enabled us to judge the authority, audience and mutuality of the partnership documents. The sample reading was undertaken alongside the coding exercise, and our overall judgements from the synoptic reading were combined with the results of the full and systematic assessments of their coverage, accountability and transparency.

The synoptic reading highlighted differences in the authorship and style of documents, with those which might have been written by 'administrators' tending to be formulaic and legalistic while those which might have been drafted by 'educators' giving more emphasis to the purpose and underlying philosophy of partnership. In a number of cases, differences in authorship and style overlapped with differences in the locus of control, with some documents written for and on behalf of the HEI, as the lead institution in a franchise relationship, and others adopting a language of joint obligations, shared responsibilities and collective ownership. The latter was a feature of consortium agreements. At the same time, however, there were examples of documents which combined both of these features, making it more difficult to judge their relationship to the 'spirit' of the Code.

We present the findings of our analysis of the content and character of indirectly funded agreements in terms of each of the principles set down in the Codes of Practice for franchise and consortium arrangements. The two Codes have five principles broadly in common and, for these, we report on franchise and consortium agreements together. For the other three principles, the findings are presented for the relevant type of agreement. These eight principles provide the main headings for the rest of this section.

4.1 Indirectly funded partnerships should have an explicit and agreed purpose. They should be a means of securing one or more objectives for both the HEI(s) and the FEC(s), for example on widening access or regional collaboration.

Franchise arrangements

Under this first principle, the Code of Practice expected the purpose of indirectly funded franchise partnerships to be defined in relation to the missions and strategic plans of both parties. Each was to be clear about why they entered the partnership and, through the identification of success criteria or performance indicators, each should be able to assess whether in practice it was achieving the purpose.

Although the vast majority of franchise funding agreements identified one or more explicit purposes, few explained their choice of partners and even fewer identified the means or measures by which the partnership might be assessed. In many cases, the statement of purpose took the form of a simple description of the provision to be franchised, with broader purposes sometimes being signalled or amplified in other parts of the document.

Where the partners to an agreement did indicate why they entered into the relationship, this was related to a broad range of purposes, several of which had a regional dimension. Alongside statements in support of a 'regional strategy to widen participation', 'benefits to the regional economy' and 'progression in the region' were others emphasising the history of collaboration between the partner institutions and 'a shared philosophy and mission' between them. A number of agreements pointed to more specific aspects: a partner had 'particular strengths' or the FEC had 'a special interest in the subject area' and 'academic and financial viability'.

Most agreements specified what type of provision was to be delivered by the partner college. Where agreements dealt with a small, specific or limited range of provision, the amount of information was generally more detailed. Where template or generic agreements were involved, and where the range of provision was larger or broader, it was common for aggregate or spreadsheet information to be provided which did not necessarily identify courses by name, qualification aim, subject or mode.

Consortium agreements

All agreements received on behalf of the members of the thirteen consortia had a statement indicating the explicit and agreed purpose of the partnership. The most common references here were to 'widening participation', 'benefit to the community', 'establishing progression routes', 'planning' and 'the economy of the region'. Some of these also pointed to more specific objectives: 'joint bids for additional student numbers', 'mutual support', 'capacity building', 'responding to demand', 'staff development', 'cost effectiveness', 'strengthening existing links' and 'spreading best practice'.

However, only two out of the thirteen consortium agreements identified a rationale for the choice of members. In each case the statement was distinctly abbreviated: 'regional' and 'shared objectives'. Similarly, only three agreements attempted to identify the criteria and indicators by which performance and success might be assessed.

Although the exact nature of the provision to be delivered was not specified in six cases, the information provided in the other agreements indicated a wide range of courses and qualification aims.

4.2 Partners should agree between them, and publish, a written statement of expectations, responsibilities and obligations of the parties.

Franchise agreements

Almost all funding agreements had some kind of statement of expectations and obligations for both parties. For the HEI, these most commonly addressed issues of quality and standards and to matters of administration. For the FEC, on the other hand, these were referenced to a wide range of areas, including: the delivery and administration of programmes; the provision of resources; admissions and enrolment; student services; and the day-to-day management of programmes.

For all but 128 agreements, information was given about the duration of the agreement, with a range from one to eight years. The most common lifespan was five years (143 documents) followed by three years (78 documents). There were also 25 agreements where no time limit was specified because they were 'on-going'. However, only a minority of agreements had a statement about the procedures to be adopted for general or specific amendments to these documents. Again, only a minority of agreements possessed a statement of the action to be taken if either party was not meeting the terms of the contract.

Consortium agreements

All but two agreements had a clause specifying the members of the consortium and how institutions might be admitted. All agreements, on the other hand, described a mechanism for making binding decisions on matters connected with the purpose of the consortium, such as adjusting student numbers and funds between members. In half the agreements, the location of these decisions was the 'chief executive and management board or group'. Other agreements identified a 'steering group with HEI and FEC membership' for this purpose. A small number described this in terms of 'mutual agreement', with the lead institution having a 'final say' or with a joint board where the lead institution exercised a 'veto'.

In each consortium agreement there was a statement outlining the expectations, responsibilities and obligations of each member, the lead institution, and the consortium management board (or equivalent). For each member, the most frequently mentioned responsibilities related to 'the supply of data and information to the lead institution', 'the monitoring of standards', its 'individual responsibility for quality assurance', the discharge of their 'own academic duties', and its 'planning and providing information on progression opportunities'. For the lead institution, these obligations centred on its accountability for 'the allocation of HEFCE funds', its 'formal reporting to the funding council', and its 'concern for standards through the consortium executive'. For the consortium management board, these responsibilities focussed on the planning, management and operation of the partnership, but they were also referenced to more specific concerns and duties (such as 'the publication of annual reports' and 'the review of strategic development for the future').

4.3 The arrangements described in the agreement should: be transparent; provide stability for students and institutions; specify the arrangements for managing the agreement; specify the respective responsibilities of the lead institution and other partners; specify the financial basis of the agreement; specify the procedures for deploying student numbers.

Franchise agreements

While nearly all franchise agreements included a statement of the respective responsibilities for 'student recruitment, selection and admission' as well as for 'course teaching and assessment', there was much more uneven coverage in other areas. In a large minority of agreements no mention was made of 'course design, development and monitoring' (197 documents), 'complaints and appeals' (180 documents), 'student support, advice and guidance' (204 documents) and 'recruitment, appointment, induction and development of staff' (212 documents).

As noted previously, some of the most difficult areas to assess related to the funding arrangements underpinning franchise agreements. This was where the coverage in most agreements was at its weakest, either because little or no information was provided about the actual amounts of funding received by the HEI and passed to the partner college, or because the form of this information was not intelligible to the external reader. This was frequently (but by no means exclusively) the case with submissions from HEIs with multiple partnerships and large franchised numbers where such information was commonly carried in an annual funding letter (and spreadsheet) from the HEI to its partner college. It was rare for copies of these letters to be included in the responses from HEIs, even where copies of actual funding agreements had been supplied. However, in a number of cases we did receive this information from one or more FECs in partnership with an HEI.

The general point to note here is that, for the purposes of making a submission to the review, a funding agreement supplied by an HEI usually took the form of a core document which set out the broad terms of the agreement but which did not necessarily contain details of the actual funding arrangements. These might be contained in an annex or schedule to the core document but which, in the copy of the submission received by the review team, this section might be left blank or simply omitted. Alternatively, such information might be the subject of side letters, especially since student numbers and funding allocations were likely to be adjusted from year to year. Whether or not these funding letters provide a full picture of the financial arrangements is another matter. Where we received copies of funding letters we included these in our examination of coverage and transparency.

The HEFCE did not prescribe or recommend a set proportion of the total funding which should be retained by the HEI to cover its contribution to the partnership arrangement: this 'will differ in each partnership'. Nevertheless, the Code of Practice expected that, in all cases, both parties were to be clear about four aspects of the financial agreement: first, the total HEFCE funding (including premiums and Access Funds) allocated to the HEI in respect of the students covered by the agreement; second, the part of the funding retained by the HEI; third, the overheads and services contributed by the HEI and paid for by the retained funding; and, fourthly, the basis for the calculation of the part of the funding retained by the HEI.

At the same time, the Code of Practice recognised that 'it is not feasible to cost every aspect of a partnership agreement' since, in a long-term and wide-ranging association between an HEI and an FEC, 'there will be intangible and unquantifiable benefits'. In indirect funding partnerships an HEI can 'undertake activities at marginal cost which would cost the FEC a great deal more to do on its own', as with the various administrative requirements associated with HEFCE funding. Again, there were 'wider activities and facilities' provided by the HEI whose contribution to the franchised provision 'cannot sensibly be costed'. Nonetheless, both parties were expected to be clear about 'how the total funding available for the franchised provision is being used'.

Only a minority of agreements (141 out of 436 documents) identified the total amount of HEFCE funding allocated to the HEI for the courses and students covered by the franchise. Even when this total was given, it was not always clear what elements of funding contributed to this total, especially since some agreements did not provide information about the nature and extent of the provision to be franchised, including its subject and mode. Some agreements provided this information but they did not indicate whether the whole or part of individual programmes were to be franchised. Of the 141 agreements providing reasonable information about the total funding allocated to the HEI, only 27 described or explained the composition of this amount.

Equally problematic was the way agreements described the amount of HEFCE funding retained by the HEI. While just over half the total (221 out of 436 agreements) provided some information on this matter, 62 agreements gave this as an amount in sterling and another 159 agreements gave this as a percentage. Very few agreements provided both. Where we received information in the form of amounts in sterling there was not usually sufficient other information to give meaning to these figures.

In section 5, we combine the figures given in the funding agreements (franchise and consortia) with those received in response to the questionnaire survey and a supplementary e-mail survey. In that section, we report separately the figures for franchise partnerships and consortia arrangements. In presenting here the figures given in franchise agreements, these need to be treated with caution since it is not always clear what is the composition of the total funding. For example, the percentage might refer only to the HEFCE core grant, with the college able to collect and retain the tuition fee. With these caveats in mind, the range of percentages identified in individual franchise agreements is from 10-15% (25 agreements) through to 40+% (9 agreements), with the largest number of agreements giving 25% (77 documents).

For the minority of agreements providing this information as a percentage, most had a statement describing the overheads and services covered by the retained part of the funding and most had a statement indicating how this proportion had been calculated. The most common elements in this part of the funding were the costs of quality assurance and assessment, access to student and welfare services, access to library and IT facilities, management and financial administration, and a category of ‘unspecified costs’. Other activities were mentioned less often, such as the costs of registration, publicity and marketing, curriculum planning and development, the making of awards, staff development, and the collection of tuition fees. Interestingly, there were no agreements which gave proximity as a factor affecting their calculation of funding.

Included in this part of the coding frame was a question requiring the analyst to make a judgement on the transparency or otherwise of the financial arrangements. If the percentage breakdown and rationale for the retained funding was clear in the agreement, then this was judged to be transparent. Similarly, if the HEFCE grant and tuition fees were outlined and it was clear how much funding per student was transferred to the partner college, then this was judged transparent (even if the percentage or rationale was not provided). Applying this rough rule of thumb, we consider that 187 agreements were reasonably transparent and 249 agreements were not.

The Code of Practice assumed, correctly, that most current agreements involved the HEI transferring to the FEC a net amount of funds, after deducting the amount it retained for the services it provided. In the same document, it invited institutions to consider an alternative model based on a service level agreement whereby all the allocated funds flowed through to the FEC, which then bought back agreed support services from the HEI. There were only two agreements which described their arrangements in terms of a service level agreement, although it was not clear what was entailed by this description.

On the specific arrangements regarding the allocation and collection of funds, the agreements were uneven in their coverage and treatment. The Code of Practice expected agreement on: how and when payments would be made, and the recording of transactions; which party collected student fees; what would happen to funding when students failed to complete a course; and what would happen if there were changes in public funding. In respect of any grant allocations for special funding initiatives which were based on a student-number related formula, the expectation was that the partnership agreement should set out what element of any special funding allocations from the HEFCE was attributable to the programmes delivered in the FEC. The same expectation applied to any non-formula project and special programme funding received by an HEI which also covered relevant activity in the FEC.

While just over half of the agreements had something to say about how and when payments were made (221 out of 436 documents) and about which party collected the tuition fee (228 out of 436 documents), only a small number of agreements indicated how special funding allocations were distributed or which party provided Access Funds. Like the question about what would happen to funding if students failed to complete their studies, very few agreements included a statement about how and under what circumstances student numbers might be reassigned. Similarly, only two agreements addressed the question of what might happen if there were changes to public funding.

The Code of Practice also expected that the funding agreement would state what would happen to the student numbers at the end of the agreement period and, in particular, whether on expiry these were attributed to the FEC or to the HEI. Few, if any, agreements attempted to address these dimensions.

Consortium agreements

Alongside the contribution of each member to the ‘areas of co-operation’ covered by the consortium and the ‘administrative base’ of the partnership, the guidance in this section of the Code focussed on quality, finances and student numbers. Although each member of the consortium was directly responsible for assuring the quality of the learning opportunities of its own higher education programmes, it was expected that the consortium agreement would state what would happen if provision at any member institution was judged by the QAA to be failing or in need of significant improvement, ‘particularly in the event of funding being withdrawn’. It remained open to consortia to ‘act collaboratively’ in relation to quality assurance and quality development if they wished. However, that did not detract from the formal responsibility of each member for ‘the quality of the learning opportunities of its own programmes, or of the awarding body for the academic standards of the award’.

Eight of the thirteen consortium agreements indicated what would happen if provision at any member institution was deemed to be failing or otherwise in need of significant improvement. Seven of these indicated how consortia might act collaboratively in these circumstances, with four locating overall responsibility with the consortium management board (or its equivalent) and one with the lead institution. In the two remaining cases, reference was made in one to an adjustment in student numbers made by the consortium management board and in the other ‘members will help each other to avoid damage to the image of the consortium’.

On finances, the Code of Practice expected that the amount of money retained by the lead institution to cover its contribution to the arrangements ‘will differ in each consortium’. As with franchise agreements, the funding council would not prescribe a set proportion that must apply. Rather, it would expect all agreements to specify: the total HEFCE funding (including both mainstream teaching grants and any other funds) and the student numbers being transferred to the lead institution in respect of student places in the consortium; how student places in the consortium had been calculated for each member; what part of the total funding the lead institution would retain; and what overheads and services contributed to the consortium were intended to be paid for by the retained funding, ‘with an indication of how the amount retained has been calculated’.

Interestingly, only a minority of consortium agreements (five out of thirteen documents) sought to identify the total HEFCE funding transferred to the lead institution, and only four of these indicated how student places were to be calculated for each consortium member. The part of the total funding retained by the lead institution was addressed in several ways: three agreements did not supply this information; three documents specified actual amounts in sterling; three agreements contained a top-slice arrangement per student (one of £100, one of £150, and one of £400); and four documents contained a percentage (ranging from 7.5% to 15%).

Only nine agreements provided a statement of the services contributed by the lead institution, with those relating to ‘consortium administration’, ‘data and information returns’ and ‘financial services’ mentioned most frequently. In each case, ‘planning and development’, ‘curriculum development’ and ‘staff development’ only merited a single mention.

The Code of Practice also expected that the consortium agreement would provide information on the timing of payments and recording of transactions as well as what would happen in the event of student non-completion and changes in public funding. Seven out of the thirteen consortium agreements stated how and when payments would be made, and the same number identified which party collected the tuition fee. Five of these identified which party kept the tuition fee, but only two provided information on how fee waivers were handled. Just three agreements had something to say about what happened to funding when students failed to complete a course and only two agreements addressed the issue of changes in public funding.

Given that the contractual agreement between members of the consortium would need to determine how student numbers would be distributed between member institutions (and adjusted as necessary over time), it was necessary for the contract to provide a statement on two matters: what HEFCE-funded numbers each member contributed to the consortium; and what arrangements existed for re-deploying those numbers if one or more members did not recruit or retain its targeted number of students in a given year. On the former, only six consortium agreements supplied student number information for each member. On the latter, by contrast, eleven agreements were able to describe the arrangements for re-assigning student numbers (and nine of these indicated whether such redeployment was temporary or permanent). More specific information on the impact of over-recruitment was given in ten agreements and, where the contract was time-limited, five agreements indicated the basis on which numbers would be apportioned between members at the end of the contract.

Not all consortium agreements identified the duration of their agreement. For those that did, this was given as three years in two instances, five years in three cases, six years in another and ‘ongoing’ for four others. Such information was not provided in three agreements. A similar pattern of coverage was evident in respect of the procedures in place for making general or specific amendments to consortium agreements. All but two agreements were able to describe these procedures, indicate what action would be taken if any member was not meeting the terms of the contract, and supply information dealing with the termination of individual membership and the winding up of the consortium generally. In each case, it was the same two agreements which displayed these omissions.

4.4 The agreement should state how the partners will work together, and in particular state any arrangements: for students to have access to resources and facilities of the partners; for students to progress on to higher level provision; for staff to work together.

Franchise agreements

This was a principle which had strong significance for the collaborative dimension in partnership agreements. As underlined in the Code of Practice, an objective of all indirect funding agreements was ‘to ensure good quality and high standards of provision for students, and effective partnership between the institutions’. Furthermore, such partnerships provided opportunities ‘to broaden and enrich the experience of students’ by way of access to HEI facilities including: libraries and general resource centres; equipment, facilities and resources specific to the subject area; and to student union, welfare and social facilities and services.

Opportunities for collaboration between staff were also seen as a valuable feature of franchising, and this might include: HEI staff contributing to the teaching of FEC provision; joint staff training and development; collaborative curriculum development; and involvement of FEC staff in research and development activity undertaken by HEI staff.

As the Code of Practice emphasised, there was ‘no single right way’ of promoting effective partnership and the method would ‘depend on circumstances’ but, in all cases, it was expected that the arrangements be ‘published’ for the students and staff concerned.

We explored this dimension in our synoptic reading of sample agreements, especially in relation to the ‘spirit’ of the Code of Practice. In our coding frame, we asked whether or not there was a statement about arrangements for students of the partner college to have access to the resources and facilities of the HEI (outlined in 217 documents), about opportunities for students to progress to higher level provision offered by the HEI itself (outlined in 223 documents), and about opportunities for collaboration between staff at the HEI and the FEC (outlined in 163 documents). In short, around half the agreements were able to state something about collaborative opportunities for students, and just over a third referred to collaborative arrangements relating to staff.

Not all agreements were explicit about access and collaborative arrangements for students. A common formulation in many agreements was access to ‘all the usual rights of HEI students’. In some cases, reference was made to restricted and discretionary arrangements for access to library and learning resources, including information technology. In relation to opportunities for student progression, many agreements were able to affirm automatic or expected progression, especially where a foundation year was the form of the franchised provision or where 2+2 arrangements were in place. In other cases, progression was expressed as ‘an aim’ of the agreement or ‘where possible’ or where ‘efforts were made’ to ensure this.

In the smaller number of agreements which identified opportunities for collaborative staff development, these were most frequently offered ‘as of right’ by the HEI. Strong versions of collaboration included a commonly agreed staff development programme between the HEI and the FEC. Looser versions included statements that the HEI would ‘ensure it will be available’ or ‘encouraged’ or offered ‘when appropriate’. At its weakest, one agreement simply ‘recognises its usefulness’.

Consortium agreements

The Code of Practice expected consortia to offer ‘improved opportunities for progression’. To this end, it was expected that consortium members would agree, and students would be told, what the opportunities were, including the range of courses to which they might be able to progress at any institution in membership (or in association with) the consortium. Although only a minority of agreements (five out of thirteen documents) supplied information about the range of facilities, resources and services available to students across the consortium, nine agreements were able to describe the opportunities for progression to courses at member institutions. In a number of cases, this amounted to a general statement about terms and conditions, but there were also examples where an agreement made reference to ‘a progression compact’ (where progression was ‘the norm’ between consortium members) or where the presence of foundation degrees meant they ‘must guarantee progression’ to partner HEIs.

The same section of the Code of Practice also expected agreements to describe opportunities for collaboration between staff, ‘another valuable feature of consortia’. Although the Code pointed to some seven areas of collaborative activity (including shared curriculum development and programme review, joint staff training and development, and staff contributing to the teaching of courses in other member institutions), only a small minority of consortium agreements offered a statement on this matter. These were usually of a general nature, although one document stated that all institutions ‘must’ offer staff development to colleagues in partner colleges. More common however were statements which accepted collaboration between staff as a ‘responsibility’ of each member institution, or which referred to this activity as an ‘aspiration’ of the consortium.

4.5 (for franchise agreements only) The HEI should support the FEC in setting and maintaining expectations on quality and standards.

This principle has a link to the QAA Code of Practice on collaborative provision and was published in advance of the new QAA arrangements for academic review. Here, as in some other parts of the HEFCE Code of Practice, changes in policy and practice invite amendments or adjustments to the existing Codes for franchise and consortia arrangements.

In the Code of Practice for franchise arrangements there is a restatement of the responsibility of the HEI for the quality and standards of all programmes for which it received HEFCE funding, ‘in accordance with the QAA’s code of practice on collaborative provision’. For their part, indirect funding agreements were expected to state the respective responsibilities of the HEI and the FEC ‘in undertaking quality assurance procedures’ and what would happen if provision was judged by the QAA to be of unacceptable quality, particularly if funding for that provision was withdrawn.

On the former, nearly all agreements (409 documents) addressed this question. On the latter, by contrast, only 32 agreements made reference to this situation.

For the HEI, its role in quality and standards was typically expressed in terms of ‘overall responsibility’ for standards. In addition, there were specific references to the management responsibility for liaison and monitoring collaborative provision and to the role of the HEI in validation, examination boards, the appointment of external examiners, the setting of examination papers, and assessment. For the FEC, its responsibility was commonly referenced to ‘day-to-day programme management’ together with the assessment requirements of the programme.

4.6 The partnership agreement should provide for the agreement, and its effectiveness, to be periodically reviewed.

Franchise agreements

As with the previous principle, there was a mixed response to these questions. While 264 agreements identified procedures for regular review, only 21 had information about how the results of this exercise were reported to the respective governing bodies. A similarly small number (25 documents) had something to say about the procedures enabling them to assess whether the conditions of the agreement were being met. And, another significant finding in terms of the ‘spirit’ of the Code, only six agreements made explicit reference to an assessment of their success in meeting ‘the needs of the students’.

The majority of agreements were clear about the frequency of such reviews, with 150 conducted on an annual basis, thirteen reviewed on a two-year cycle, 35 reviewed every three years, and smaller numbers opting for review every four or five years. However, in 29 cases there was simply a statement about the agreement being reviewed ‘periodically’ and, in the remaining 193 agreements, no information was given about their frequency. On whether changes to the document should be made by mutual agreement, only 28 agreements offered a statement on this matter.

Consortium agreements

The Code of Practice expected members of the consortium to monitor its operation and effectiveness, and to hold ‘regular reviews of the contract and of the performance in carrying it out’. All but one consortium agreement identified how often the review would take place and the procedure by which it would be undertaken. Seven agreements indicated an annual review, one a two-year cycle, two a three-year cycle, one every five years and another every six years.

However, only four agreements included a statement about the procedure for reporting the results to the governing bodies of member institutions. The Code of Practice also expected consortium members to have in place procedures which allowed them to assess whether and how far: ‘the needs of students are being met’; ‘the conditions of the agreement are being met’; and, where relevant, ‘students are gaining access to the facilities of member institutions’ and ‘progressing on to HEI's courses'. Surprisingly, perhaps, none of the thirteen consortium agreements provided a statement about these matters.

It was also expected that changes in the contract would be made by 'mutual agreement', with documents stating the procedures for resolving disputes, by arbitration or other means. Four agreements described some of these procedures, but few contained provisions dealing with 'the termination of membership' or 'winding up the consortium generally'. Such provisions were expected to 'secure the expectations' of students enrolled or those who had accepted places during the existence of the consortium, 'in terms of the progression, recognition of courses and the like'. They were also expected to cover the allocation of student numbers to the departing member or members.

4.7 (for franchise agreements only) Where an HEI or an FEC enters into more than one indirect funding relationship, they should state their objectives and how they will ensure coherence in that pattern of relationships.

Although many HEIs operated multiple partnership agreements, in no submission did we find a statement about how academic coherence was to be demonstrated in plural partnerships, about how such schemes contributed to the quality of the student experience, about the principles involved in choosing partners, or about the quality assurance safeguards where the HEI did not have its own subject expertise in a particular area.

One possible explanation for this universal omission was that individual funding agreements were referenced to their own conditions of existence and, unlike consortia funding agreements, there were usually only two parties to the agreement. Where provided, we were able to read supplementary documents dealing with the organisation and conduct of regional partnerships led by the HEI. However, few of the documents received specifically addressed the issues raised in relation to this principle.

4.8 (for consortium agreements only) For funding purposes an institution should enter into only one consortium agreement.

In this final part of the Code of Practice, the HEFCE expected that institutions would be members of only one consortium and 'that normally this would be formed on a regional basis'. The only exceptions we found were a small number of colleges which were members both of a conventional, regionally-based consortium and of the one subject-based consortium which has been established.

5 Nature and working of partnership agreements

This section draws principally on two sets of material: firstly, from the questionnaires which were returned by FECs and HEIs; and secondly, in the shaded boxes, extracts from the thirteen case studies which were undertaken to reflect the range of partnerships encompassed by indirect funding arrangements. A brief description of each type of partnership is given in section 3 of this report.

5.1 The type and context of partnerships

The range and scale of partnership arrangements is considerable. Some are relatively new, others exemplify institutional collaboration that goes back over several years. It is usual for both HEIs and FECs to be involved in a number of partnership relationships reflecting both their institutional and sub-regional interests. In some cases proximity and geography play a defining role. In others, collaboration around specific subject areas provides the determining dynamic. In recent years, some partnerships which were once established as exclusive arrangements have become more flexible. The following examples illustrate this diversity and include a long-standing, extensive partnership, an FEC-led consortium, a partnership involving an FEC with several HEI partners, an HEI-led consortium and an HEI with many separate college arrangements:

> The University has a long-standing partnership with 13 further education colleges and six specialist colleges which operates across the sub-region. It was established 20 years ago and gained the Queen's Award for the effectiveness of the partnership in 1994. The partnership was established to widen access and progression opportunities and has operated as a ghost faculty of the University, with ring-fenced student numbers and its own budget. It has moved away from a franchise model in as much as a range of sub-degree and degree provision is validated by the University with 2+1 and 2+2 progression routes into its programmes and those of neighbouring HEIs. Since the inception of the partnership there has been a steady growth in student numbers.

> The University has been involved with partnership arrangements with FE colleges for over 20 years and staff believe it was the first HEI to be involved in franchising to colleges. They started by franchising modules to attract adult returners, mostly women, and gradually introduced more vocational programmes. There has been steady growth – they have 4,000 students in partnerships, all on university programmes. They are "very proud of our collaborations", now standing at 17 colleges, although they face an increasing number of challenges. These include determining the extent to which they should develop more foundation degrees, the need to accommodate colleges in a less exclusive relationship and the substantial amount of staff time taken up in making partnership and collaboration work.

The partnership comprises seven FECs, three Sixth Form Colleges and two HEIs. It has been in existence since 1998 and was started by FECs working together to bid for HEFCE student numbers and to gain recognition as a HEFCE-recognised consortium. HEIs came on board, originally in a speculative way, in 1999. The original reasons for the two HEIs joining the consortium were related to one university seeking to expand at a relatively low cost and another to improve its recruitment to “hard to fill” subjects. Both HEIs now consider their continuing involvement to be a principled connection in relation to their civic missions, their responsibilities to the sub-region and their commitment to widening participation. The consortium has subsequently grown its student numbers from a zero base in 1999 to 520 FTEs in 2003 with a capacity to increase further in future.

The FEC has five different HEI partners with which it delivers distinct and different curriculum areas. One of these HEIs has recently been rationalising and consolidating its partnership with the College and with six other local colleges. “In the old days (ie the early 1990s) all kinds of deal were made all over the place with very little thought or reason … the funding arrangements were appalling.” This university is now much clearer about its strategic commitment to the sub-region and that its mission is about widening participation, promoting educational opportunities and guaranteeing progression routes to students from its partner colleges. The number of active partnerships has been reduced but much greater care is now being taken over developing and supporting partner relations. A Head of Educational Partnerships with prior FEC experience has been appointed to develop and consolidate these arrangements.

The University is part of a HEFCE recognised funding consortium which was established in 2001 with two college partners. A third college has a franchise relationship with the University involving a small number of students who are not geographically mobile. (This franchise college is primarily connected to another and larger university-led consortium to deliver mainly HND/Cs and an FD, but it also delivers Cert Ed and PGCE programmes with a third HEI.) Both colleges in the consortium also have other partnership relationships. The University has a number of bilateral franchise relationships and three foundation degree relationships with three colleges. Lack of growth in the system means that the University – which recruits to its limit for its own purposes – has no spare student numbers to support growth in its consortium colleges. This tends to restrict the development of foundation degrees in the colleges to a re-badging exercise based on existing HND/C student numbers.

The University is a very large institution, with partnerships with 13 colleges. The colleges find that dealing with different faculties is almost the same as dealing with different HEIs – even quality assurance and financial arrangements can differ between faculties. The University acknowledges that its FE links have grown up in a generally unplanned and ad hoc fashion over a period of years and, for various reasons (which appear to be largely to do with the views of past senior managers) there has been a reluctance to develop systematic HE/FE collaboration. However, the fact that the University is now annually receiving around £7 million for widening participation activities of one kind or another means that a more strategic approach will be adopted in future.

Having an indirect funding agreement (IFA) with more than one partner did not appear to cause any particular difficulties. For HEIs this might be expected – they have to cope with less diversity since their agreements tend to be more uniform across their partners – but even for FECs with a number of quite different sets of arrangements there were only occasional comments about the difficulty of accommodating a diversity of arrangements. The differences most frequently identified were the extent of financial topslicing, the degree of student access to the HEI, the variation in administrative systems and responsibilities (for example, who collects fees), the existence of different quality assurance systems and the support offered more generally by the partner HEI: "the 'return' is very different – not only financially but in terms of the *quality* of the HEI involvement". That colleges on the whole were not unduly concerned by the variation may be due in part to a natural facility for handling a multiplicity of different systems; but it may also reflect the fact that since an IFA with a particular HEI often relates to a single subject area in the college, no one part of the institution (other than the office of the HE co-ordinator) experiences the diversity of arrangements and can make informed comparisons of their actual operation.

5.2 The rationale for indirect funding

The reasons offered by HEIs for entering into IFAs fell for the most part into three broad categories. The first, and most frequently offered, involved widening participation, increasing access, raising aspirations and improving opportunities for student progression. Respondents referred to this in different ways, but the underlying intention was the same: "expanding educational opportunity", "building the capacity for local delivery of HE to assist widening participation", "to provide HE opportunities locally where few or none existed". Often, as illustrated by the last quotation, the widening participation and access imperative overlapped with the second set of reasons for entering into IFAs: responding to the local and regional agenda. In some cases, almost always involving well-developed partnerships, this was the prime motive, to be achieved by developing "a community of deliverers that can benefit from the critical mass represented by a partnership based on indirect funding". In the majority of responses for which it was not the prime consideration it was nonetheless listed as a factor, with frequent references to "regional mission", "regional profile" or simply "regionality".

The consortium is keen to collaborate in the provision of HE opportunities across the sub-region in a social and economic context in which low educational achievement is an issue, in which urban areas experience higher than average levels of poverty and low educational aspiration, and in which rural isolation and decline contribute to problems of access to HE. The partnership exists to offer a managed consortium resource; engage in the analysis of sub-regional economic and social goals; produce a flexible and coherent sub-degree delivery and contribute to a regional strategic approach to capacity building and widening participation.

The partnership forms a network which aims to "widen access to the people of the region, drawing on the academic strengths of the partner institutions". It sees its purpose as:

- widening participation by local provision of programmes across the region
- meeting learner needs
- broadening the range of subjects available in the region, e.g. fashion & textiles, automative engineering, hospitality and tourism
- developing a sub-regional portfolio
- developing an additional portfolio of sub-degree programmes
- testing emergent curricula
- supporting the development of new programmes, e.g. joint developments with partners of degrees in hospitality management and building studies
- being careful not to split the market
- promoting lifelong learning

The third most common reason for entering into an IFA was to increase an HEI's student numbers (without an explicit widening participation dimension): "to extend our recruitment net", "to establish 'feeders' for our own programmes", "to provide feeder routes". Sometimes, while the original reason had been largely to do with recruitment, the partnership had developed and the relationship is now seen more positively as "taking HE to the students". Other reasons which were offered included: helping colleges which only had small amounts of HE; the requirement to establish arrangements in order to exploit such initiatives as foundation degrees and new technology institutes; and the belief that F/HE collaboration was a good thing in itself. Only two HEI respondents acknowledged that the wish to learn from FE was a reason for entering into an IFA: one stressed the mutual advantages, especially in developing both FE and HE staff; the other referred to the advantages of having "access to expertise and resources in FECs".

The reasons given by the colleges were rather different. Some reflected the same high level policy drivers of widening participation, especially with respect to enhancing progression opportunities ("clear and supported local progression for students") and the local/regional agenda, but most offered a much more pragmatic and operational set of reasons for becoming involved in an IFA. The support which it was hoped HEIs would provide was frequently mentioned. This was in part to do with administration: "to avoid bureaucracy through HEFCE for relatively low numbers";

“less need to provide a full college infrastructure for HE”; “use of someone else’s infrastructure to administer the funding systems”; “filling in the HEFCE forms and mastering their systems for 20+ students is not a sensible use of time” and “one less return to another funding body”. But it also involved quality assurance support (“we don’t have to worry that the absurd QAA sledgehammer will descend on a course with six part-time students”) and broad academic support (“curriculum expertise within the HEI in areas that we are either new to or have little experience of”).

However, the most commonly cited reason for a college to enter into an IFA was an acknowledgement that this was the only way to grow its HE work in the light of either repeated failures to secure additional directly funded numbers or an acknowledgement on the part of colleges with small-scale HE provision that direct funding was not a realistic prospect: “a way to expand our HE provision despite the constraints of HEFCE direct funding”; a response to “consistent failure to secure additional funded places”; “no other option”; “all funding is now either through a university or through a consortium”; “HEFCE’s reluctance to enter into new direct funding arrangements”. This might suggest that not all FECs enter IFAs for wholly positive reasons and the sense of there being no alternative was heightened by frequent references to “HEFCE ‘advice’”, “HEFCE pressure”, and “a strong steer from HEFCE”.

More positive reasons were also suggested (albeit less frequently). An association with the university ‘brand’ was seen as helping recruitment (“an obvious ‘university’ link in UCAS publications”) and joint marketing was generally seen as an advantage. Sometimes the reasons offered for entering into an IFA suggested a belief that benefits would follow even though they were not originally well defined: “we hoped for indirect spin off in terms of … providing an opportunity for joint working on matters concerning HE in FE”; “partnership development”; “the wider benefits of general interaction via working with HEI colleagues”.

5.3 Establishing indirect funding agreements

Because many IFAs had been in place for some years the question of how they had been drawn up was often difficult to answer for both FECs and HEIs. There were several references to “the mists of time”. Responses in relation to more recently constructed agreements, or revisions of older versions, suggested that the process was usually conducted at a senior level, clearly led by the HEI, and involved varying degrees of consultation with partners en route.

The memorandum of partnership between the University and its partner colleges predates the HEFCE Code of Practice but certainly mirrors its spirit in relation to its educational and philosophic aspirations. It is much less legalistic and prescriptive than is recommended in the QAA Code of Practice "but may have to change in the light of a forthcoming QAA review". It has never been reviewed or changed but was modified slightly to take account of foundation degree developments. Other partnerships elsewhere in the University, that also date back over several years of amicable custom and practice, appear to operate without any formal or written IFA, although paperwork changes hands in relation to annual funding arrangements and academic matters. There was a recognition that this too would "need to change".

Staff whose colleges are part of the Associate College Network (ACN) appeared to have little knowledge about how their agreements had been drawn up or by whom. They were not aware of a review in 2000 or whether these most recent agreements reflected either QAA or HEFCE codes of practice. One college noted that it did not have a contract for a new foundation degree and was therefore unclear on roles and responsibilities for the quality assurance of the programme. The process of designing the agreement was described by the University, on the other hand, as the product of discussions with the Associate Colleges, followed by proposals agreed by the University's Academic Board, the formulation of an agreement in consultation with the University's solicitors and finally agreement by the ACN members.

The IFA was drawn up with one college principal acting as the representative of other college partners. The agreement expects college partners not to enter into agreements with other universities unless it cannot support the proposed development itself. A member of staff from a second college felt that the FE representative had been able to make very little input to the original, overall agreement but there was now consultation over the service level agreement which is currently being developed. This document is likely to be "more thorough" with respect to student support issues and should instil greater confidence in the arrangements. The process, however, "lacks a frankness of debate about what is in it for both parties". From the college's point of view the agreement and partnership lack a strategic focus on "what we are both doing in this town" with respect to HE provision. The University also acknowledges that the network of partner colleges requires a more strategic focus but believes that recent changes in management structures – from multiple sub-committees to a single management committee involving principals and a pro vice-chancellor plus an operational steering group for co-ordinators – can effect this.

Within HEIs the process ranged from the complex – sometimes involving senior management, the director of finance, the company secretary, lawyers and the Academic Board – to simple and informal.

The University’s standard franchise document is primarily legalistic. It predates the HEFCE Code of Practice and has not been modified or reviewed in the light of it. All franchise documents follow the same format with only minor variations apart from the financial arrangements. An indication of the University’s control and dominance is partly reflected in the language of the agreement: “The institution (college) shall not without the prior written consent of the university make any alterations to the programme curriculum, structure, learning and teaching methods, mode of delivery and forms of assessment of students, quality assurance arrangements and staff or resources”.

The IFA regulating the consortium is refreshingly simple and straightforward. It was originally drafted by the lead college in consultation with all other partners and was then negotiated and agreed at a series of bi-monthly meetings over a period of a year. The roles and responsibilities of the various partners are clearly articulated and utterly transparent. Its financial arrangements are reviewed every year and the whole document was last reviewed and amended in December 2002.

Most college responses suggested little knowledge of the inner workings of the HEIs’ processes and were, understandably, more concerned with their own involvement in the production of an agreement. Sometimes this was non-existent: “a memorandum of co-operation was drawn up by the HEI and then given to us to sign”; “a standard agreement from the HEI was imposed” but a more typical response described how “an initial draft was produced by the university and was followed by a period of consultation and negotiation”. As agreements have been revised college HE co-ordinators have sometimes played a prominent role in influencing the process.

Most IFAs have been reviewed during the course of their lifetime and sometimes substantially revised as a result. The majority of HEIs and FECs claimed some form of annual review but this was generally at course level, with the actual partnership agreements being reviewed every five (or sometimes three years). The annual monitoring exercise often involves reviewing financial arrangements and student numbers, and there was considerable variation in colleges’ views of the extent to which they were involved in these activities as partners. At one extreme, colleges which are members of the various funding consortia felt, for the most part, fully involved in the process; at the other, one respondent believed that monitoring and review were no more than a process by which “invoices are compared to student numbers and current agreements”.

A revised agreement is in the process of being drafted for the partnership. It is taking a long time – nine months so far and has not yet been signed off. The closest partners are expected to sign it off in July 2003. It is a highly university-centric process although colleges are consulted at key points. The college principals are now becoming impatient that it is taking so long. The University puts this down to having been anxious to get it right and gain agreement from a wide range of departments and faculties within the university. The imperative to review the agreement came from a need to bring existing agreements into line with the HEFCE Code of Practice. It does this well now, addressing all key points of the Code. When it is finally agreed, each institution will have a financial annex which spells out quite explicitly how the funding operates. The intention is to test it in practice and review the agreement after a year, then alongside periodic review.

Where annual monitoring takes place it does so through a range of organisational structures: a business partnership, an academic partnership committee, an education partnerships directorate, an associate college organisational committee, a partnership steering group etc. The majority of college respondents appeared content with their representation on these bodies and their role in monitoring and review (they had less to say on these matters than on other aspects of IFAs) although some would welcome a greater sense of partnership around these activities and others would like to see reviews of their IFAs without having to wait five (or whatever) years or until external pressures (such as an impending QAA review) were brought to bear.

When reviews of IFAs have taken place since the publication of the QAA Code of Practice on collaborative provision and the HEFCE guidance on IFAs, almost all HEIs claimed to have used them to inform the review process. However, colleges were rather less certain that any reviews which had been carried out had actually made use of the codes. On the other hand one FEC had used the HEFCE guidance to brief its staff on what should be expected from an IFA and had found it useful as a "consciousness raising" device, while others found both documents useful "in persuading HEIs of the need to make roles and responsibilities in agreements clearer and in convincing them of the need to justify the funding they were retaining by clarifying the services provided". Some colleges were able to use them when drawing up an IFA with a partner: "they provided useful pointers and gave added confidence in the negotiation stages", and most found them at least "reasonably helpful" in identifying "reference points for good practice".

HEI views were mixed on how helpful the codes had been. Most respondents claimed that their practices already conformed to the guidance, so that when any recent reviews of IFAs had been undertaken they simply acted "as a useful checklist"; "we were already following almost all of the QAA precepts and also HEFCE best practice so implementation caused few problems". Others found that they "helped to stress the importance of clear, formalised statements of responsibilities" and, just as some colleges had used them to remind their HEIs of their responsibilities so too some HEIs found it "useful to have this backing for requirements which partners felt onerous or over-detailed". A minority of HEI respondents, however, was critical of the HEFCE guidelines. Their interpretation was “challenging”, they were “not always consistent”, and they were “workable but repetitious”, “vague and contradictory”.

Finally, respondents were asked who had access to IFAs. There was some scepticism that anyone would want to see them (“they could do – no-one has asked”) and although the most common practice appears to be that they are accessible to anyone in an institution which is a signatory to the IFA there are substantial variations. In the case of FECs: university approval would have to be sought even for a member of staff of the college; they would be available within a college only to the Principal and the HE co-ordinator; no accessibility at all as they are “confidential documents”; “no policy so they would be held as confidential”; “not available to students”; “there are confidentiality clauses in the agreements”. HEIs appeared on the whole to have a more open policy, although most would restrict access to financial information to members of staff of the institution concerned and several said access would depend on such factors as an “evaluation of whether the interest was legitimate” or advice from the institution’s “legal office”. While commenting on access, a small number of colleges took the opportunity to point out that the availability of agreements was problematic for them, let alone a wider public: “No agreements exist between ourselves and X despite our requests on an annual basis for the last three years … I have never seen them and our auditors can’t find them either”; “We still have had no official, written confirmation of the funding levels to be paid, which is disconcerting”. This project may have helped a little: another college pointed out that “since your request [for IFAs] earlier in the year it appears that document flow from the HEIs increased suddenly!”.

5.4 The advantages of indirect over direct funding

FEC views of the advantages of indirect over direct funding were closely linked to the reasons they offered for involvement in an IFA. A majority of college respondents indicated reservations of some kind over indirect funding, and a significant minority was almost entirely negative. The less positive responses to the question “What is the attraction of an IFA over direct funding from HEFCE?” ranged from “None”, through “little” and “not very much for the cost”, to an acknowledgement that there could be advantages “but with significant cost in funding and loss of independence”. The strength of feeling on this matter was noticeable, and it did not correlate strongly with the scale of an FEC’s HE work: some colleges with small and medium sized HE provision were as forceful in expressing a preference for direct funding as the bigger players. One college described how it had had no option other than to enter into an IFA in order to expand its HE provision, but intended (probably unrealistically) “to revert back to a direct funding arrangement once the HE numbers have become large enough to warrant this”. Others were adamant that “There is [no advantage to IFAs] in our view and we have worked hard to reduce this over the last few years. We regard them as insecure and financially disadvantageous”; “There is none. The college would prefer to increase its directly funded provision”; “A very costly process – direct funding is much easier”.

The [HEFCE-recognised] consortium members do not support conventional franchise arrangements which make them feel like “cash cows for HEIs”. The consortium method of funding suits the interests of small colleges with small numbers of HE students and gives greater financial control to the FE partners – in this respect “it feels like direct funding”.

The college would like direct funding and finds it unacceptable that current arrangements preclude it from being directly funded. This is partly to do with receiving only 70% of the funding and partly because of the unequal position it finds itself in despite good quality, successful programmes and excellent industry links. At the very least it would like to run all its level 1 and level 2 provision on a directly funded basis.

Despite these (sometimes major) reservations a range of advantages to indirect funding was nonetheless identified by colleges. Often these related to the various kinds of support offered by an HEI: “a leading HEI to offer support”; “avoids having to deal with all the financial, administrative and quality procedures”. Other colleges, however, were not convinced that an IFA did actually reduce their administrative load, pointing out they still spent a considerable time invoicing, chasing up payments, making data returns, registering students on the college’s systems etc: “the college still bears significant administrative and QA burdens without financial reward”; “As much liaison is required between the college and the university as between the college and HEFCE”.

The advantage of an IFA in providing some stability and also flexibility in terms of student numbers was cited by several colleges, particularly those which are part of one of the funding consortia within which the capacity to ride the peaks and troughs of recruitment was recognised as a particular benefit, as was the “protection against the risk of either a withdrawal or reduction of [funded numbers] by HEFCE”. A small number of colleges which had in the past experienced student places being taken away from them and pulled back into their HEI at short notice took, not surprisingly, a rather different view of the stability provided by an IFA. Often there was a sense of what theoretical advantages an IFA might have over direct funding, set against the actual experience of the resulting relationship: “At its best, the provision of student numbers with good curriculum organisation, monitoring and quality systems, staff development, progression arrangements and a shared philosophy. They are not all like this.”

HEIs were asked why they thought a college might prefer an IFA over direct funding. Only one took the view that there was no reason why they should, and its own policy was “to reduce the overhead in managing indirectly funded operations by moving to a validation arrangement since this increases the amount of funding available for directly teaching and supporting students”. The provision of support, especially in relation to quality assurance and dealings with HEFCE, was frequently cited, with academic support through staff and curriculum development mentioned rather less often. Stability around student numbers was believed to be an attraction for colleges, and several HEIs which operated in consortia (not just funding consortia) evoked the notion of "a critical mass" which provided flexibility and a degree of protection in terms of consortium members' student numbers and also economies of scale across a range of activities including validation, conferment, staff development, curriculum design, and the maintenance of data systems. Few HEIs offered student and staff access to their facilities as a reason why colleges might find an IFA attractive.

5.5 The operation of the agreements

On a single scale of 1 (not working well) to 5 (working very well) both FECs and HEIs gave a mean rating of 3.5 to the operation of their agreement. Despite this convergence, when asked to elaborate on the practical aspects of operating an IFA, college responses were noticeably more critical than those of their HEI partners, with the majority of comments relating to finance, partnership and flexibility.

The topslicing of teaching funds by the HEI and the services provided in return are discussed in more detail below but it is worth noting here that for those FECs which were dissatisfied with the amount passed onto them the issue of funding coloured their entire view of the way in which the IFAs operated: "The ongoing dissatisfaction between the sectors relating to funding arrangements represents a significant barrier to the growth of partnerships and meaningful relationships". There was some resentment that any topslice meant that there was less resource to deliver the actual programmes and that the larger the amount retained the harder it was for the colleges to develop the resource base and staff that they believed were required for the successful delivery of HE level provision: "there is less resource to deliver the programmes"; "the bigger the HEI 'cut' the harder it is for us to develop the resource base and staff we would wish for our HE courses"; "the college still bears significant administrative and quality assurance burdens without financial reward"; "requirements were stipulated far in excess of the financial resources available". For some colleges with little HE work there was a recognition, however, that "For a limited amount of HE provision it is cost effective to operate in this way". There were comments from both large and small providers on the costs of partnership working, both in staff time and in providing cover for the staff involved: "Meetings at HEIs are frequent and time-consuming".

Many of the FEC comments on partnerships with HEIs focussed on the nature of the relationship and what was seen as its inherent asymmetry: "validation was done *to* us rather that *with* us … my overall impression was that their commitment at all levels of genuine partnership was somewhat patchy. At the moment I feel that we are helping the university to achieve its targets for widening participation, but it's all a bit of a nuisance to them"; HEIs should "seek to develop a culture of true partnership rather than regarding FECs as second class or minor partners"; "HEIs are in a position of strength and power and ultimately FECs have to concur with what they provide if they wish to put on the provision"; "The partnership is very unequal – the HEI 'decides and tells'". Colleges involved in one of the funding consortia were more likely to be positive about the operation of their IFAs, and those with experience of both consortia and franchising arrangements generally favoured the former: "The level of support does vary widely and the most positive aspects are reflected in the consortium arrangements". One respondent suggested that the ideal partnership was one that “gives us both the support we appreciate but grants us the respect we feel we have earned as an HE provider”.

> Partners in the consortium are knowledgeable about how they arrived at their agreement because it was done in a very consultative way. It was drafted by the lead college, discussed separately and collectively with all members, and haggled over and modified in regular meetings in a process that took about a year to complete. Similarly, decisions around financial arrangements were also discussed within meetings of the partnership that were variously characterised as “collaborative”, “frank” and “tortuous”. Nonetheless, all parties “hung in there” until a deal that was acceptable to everyone was agreed.
>
> An external consultant was employed last year to help review how the partnership and the agreement were working. The conclusions were mostly positive and the recommendations concerning a strategic policy forum, local labour market research and the appointment of a partnership manager have all been acted upon. Partners comment on the effectiveness of the non-hierarchical style of partnership management and the relative absence of bureaucracy and formality in meetings.

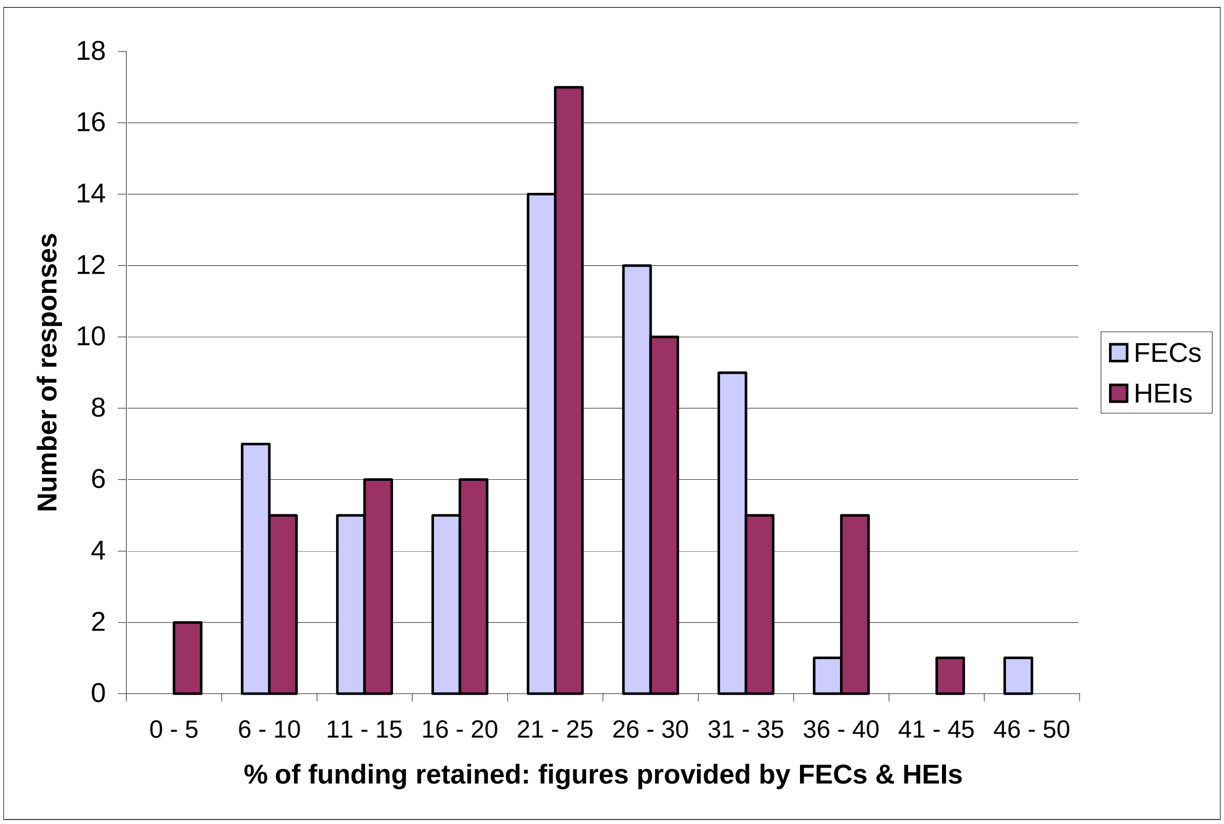
A third aspect of the actual operation of the IFAs which several colleges commented on concerned flexibility and appropriateness of provision: “The problem with most franchises is that you have to take the units from the institutions and these are not always the best choice – especially if you are delivering to adults and they are designed for 18-20 year olds”. Several responses mentioned that HEIs could be slow in responding to changing local circumstances and introducing new provision which colleges wanted: “off the shelf products are rarely what is required by our local learners – otherwise they would take them at the universities themselves”.

On the whole, HEIs had rather less to say than FECs on how the IFAs were working in practice. For a small number, especially those involved in major regional initiatives, the IFAs and the associated partnerships were a central element of their institutions’ strategies and the operation of the agreements was constantly under review as new initiatives and developments came on stream. There was evidence that some HEIs were either scaling back their indirectly funded activities or were thinking of doing so on financial grounds, and issues of cost were made more acute in those cases where the IFA applied to provision which attracted only a small number of students: “demands a great deal of time and effort”; “while the student experience on this kind of programme is usually good, they are time consuming to operate effectively and not usually cost effective”; “time consuming and therefore costly to operate”.

Partnership matters (other than in relation to cost) were not raised by many HEI respondents, although some acknowledged the fact that topslicing of funding meant “there is always some degree of friction in the relationship” and that the process had to be seen in the long term: “Partnerships depend crucially on trust and good working relationships between the staff involved and therefore may take time to build”. There was some concern that partnerships were, or could be, under strain as a result of external factors: “HE in FE partnerships are probably extremely vulnerable at the moment in terms of student recruitment, with the removal of the MaSN and loss of RAE income in many universities". Some cases were cited of colleges filling their own directly funded places in preference to indirectly funded places when demand had slackened. One of the college respondents suggested another externally imposed change which has the potential to strain relationships: "the new HEFCE widening participation formula with the lowering of the base price will require considerable work to review all agreements again to ensure the resource to the college is not reduced. It is very unlikely that HEIs will initiate such a review".

5.6 Funding

Figures on the extent of HEI topslicing were obtained in several ways: through the actual funding agreements themselves, through information requested in the questionnaire survey, and through a targetted email follow up exercise to those institutions which had not provided a figure or where there was some ambiguity in the figures provided. The figures below were those provided in response to the question: "What percentage of the total resource (HEFCE teaching grant, HEFCE funding premia, fees) is retained by you/your partner HEI(s)?"



As can be seen, the variation was substantial with colleges reporting topslicing figures ranging from 8% to 50%; HEIs from 2.75% to 42%. Most of the HEFCE-recognised consortia appear to operate with a much lower figure than the average – usually around 10-15%. Some 27% of colleges claimed not to know what the figure was. Almost 20% of HEIs either did not know or chose not to provide a figure at first (although, interestingly, their partner colleges were often able to provide a percentage figure) but information was finally obtained in all but a handful of cases. Around 10% of colleges knew how much resource they received from their partner HEI but did not know what proportion of the whole that represented.

HEI accounts of how the topslice was calculated varied enormously. In many cases the figure was arrived at as a result of "past practice and mutual agreement" and a sense of "what seemed reasonable". There was a widespread consensus that costing the services provided as part of an IFA was an extremely difficult business: "costing of these has not been an exact science. There are varying views across the institution and a detailed analysis has proved challenging. We believe it is "about right…, there are so many elements and variables that costs are hard to pin down". Some HEIs had used charges to their own departments as a basis: "charges are comparable with our internal charging rates"; others had undertaken "a broad costing exercise"; a few had carried out "Detailed costings of services provided by the university including, for example, UCAS, QAA, provision of link tutors, all library services and peripatetic library provision, staff development services, student support, etc". One HEI had commissioned an external review which showed "that costs to the university vis a vis the partnership are not being met to the tune of £200 per student".

The College's financial arrangements with its oldest university partner derive more from history, custom and practice than any recently re-visited or re-negotiated understanding. The University keeps the student fee and passes over to the College HEFCE T money in its entirety. It does not pass over widening participation money or money related to human resource development, although recent reductions in HEFCE funding support have been absorbed by the University. The University feels it does "less well" out of these arrangements than previously but still calculates that the arrangement is worth 34% of the available total. It is believed by the University that the arrangement is seen as reasonable on both sides: "No complaint has been received by any of the partner colleges ever, or any attempt made to re-negotiate the amount". However, formal procedures within which to do this are not in place.

The University freely admits that the services which are provided to partner colleges have never been closely costed (eg quality assurance, student facilities, access to pastoral support systems, administrative costs associated with the programmes, access to the University's Staff Learning Account). Subsidies are likely to exist on both sides of the arrangement in order to sustain the relationship.

Whatever the methodology (or lack of it) the majority of HEIs believed that the overhead they charged did not cover their costs and the more they attempted to bring some rigour to their calculations the more convinced they were of this: "As we establish more accurate costings based on the HEFCE costing and pricing transparency review it becomes more evident that the costs of partnership are not reflected in the price charged".

> The University has gone to considerable lengths to try and determine exactly what the costs of partnership should be. Five faculties gave five different answers to the same set of detailed questions. It is extremely difficult to be clear about actual costs which involve validation, quality management, faculty and department involvement and the partnership office. “How do you cost the intrinsic value of the partnership?” they ask.

Given the less than solid basis for these calculations, claims that the topslice should in fact be greater would probably not cut much ice with FE partners, especially as a minority of HEIs believe that the percentage they retain (which in some cases is actually well below the sector mean) does indeed cover their costs. It is striking that some HEIs in that category base that assessment solely on administrative charges (begging the question of how other kinds of support are costed – if, of course, they are provided); while another, which operates a slightly lower topslice than the institution quoted above which believes it is losing £200 a student, can confidently claim that its own costs are being met.

Not surprisingly, the FEC perspective on the amount of the topslice and how it is calculated is rather different. A majority of respondents claimed to have no idea how the figure was arrived at: “we are not aware of the basis – this is internal to the university”; “no rational basis, it reflects the relative power of the two institutions”; “we have not seen itemised costings from the university”; “who knows? [This] has been the subject of lasting disagreements with HEIs, seldom resolved satisfactorily”; “not too sure – it’s the amount charged to all partner colleges”; “no basis for the amount retained has ever been provided to the college”. In some cases there is greater awareness: “the same distribution methodology as for their own internal faculties and departments” and, in the case of the funding consortia, colleges (with one or two exceptions) claimed to be clearer about how the retained element was calculated. FECs with several partners could experience a range of more or less explicit calculations: “In the best case by clear specification of the HEI costs in servicing the partnership. In other cases it is the result of negotiation. In the worst cases it is decided by the HEI centrally without any room for negotiation”.

Closely linked to the question of a robust methodology for charging for services is clarity and a shared understanding of what those services actually consist of. HEI respondents tended to answer this question by referring to their IFAs which, in some cases, listed these in detail. Typically HEIs claimed that these would include a mixture of administrative and academic support services: marketing and promotional activities, access to university facilities for staff and students, data returns, links with HEFCE, MIS, admission administration, programme administration, quality assurance, external examiner arrangements, curriculum development and staff development. A small minority of HEI respondents listed only administrative support (one apparently did not even provide that – the reply to the question ‘what is provided in return for the topslice?’ was ‘not applicable’) but most included some element of academic support as well.

This was not always apparent from the college responses, which generally recognised administrative and quality assurance support but were less sure what else was being paid for by the topslice. In the worst cases colleges could refer to “An often spurious list of services which are not themselves costed”. In the best cases (often, but not always, one of the funding consortia) colleges recognised a complete ‘package’: “A very well supported partnership – lots of contact, access to resources, advice, student materials. Advice, training (lots of it), moderation”. Opportunities for curriculum, staff and professional development were mentioned, but less frequently than other kinds of support and staff and student access to an HEI’s facilities. The latter was not always seen positively: “X’s topslice is excessive … they insist on charging for services that cannot be accessed”; and colleges which were distant from their partner HEI did not think it fair to be charged for something they could not easily make use of.

The College does not believe it receives a great deal in the way of actual services from the university, but, as a large player in the HE stakes, it does not feel it needs as much support as some of the smaller FE partners. Staff and curriculum development opportunities exist although geographical constraints often make it hard to take them up (it is a two hour drive to the University). An annual staff development event for all partners is held, this year on student retention, and the College will send as many as 15 staff to this (although the problems of releasing staff for these kinds of events is mentioned as a real constraint).

5.7 Transparency and negotiability

The final questions on the IFAs themselves asked both FECs and HEIs how transparent and negotiable they believed their agreements to be. On the whole the latter believed them to be transparent, although there was an occasional acknowledgement that they may not always be seen as such by partners. Limited negotiability was claimed in most cases, “within limits imposed by the need to cover costs”, and there were several claims that both on grounds of transparency and negotiability IFAs had developed significantly in recent years. College responses to the same question provided only limited support for this view. At one extreme some colleges (again, these were often members of funding consortia) were positive: “everything is clearly set out in the documentation”; “they are clear”; “totally transparent”. At the other extreme colleges found the agreements “opaque” and “completely non-negotiable”. There was an important distinction in the way colleges interpreted the request for their views on transparency. Some respondents felt that IFAs were transparent if a topslice figure was clearly stated; others saw no transparency unless there was clarity over how that figure was calculated and often that was not the case: “we do not feel that the financial arrangements are transparent to any degree with any of our partners. This is mainly because we do not know the formula by which the funding per student has been arrived at”; “it is not clear on what basis the stipulated percentage is calculated”. Some HEIs were aware of these strongly held views and believed that “as [we] become better at costing and pricing more transparency will arise”.

The University feels the arrangements are transparent: “They are fully transparent in that we tell the colleges how we’ve calculated their payments and our retention”. The colleges disagree. One points out that it is not made aware of the total resource available including premia. Neither college is very clear about what they are paying for and both feel what is received is often minimal. (These views may of course be quite different at course team level). Both colleges have access to student applications at Clearing but one noted that the University often changed the targets when Clearing started, making it very difficult for colleges to meet their targets. The University makes additional charges for this clearing activity.

The University has a transparent funding arrangement. A spreadsheet shows exactly which modules students are taking, which have been completed and how much funding is involved. However, the College does not believe the arrangements work well. The University holds back 30% of both the HEFCE grant and the tuition fees for indirectly funded programmes. It uses price code B, which in the case of the College, is appropriate for its costly and specialist provision – this would be an advantage for other colleges with courses that are Price Code C or D. For the directly funded programmes that the University validates, the validation fee is 20%. The University does not currently pass on any of the widening participation premium or special funding initiatives (like Learning and Teaching) although it says it is reviewing the arrangements.

Negotiability, or lack of it, around the financial aspects of IFAs was something colleges felt strongly about. A minority of colleges had almost wholly positive experiences to report: “It must be stressed that our HEI partners have been more than willing over the years to respond to any concerns that we have raised as to the viability of arrangements”; “negotiation has never been a problem”. Some colleges had succeeded in reducing their HEIs’ topslice to a level closer to the sector norm from a very much higher figure. Others detected a greater willingness on the part of HEIs to negotiate – over student numbers if not finance – but for the majority their experiences were almost wholly negative: “non negotiable”; “a negotiation was requested without any success”; “The perception is that FE is very much a junior in this arrangement and accepts the funding formula as prescribed”; “rates are not negotiable”; “fixed – no change for eight years”; “lots of promises but little action”; “fixed agreement”; “they aren’t [negotiable] – we are told what we will get”; “when we asked for a higher level of funding our letters were ignored and we simply received the [annual] funding letter as usual”.

Funding is the real issue for the college Principal and considerable efforts to negotiate a more favourable agreement have failed. It is an improvement on former practice, which was based on a 40% topslice, but he still has to run expensive HE courses on 70% of the grant and fees available to an HEI. He sees the University receiving the grant and the fees for its own students and then taking a contribution for central costs, perhaps 40%. But, he points out, the college has to operate similar courses, some more costly, on 70% of the same funding. If its central costs were realistically calculated, the programmes would receive about 30% of the funding. This cannot happen, so it does not – which means the further education provision subsidises the higher education. “We know that our activity is subsidised by the LSC grant or other commercial activities. That can’t be right.” If he looked at higher education as part of a business, he would have to pull out. The College Board is equally concerned about this situation.

5.8 Benefits of partnership

In spite of the preference many FEC colleges have for direct funding, there are clear benefits for FECs and HEIs where indirect funding partnerships are strong and work well. The most effective partnerships are reflected in institutional statements and associated strategies which address civic and regional missions as well as the widening participation agenda. In some cases there is a clear recognition that partnerships provide a unique capacity to offer and grow HE programmes and that without the partnership much HE activity would not take place at all.

The partnership believes that there are considerable benefits to students who have a wider and more local choice of programmes and the opportunity to progress. The University claims the best widening participation record in the region. The partnership has created a more logical sub-regional grouping. There is a commitment to meeting local and employer needs in a dispersed area.

Evidence from the case studies served to underline the extent to which HE/FE partnerships have become informed by more strategic considerations in recent years. While indirect funding activity in the past often had a distinct ad hoc quality to it, increasingly it is now focussed on widening participation, promoting educational opportunities, guaranteeing progression routes, and the wider regional (or sub-regional) agenda. A more strategic approach was better developed at some of the case study institutions than others. While some partnerships had completely restructured themselves and their organisational arrangements for franchised work, others were at an earlier stage of development: one large, urban HEI which historically had operated its indirectly funded activities through its relatively autonomous faculties was only just beginning to develop a coherent, overarching institutional policy towards such work.

At a practical level the case studies revealed strong claims that partnerships provided benefits to students, especially those from backgrounds not well-represented in HE, including a wider choice of subjects and programmes offered locally, and the opportunity to progress smoothly to study at a higher level. The extent of access to university facilities varied and this was sometimes reflected in the financial arrangements. Easy access to such facilities inevitably depends on location but in the best cases, even when the college was some distance from its partner HEI, there were various student support schemes in place.

> In one university arrangement, students in partner colleges are treated as university students in terms of library, students union and other campus facilities. All students have access to a commendable library loan system which enables them to request books on-line and have them posted out within 24 hours. The University also makes some residential accommodation available although some partner colleges, which do not have their own accommodation, are too far away to benefit.

Shared staff development and collaboration are benefits colleges hope for from partnerships, and although they were not always in evidence as much as colleges would have wished, at least one funding consortium had been able to develop foundation degrees and to undertake joint research into local labour market needs with £40,000 worth of funding from the local LSC. A number of the case studies provided evidence that working collaboratively on curriculum development creates a logical sub-regional grouping to meet local and employer needs and to identify where developments might most effectively be encouraged.

> The most important benefit of the funding consortium is seen in terms of curriculum development. With franchises a college takes on a curriculum that is already determined and on offer at the University. Within the consortium, the colleges are part of a planning group with input from a wide range of partners. This feeds directly into staff development and so into quality provision. Being part of such curriculum groups enables resources to be used far more effectively than if individual colleges were sole providers. For example, several foundation degrees have been developed within the consortium and more are planned. This is an area of expansion where provision can be tailored to staff expertise and to local needs.
> There are also quality benefits resulting from being part of a consortium: two QAA visits in the last year to one of the colleges resulted in positive reports which the College attributed, at least in part, to the consequences of consortium planning and support.

The experience of developing new programmes in a collaborative way, through foundation degrees for example, was seen by colleges to be more rewarding than simply delivering a university programme under a franchise arrangement. The case studies provided examples of other new programmes – such as complementary therapies or equine studies – which involve university staff working with colleges to develop areas of the curriculum not offered at the HEI. In other cases, there were examples of college staff collaborating with university and partner subject specialists to ensure the curriculum was current. These partnerships also added value by enabling institutions to develop joint bids, for new technology institutes for example, in a climate in which criteria for external funding frequently include evidence of collaboration.

Innovative curriculum development by one university has led to a consortium HND with each module developed and led by a specific college. Although this was an extremely time-consuming development, the advantages for college staff in cross-moderating, setting joint assignments and working together have been considerable.

Effective partnership working requires excellent communication between partners, and the case study evidence suggested that this was not unproblematic and that ineffective communication could place a real strain on a partnership.

One of the colleges in a partnership believed that there was not the frequency and regularity of contact with University staff that might be expected; the other college agreed and noted that several planned meetings had been cancelled. On the other hand some planned staff development events were also cancelled, due to poor support from colleges.

An issue has arisen concerning intellectual property rights around a programme developed by the colleges in a partnership and validated by a university which then wanted to make it available to other colleges with which it was also developing relationships. After “some frank discussion” it has been possible to arrive at a compromise whereby development money is to be paid to the colleges concerned for their authorship. It is anticipated that procedures around intellectual property rights will be strengthened in the current agreement.

Lack of responsiveness and a sense of inertia in new curriculum initiatives is a cause of dissatisfaction at the College – “cautious” and “risk averse” is the Principal’s view. By contrast, the HEI points out that FECs often apply unrealistic time pressures to meet student demand when, in the University’s view, insufficient attention has been paid to quality matters. This can lead to disputes if the HEI refuses to accept a proposal or meet the FEC’s expectation on time scales. Previous practice has been that the University has written programmes which colleges then offer, placing all the curriculum development burden on the HEI. It would like to see colleges finding local markets and developing curricula themselves. In effect there is convergence on this issue – the College wants to take a greater lead in curriculum development and the University would like it to do so – but historical working relationships mean that the College assumes that the University wants to retain the control and initiative and the HEI assumes the College expects it to do so.

Members of the HEFCE recognised funding consortia, in their questionnaire returns, made the strongest claims for equality in their partnerships, with transparent procedures and a forum within which issues and problems could be openly discussed. The case studies of the consortia provide some support for these claims as well as evidence that partner colleges within a consortium feel strengthened by operating collectively, with a strong sense of their own importance and contribution, and confidence in their provision and knowledge of students' needs.

Despite the positive features of working in partnership, the case studies reinforced the view of the questionnaire returns that, for most colleges in an indirect funding relationship, the main drawbacks concern the level of transferred funding and what support is provided by the partner HEI. The funding mechanism both highlighted the essentially unequal nature of the relationship, and drew attention to the reduced resource for teaching when compared with direct funding.

The main drawback for one specialist college in a substantial relationship with an HEI is the funding – both the amount it receives and not having access to direct funding. To the College this situation does not make sense given its critical mass, a retention rate of 85% and growing maturity. The Principal believes that foundation degrees are best placed within the colleges – why should they not be directly funded? He does not just want more money: "We would like a genuinely collaborative role that focuses on learners and maximises the resources for them."

For the colleges involved the drawbacks lie principally in the asymmetric nature of the relationship, in the loss of teaching money in comparison with direct funding, and in the hidden costs of partnership – mainly staff time.

There were several examples of HEIs and colleges taking steps to address some of the underlying issues: the development of agreements which involved a different topslice of the total resource according to which services the college required; more thorough attempts to cost accurately those services which were provided; and discussion around how best to reconcile strategic considerations with matters of cost.

The case studies revealed other, more minor, irritations – indirectly funded colleges with a substantial volume of higher level work do not receive HEFCE circulars for example. More significant were the hidden costs of partnership which become increasingly problematic as the transparency of the IFA decreases. Moreover, the gradual evolution of partnerships in response to their changing context necessitates regular review and appraisal which in turn puts greater pressure on the time of those most closely involved. The case studies provided further evidence of a growing feeling in both HEIs and colleges that partnership is a time-consuming and expensive activity and that this should be recognised.

Cost is the factor emphasised most strongly by the University as a drawback to the arrangements: "if you cost it properly it's expensive – significantly higher than [the same provision offered] in house." There is a recognition that FE staff, quite reasonably, want access to University staff for curriculum development, staff development and academic support generally. It is not always possible to convince University staff that this is something they should engage with (hence the frequent references to the importance of committed individuals and the way this support tended to occur informally) but when it does happen the costs, again, are significant when properly calculated: "there has to be a limit to all this from a financial point of view."

5.9 Future developments

In light of their experiences to date, FECs and HEIs were asked in the questionnaire for their views on likely future developments, especially in relation to the importance given to F/HE collaboration and the role of indirect funding arrangements in the HE White Paper. A majority of HEIs believed that the messages from the White Paper were consistent with what they were doing anyway and would encourage them to develop further their partnerships: "business as usual"; "serves to reinforce the importance of this partnership"; "looking to strengthen and extend relationships significantly"; "planning significant developments".

Some reservations were expressed, however, occasionally because of a tension between work of this kind and a more general institutional emphasis on research and postgraduate study, more usually because of cost implications: "partnerships with FECs have been essential for the university in meeting its widening participation goals. However, there is some tension between the allocation of resources to such partnerships and pursuing this university's chiefly postgraduate and high fee income target markets"; "You will appreciate from some responses the difficulty we have in distinguishing the wider benefits of indirect funding arrangements from those of validation"; "There is a vital role for the HE partner in HE in FE, normally as the awarding body, but this role centres around managing and enhancing quality and academic standards rather than holding financial controls".

HEIs also pointed out the problem of "handling college aspirations for growth", especially when their own recruitment was buoyant and there were no spare student numbers to give to colleges. One consequence, it was suggested, might be that FECs would seek to establish indirect funding links with other, less successful, HE providers: "this seems to be contrary to the White Paper's aims for structured partnerships".

Colleges for the most part welcomed the White Paper's proposal for a growth of HE in FE but many used the opportunity to emphasise again issues around partnership, reservations over existing arrangements and their preference for direct over indirect funding: "we would wish to continue to use indirect funding where it seems our best option but would expect to develop partnership working without necessarily reducing our general preference for direct funding";

“would we enter into more partnerships like this one? Only if we were forced to”. The inference in the White Paper that indirect partnerships are necessary to secure high quality was resented by several respondents, especially those whose colleges also operated on a directly funded basis and which had emerged intact and with credit from a number of QAA subject reviews.

6 Main findings and conclusions

Over half the total of HEIs and more than two-thirds of FECs in England are signatories to one or more indirect funding agreements. There are over 500 indirect funding agreements in operation. The great majority of these relate to franchise arrangements. The remainder relate to HEFCE-recognised funding consortia.

6.1 Content and character of indirect funding agreements

Both franchise and consortium funding agreements are expected to meet the terms of the relevant HEFCE Code of Practice. Unlike for consortium arrangements, institutions are not required to provide the Council with a copy of their franchise agreements.

Franchise agreements take a variety of forms. This diversity reflects their differing origins, circumstances and scales of activity. It also reflects differing understandings and interpretations of what the Codes of Practice describe as ‘indirect funding partnerships’. Although some HEFCE-recognised consortia existed prior to their funding by the Council, the agreements of consortia tend to be more uniform in character.

Evidence from our collection and analysis of funding agreements indicated a number of characteristics in common:

Using the Codes of Practice

- The HEFCE Codes, especially on franchising, are not easy documents for institutions to work or engage with. Their ‘principles’ are really headings under which a number of elements are combined (procedures and practices as well as precepts), some of which are more central than others. They address general as well as quite specific issues, with some detailed aspects being overtaken by subsequent changes in policy.

Commercial contract versus partnership agreement

- Many agreements reflect a tension or ambiguity in the Codes of Practice about their function as commercial agreements on the one hand and as statements of partnership on the other. In most agreements the emphasis is placed on the commercial and legal aspects rather than the principles of partnership underpinning the relationship.

- In franchise arrangements, the content, style and language of agreements usually reflects the lead role of the HEI in originating and drafting these documents. If the lead institution is fully responsible for the students then, as the Code of Practice acknowledges, this necessarily implies a hierarchical relationship. Consortium agreements, on the other hand, give more recognition to FECs as key and equal partners.

Uneven coverage

- Agreements are generally uneven in their coverage, with the weakest and least satisfactory sections usually relating to funding, collaborative working and the quality of the learning experience. In these areas, information is sometimes absent, frequently incomplete or often opaque. Some of this unevenness is likely to reflect judgements about what constitutes a funding document. Some is likely to reflect decisions about what is deemed appropriate for the review team to receive. In most cases, the main document is accompanied by annexes or additional papers. In a few cases, information is provided about the broader purposes of the agreement. In other cases, such information is mentioned but not included in the submission.

- On funding, the missing or least transparent information usually related to the proportion of funding retained by the lead institution. A number of services contributed by the lead institution is sometimes listed, but these are commonly expressed in general terms and often with little or no attempt to describe or explain their cost basis. On quality and collaboration, it is not always clear what specific responsibilities and duties are to be performed by the lead institution. Similarly, there is quite limited evidence of regular opportunities for staff to teach or engage in curriculum, training, research and scholarly activities in partner institutions.

- Consortia agreements are generally fuller and more transparent. Nevertheless, there are examples in this group too where the coverage of some aspects is abbreviated or absent.

Meeting the Codes of Practice

- At a minimal level, most agreements are meeting the formal requirements of the relevant Code of Practice. However, there are few examples which fully express the 'spirit' of the Code, either in terms of a philosophy of partnership or in relation to joint authorship and ownership of the agreement.

- In the case of franchise arrangements, nearly all agreements had little or nothing to say about the arrangements governing multiple partnerships. This is probably because nearly every agreement represents a bilateral relationship between the lead institution and a partner college. It is rare for these agreements to describe how coherence is ensured in the pattern of relationships, how quality assurance safeguards are applied across a number of providers, and on what basis the partners are chosen.

6.2 Nature and working of partnership arrangements

The diversity of practice in indirectly funded partnerships reflects a wide range of general and specific factors: long standing histories and recent collaboration; location and geography; differences of scale and variety of local provision; different reasons and purposes for the arrangement.

Evidence from our questionnaire and case studies highlighted a range of operational features and issues:

Indirect funding versus direct funding

- A tension exists between indirect funding and the preference of many colleges for direct funding. This applies particularly to colleges with no alternative way of increasing their higher education provision. Control and transparency of funding is a central issue for many colleges. Comparatively few colleges welcome indirect funding although some, largely those for whom higher education is a relatively small proportion of their provision, appreciate the administrative and academic support of an HEI. Some value the stability and flexibility these arrangements can give; others believe an indirectly funded relationship is inherently unstable.

- There is increasing awareness of the actual costs attached to indirectly funded partnerships. The costs of working within these arrangements are a real issue for HEIs and, to a lesser extent, for FECs. HEIs consider that the costs of partnership are not usually met by the amount of funding retained, even if they are not always clear about the exact sums involved. Those who have tried to cost the service they provide have found it very difficult and there is no consensus. Both HEIs and FECs identify unmet costs, particularly in terms of time spent maintaining partnerships.

- The figures given for the percentage of funding retained by HEIs indicate a wide diversity of practice. Whatever the percentage retained, to many colleges it is unclear what is provided in return; while on the other hand most HEIs believe that the figure does not cover their true costs.

Partnership and collaboration

- Although the term ‘partnership’ is commonly used to describe the nature of the relationships and the organisational structures that support them, the partnerships are frequently asymmetrical and there is little shared understanding of what partnership means. Some HEFCE-recognised consortia have been more successful in establishing arrangements which partners believe to be more equal. The nature of some partnerships has evolved as the higher education provision in colleges has matured. The fact that indirect funding may be the only way an FEC can grow its provision can undermine shared values or strategies and make the partnership more of a commercial arrangement. The academic support and exchange of staff between partner institutions, which is evident in more collaborative partnerships, is not widespread.

Quality assurance and enhancement

- The assumption that indirect funding safeguards the quality assurance of FEC programmes by bringing them under the aegis of an HEI is questioned. Quality assurance mechanisms exist, usually as part of the indirectly funded agreement, but are not always fully implemented. The role of quality enhancement is especially limited. If indirectly funded colleges also have directly funded HE, they have the scrutiny of QAA academic review as well. The fact that directly funded provision at the subject level is reviewed by the QAA and indirectly funded provision is not leads to an inconsistency of treatment of HE provision within some FECs. Moreover, under the present QAA arrangements it is no longer possible to make comparisons between directly funded HE in FE and the provision of HEIs.

6.3 Recommendations

1. The HEFCE Codes of Practice should be rewritten, alongside the review of the section of the QAA Code of Practice on collaborative provision. This should clarify any expectations or requirements for indirectly funded partnerships and differentiate between principles and precepts on the one hand and guidance about good practice on the other.

2. In the main, FECs prefer direct funding but recognise that indirectly funded provision has been signalled as the primary way of expanding their higher education. If this remains government policy, the Council should consider ways by which indirect funding is made more attractive to FECs, not least by ensuring that the arrangements in place result in a greater degree of stability and more equal partnerships than hitherto.

3. The considerable costs of indirectly funded arrangements and collaborative working should be recognised in the funding methodology, with a specific premium for partnership working that will ease current burdens and encourage quality enhancing developments.

4. Work should be carried out to identify and to draw to the attention of FECs and HEIs examples of good practice in all forms of indirect funding relationships. This should go beyond the helpful but limited descriptive studies which have been carried out in the past and should seek to identify the key transferable factors which contribute to the successful operation of those arrangements.

Annex I

Review team and advisory group

The review was undertaken jointly by a team led by Professor Gareth Parry (University of Sheffield), Dr Russell Moseley (University of Warwick) and Dr Jane Thompson (National Institute of Adult Continuing Education). The other members of the team were Penny Blackie, Melanie Burdett, Colin McCaig, Pat Davies, David Smith, Anne Thompson and Jenny Williams. Additional contributions were made by Chris Gaffney, Maggie Greenwood and Lynn Parker.

The report was written by Gareth Parry, Russell Moseley, Jane Thompson and Penny Blackie.

The review team was supported by an advisory group chaired by Kate Anderson. It met three times and its other members were Madeleine King, Lynn Parker, Derek Pollard and James Winter.

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Annex II

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