

20 March 1998

CIRCULAR

THE
FURTHER
EDUCATION
FUNDING
COUNCIL

**THE FURTHER EDUCATION
COLLABORATION FUND:
RATIONALISATION ELEMENT**

Cheylesmore House
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To

Principals of colleges
Chairmen of governors
Chief education officers
Heads of external institutions and
higher education institutions
receiving Council funding

Circular type

Request for applications for
funding

Summary

Request for applications by
colleges for financial support from
the rationalisation element of the
further education collaboration
fund

Reference number: 98/08

Enquiries:
Regional directors

98/08

THE FURTHER EDUCATION COLLABORATION FUND: RATIONALISATION ELEMENT

INTRODUCTION

1 This circular requests applications by colleges for financial support from the rationalisation element of the further education collaboration fund (the FE collaboration fund).

BACKGROUND

2 The secretary of state, in his letter of guidance to the Council chairman of 12 November 1997, announced that the competitiveness and development funds were to be refocused to support proposals for more cost-effective use of resources through rationalisation and collaboration.

3 The Department for Education and Employment (DfEE) has subsequently advised the Council that the refocused fund is to be known as the further education collaboration fund (FE Collaboration Fund).

THE FURTHER EDUCATION COLLABORATION FUND

4 The arrangements for the competitiveness fund in 1997-98 envisaged final allocations being made by early in January 1997, with the expenditure being incurred between 1 April 1997 and 31 March 1998. It is unlikely that allocations in respect of the new fund could be made before May 1998 at the earliest.

5 The Council would have preferred to have consulted on the proposed arrangements, but to have done so would have further delayed allocations. In these circumstances, the DfEE and the Council have agreed that interim arrangements should be set in place for 1998-99 only and that the criteria against which applications will be considered have been developed so as to be capable of broad interpretation. The arrangements will be reviewed for future years in the light of experience of 1998-99 and following wide consultation.

6 The total value of the fund in 1998-99 is £25.5 million. Of this, £10 million has been allocated for 1998-99 to the rationalisation element and £15.5 million to the wider collaboration element. It is estimated that there will be

expenditure of approximately £2 million in 1998-99 on continuing competitiveness fund projects. This expenditure will be met from the wider collaboration element of the new fund.

7 The overall aim of the fund is to help colleges to increase the efficiency and effectiveness of the further education sector and post-16 provision generally by encouraging collaboration. The objectives of the fund are:

- a. the rationalisation element (£10 million in 1998-99) – to promote college mergers and the rationalisation of provision within the further education sector; and
- b. the wider collaboration element (£15.5 million in 1998-99) – to encourage wider collaboration within further education and across post-16 sectors in order to address local and regional skill needs/shortages.

8 The wider collaboration element of the fund will be managed by government offices and will support collaborative projects which address identified skills needs. Projects must be led by colleges. The majority of the funding of projects will support capital costs. Guidance on this element of the fund was issued by the DfEE on 6 March 1998.

9 The rationalisation element of the fund will be managed by the Council and will support rationalisation projects or merger proposals which demonstrate increased cost-effectiveness of provision in the further education sector. Funding will be available for both capital and recurrent expenditure projects. For 1998-99 the criteria for the allocation of funds from the rationalisation element have been drawn widely; these will be reviewed for 1999-2000 in the light of experience and following wide consultation.

10 The two strands to the fund are not considered as mutually exclusive; indeed, an exemplary project might be one which would result in rationalisation at the same time as addressing a skills need.

Management Arrangements: Wider Collaboration Element

11 The arrangements for the wider collaboration element are broadly similar to those which applied previously to the competitiveness fund, with the exception that local education authorities (LEAs) and others are to be involved and TECs will no longer hold the majority membership of regional/subregional groupings (R/SRGs).

Management Arrangements: Rationalisation Element

12 Management responsibility for the rationalisation element lies with the Council, and will be administered through its regional offices. Details of the types of projects which will be eligible for support and the selection criteria which will be used are set out below.

APPLICATIONS FOR SUPPORT FROM THE RATIONALISATION ELEMENT OF THE FE COLLABORATION FUND

Eligibility

13 For 1998-99, three types of project will be eligible for support from the rationalisation element of the fund. All projects should demonstrate increased efficiency and effectiveness of the further education sector. The types of eligible project are:

- a. projects intended to lead to a merger of further education sector colleges;
- b. projects resulting in the rationalisation of provision between two or more further education sector colleges; or
- c. projects intended to lead to the rationalisation of provision across post-16 education.

Support Available

14 Details of the maximum level of support available from the fund in respect of each type of project are provided at annex A to this circular. The administrative arrangements applicable to all projects are set out at annex B.

15 In order that colleges proposing joint projects may draw down funds, it will be necessary that one college is identified as the budget holder, accountable to the Council for the funds allocated. This should be seen as an administrative arrangement only, and not to signify the primacy of any particular partner, nor to prevent funds being distributed to other partners.

Timing of Applications

16 Applications in respect of projects for rationalisation (types **b** or **c** in paragraph 13 above) should be submitted by 15 May 1998. Applications will be considered by the Council's regional committees during June and July 1998, with allocations agreed by 31 July 1998. A further round of allocations may be made later in the year. For

1998-99, applications related to merger proposals (type **a** in paragraph 13 above) may be made at any time during the year.

Project Application Form


17 A project application form is attached at annex C, and a description of the type of information which might usefully be included in a supporting statement appears at the appendix to annex C. Two copies of each application should be sent to the appropriate regional office of the Council. The addresses of the regional offices are set out at annex D.

Selection Criteria

18 The regional committees of the Council will consider all eligible applications and recommend to the Council which projects should be supported. In assessing applications, the regional committees will liaise closely with government offices and will take account of their views in making recommendations.

19 For 1998-99, projects will be assessed against the following criteria:

- the extent to which the project will enhance the student experience
- the extent to which the project is consistent with the strategic plan and accommodation strategy of the college(s) involved
- the level of long-term sustainable cost efficiencies which can reasonably be expected to result to the further education sector from the project
- the implications of the project for the future development of post-16 provision in the area.



DETAILS OF SUPPORT FOR PROJECTS

Category a. Projects intended to lead to a merger of two or more further education sector colleges

1 A feasibility study to assess the viability of the project should normally be undertaken before an application is made. The regional committee may agree retrospective support for the feasibility study, subject to paragraph 4 below.

2 Proposals for the merger of colleges would subsequently be subject to further consideration by the Council's regional and reorganisations committees, against the Council's published criteria.

3 The figures set out in paragraphs 6 to 8 below relate to projects intended to lead to the merger of two colleges. If more than two colleges were involved in the project, the maximum allocations available would be increased accordingly. Thus if three colleges were involved, the maximum allocation for feasibility study would be £15,000.

4 If projects have already commissioned due diligence studies or undertaken consultation, no retrospective financial support will be available. Such colleges would, however, be eligible for support towards the implementation of agreed mergers.

5 Support will not be available for the recurrent costs incurred through the restructuring of staffing.

6 Revenue support for projects will be available as follows:

- feasibility studies (maximum allocation for two-college mergers £10,000)
- due diligence studies (maximum allocation for two-college mergers £40,000)
- consultation (maximum allocation for two-college mergers £10,000).

7 In addition, support would be available for the revenue costs of the implementation of college mergers (maximum allocation for two-college mergers £200,000).

8 Proposals will also be eligible for capital support, subject to the following conditions:

- a. allocations will normally be limited to the lower of:
 - i. £250,000 (for two-college mergers); or
 - ii. 50 per cent of the total capital cost of the project; or
 - iii. the revenue cost savings anticipated to result to the further education sector directly from the project over a period of three years;
- b. allocations will be payable as grant, with the capital cost of the project, net of any such allocations, being eligible for consideration for capital project support from the Council under the arrangements set out in Circular 95/25 and Circular 96/11; and
- c. allocations will be passed to colleges in no more than two instalments, with the first instalment payable at an appropriate stage during the project programme and the final payment upon completion of the project.

Category b. Projects resulting in the rationalisation of provision between two or more further education sector colleges

1 One example of such a project would be the development of a centre of excellence, to be used by each participating college, which would enable colleges to rationalise their existing premises.

2 A feasibility study to assess the viability of the project should normally be undertaken before an application is made.

3 Projects will also be eligible for capital support, subject to the following conditions:

- a. allocations will normally be limited to the lower of:
 - i. £250,000; or
 - ii. 50 per cent of the total capital cost of the project; or
 - iii. the revenue cost savings anticipated to result to the further education sector directly from the project over a period of three years;
- b. allocations will be payable as grant, with the capital cost of the project, net of any such allocations, being eligible for consideration for capital project support from the Council under the arrangements set out in Circular 95/25 and Circular 96/11; and

- c. allocations will be passed to colleges in no more than two instalments, with the first instalment payable at an appropriate stage during the project programme and the final payment upon completion of the project.

Category c. Projects intended to lead to the rationalisation of provision across post-16 education

1 Examples of such projects would be the consideration of the benefits which might result from closer working together of a further education sector college with a private training provider, higher education institution, or with an external institution (an institution which receives Council funding through sponsorship arrangements under section 6(5) of the *Further and Higher Education Act 1992*).

2 This category might also include reviews of the overall arrangements for 16–18 provision in an area, including the provision made by school sixth forms. Projects might consider the benefits which would result from increased collaboration or from reorganisation.

3 All projects in this category must be led by a further education sector college. Applications should identify clearly that any allocation from the fund would only support the further education component of projects. It would be expected that funding for non-sector components of projects would be from other sources.

4 For 1998-99, applications for support under this category will normally be restricted to support for feasibility studies only, with a maximum allocation of £10,000. As such, it will not be possible for applications to include the details requested in the supporting statement. Applicants for support under this category need only complete the application form and provide confirmation that:

- a. the project has secured any necessary approval from the governing bodies of the colleges involved and from the equivalent authority in other partners; and
- b. any allocation from the fund would only support the further education component of the project.

5 If, following consideration of the results of the feasibility study for such a project, the partners determined that they should develop proposals which would lead to the merger of institutions or the reorganisation of local education authority post-16 provision, the Council would be prepared to consider an application under the terms set out under category a.

6 Retrospective applications will not be considered in respect of this category.

ADMINISTRATIVE ARRANGEMENTS

ACCOUNTING PERIOD

1 The accounting period for the fund will be the Council's financial year: 1 April 1998 to 31 March 1999. The Council recognises that some projects may continue beyond 31 March 1999; the regional committees may, therefore, make provisional allocations for future years.

2 It should be noted, however, that all future funding is dependent on the public expenditure settlement.

REPAYMENT OF FUNDING

3 Where projects are discontinued the Council reserves the right to reclaim funds, other than where the colleges can demonstrate that the project cannot continue for reasons outside their control or which could not reasonably have been anticipated. Colleges may, therefore, wish at an early stage to identify the resources to be committed to the project by each partner and arrangements for repayment of funds in the event of any partner withdrawing from the project.

REGIONAL ALLOCATION OF FUNDS

4 The Council recognises that there is no demonstrable relationship between the number of colleges or of funded units in a region and the propensity for the merger of colleges in that region. For 1998-99, therefore, the Council will initially hold £2.5 million centrally to be allocated to support the revenue costs associated with proposals for the merger of colleges.

5 The Council will make initial allocations totalling £7.5 million to its regions pro-rata to the number of Council-funded units delivered in those regions (based on the December 1997 returns from colleges (ISR9)). Initial allocations are as follows:

<i>Region</i>	<i>Indicative allocation</i>
Eastern Region	£670,138
East Midlands	£570,135
Greater London	£1,025,064
Northern Region	£423,397
North West	£1,212,803
South East	£1,069,597
South West	£748,469
West Midlands	£995,207
Yorkshire and Humberside	£785,190
Total	£7,500,000

DRAWING DOWN OF FUNDS

6 Funds may only be drawn down on receipt of evidence of expenditure.

TENDERING AND PROCUREMENT

7 Colleges should comply with all statutory and other legal requirements as may apply to the implementation of the project and apply good practice to project procurement and tendering. Colleges may find useful the good practice guides: *Estate Management in Further Education Colleges* (FEFC/NAO 1996); and *Procurement* (FEFC/NAO 1997).

INVOICE AND PAYMENT PROCEDURES

8 Payments by the Council to colleges will be made promptly on receipt of correctly authorised invoices. In all cases, the Council will wish to be satisfied that the goods and services have been provided satisfactorily before certifying the invoice. Colleges will be reimbursed in arrears for expenditure made unless a case has been agreed by the Council for immediate payment.

VAT

9 Colleges should include in their applications any irrecoverable VAT. Colleges should consult their financial advisers and, if necessary, their local HM Customs and Excise Office to ascertain what aspects of expenditure will incur VAT.

CAPITAL ASSETS

10 Colleges will be bound by the provisions of their financial memorandum with the Council in respect of capital assets purchased with assistance from the fund.

HEALTH AND SAFETY AND EQUAL OPPORTUNITIES

11 Successful applications should demonstrate proper consideration of relevant health and safety and equal opportunities statutory requirements.

EVIDENCE REQUIRED FOR AUDIT PURPOSES

12 The Council will keep copies of all invoices (correctly processed and certified) as evidence of expenditure for audit purposes.

PUBLICATION OF OUTCOMES

13 The Council will wish to be able to publish and disseminate information on the projects supported under the fund.

POST-PROJECT EVALUATION

14 The Council's regional committees will wish to receive post-project evaluations of the projects supported under the fund.

PROJECT APPLICATION FORM

(Reference Circular 98/08)

Please photocopy and complete a form for each project you are applying for. Please return completed forms to your local regional office. Applications to the fund related to rationalisation must be received by 15 May 1998. Applications to the fund related to merger may be made at any time of the year.

Institution name

Contact (*please print*)

Telephone no.

THE FURTHER EDUCATION FUNDING COUNCIL

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 01203 863000
Fax 01203 863100

1 Name of college acting as budget holder

2 Project contact

Name

Telephone

Fax

3 Other colleges and organisations involved

4 Project category (see text of circular, paragraph 13)

Category

Description

5 Summary of purpose of project

6 Amount of application

<i>Year</i>	<i>1 April 1998 – 31 March 1999</i>	<i>1 April 1999 – 31 March 2000</i>
Revenue		
Capital		

Declaration**7** As principal of

 College

I confirm:

- a. that the project will be subject to the college's accounting and auditing arrangements;
- b. that funds will be repaid if so required by the Council following a decision by all partners or any individual partner to withdraw from the project;
- c. that the Council may publish and disseminate information on the project.

 Signed

 Name

 Date

SUPPORTING STATEMENT

1 It would assist the Council's regional committees to assess applications if a supporting statement could be provided which addressed the following main headings.

Anticipated Outcomes of the Project

2 Where possible, the application should identify what is expected to be achieved within a three-year timescale as a direct result of the project in terms of:

- i. generating financial efficiency gains and releasing of resources from other college activities
- ii. maintaining or improving the financial health of participating colleges
- iii. improving space utilisation and/or the quality of premises
- iv. changing the distribution of pay expenditure between premises, management, teaching and support; and
- v. other material factors as may be relevant to the particular project.

Anticipated Benefits to Students

3 The supporting statement should include information to demonstrate that the project will have a positive impact on student experience, for example in terms of:

- i. improving specialist, support and leisure facilities
- ii. providing a wider and more coherent curriculum offer
- iii. contributing to wider participation
- iv. improving achievement and retention; and
- v. reducing wasteful competition and duplication of provision.

Implications of the Project

4 The supporting statement should demonstrate that:

- i. the partners involved have considered, in conjunction with other providers, the implications of the project for the future development of post-16 provision in the area; and, where relevant

- ii. other options have been considered and, where appropriate, demonstrate that alternative options have been properly appraised.

Outline Project Plan

5 The supporting statement should provide an outline project plan including:

- i. proposed arrangements for project management
- ii. the key stages of the project and the timescale for completion
- iii. confirmation that, where appropriate, that opportunities for private sector investment and participation and public/private partnership have been fully considered
- iv. an outline cashflow for the project
- v. evidence that the project has secured any necessary approval from the governing bodies of the colleges involved and from the equivalent authority in other partners; and
- vi. the contributions to be made to the project by each of the partners, both in terms of staff time and financial support.

Information and Evaluation

6 The supporting statement should provide details of:

- i. the nature and timing of information to be provided to enable the Council to assess progress towards project objectives; and
- ii. the proposals for post-project evaluation.

THE FURTHER EDUCATION FUNDING COUNCIL'S REGIONAL OFFICES

East Midlands Region

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 01203 863000
Telephone 01203 863359

Greater London Region

Metropolis House
22 Percy Street
London
W1P 0LL

Telephone 0171 312 4100
Fax 0171 312 4134

Northern Region

Clough House
Kings Manor
Newcastle upon Tyne NE1 6PA
Telephone 0191 211 2200
Fax 0191 211 2235

South West Region

Kempton House
Blackbrook Park Avenue
Taunton TA1 2PF

Telephone 01823 444404
Fax 01823 443815

Yorkshire and Humberside Region

1 Blenheim Court
Blenheim Walk
Leeds LS2 9AE

Telephone 0113 245 2644
Fax 0113 245 2477

Eastern Region

2 Quayside
Bridge Street
Cambridge CB5 8AB

Fax 01223 454500
Fax 01223 454535

North West Region

10 Brindley Road
City Park Business Village
Cornbrook
Manchester M16 9HQ

Telephone 0161 877 3811
Fax 0161 876 2936

South East Region

3 Queens Road
Reading
RG1 4AR

Telephone 0118 955 4200
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West Midlands Region

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