Research Report
No 458

Models of HE/FE Mixed Economy Provision

Jointly Commissioned with The LSC and HEFCE

KPMG LLP

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education and Skills.

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1 Executive Summary

1.1 Introduction

This project is primarily concerned with the evaluation of combinations of mixed further education (FE) and higher education (HE) provision in the following circumstances:-

- Mergers of FE and HE institutions
- Transfers of FE institutions to HE status
- Mixed economy FE colleges delivering substantial levels of HE provision

The aims of the project were as follows:-

- Mergers/Transfers
  - To evaluate the effects of FE/HE mergers and transfers of FE institutions to the HE sector on the structure and organisation of the institution, including the extent to which this has aided or hindered the delivery of provision.
  - To identify and explore the issues arising from FE/HE mergers and transfers of FE institutions to the HE sector, which relate to the integration and harmonisation of FE/HE processes and policies and to identify best practice.
  - To evaluate the effects of FE/HE mergers and transfers of FE institutions to the HE sector, on the scale and scope of FE and HE provision.
  - To identify the barriers to safeguarding FE provision in FE/HE mergers and transfers of FE institutions to the HE sector, and to propose options for how these can be overcome.
- Mixed Economy FE colleges
  - To establish and evaluate the structure and organisation of a small sample of mixed economy FE sector colleges, including the extent to which this aids or hinders the delivery of both FE and HE provision,
  - To identify the issues and barriers for a small sample of mixed economy FE sector colleges, in relation to working with HEFCE and LSC funding and quality regimes, and the extent to which the colleges have integrated and harmonised FE/HE processes and policies, and to identify best practice.

The project involved the conduct of eleven case studies as follows:-

- Four HE/FE merger case studies
- Three FE to HE transfer case studies
- Four mixed economy (ME) college case studies

The write-ups of these individual case studies do not form part of this report.

1.2 Over-arching conclusions

- Based on the findings of these case studies we are of the opinion that in all cases the institutions concerned wish at the present time, to maintain or even increase their level of FE provision.
- The mergers that have taken place have ensured the medium to long term survival of much of the FE provision provided by the FECs at a time when some or all of this provision was at risk. This has been to the benefit of the FE institutions themselves and their students who might otherwise have been disadvantaged.
- At the time these mergers took place there seemed to be little alternative to merger. Therefore, in terms of fulfilment of the original vision and premise on which the merger proposals were constructed, it is clear that these mergers have largely proved successful.
- The mergers have largely proved successful because of specific aspects of the way in which they were undertaken. In particular we would emphasise the maintenance of a separate FEC site as a discrete and cohesive entity and the investment provided by the university in FE provision.
- To some degree FE provision has been protected through mechanisms such as asset deeds and commitments given by senior managers and Governors of the university. However, these mechanisms have only a limited life span and for the longer term future there is no guarantee that FE provision will continue to be protected. Different circumstances and different personnel may (or may not) lead to a situation where asset stripping takes place and FE provision in the university is downgraded. We do not believe it is possible or desirable to introduce and maintain bureaucratic mechanisms which can protect FE provision in HE in perpetuity.
- In similar situations today where there is an FEC with financial problems, the reality is that there are other possible solutions to these problems than merger. This could involve:-

  - Provision of interim support by the LSC while the colleges take the necessary action to improve their financial health,

  - The development of collaborative models, with other providers, which could involve the provision of shared central services and/or the avoidance of duplication of provision.

  These models might be more effective than merger with HEIs in protecting FE provision in the longer term.

- Overall the transferred institutions model seems to be a good model of mixed provision incorporating: the benefits of HE status, substantial and ongoing provision in both FE and HE and the means of progression across the curriculum.
- We are confident that it is in the transferred institutions own interests to maintain and even enlarge their base of FE provision, particularly since some may have difficulties in further expanding their HE provision in other ways.
- The transfer model has only been applied to a small number of specialist institutions and we are not certain about the applicability of this model to the majority of general ME colleges whose curriculum range is much wider.

- ME colleges undoubtedly make a valuable contribution to HE provision in their area and in achieving progression from FE to HE. However, we suspect that their lack of HEI status will place a ceiling on the range of students they can attract into HE. Also, their difficulties in accessing capital funds might inhibit their ability to deliver increasing volumes of HE provision.

1.3 Findings regarding FE/HE mergers

These are outlined below in two categories concerned with "provision" and "organisation and resources":-

1.3.1 Provision

- All of the case study mergers involved the merger of a university with a small specialist and/or rural FE college (FEC). Thus these mergers have involved a particular type of FE college and the general applicability, to larger and urban FECs, of findings from these case studies, must be treated with caution.
- In all cases, the mergers have ensured the medium to long term survival of much of the FE provision provided by the FECs at a time when some of this provision at least, if not the FEC in totality, was seen to be at risk. As a consequence of merger, financial stability has largely been achieved and financial viability of the FE provision has improved.
- In most cases the approach adopted has been to maintain FE provision at the FEC site as a discrete and cohesive entity. Thus coherence has been maintained, whilst at the same time integrating most of the support systems and functions as part of a central university service.
- Since the mergers, the Universities have sustained that FE provision which has proved viable or where there is a specific need, such as in the case of the students with learning difficulties and disabilities (SLDD) provision.
- Retention and completion rates have improved in both the FE and HE provision previously offered by the FEC.
- Although the FECs perceived that there were limited opportunities for further development of work at FE level in their localities, the merged institutions have identified and already been successful in achieving growth, particularly in adult part time provision, in these localities.
- Since merger, there has, in some cases, been substantial growth in FE provision whilst in others there has been a planned reduction in FE provision, although this has not usually been at the FE/HE interface or where full time core provision has retained its viability. In some cases it has been the FE part time provision and level 1 and 2 provision that has reduced whereas in others, the FE part time provision has grown, as the university has grasped the opportunity to increase market penetration in new areas for its outreach and community based provision.
- There is little incentivisation to expand key skills provision and additionality within FE programmes run by the HEI's as their internal budget allocation systems are usually based primarily on student number counts and projections.
- Linkage to a university has improved the 'brand image', of FE provision and HE in FE provision, in general terms, but loss of brand identity for some of the specialist FECs has caused problems with recruitment in the initial post-merger period.

- With regard to foundation degrees, there is some consumer resistance to studying for these at the FE college arm of the merged institution rather than the main university.
- There are indications of some pressure, in some cases, from the larger and more influential HE provider to raise entry levels, reduce lower level provision and focus upon HE and options for progression, if necessary, at the expense of FE.
- A common aim of the mergers was the widening of access to HE through FE via the strengthening of coherent, well articulated progression routes for full time students in particular, from FE to HE programmes. As yet, there appears to be little evidence of significant improvements in progression from FE to HE as a consequence of merger.

1.3.2 Organisation and resources

- Merger has been accomplished without significant rationalisation of staff posts or compulsory redundancies.
- There has been considerable investment in staff development to help FE academic and support staff to adjust to work within the HE system and to acquire, in some cases, the skills to teach in HE programmes.
- Staff morale has generally improved but staff pay and conditions have taken some time to harmonise and have proved costly where no pay awards had been given to staff immediately pre-merger.
- Not all FE posts have been replaced when vacancies have arisen.
- Sometimes FE staff have felt that decision making on issues specific to their own provision has taken longer through the university system and has involved greater degrees of bureaucracy than when they were part of free-standing FECs.
- To enable the merger to be successful, it is important that there is a strong commitment, at the highest level within the merged institution, to the protection and development of FE provision. Also it is important that there is a senior manager within the merged institution responsible for FE provision.
- As a consequence of merger, the Universities have invested heavily in the FE sites to improve the quality of facilities and accommodation for students and staff. There is little evidence of ‘asset stripping’, and in the majority of cases significant inward investment has been made into what was hitherto of variable quality.
- Full integration of FE and HE systems has not taken place and this may be hampering harmonisation, clarity in terms of management structures and the achievement of parity of esteem, in terms of the FE provision, within the merged university.
- Some senior management posts have been allocated to FE managers but these are in the minority.
- The FE voice has not been directly ‘represented’, on university main Boards of Governors or university Executives, through Board members or college principalship members transferring into these top levels of Governance and Management.
- There is evidence of lack of clarity on some issues of accountability and management of the provision.

- There seems to have been little in the way of external follow-up, post-merger, to ensure compliance etc with conditions or duties of merger agreements and asset deeds in two of the four case studies considered but in these cases we believe a review by the LLSC has been scheduled to take place in the near future.
- There are cultural challenges and difficulties of bringing together very different staff, structures, conditions of service, and the harmonisation of control and reporting systems and structures.

1.4 Findings regarding FE to HE transfers

These are outlined below in two categories concerned with "provision" and "organisation and resources":-

1.4.1 Provision

- Of the three transfers that have taken place, all have involved specialist FE institutions becoming specialist HE institutions. There are no examples, as yet, of generalist FE institutions becoming generalist HE institutions. In the light of the above comments, the lessons to be learned from this model of mixed provision are limited.
- All of the institutions are very positive about their change in status and believe that it will bring longer term benefits even if those benefits have yet to materialise. Longer term benefits include; increased attractiveness to HE students, improved business links and involvement in HE networks. All of the institutions would aspire to have the term "university" in their title as a means of enhancing their status still further.
- All institutions have an ongoing commitment to FE provision since this provides one of the main sources for their HE provision.
- The institutions encourage progression at all levels of provision up to and including HE. They see the distinction between HE and FE as a false dichotomy and prefer to think of a broad spectrum of progression.
- It is difficult to draw any firm conclusions about changes to their volume and pattern of FE provision. It would appear that changes which have taken place have been caused more by local factors than the impact of transfer.

1.4.2 Organisation and resources

- Only limited organisational changes have taken place within the institutions as a consequence of transfer. However, organisational changes may well have taken place in preparation for transfer.
- Of the institutions that have transferred to HE status only one has had this enhanced status for a significant period of time. Thus it is difficult to identify any clear and definitive longer term impacts resulting from this model of mixed provision. Initially, the impact of transfer on staff and students has been limited. The main impacts have been to do with administrative matters such as funding mechanisms, reporting, liaison etc.
- Most staff, however, feel that the transfer has improved their pay and conditions of service since at the time of transfer many staff in FECs were not receiving annual pay awards and these immediately re-appeared when they transferred.

1.5 Findings regarding mixed economy colleges

These are outlined below in two categories concerned with "provision" and "organisation and resources":-

1.5.1 Provision

- In ME colleges the level of HE provision has grown steadily over the years and there have been no quantum leaps in the level of provision. HE student numbers have increased substantially in recent years but have plateaued in the last year.
- FE student numbers have remained fairly constant or shown slight increases. There have been changes in the mix of provision.
- Maintenance of FE student numbers is regarded as important since it provides the seed corn for future HE student numbers. Retention and achievement rates for FE provision have shown a slight upward trend.
- There are good rates of progression from FE to HE within ME colleges and, for marketing purposes, the colleges emphasise the potential for progression through different levels of FE and into HE within the same institution.
- ME colleges will encourage certain students (who would/may otherwise drop out of education) to progress to higher education. However, the lack of HEI status and the lack of dedicated HE facilities will probably always be a barrier to recruiting other classes of student who will aspire to a HEI experience.
- Many ME colleges now undertake a significant amount of provision for 14-16 year olds and this level of provision may increase. Thus there may be strategic problems in providing large scale HE provision at the same time as providing an increasing range of provision to 14-16 year old students.

1.5.2 Organisation and resources

- There are different models of organisation with some colleges splitting HE and FE by running the two operations separately with an executive group for each, or by creating a separate HE unit. In others HE provision is spread over the existing departments. Where HE provision is spread over a range of departments, the college may build (or may aspire to build) a centre for HE students.
- ME colleges, as designated FECs, are ineligible for many HEFCE funded initiatives. Also ME colleges have only limited access to capital funds for HE provision. These constraints would seem to limit their potential for growth in HE provision.
- There are difficulties in working with two quality assurance systems. Overall, the HE quality assurance system operated by the QAA is regarded as being less bureaucratic than the FE system and hence preferred.
- ME colleges feel that nobody has an overview of their HE provision and the possible links between HE and FE.

2 Introduction

2.1 Background

This project was commissioned jointly by the DfES, the LSC and HEFCE and is primarily concerned with the evaluation of combinations of mixed FE/HE provision in the following circumstances:-

- Mergers of FE and HE institutions,
- Transfers of FE institutions to HE status,
- Mixed economy FE colleges delivering substantial HE levels of provision.

It occurs at a time of considerable challenge. We are mindful of the Government's targets of 50% of the population to have experience of HE by age 30 by 2010 and the common Government policies and purposes for FE and HE of social inclusion and economic development. Also that mixed economy FE/HE institutions have a significant role to play in the achievement of these objectives and targets. At present there are more than 200,000 HE students (12% of all HE students) undertaking their programmes in FE colleges and some of these colleges have individually more than 1000 HE students enrolled. We understand that the policies and procedures under which those institutions which have been formed through mergers with FECs, through transfers from the FE sector and as mixed economy institutions, operate, need to be appropriate and supportive. This is to ensure the safeguarding of high quality provision of, and accountability for, their FE and HE activities and also to encourage further innovative collaboration and reorganisation initiatives to take place, in order to fulfil the Government's agendas and objectives, for the benefit of learners.

2.2 Aims of study

2.2.1 Mergers/transfers

- To evaluate the effects of FE/HE mergers and transfers of FE institutions to the HE sector on the structure and organisation of the institution, including the extent to which this has aided or hindered the delivery of provision.
- To identify and explore the issues arising from FE/HE mergers and transfers of FE institutions to the HE sector, which relate to the integration and harmonisation of FE/HE processes and policies and to identify best practice.
- To evaluate the effects of FE/HE mergers and transfers of FE institutions to the HE sector, on the scale and scope of FE and HE provision.
- To identify the barriers to safeguarding FE provision in FE/HE mergers and transfers of FE institutions to the HE sector, and to propose options for how these can be overcome.

2.2.2 Mixed economy FE colleges

- To establish and evaluate the structure and organisation of a small sample of mixed economy FE sector colleges, including the extent to which this aids or hinders the delivery of both FE and HE provision.

- To identify the issues and barriers for a small sample of mixed economy FE sector colleges, in relation to working with HEFCE and LSC funding and quality regimes, and the extent to which the colleges have integrated and harmonised FE/HE processes and policies and to identify best practice.

2.3 Approach

We have conducted this review through a series of case studies representing different models of mixed HE and FE provision. The case studies were as follows:-

2.3.1 Mergers between FECs and HEIs (Mergers)

Four case studies were carried out focusing on mergers between FE colleges and universities. In two of these case studies, the merger involved Specialist Agricultural colleges. The remaining two involved General FE colleges. All of the universities were post-1992 institutions.

2.3.2 FECs that became designated HEIs (Transfers)

Three case studies were undertaken on FE colleges transferring to HEI status. In each case the college involved was a Specialist college. Two specialised in Art and Design, and one in Food and related areas.

2.3.3 Mixed Economy FE colleges

Four case studies involving ME colleges were undertaken. Each was chosen for the broad mix of vocational areas and higher than average proportion of HE work within the college.

For each of these case studies we have undertaken the following range of tasks:-

- Analysed the data on educational provision (HE and FE) over a period of years in order to identify trends.
- Reviewed documentation provided to us by the various institutions involved.
- Conducted interviews with senior managers in the various institutions involved.
- Held a discussion with a representative of the local LSC responsible for the particular institution.

It should be noted that the write-ups of these individual case studies do not form part of this report.

2.4 Structure of report

The report is structured as follows:-

- For each of the three models of mixed provision (merger, transfer and mixed economy colleges) there is an in-depth summary of the findings of the review. This summary provides a synthesis of the findings of the individual case studies and covers a range of issues including; the impact on education provision, impact on resources etc.
- There is a set of conclusions about each model of mixed provision and a set of over-arching conclusions.

3 Mergers of further education and higher education Institutions

3.1 Background

Since incorporation of further education colleges (FECs) in April 1993, there have been nine mergers between FECs and universities. We have considered four of these, which were selected within the brief for the study.

Each of the case study mergers occurred between August 1998 and September 1999 and all involved the merger of a university with a small specialist and/or rural FEC. These FECs were perceived as part of a particularly vulnerable group at the time of the mergers, when progressive efficiency gains required of all FECs between 1995-98, were being claimed to have had a significantly greater impact on smaller specialist and rural colleges, than their larger urban counterparts.

In all four cases, it was also a perception at the time of mergers, that the potential for increasing income from the FEFC through growth had become less likely, than at incorporation in 1993, due to a combination of several factors. These included the competitive local environment within which the FECs were operating, which was perceived to significantly limit their opportunities for curriculum diversification in a number of programme areas. Other factors were the ‘capping’ of provision, franchising to give it a more localised focus and also the national decline in recruitment to the industries served by the two specialist colleges considered within the study.

3.2 Nature of the mergers

All of the four merger case studies were approved following lengthy periods of formal consideration; the minimum period for this being over about 12 months. Formal feasibility and options studies were undertaken, followed by initial outline proposal drafting and approval, due diligence studies, consultation exercises and then the production of a full formal proposal including a business case, to the Secretary of State. All these processes followed the FEFC and HEFCE published guidelines/procedures of the period. These required detailed consideration of the outcomes of consultation and due diligence and of the formal proposal content by the appropriate FEFC and HEFCE committees, before the formal proposal could be sent to the DfEE.

In all of the case studies, the mergers were referred to by the FEFC as ‘Model B’, mergers. These each involved the dissolution of the FEC Corporation and the transfer of its property, rights and liabilities to the university Corporation, which remained. Asset deeds were produced either at the time of merger or very shortly thereafter, regarding the post merger treatment of the transferring assets. Some of the deeds also contained sections with requirements to be fulfilled regarding governance of the merged institution and the sustenance of the FE provision over the first three year post–merger period. Only in two of the four case studies, has the asset deed been reviewed, this having taken place three years after the merger at a time when a major bid for capital funding was being considered by HEFCE and the LLSC.

In all four merger case studies, there was considerable geographical separation between the main sites of the university and the FEC, the closest partners being twelve miles apart and the most distant being sixty miles apart. This geographical separation has been a major factor in the degree of integration of the provision of the two merger partners, as explored in greater detail below.

3.3 Aims and aspirations of the mergers

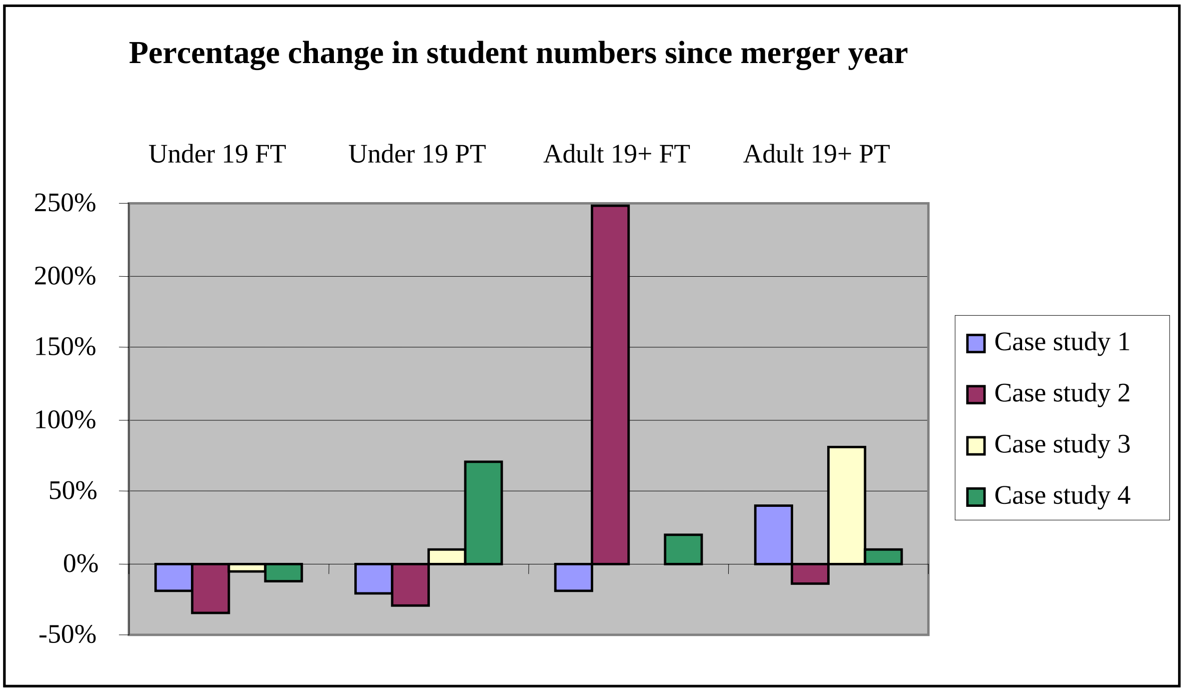
A common aim of the mergers was the widening of access to HE through progression through and from FE. It was envisaged that this would be facilitated through the strengthening of coherent, well articulated progression routes for full time students in particular, from FE to HE programmes. Also the aim was to be fulfilled through the institution's enhanced ability and opportunity to reach out to part time students, mainly adults, in those local communities where there had previously been an FE but not an HE presence.

The benefits which the universities envisaged also included the acquisition of new assets as locations for specialist teaching, learning and research, the extension of their sphere of influence regionally and nationally and the opportunity to diversify their income at a time when many HEI's were becoming increasingly dependant on HEFCE funding.

For the FECs involved, it was hoped that the improved financial stability and investment potential on offer would both sustain and enhance their provision, some of which appeared to be at risk. It was proposed that the merger with a HEI would result in inward investment in order to provide higher quality accommodation and facilities for teaching, learning and for residential and student recreational purposes, on the FE college campus. For the management and staff it was proposed within the merger documents, that there would be greater opportunities for staff career development and that the inevitable structural reorganisation would allow management specialisation to take place within a larger management team. In no cases did the merger aims include the sustenance and development of all of the FE provision on offer at that time, irrespective of its quality and viability, although assurances were given about the continuation of a viable FE portfolio on the FEC site and the protection of adequate and sufficient FE provision to meet local market needs and the needs of disadvantaged groups.

3.4 Impact of mergers on educational provision

3.4.1 Volume of provision



Source: final ISRs from each merger college, both prior to and after merger, where available. Where ISR/ILR data was not available post-merger (one institution only), HESA data was used to extract appropriate and consistent fields

NB: The actual % rise in Adult 19+ provision at Case Study Institution 2 was approximately 250%, however for ease of interpretation of the chart, this has been reduced to 100%

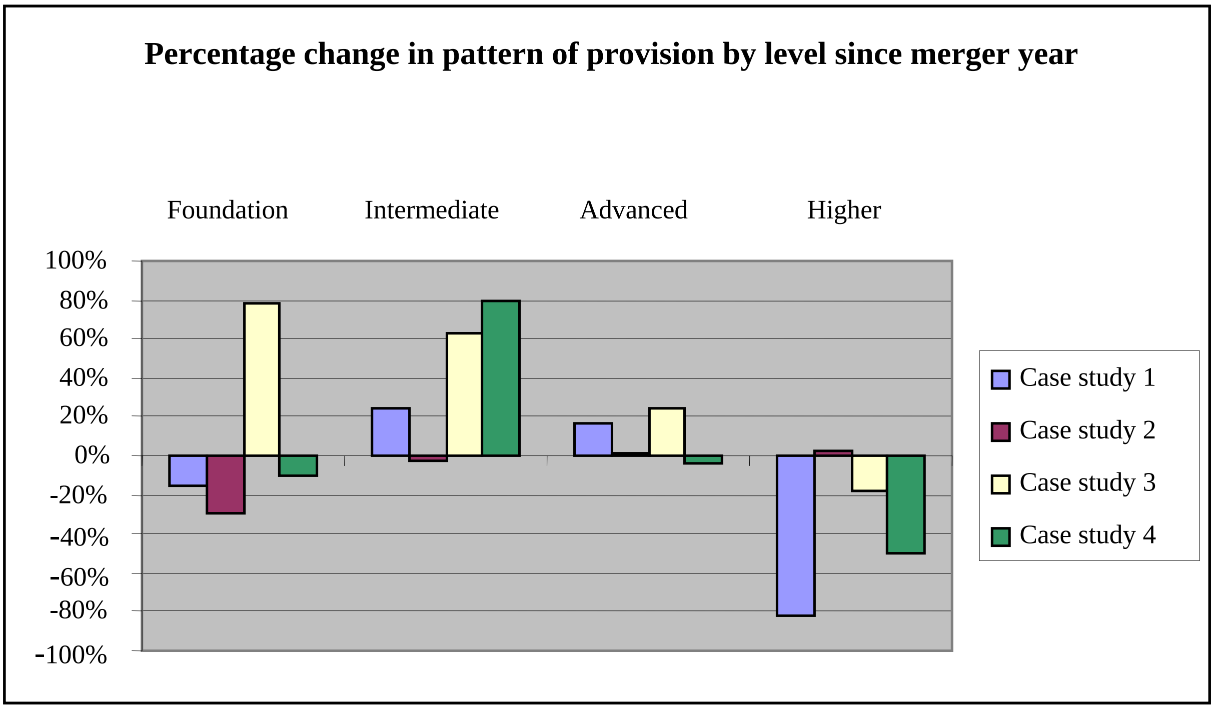
Each of the merged institutions has experienced a drop in full time 16-18 year old student numbers since merger. In all cases this has been significant, at over 5%. In contrast, three of the four institutions have seen a rise or have been static in full time adult student numbers since merger. The fourth institution has experienced a fall of 18%. The FE sector as a whole has seen a reduction in full time student numbers of approximately 2% over the last two years.

In terms of Part time students, two of the four merged institutions have seen a rise in part time 16-18 year old numbers and three have seen a large rise in adult part time. The FE sector as a whole has seen a rise of approximately 10% in part time numbers over the last two years.

Overall, in all except one of the case studies, there has been a rise in student numbers since merger, although in one institution this follows a drop in the year immediately after merger.

In each of the case study institutions, non-LSC funded HE provision was combined with the HE provision of the university in terms of data recording, and therefore it is difficult to establish changes in volume of HE provision within the former colleges. In addition, two of the former colleges franchised-in their HE provision prior to merger and therefore did not record these HE students in their ISR returns.

3.4.2 Pattern of provision



Source: final ISRs from each Merger college, both prior to and after merger, where available. Where ISR/ILR data was not available post-merger (one institution only), HESA data was used to extract appropriate and consistent fields

In terms of level of study, student numbers and enrolments at Foundation Level fell in all of the case study institutions immediately after merger. However in one institution, enrolments have since grown and now exceed the pre-merger level, through the introduction of further key skills and basic health and safety provision.

Student numbers have grown in all but one of the institutions since merger at Intermediate level, with the fourth experiencing a small decline. At Advanced level there is no clear trend. In one case study, enrolments at this level remain static, in the second they have fallen slightly, in the third they have increased steadily since merger and in the fourth, after a drop immediately after merger, they are now increasing. In two of the four case studies, student numbers engaged in Leisure programmes have increased and in the remaining two they have decreased.

As expected, through the transfer of HE provision to the merger partner, HE provision recorded has decreased in all but one of the case studies. Higher level provision, as shown in the chart, includes all provision designated at level 4 and above, and level H, within the LSC Learner Aims Database.

In terms of LSC programme areas, all four institutions show growth in the Sciences area, primarily through the introduction of Key Skills in IT and an increase in the number of short IT programmes taken up.

Provision in the Business programme area has fallen since merger in each of the case studies.

Each of the case studies experienced a growth in the Humanities area following merger, primarily through the need, with the introduction of Curriculum 2000, to provide Key Skills for 16-18 year old full time students. In one institution this has now fallen significantly due to a change in the curriculum strategy for key skills.

Only two of the four offer Construction provision, one of which has experienced an increase in the last year, the other a decrease.

Engineering provision is offered by all four case studies, and has experienced a small growth in three of these.

Basic Education is offered in three of the four case studies, however one offers only one short 6-hour generic programme. The remaining two offer a wide range of basic skills provision. In one of these, basic education provision has more than doubled since merger, through the introduction of new and college devised programmes. In the other, enrolments have fallen due to the removal of some qualifications for students with learning difficulties and disabilities (SLDD). Two of the four case studies involved specialist agricultural colleges and in these provision of land-based programmes has been decreasing for the last two years. This is unlikely to be a function of the merger, rather the economic downturn in the agricultural sector as a whole. These two institutions have broadened their curriculum offer since merger, to include additional programme areas, primarily through the introduction of short courses in health and safety, food hygiene and first aid programmes, rather than the introduction of substantial full time provision.

3.4.3 Achievement

Due to the differing data collection and recording methods used by the institutions, it was not possible to analyse achievement or retention rates prior to merger in one case study, and not possible to analyse after merger in another.

For the two institutions for which analysis of achievement is possible, there has been an overall increase in achievement rates since merger, at all levels. One institution now has achievement rates in excess of the Sector median (approx 78%) at levels 2, 3 and on short programmes. The other has achievement rates above sector median at level 1 and on short programmes. In both institutions, achievement rates since merger have risen at all levels by over 10%.

3.4.4 Retention

In the two case studies for which both pre and post merger trends can be analysed, the retention rate has increased at all levels and exceeds 80% across the board. One institution now exceeds the FE sector median of approximately 86% at all levels.

3.5 Impact of mergers on key resources

3.5.1 Staff pay and conditions

In all cases, staff transferred at the point of merger to the university as their employer, under TUPE regulations. No compulsory redundancies were identified, in any of the four case studies, as having been necessary or having occurred as a direct consequence of the merger, though a few managers took voluntary redundancy and severance packages shortly thereafter.

Academic staff were offered new contracts similar to the HE academic staff contract soon after merger. These were sometimes identical but sometimes distinct in their illustrative content, depending upon the proportion of FE and HE being taught, the range of pedagogic duties involved and research activities. Most of the academic staff have now signed up to these new contracts, largely because the conditions offered therein were perceived as superior to the current FE contracts. Some of the pay scales applied had 'bars', at certain points beyond which progression was not possible without a proportion of research involvement and these 'bars', have acted as 'ceilings', for progression for some academic staff.

Where HE and FE is structured and delivered separately, student contact hours required often differ in practice. In one case, for example, where academic staff have a weekly maximum of 23 hours contact, FE staff are asked to undertake 830 hours of contact time per year whereas HE staff are expected to deliver 690 contact hours per annum.

Good practice example:

In one case, FE staff who teach HE provision have an allowance of 1.5 hours for every one hour of HE work they teach, to offset contact time imbalances.

Support staff transferring from the FEC were offered the same or higher points on the APT&C scales and many have signed new contracts, but harmonisation of some specialist technician staff contracts has not yet been fully achieved, in all cases.

In three of the cases, the Principal of the FEC did not transfer into the university, having left the college prior to the merger. These FECs had an Acting Principal in place during the transition. Competitive interviews were held for senior posts such as Pro–Vice Chancellor or Director of School or Faculty and the FE managers were able to apply for these posts, although in the majority they were unsuccessful. However, in one instance the Principal did transfer and became a Pro –Vice Chancellor of the university.

Given the size of the FECs the college management teams were relatively small and a number of managers retired either at merger or shortly thereafter.

Good practice example:

Prior to their retirement being effected, senior managers from the FEC were given a harmonisation brief to integrate key FE functions such as finance, quality, industrial relations and student services. They were also asked to act as mentors for the university's support staff who would be dealing with the FE requirements of these functions for the first time.

For those college managers who remained, management posts at the salaries which the holders had received previously, though not necessarily with the same range or level of responsibility, were identified within the merged structure. Only a few managers from the FECs have obtained extensive high level roles across the university, such as one manager who now has achieved Professorial status and leads developments in Quality and Curriculum management. In some cases managers are now on individually negotiated contracts and anomalous situations still remain in terms of e.g. holiday entitlement.

Because of the vulnerable financial situation in three of the FECs, staff had either not received any annual pay rises in the period leading up to the merger or had received modest awards below the rate of inflation. The immediate re-establishment of these annual awards at inflation rates or above, served to boost morale but at the same time increased the financial fragility of the transferring provision as an entity. It has taken some time for financial viability of the FE provision to be re-established on a 'self sufficient', basis and in the majority of cases the university has not claimed back from the Faculty any central funding which was invested in contract harmonisation in the first post merger period.

The unions recognised by the FEC Corporation prior to merger have also been recognised within the merged institutions and were all consulted formally during the merger proposal development process.

In all cases, there was investment of time and resources in staff development to support the FE staff working within an HE environment, to help them to acquire the skills, in some cases, to work on HE programmes. Sometimes academic posts concerned wholly with the delivery of FE programmes have not been filled when vacancies have arisen, either because the provision has been discontinued or because HE staff have been timetabled to undertake these teaching roles.

3.5.2 Use of Buildings

In all cases there has been considerable investment into improving buildings and facilities which previously constituted the FEC campus, or into new facilities and buildings for the delivery of FE and HE, in the immediate locality. These investments have provided new teaching accommodation, sometimes to replace unsatisfactory, temporary accommodation, more extensive library facilities, ICT accommodation and equipment, new or upgraded student accommodation and leisure and recreation equipment. The campuses have also been enhanced through landscaping and new signage. Funding has been provided for these developments from both Funding Councils and by way of grant monies, the majority of the funding having come from HEFCE. Some better use of the existing accommodation space available has been achieved through the development of new provision such as Foundation degrees, on the FE sites. However, the number of teaching rooms dedicated to the delivery of FE provision, has in some cases been reduced and in one case, by 50%.

In meeting customer expectations of a 'whole student experience', in a university setting, improved and extended recreational and leisure facilities have been made available on the FE campuses. The residential accommodation at all the university sites are now accessible to the FE and HE students recruited to the programmes at the former FEC. These improvements have had to be carefully managed so that they are appropriate to the needs of differing age groups. For example, access to licensing bar facilities has needed to be carefully controlled on campuses where 16 year olds are resident. However, many of these considerations applied in the FECs before merger as they offered both FE and HE provision and the majority had some residential accommodation on their sites.

In some cases there was a backlog of maintenance on existing buildings which has needed to be undertaken since the merger and for which there was insufficient contingency within the FEC accounts. Also in one case, asbestos was identified within one of the buildings which has proved costly to remove. In all these instances the university has found the money for these required improvements. The reserves which the colleges held prior to merger have partly been freed up and in some cases, this money has been used to offset expenditure against this budget head.

3.5.3 Finance

At the time of the mergers, some of the FECs had incurred operating and historical deficits and there was 'clawback', of funding as a result of under–achievement of recruitment targets. The universities in question paid back these monies to achieve an initial stable financial position and have not since recouped this funding from the FE Schools/Faculties. In some cases the FE provision has been treated ever since the merger as a separate university cost centre with all the income and expenditure attributable to the site being chargeable to the site. In other cases, the FEC budget was in effect ring fenced up to three years post merger, in order to provide continuity and stability. However, since the ring fencing arrangement has terminated, the FE provision has been perceived to have generally benefited financially from being a part of the university's overall budget allocation system.

In these instances, internal budget allocation systems to Schools/Faculties in the universities, have been based on Student FTE's rather than on funding Units as was the case at the time of merger, under the FEFC system. In some cases FE students have been weighted as a proportion of their HE counterparts in these calculations, e.g. one FTE FE student being equivalent to 0.8 of an FTE HE student. Whilst this has provided a clear and relatively simple system for budget allocation to FE provision within the university, it has not reflected the external Funding Council methodology used to calculate funding allocations to FECs. The 'steers', built into such funding to pursue Funding Council objectives and targets for FE have no longer been inherent in the funding received by the FE provision. Priorities in terms of targets to be achieved for this provision have therefore also changed, e.g. there is no financial incentive for additional qualifications to be added to FE core programmes, as the university's internal funding allocation system has not taken these into account in allocating per capita funding for FE students. Furthermore, the university may be losing out on opportunities to maximise income because these incentives no longer apply.

Initially post merger there was some lack of clarity regarding which specific project funding the universities were eligible to apply for and it has taken some time to achieve this clarity e.g. regarding access funding and the Teachers Pay Initiative funding.

3.6 Consequences of the merger

3.6.1 Organisation and management arrangements

In all cases, the intention was that the FE college be integrated into the existing organisational structures of the university within the provision of its existing Instruments and Articles. The overall title of the university remained intact. The Vice Chancellor became the Chief Accounting Officer of the merged institution though day to day financial and organisational management has been devolved to the senior manager in charge of the FE provision who acts as the 'FE Principal', in a number of respects. It appeared common that all normal contractual arrangements regarding FE provision were expected to be negotiated with the FE 'Principal', to focus and to simplify points of contact, but always within the overarching framework of the constitutional arrangements of the university, whose main funding body is HEFCE.

It was generally perceived as important that this post should be at the same level as those of other Faculty/School Heads and be given parity of esteem in terms of status and level within the organisation.

In two of the case studies, two non-executive Board members previously on the FEC Board were appointed to the main university Board at the point of merger; in the other two case studies this did not happen. However, in these cases, FEC Board members were invited to join some of the Board Committees and other FE related advisory groups subsidiary to the Academic Board which has oversight of the curriculum and related matters both for FE and HE provision.

Structurally, issues associated with distance and transport links between sites, particularly in rural settings, have contributed to the majority approach adopted of the maintenance of the provision at the FEC site as a discrete and cohesive entity. This coherence has been maintained, whilst at the same time integrating most of the support systems and functions as part of a central university service, with the particular exception of MIS. Support staff have been allocated either to the university's central support teams or to school based teams and in some cases there have been initial issues, regarding line management and reporting structures in these arrangements, to overcome. In addition, self contained FE and HE provision, operating on a discrete campus has sometimes required dedicated support from e.g. reception, warden and ground maintenance staff who would not normally be deployed as 'School staff', in other areas of the universities' HE activity. The universities' organisational structures have had to demonstrate flexibility to accommodate these arrangements.

In one case, following merger, a disaggregation and redistribution of FE programmes to other Faculties was attempted but this strategy has now been reconsidered and all the FE provision brought back together, as it has been recognised that FE management expertise is required to develop and deliver these programmes effectively.

Good practice example:

In one case, the FE provision offered by the university prior to merger has now been relocated organisationally to align with that offered previously by the FE college, in management terms. This is in recognition that the FE provision offered in other parts of the university would benefit from the expertise and experience that FE staff could apply to its development and delivery.

Prior to merger, one of the FECs operated a 'full cost', separate company. This was closed and a separate section of the School now undertakes this work.

To a considerable extent, all the mergers have resulted in the operation of an 'FE college', within the universities' overarching policies, systems and organisational structures.

3.6.2 Funding and planning arrangements

Because the universities have kept the FEC provision largely within a single structure, the requirement to provide returns to the FEFC and now the LLSC and HEFCE have not been, collectively, much more onerous than prior to the merger. Moreover, the non-integration of the CMIS has also helped in this respect. The data returns are made via the central university MIS unit through a HESA return.

All four merger cases have retained or recently purchased their own MIS to deal with funding returns for the FE provision. The use of the HESA return to provide information on FE activity has been problematic. In some cases the university has chosen not to continue to generate an ISR/ILR so the student record system has lapsed. The university student record systems have not been able to provide timely or accurate information on levels of FE activity.

The HESA returns, because of submission timing and analysis difficulties, are often two years late in confirming eligibility for FE funds. This means that any ‘clawback’, requirement implemented could be as much as three years after the initial shortfall. LLSCs have expressed concern that the HESA returns do not include as much detail as the full ISR/ILR to assist them in planning and funding this provision.

The following points are applicable to these problems at a national level:

- The HESA return is provided for the FEC provision after the end of the year - allowing little time to check and amend data. Not all achievement data is available at this time and there is now no opportunity to submit in the following February, as there is in FE.
- In 2000, when the funding programme changed to the LIS and fields within the ISR were also amended, the software that converts HESA data into an ISR was not made available until the following February – this affected HESA returns nationally. 2002/03 has brought further changes to the ILR - the existing HESA conversion software is not compatible with this. Therefore, the FE elements of HEI provision are currently 8 months into the 2002/03 year with only the broadest estimates (based on FTE's) of their position, in terms of funding.
- Various elements of how FE is funded are not really catered for in the HESA system. Elements of FE funding which are not accurately reflected in HESA include: widening participation, additional support, achievement data, franchising discount, DEP discount, NVQ delivery arrangements, Distance learning multiplication factor (x14), ESF discount, UfI. Not all of these are ignored, but conversions (where they exist) are crude and often do not work.
- Not all HEIs keep class registers. In terms of the audit process, this can be a crucial gap given the opinion auditors are expected to sign.

The LSC audit process does not account for any of the above when student number audits of the FE provision are conducted and student number projections submitted for planning purposes. Some of the LLSC’s have felt that this has hindered them exercising the same level of monitoring as has been possible with other FE providers. HEFCE’s recent decision to alter the frequency of HESA returns to a single return in June rather than two returns, one in June and one in January, is perceived as one which will produce further problems in this area. This is because achievement data is generally not available until August for FE and there is no commitment for the June return to collect achievement for the prior year in relation to FE.

The LLSC’s do not conduct performance reviews for the FE provision with universities. HEI’s are excluded from the requirement of the LLSC to undertake such reviews except in relation to work based training. Some of the merger case study subjects had been asked to provide an accommodation strategy to the LLSC and others had not. One of the LLSC’s had supported a recent capital development programme. There is some lack of clarity and uncertainty as to the extent of the planning powers which an LLSC can exert in relation to FE within a university, in these circumstances.

Because the mergers all took place between partners with a great deal in common regarding their Missions e.g. widening participation, improving progression, providing high quality vocational and applied further and higher education, there has not been much tension as to, or evidence of ‘mission drift’, as a result of these mergers. Moreover, there appears to have been little divergence from the original vision on which they were constructed. However, the development of FE and HE programmes which operate at the interface i.e. Level 3 and 4 provision, does appear to have been given a higher priority in some cases than the development and growth of lower level FEC work. The latter has been seen as a priority in order to address local basic skills gaps, in other free standing FECs over the last few years.

3.6.3 Reporting arrangements

Internal reporting arrangements have reflected the universities’ organisational structures as described above. The FE ‘Principal’ deals with day to day management issues, reporting through to the university’s Executive team if they themselves have not been a member of this team, and then with those reports flowing through to the Academic Board, the Board Committees and the Board itself.

Good practice example:

A permanent sub–committee of the Academic Board of the university has been created to consider FE provision and this committee has predominantly FE staff members. This committee oversees the quality assurance and development of the FE provision in line with the remit and responsibilities of all the university Academic Board committees.

Particularly in the case of specialist provision, prior to merger, there were a number of active advisory committees associated with that provision, some of which contained external members from Industry and Commerce. These committees have normally been retained and chaired by the FE ‘Principal’ in the merged Institution.

Good practice example:

Reporting of FE academic and business performance to the Board of one of the FECs was particularly well structured. Post merger the university has adopted these report formats to improve the clarity of reports to the university Council on all aspects of the university’s performance.

External reporting arrangements have been referred to in the previous sections regarding funding and planning of provision.

University Auditors audit the FE Faculty as part of their overall function but the LSC undertakes student numbers audits separately, though the problem with the HESA return data means these are difficult to undertake, very retrospective and inaccuracy is estimated as up to 5%.

Good practice example:

One university has developed a particularly clear policy and set of transparent internal budget allocation procedures in order to ensure that once received, all funding streams are appropriately directed within the institution to the areas of FE or HE work generating the income and that the income received as a result is consistently utilised for its intended purposes.

3.6.4 Quality management arrangements

All the case studies demonstrated that each university department operates within a quality framework adopted for the university as a whole. However, within these overall frameworks, the FE Faculty/School has sustained its own FE orientated system, focusing on the key performance indicators applied by the FEFC and now the LLSC in judging the quality profile of the FE programmes. Self assessment reports have continued to be produced in most cases. In some cases operating this dual system has proved cumbersome with staff delivering both FE and HE finding it difficult to constantly switch from one system to another.

All of the FE provision is externally validated by awarding bodies in contrast to the HE provision which is validated by the universities themselves. As a condition of the merger Asset Deed, the universities are required to submit themselves to the FEFC/LLSC Inspection processes in respect of their FE provision as if they were a free standing FEC. Two of the case studies have had the FE provision inspected since the merger, in 2001 and 2002 respectively, whereas two have had no external FE provision inspection for the last five years.

Internal reporting of quality occurs through the university central monitoring systems where each School/Faculty produce their own report on their provision to a Board of Studies, which is then fed through to an Academic Quality Committee and from there through to the university's Academic Board.

3.6.5 Marketing

The common approach which seems to have been adopted in all the case studies, is to market the FE provision locally using both the overall university title and the previous title of the FEC, changing 'college', to centre in the latter case. This is in recognition that the specific 'brand', associated with the FE provision prior to merger often still retains market currency and credibility both with local markets and partners and in the case of specialist FE provision, also regionally and nationally. The enhanced 'HE status', of the higher education provision offered at the FEC has, however, also supported recruitment in specialisms where national marketing had always taken place and in some, the concept of opportunities for progression in the one institution from FE to degree level HE has also proved attractive.

Good practice example:

Following one merger a major review of all marketing promotional activity was undertaken to enable a more customer focused approach to be adopted corporately but also to allow for distinctive approaches within this corporate strategy, each approach being developed on a market sector basis. This enabled the 'brand image', of the FE provision to be retained and has led the university to re-instate a marketing presence in a locality close to the FE provision to address both the local FE and HE market.

In all cases, the marketing materials for FE provision, are initially developed at the FE centre where there is the expertise to ensure all provision is accurately represented but they are then customised to the university's requirements as part of a 'family' of marketing resources and materials. Marketing budgets have remained largely as previously and have been allocated to the FE Faculties/Schools. In effect the budgets have increased because of the ability of the university to provide a greater range of marketing materials centrally, in house, which has proved more cost effective.

There have been some harmonisation issues required as the approaches to marketing have differed between partners; e.g. the university marketing team being geared to an annual recruitment pattern with the main undergraduate intake in the Autumn term whereas the FE marketing staff being more attuned to an all year recruitment cycle. The approaches as to local versus national marketing have also needed some adjustment as FE marketing strategies employed in local communities have sometimes differed from those undertaken as ‘normal’, practice by the university.

The ‘student experience’, which can now be marketed to applicants, is in general a much broader and more attractive one, including as it does, access to all the university student accommodation, Student Union activities, Library and Sport and Leisure facilities. However, in reality the distance of some of these facilities from the FE campus has meant that full advantage is not always taken of these, by current students.

Transport links previously run for students by the FECs have been integrated into the universities’ transport strategies and have, in general, been enhanced, supplemented and made more efficient for FE students and staff, as a result.

Links with schools and other partners such as employers, established by the FEC, have in three cases been maintained at the levels they operated at prior to merger, unless there has been a planned reduction in provision where those links have no longer been deemed appropriate. In the other case, links with schools and other FECs have been perceived as declining as the provision has become more Level 3 - 4 orientated.

3.6.6 Human resource management, Estates management, Financial management

In all cases, these functions, along with some of the staff, have been transferred to the central support services teams of the university. However, some staff who were previously involved in providing these functions for the FEC are still located on the FEC campus. They form liaison points with the central support teams for specific matters concerning the operation of the FE and HE provision and estate at the FE campus. There are some frustrations with these arrangements on the part of the FEC campus managers and staff e.g. whereas, prior to merger, localised issues could be dealt with quickly, decisions and subsequent action have taken longer to materialise and have involved greater levels of bureaucracy when channelled through the university central support functions.

There has been some attention to the harmonisation of the FE and HE policies and procedures since merger, to accommodate particular unique circumstances associated with the delivery of FE and it is recognised that this has been time consuming. In some of the case studies, FE managers and staff felt that the HE regulations e.g. the Financial regulations now in place, were more restrictive than the previous FE regulations.

Good practice example:

Prior to the merger in one case, a joint union and management working party was charged to merge the different procedures of the two Institutions. This harmonisation has been seen to be useful in building relationships between the management and staff of the two merger partners.

3.7 Anticipated longer term impacts of merger

3.7.1 Educational provision

It is argued that the mergers had made the integration of FE and HE provision more articulate and coherent than any collaborative arrangements between FE and HE partners could achieve. This integration, after a period of initial adjustment, will form a firm basis for the development of new joint provision, further progression routes and growth in part time, work based and adult and community provision at a number of levels.

Retention and achievement rates have improved in general and it is anticipated that this trend will continue as new progression routes are developed. The combination of the FEC expertise in assessing teaching and learning quality along with the university's quality management systems is perceived as a successful one which is likely to support this improving trend.

It is a general belief that the FECs had had untapped potential for growth through their local part time adult and work related markets. The mergers have enabled these opportunities for growth to begin to be exploited and it is anticipated that this trend will continue through the development of further outreach centres. In particular, it is felt that the development of adult and part time provision, linked to e-learning is a major thrust along with the development of customised work based learning programmes.

A number of Foundation degrees have been or are being established at the FE sites and it remains to be seen whether these will prove successful. In one case, initial experience had suggested that the local FEC brand, which had proved essential to achieve widening participation from e.g. adults within local communities, was deterring recruitment to Foundation degrees at the FEC site.

In at least two of the four cases it appears that, for full time provision, the universities' priorities are likely to be towards the sustenance and development of Level 2 and Level 3 provision and the diminution of Foundation Level provision. In these cases, the level of partnership activities with schools for the 14–16 age group and also with other FECs has also declined and may continue to do so.

It is anticipated that academic staff from the FEC will be offered more career development opportunities leading to their gaining higher degrees, teaching on new HE provision and becoming engaged in some aspects of post graduate research. It is not anticipated that more of the pre-merger university staff will be trained in delivering FE level provision.

As greater integration of FE and HE staff occurs, it is anticipated by several of the case study subjects that the FE provision might also be integrated throughout the university Faculties/Schools in the future, though in one case this had already been attempted and then reversed.

3.7.2 Organisation and resources

It is generally acknowledged that harmonisation of the merger partners in terms of structures and systems, has taken longer than originally anticipated, proved more costly than the funding provided for harmonisation at the point of transfer and that there are still some organisational issues to be resolved. However, it is anticipated that the harmonisation of the institutions will continue rapidly now that the major issues of Board and organisational structure, senior management posts, staff contracts and policies, procedures and systems reconciliation have been addressed and decisions made on whether integration or non–integration is desirable in each case. It is hoped that data returns will be simplified and that there can be further harmonisation of MIS systems, when the funding councils harmonise their requirements of the Institutions in these respects.

The financial stability of the FE provision has improved and it is anticipated will improve further under the resources and financial management structures of the universities. The capital investments at the FE sites have brought about significant improvements to the quality of accommodation facilities and campus ethos and more improvements are planned. In two cases new sites within the local market area of the FE partner are being developed as the university begins to explore and exploit these new markets as potential growth areas.

After initial difficulties, in some cases, marketing strategies have been harmonised and it is anticipated that the establishment of a different brand identity in different markets will work well in the future and sustain partnership working with distinct market sectors.

3.8 Merger achievements

These have to be judged as against the identified aims of the mergers at the time when these were originally proposed. They are categorised in relation to “provision” or “organisation and resources”:-

3.8.1 Provision

- As stated earlier, a common aim of the mergers was the widening of access to HE through FE through the strengthening of coherent, well articulated progression routes for full time students, in particular from FE to HE programmes. Also, the aim was to achieve growth through the exploitation of new opportunities to reach out to part time students, mainly adults, in those local communities where there was an FE but not an HE presence.
- In all cases, the mergers have ensured the medium to long term survival of much of the FE provision provided by the FECs at a time when some of this provision at least, if not the FEC in totality, was seen to be at risk.
- Although the FECs perceived that there were limited opportunities for further development of work at FE level in their localities, the universities have identified and already been successful in achieving growth, particularly in adult part time provision, in these localities.
- Since the mergers, the universities have sustained, to date, the FE provision which has proved viable or where there is a specific need, such as in the case of the SLDD provision. Retention and completion rates have improved in both the FE and HE provision previously offered by the FEC.

3.8.2 Organisation and resources

- The benefits which the universities envisaged also included the acquisition of new assets as locations for specialist teaching, learning and research, the extension of their sphere of influence regionally and nationally and the opportunity to diversify their income at a time when many HEI’s were becoming increasingly dependant on HEFCE funding.
- For the FECs involved, it was hoped that the improved financial stability and investment potential on offer would both sustain and enhance their provision and would provide higher quality accommodation and facilities for teaching, learning and for residential and student

recreational purposes. For the management and staff it was hoped that there would be greater opportunities for career development and would allow management specialisation to take place within a larger management team. In no cases did the merger aims include that of sustaining and developing all of the current FE provision, irrespective of its quality and viability. However, assurances were given about the continuation of a viable FE portfolio on the FEC site and the protection of adequate and sufficient FE provision to meet local needs and the needs of disadvantaged groups.

- Financial stability has largely been achieved and financial viability of the FE provision has improved.
- The universities have invested heavily in the sites to improve the quality of facilities and accommodation for students and staff.
- This has all been accomplished without significant rationalisation of staff posts or compulsory redundancies. Staff morale has generally improved and pay and conditions have been perceived as advantageous.

Therefore, in terms of fulfilment of the original vision and premise on which the merger proposals were constructed, it would appear that the mergers have largely proved successful.

3.9 Difficulties of merger

- Staff pay and conditions have taken some time to harmonise and have proved costly where no pay awards had been given to staff immediately pre-merger;
- There are still anomalies between contracts for FE and HE staff and in their application in practice;
- Full integration of FE and HE provision and systems has not taken place and this may be hampering harmonisation, clarity in terms of management structures and the achievement of parity of esteem in terms of the FE provision status within the merged university;
- It is perceived that dual reporting systems for FE and HE provision are adding internal bureaucratic burdens to those managing the FE provision. The university senior management also feel that the external student number audit requirements add an extra bureaucratic burden to their other audit systems;
- There are some ongoing problems regarding the reconciliation of data for HEFCE, university and LLSC purposes;
- Planning, Inspection and reporting arrangements and ongoing communications with local LLSC's have been variable and still need some further clarification;
- Universities have not been able to access all initiative funding for their FE provision, which has been available to free standing FECs;
- Universities' internal budget allocation systems do not encourage or incentivise the integration of key skills and additional qualifications into FE programmes;
- Most of the funding to bring about merger harmonisation has been provided by HEFCE. Some unforeseen expenditure has been incurred in terms of the backlog of required maintenance on the FE sites. The universities believe they have had to subsidise the support for FE provision and facilities, considerably, by FE budget ring fencing, capital investment and allocation of senior management and central support services time over the first three years of merger to achieve longer term financial stability and self sufficiency;

- Many of the Board members and most senior FEC managers retired before or shortly after the merger and although this provided opportunities for organisational structure realignment and harmonisation, in some cases, there was an impact on continuity of FE influence and day to day operation. In some cases, this led to resultant gaps and uncertainties e.g. in adoption of clear line management structures for FE staff and in proactive FE marketing. The lack of continuity was perceived as having set back the mergers harmonisation agendas and reduced the momentum of change initially. These difficulties have now, very largely, been overcome.

4 Transfers of FE colleges to HEI status

4.1 Background

The provisions of the Further and Higher Education Act 1992 allow for certain FE colleges to become designated as HE institutions subject to ministerial approval. This is not an open-ended provision and for FE institutions to become eligible to transfer to HE status they must have met a minimum threshold of HE provision. Currently, for colleges to be eligible for consideration for transfer to HE status their HE student numbers must be, at least, 55% of their total student numbers.

4.2 Incidence and nature of such transfers

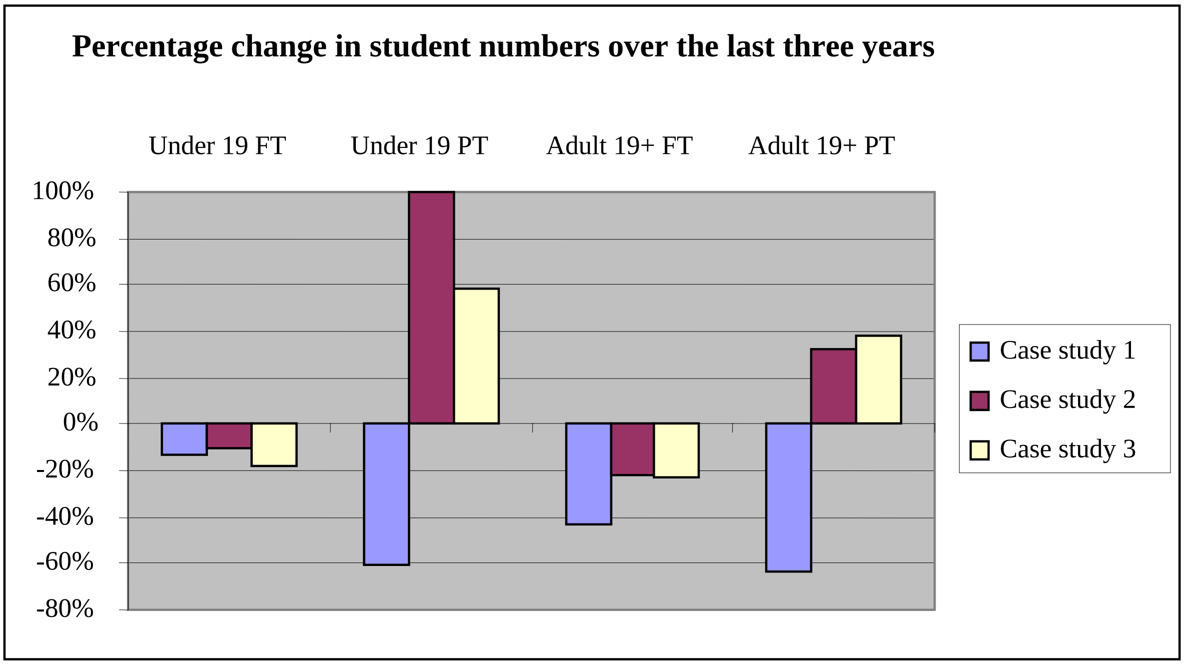
Only three examples of this transfer arrangement have actually taken place and these involve the institutions which have formed the case studies for this particular model of mixed HE/FE provision. Two features should be highlighted regarding these particular transfers:-

- They all involved specialist FE institutions which have become specialist HE institutions. There are no examples yet of general FE colleges achieving HE status.
- In only one case has the institution operated as a HE institution for a substantial period of time. Hence the potential longer term impacts of transfer may not have had time to materialise.

4.3 Aims of transfer

The institutions involved had a number of key aims in transferring from FE to HE status. In summary these were:-

- As a way of discharging what they saw as their local, regional and national role as specialist providers;
- To obtain involvement in the established network of HEIs within the local region;
- As a means of attracting a greater number of HE students (and FE students) through the status of a HEI;
- As a means of improving links with business organisations by obtaining increased credibility as a HEI;
- As a means of accessing special funding streams from HEFCE thus enabling them to use those sources of funding flexibly to the benefit of all their clients.



4.4 Impact on educational provision

4.4.1 Volume of provision

Source: final ISRs from each Transfer college, both prior to and after transfer, where available. Where ISR/ILR data was not available post-transfer (one institution only), HESA derived ILR data was used to extract appropriate and consistent fields

NB: Under 19 PT growth was greater than 200% in Case Study institution, however for ease of interpretation, the chart has been amended to show 100% growth.

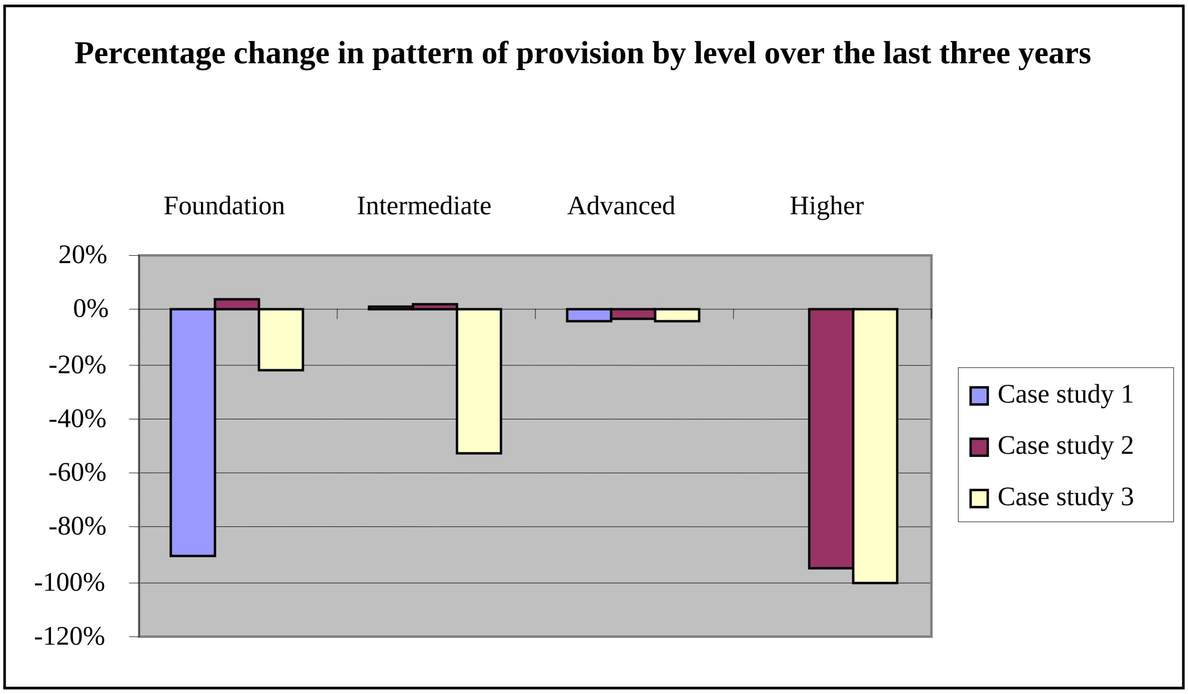
Each of the case study transfers has experienced a drop in full time 16-18 year old student numbers over the last three years, ranging from 10% to 18%. In addition, each has seen a fall in adult full time numbers, ranging from 23% to 44%, although the actual numbers of adult full time learners are far smaller than for the 16-18 age group. The FE sector as a whole has experienced a median fall of approximately 2% in full time student numbers over the same period.

In terms of part time students, one institution has seen a fall in both under 19 and adult part time students, with the other two experiencing an increase in both age groups. Although the percentage rise in under 19 part time appears large, there are small number of students involved. The adult part time increases range from 33% to 37%. The part time numbers for one of the case studies are affected by the loss of a large franchise contract.

Overall, two of the case studies have experienced a growth in student numbers, ranging from 10% to 18%. One has experienced a fall of 53%.

HE provision is difficult to analyse for these institutions, as after transfer, all HE students were recorded in the HESA returns rather than the ILR. However, in two of the case studies it is possible to see that HE provision has increased over the last three years. In one case, this growth has been primarily in part time HE provision, in the other, full time provision is increasing. The institution for which no post-transfer data is available was experiencing growth prior to this year.

4.4.2 Pattern of provision



Source: final ISRs from each Transfer college, both prior to and after transfer, where available. Where ISR/ILR data was not available post-transfer (one institution only), HESA derived ILR data was used to extract appropriate and consistent fields

Of the three case studies involving transfer of status from FEC to HEI, two were very recent, and therefore it is difficult to analyse trends since transfer. Where an institution transferred some years ago, there has been a fall in provision across all levels. Provision at Foundation level fell sharply in one institution, however this was primarily due to the loss of a large franchise contract. Provision at Higher level shows a sharp fall, however this is due to the transfer of HE students to the HESA data collection and therefore these students are no longer recorded within the ISR. At each level it can be seen that there has been little or no growth.

In terms of programme area, each of the case study institutions was classified as a Specialist college prior to transfer. Each has experienced growth in FE provision in their main LSC programme area over the last three years. All have programmes in the Humanities and Sciences areas, due primarily to the provision of Key Skills in IT, Communication and Application of Number for Full time 16-18 year olds. In all cases the breadth of provision across a number of Programme areas has narrowed since transfer and two of the three offer only their specialist area, Humanities and Sciences. The remaining institution offers a wider range, but student numbers are decreasing in all apart from these three.

Only one of the three transfer institutions offers Basic Education provision, and this has only 44 FTE students.

4.4.3 Achievement

Achievement data was available for post-transfer years for two of the case studies, however one transfer took place so recently that achievement data for the post-transfer year has not yet been collected.

Achievement rates after the year of transfer fell in each of the case studies for which post-transfer data is available, at levels 1 and 2. At level 2 this has been particularly noticeable, with achievement rates ranging from 23% to 67% across the institutions. In one of these institutions, achievement rates have since risen, although they remain below the sector median.

Achievement rates at levels 1 and 3, however, are above the Specialist Institutions median (83%) at two of the three case studies. Achievement rates at level 2 are below the Specialist Institutions median in two of the three case studies. Low achievement rates in the Key Skills have adversely affected overall achievement rates in two of the three case study institutions.

One institution has consistently high achievement rates, placing it in the 90th percentile for achievement in Specialist colleges.

4.4.4 Retention

Retention at level 1 has risen in each of the case studies in the last year, following, in two cases, a drop in 2000-01, and is above the Specialist college median (87%) in two cases. In one case the retention is very low, at 54%.

At level 2, the retention rate was affected again by low retention rates on Key Skills qualifications in two of the case studies, and remains above the Specialist college median at one of the institutions.

At level 3, the retention rate is below the Specialist college median at all three case study institutions.

4.4.5 Summary of impact on FE provision

FE provision has either reduced or experienced only slight growth at each of the transfer case study institutions. Where a transfer occurred a number of years ago, there has been a fall in FE provision at all qualification levels.

None of the transfer institutions appear to be addressing basic skills needs, however this may be linked to their specialist nature rather than a lack of focus on FE provision.

A common theme is the narrowing of the breadth of provision, to focus more strongly on the specialist area of the former FEC. In all cases, only two other programme areas had any substantial enrolments, those being Humanities and Sciences, linked to Key Skills provision.

In terms of student numbers, these have grown slightly in two of the case studies, primarily in part time adult provision. All case study institutions have experienced a fall in full time FE student numbers. Again, this may not be a function of the transfer to HEI status, as although the numbers have declined in the two institutions transferring prior to 2002-03, the third can not yet be analysed.

The impact on HE numbers is difficult to establish due to the differing recording methods in each of the case studies, however it appears that HE provision is on a growth trend in two of the transferred institutions and is stable in the other institution.

4.5 Impact of transfer on resources

In this section we consider the impact of the transfer in status on the key resources of the institution.

4.5.1 Staff pay and conditions

There are differences in practice here. In two institutions there is little or no distinction drawn between FE and HE teaching staff in terms of their contracts. The philosophy of the organisations are that staff teach across both areas. This may not happen universally, for example if specialist staff are recruited to support post-graduate work it is unlikely that they will have involvement in FE work. In the other case there is more of a distinction made in that although teaching staff may be on a common contract, there are substantial differences in terms and conditions between those staff who are broadly HE staff and those staff who are broadly FE staff. Staff who teach predominantly at the HE level have terms and conditions that are broadly HE sector comparable in terms of teaching hours, job profile etc. Also such staff tend to be appointed at higher levels on the pay scale. Conversely staff who teach predominantly at the FE level have terms and conditions that are broadly FE sector comparable and such staff tend to be appointed at lower levels on the pay scale.

4.5.2 Use of Buildings

Within the institutions, in general terms, there is no attempt made to segregate buildings into an FE area and an HE area. Teaching rooms and workshops will be used to deliver both FE and HE provision although there will be some rooms which will only be suitable for FE provision. This is regarded as a strength by the institutions in that the higher funding levels for HE students mean that they can acquire better quality facilities and make these available to all students (FE and HE). In one institution, significant investment has been made in a new high quality building which will be primarily used for FE provision. This investment is used to indicate the ongoing commitment of the institution to FE provision.

Some institutions have concerns that the standard of some facilities is not as good as might be expected for a HEI. These include:-

- social facilities
- sporting facilities
- HE study facilities
- residences

Institutions have aspirations to provide and improve such facilities and believe that having access to HEFCE capital funds will facilitate this.

4.5.3 Finance

In general terms, resources will be allocated to individual programmes and courses and not to FE and HE as separate blocks (with further sub-allocation to individual programmes/courses). Financial performance will be monitored on the basis of individual programmes or courses and no institution monitors financial performance on the basis of FE provision and HE provision. Inherently this means that there is probably some degree of cross-subsidisation between FE and HE provision but the magnitude of this just cannot be established. The transfer to HE status has had no significant change to financial management practices.

4.6 Consequences of transfer

In this section we summarise the implications of the transfer in status on a range of management issues in the institution.

4.6.1 Organisation and management arrangements

In all of the institutions, FE and HE provision is managed and delivered by unified staff teams (many of whom teach on both FE and HE courses) and this has not radically changed as a result of transfer. Thus there is no incidence of a separate HE delivery unit although certain workshops etc may be used to a greater extent by HE students than FE students. However, all institutions emphasise that high quality facilities are made available to both types of student. Central services, such as admissions and marketing, deal with both HE and FE provision and incorporation as an HEI has not resulted in any radical changes to the management, faculty and support staff teams.

In some cases, substantial changes were made to the organisational arrangements of the institution in preparation for transfer. This would have affected both the organisation and management of academic units and central services in the institution. Also in some cases there was a much greater focus placed on outsourcing certain services as a means of reducing the cost base.

The senior management teams of the transferred institutions reflected a strong degree of continuity with the FE institution.

The transfer to HE status necessitated changes to the articles of government and of the composition of the governing bodies. However, the new governing bodies reflected a strong degree of continuity with the previous governing bodies.

4.6.2 Funding and planning arrangements

Transferred institutions are still operating within two funding arrangements but the impact of transfer is not felt to be significant in this area. However, it was pointed out that working with two funding streams meant that the benefits to learners were greater overall than when just one funding stream was available. For example, the HE Reach out to Business and Community (HEROBAC) funds were an HE funding opportunity that had met its objectives in the institution but had benefited FE clients as well.

Institutions have internal systems for allocating financial resources and these involve the allocation of funds to departments and then to programmes or directly to programmes. Various factors will be taken account of in this process but, clearly, a key driver will be the level of class contact with students. None of the institutions is able to provide a separate analysis of income and expenditure for FE and HE provision and most would regard producing such a statement as a pointless exercise.

4.6.3 Reporting arrangements

In these transferred institutions, no financial reporting is now made to the LSC, only to HEFCE. The impact of this has resulted in a slight simplification of the workload burden but this is only felt to be marginal. Changes in financial reporting to other bodies (i.e. HESA, HESEIS) have also taken place but these have not resulted in any great problems.

Information on student numbers is now reported to HEFCE rather than the LSC as was the case prior to transfer. This means that the local LSC does not now receive the level of detailed information it used to receive and the information it receives via HESA is often not timely enough. We understand that this makes it hard for the local LSC to fulfil its planning role and make in year adjustments to plans and funds.

4.6.4 Quality management arrangements

Institutions are of the view that the two inspection processes they are subject to (QAA and OFSTED/ALI) are very different in terms of philosophy and approach and this can cause significant problems. The combined and unified management and delivery systems around FE and HE provision, in the institutions, can make showing compliance with external quality processes difficult. Institutions may have HE compliant systems historically characterised by autonomous course teams and external examiner systems and they may also comply with quality systems of universities who validate their degrees. This may run counter to the requirements of OFSTED/ALI inspections.

With the passage of time it is possible that an institution may consider itself to be more of a HEI than previously and may thus relate more to QAA systems of quality review. Staff may come to think more in these terms and internal quality systems may be primarily organised to support this. When any of the FE work requires inspection the appropriate staff would have to be schooled in this and evidence and information would need to be laid out in a way that OFSTED/ALI would require.

4.6.5 Marketing

The general themes are that these institutions do not market separately to potential FE students and potential HE students. In fact, they would generally regard the distinction between FE provision and HE provision as being artificial. Instead they will regard their provision as a continuum of levels ranging through FE and into HE and they will market a range of courses, in each subject area, at various levels, incorporating both FE and HE.

If and when students make application to a particular course, this will be discussed with the student and it could be that following this discussion, and an assessment of the student's needs and background, the student will be advised to opt for a different course at a higher or lower level than they originally envisaged. Part of this could involve the student being recommended to opt for an FE course rather than the HE course which they envisaged (and vice versa). In addition, there is a strong marketing message that students can progress throughout different levels of study (including HE) within the same institution.

These institutions may have different prospectuses but these will relate more to the geographical market involved rather than the level of study. Thus for example, the institutions may have one prospectus for local students (incorporating both FE and HE courses) and another prospectus for national students (predominantly for HE students but with some FE included).

The institutions involved will adopt a variety of different methods of marketing including the following:-

- Prospectuses – FE and HE students
- UCAS handbook – HE students
- School visits – FE and HE students
- Exhibitions – FE and HE students
- Open days – FE and HE students
- Advertising – FE and HE students

Like all FE and HE institutions, these transferred institutions will keep their approach to marketing continually under review and will change their marketing practices according to changed circumstances and changed knowledge about effectiveness. However, it is probably true to say that their approach to marketing has not been significantly influenced by their change in status.

4.6.6 Human resource management, estates management and financial management

Various changes have been implemented in some institutions, in preparation for transfer or for other reasons such as improving efficiency. However, it does not seem that there have been any significant changes in management practices in these areas as a consequence of the transfer itself.

4.7 Anticipated longer term impacts of transfer

The focus of this section, so far, has been the impact of the transfer of status on the institutions and their activities. However, the reality is that the transfer has only been effected for two years in one institution and less than one year in another of the institutions. Hence, we have also attempted to assess what are seen as the likely longer term impacts of transfer although, it must be emphasised, that this is very much conjecture at this stage.

The following points are important:-

- All transferred institutions state that they have a commitment to maintaining FE provision in future years. As already noted, they see FE provision as the bedrock of their provision and a major source of future HE students. Some of the institutions would wish to expand FE provision both in terms of volume and mix but foresee difficulties in doing this because of the constraints of the local market.
- All transferred institutions have a desire to increase their HE student numbers. A large element of this increase would come from progression of the existing (and former) FE student pool. In addition, they also aspire to increase the numbers of national HE students but, in some cases, feel that there will be difficulties in achieving this because of lack of overall national demand for entry to HE. Most institutions are optimistic about their role as

providers of foundation degrees but feel that the future of HNDs will impact on the take up of foundation degrees.

- To a lesser or greater degree, all of the transferred institutions have ambitions to increase their links with business and to generate additional income streams through the provision of training, consultancy etc to business organisations. As already noted, they see the attainment of HEI status as being a major catalyst to achieving this.
- Transferred institutions do not see themselves as having a major role in academic research for submission to future research assessment exercises.
- All institutions aspire to have the term "university" in their title as a means of enhancing their HE status.

4.8 Achievements of transfer

As a consequence of transfer to HE status, institutions feel they have gained flexibility and increased credibility in the eyes of the communities they serve. While the impact of relating to two funding councils is differentially felt within the organisation, the overall view from the institutions appear to be that the move has been successful and that the benefits of HE incorporation outweigh any disadvantages. Overall it appears that these institutions had a clear perspective on what they wanted to be some years before they were incorporated as HEIs. Progress towards this meant increasing their proportion of HE work and sustaining a smaller proportion of FE work. The changes in these proportions were reached around the time of incorporation as an HEI and have remained broadly stable ever since. Incorporation as an HEI has facilitated their progress and evolution on the next stage of their journeys towards achieving a particular vision of their role as a provider.

4.9 Difficulties of transfer

There have probably been no major difficulties associated with the transfer process. By and large there has been universal support for transfer from governors, staff, students and other stakeholders of the institutions. The most problematic issue has probably concerned those staff who predominantly taught FE courses and it was necessary to spend much time and effort convincing those staff that the institution was firmly committed to ongoing FE provision and that they were an important part of its future.

5 Mixed Economy colleges

5.1 Background

Most FE colleges in the country undertake some degree of HE provision to a lesser or greater degree. This provision could be on the basis of:-

- Direct funding from HEFCE and/or
- Franchising from a HE institution possibly as part of a consortium

In addition, many HEIs in the country will also deliver some FE provision.

Thus the term “mixed economy” can be applied to a large number of both FE and HE institutions. For the purposes of this study we have looked at four FE colleges where HE provision is a significant proportion of their total provision. The size of the HE provision in relation to FE when calculated by Full time equivalent students is between 11% and 48%. In each case the college would be considered a large FE provider often being the only provider of FE opportunities in a given area. In relation to HE most have other providers within the local area.

In all cases the provision of HE programmes had been an integral feature of the strategic plan of each respective institution for a considerable time. Unlike the previous models where there has been a specific point of transition, where merger or transfer took place, there has been no such point of transition with these mixed economy (ME) colleges. Instead the growth in HE provision has taken place, steadily, over a period of years.

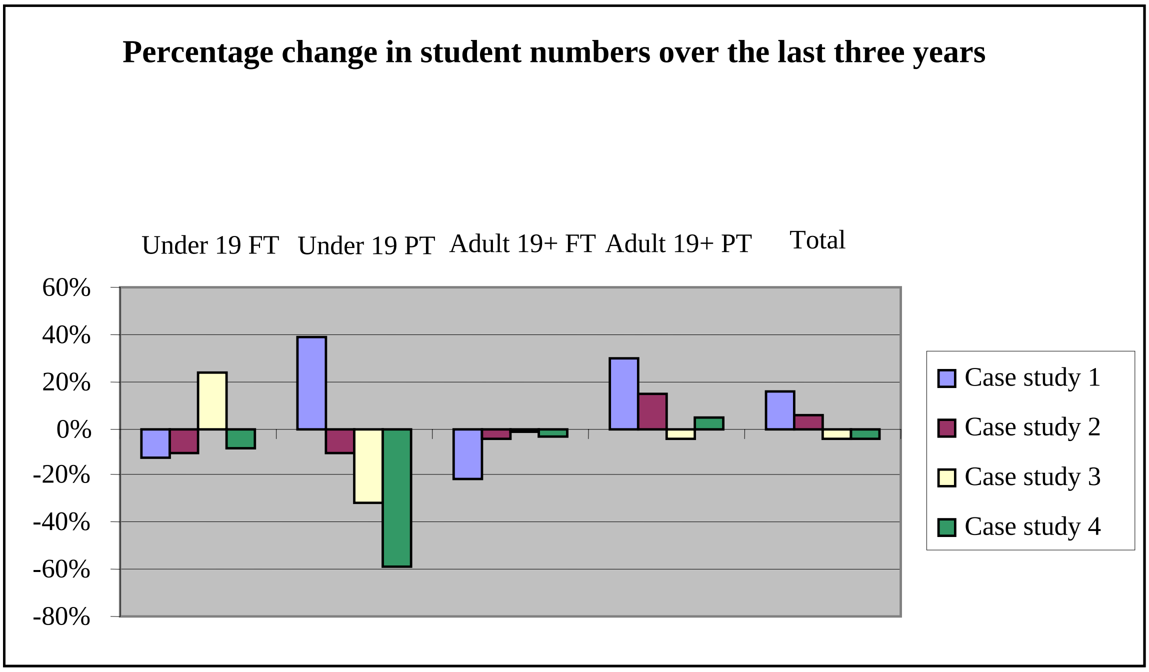
5.2 Aims and aspirations of mixed economy colleges

The ME colleges all have aspirations to increase their level of HE provision and to offer progression (into HE) routes to a large and increasing proportion of their students. To do this they will need to maintain or increase their base of FE provision since this forms their main source of future HE students.

Some LLSCs claim to have identified a problem with the mission definition of ME colleges. There was a feeling in one case that there had been mission drift away from the FE mission of the college while another commented on the size of the organisation making it difficult to understand the purpose and priorities of the college. This could be a more general criticism able to be laid at the door of any large FE corporation but the existence of an HE element seems to provide a particular difficulty. This difficulty might also be exacerbated by the growth of provision for 14-16 year olds in the college.

5.3 Trends in educational provision

5.3.1 Volume of provision



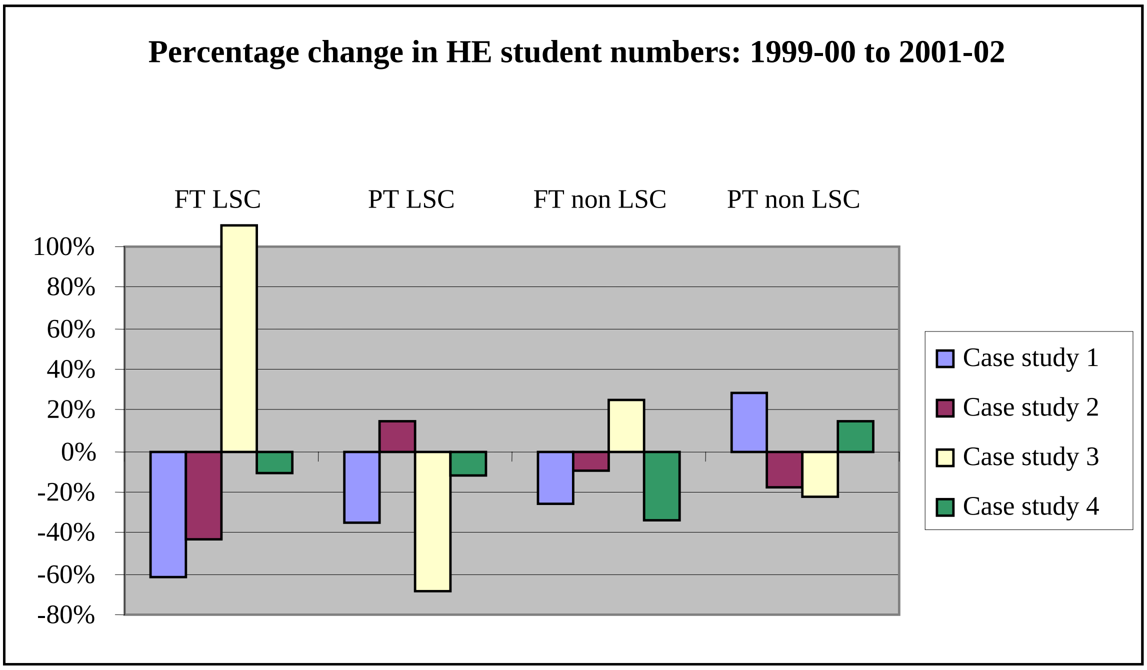
Source: college ISR/ILR final returns

Of the four colleges, two have experienced an overall increase in student numbers and two a decrease.

Three of the four have experienced a reduction in full time 16-18 year old students over the 1999-00 to 2001-02 period. In addition, adult full time numbers have fallen in three of the four. Only one of the colleges shows an overall decrease in full time numbers that is less than the FE sector median of 2%.

In terms of part time enrolments, three colleges have seen a fall in part time 16-18 year olds. However adult part time provision has increased in three, with the growth ranging from 5% to 29% and shown only a slight decrease (4%) in the remaining college. The FE sector median rise for part time provision is approximately 10%.

5.3.2 HE provision



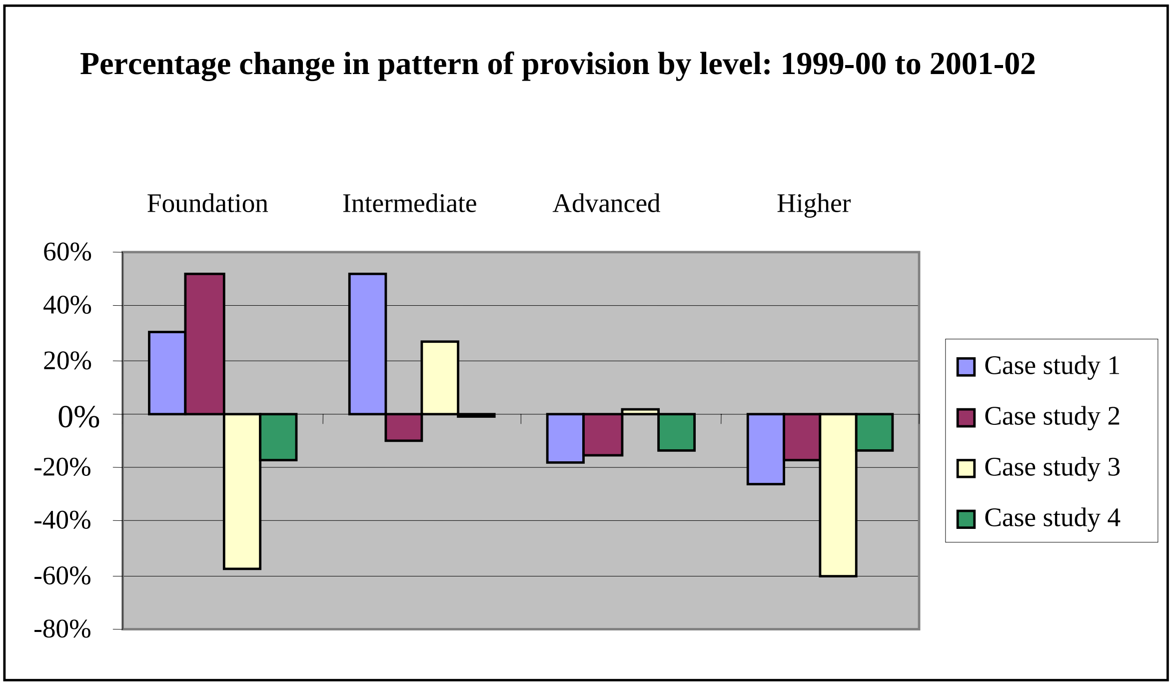
Source: college ISR/ILR final returns

In all four colleges, the number of students on HE provision fell between 1999-00 and 2000-01. In three of these this trend continued into 2001-02, however one college experienced an upturn in numbers in that year.

Only one of the four colleges has experienced an increase in full time LSC funded HE provision over the period, and similarly for part time LSC funded HE.

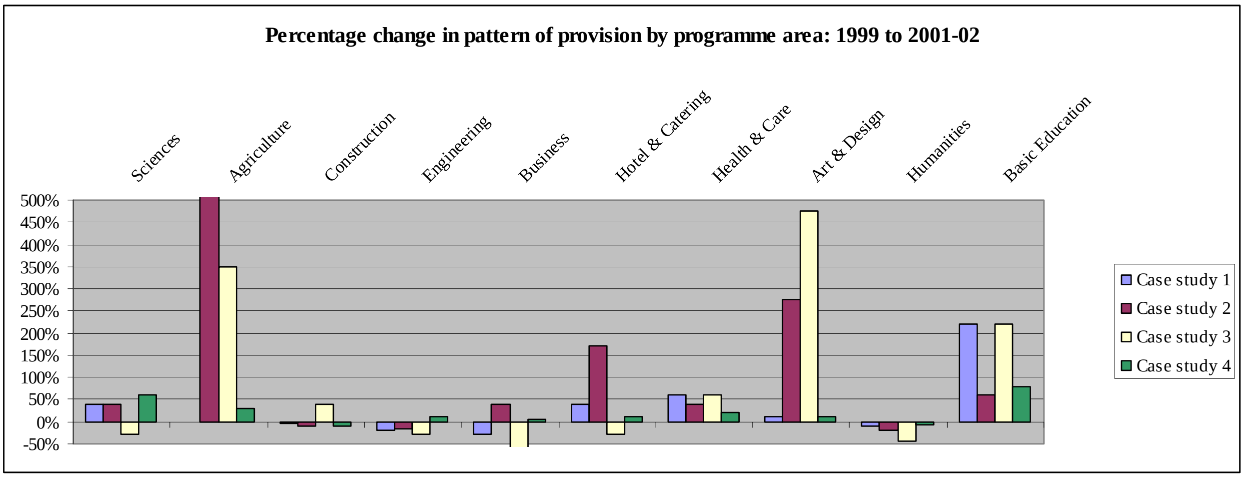
Non-LSC funded provision includes HNC and HND provision and Degree level, where this is directly funded to the college by HEFCE. Only one college has increased the full time student numbers, doing so by 25%. Decreases in the other colleges in percentage terms range from 10% to 24%. Two colleges increased student numbers in part time non-LSC funded provision.

5.3.3 Pattern of provision



Source: college ISR/ILR final returns

In terms of level, the four mixed economy institutions show no consistent pattern, other than at higher level, where each institution experienced a fall in student numbers. However, in all but one of the institutions, there was also a fall in Advanced level students. In one college there appears to have been a large drop in Foundation level, however this is mitigated by a corresponding rise for that college in qualifications for which a level was not specified in the LSC Qualification Aims database for two years. One college has experienced a fall in each of the levels.



Source: college ISR/ILR final returns

All four of the mixed economy colleges were general FE institutions, with provision covering all programme areas (with the exception of Agriculture in one college).

The Humanities area shows a drop in all colleges between 99-00 and 01-02.

In one college, which undertakes a large proportion of distance learning, there have been fluctuations in student numbers across programme areas due to changes in programmes offered by the distance learning route, which has affected the overall trends.

Discounting the distance learning provision, each college has actually experienced growth in the Sciences programme area, which is due to both the introduction of Key Skills in IT and an increase in the number of students undertaking short IT programmes.

Agriculture has also seen an increase in all colleges offering this provision. The large percentage increase in one is due to the introduction of a new course, and relates to small numbers of students.

The Health & Care area has again increased across all four colleges between 99-00 and 01-02.

Again discounting distance learning provision, three of the four colleges have increased student numbers in the Business area.

In three of the four colleges, Construction and Engineering have decreased in percentage terms, with Engineering being more marked than Construction.

Basic Education provision has increased consistently by more than 50% in all our colleges, with each offering a wide range of programmes covering literacy, numeracy and English as a Second or Other Language.

5.3.4 Achievement

The achievement rate at level 1 is below the sector median of 71% for 2000-01 at three of the four colleges, with achievement at this level ranging from 37% to 65% in those below and at 77% in the institution above the median. The low achievement rates at this level are primarily due to key skills and distance learning programmes in which large numbers of learners did not achieve successful outcomes.

At level 2, there is a similar picture, with all colleges recording achievement at below sector median levels. Achievement rates ranged from 47% to 65% against a median of 72%.

At level 3, three of the four colleges recorded an achievement rate below the sector median of 77%. Their overall rates ranged from 57%to 68%. One college recorded an achievement rate of 82% at level 3.

Three of the four colleges exceeded the sector median of 59% in achievement of Level H qualifications, with rates ranging from 68% to 92%. One college recorded an achievement rate of 40% at this level.

5.3.5 Retention

The retention rates at level 1 show no consistent trend across the four colleges with two experiencing rises and two declines. Three recorded retention rates above the sector median of 74% for 2000-01.

At level 2 three of the four colleges have seen a rise in retention rates across the period 1999-00 to 2001-02, and these three exceed the sector median of 70% at this level.

At level 3, where the sector median is 71%, all colleges have experienced a rise in retention rates, and all exceed the median.

Level H qualifications have a median retention rate of 71% and this is again exceeded in all four colleges.

5.3.6 Summary of impact on FE provision

There is no consistent pattern emerging from the four case studies in terms of changes to overall student numbers, although there has been a reduction in full time numbers in three cases at both 16-18 and 19+. Part time adult student numbers have in general increased.

All mixed economy institutions studied provide a wide range of basic education provision, which has increased over the last three years.

The breadth of provision has been maintained in all four colleges, even where there has been a reduction in numbers.

Higher level provision has decreased overall at all four colleges, including that funded by HEFCE, with only one exception in each of full time and part time provision.

All four colleges recorded growth in the areas of Art & Design, Health and Care, Sciences (discounting Distance Learning provision) and Basic Education.

Achievement rates are generally below the sector median at levels 1, 2 and 3, and exceed the median at Higher level.

Other than at level 1, retention appears to be rising in general at all levels and exceeding the sector median.

5.4 Implications for resources

5.4.1 Staff pay and conditions

Although each of the colleges in the case studies indicated that there was no difference between the pay and conditions of staff involved in teaching on FE or HE programmes, there were certain allowances made to reflect the additional responsibilities of HE teaching. In one case there was an allowance of 1.3 hours for every taught HE hour and in another an allowance of 72 hours for those staff with significant HE teaching.

In each of the colleges there was an acknowledgement that some staff might not be interested or capable of teaching at HE level. In the case of one college the staff had been asked to opt for either HE or FE. Very few staff in that case retained hybrid roles teaching across FE and HE.

Some colleges reported difficulties in recruitment and retention of teachers particularly due to the pressure of higher salaries (and in one case higher London weighting factors) from both HEIs and Schools/Sixth Form colleges. This argument might also apply across general FE colleges.

It was reported that teachers with significant HE teaching were likely to be ‘higher maintenance’ than their FE peers due to the requirements of higher level qualifications and staff development needs.

5.4.2 Use of Buildings

In general terms there is no segregation of buildings into an FE area and an HE area. Teaching rooms and workshops will be used to deliver both FE and HE provision although there will be some rooms which will only be suitable for FE provision. This is regarded as a strength by the ME colleges in that the higher funding levels for HE students mean that they can acquire better quality facilities and make these available to all students (FE and HE).

Colleges report some problems with regard to the absence of social/sporting facilities for HE students or even a dedicated study area for HE students. This problem can be exacerbated where there is a significant number of 14-16 year old students in the same institution. Colleges have aspirations to provide such facilities but the lack of access to HEFCE capital funds inhibits their ability to do this.

5.4.3 Finance

Basically, in financial management terms, no distinction is drawn, by colleges, between FE and HE provision. The degree of sophistication of financial management practice will vary from college to college but, in general terms, resources will be allocated to individual programmes and courses and financial performance will be monitored on the same basis. No college allocates resources to HE and FE programmes as a group (with further sub-allocation to individual programmes/courses) and no college analyses costs and monitors financial performance, separately, on the basis of FE provision and HE provision. Inherently this means that there is probably some degree of cross-subsidisation between FE and HE provision but the magnitude of this just cannot be established.

5.5 Organisational trends in mixed economy colleges

5.5.1 Organisation and management arrangements

The organisation and management of the HE provision varies across the four case studies. In the case of two organisations the current organisation and management arrangements are being changed or are likely to change as a result of the recent appointment of new Principals.

Three of the four will have HE provision co-located with FE provision with individual faculties or departments having responsibility for both FE and HE programmes. In this model the proportion of FE to HE activity varies across the Faculties or departments. In the case of the final college, the FE and HE management are separated and there is the possibility of a 'demerger' of HE from FE.

5.5.2 Impact of working within FE and HE funding arrangements

Each college expressed the view that working within two funding regimes was problematic. Different reporting timetables, approaches to funding and requirements for data returns resulted in additional management and administration costs.

A number of particular issues were identified across the four case studies:

- Lack of access to the full capital funding from HEFCE and certain funding streams.
- The inequality of the additional support mechanism only applying to FE students (particularly where an FE student progressed to HE).

5.5.3 Quality management arrangements

All colleges reported that being increasingly involved in HE and FE activities, the difficulties of working with two different main quality assurance systems, plus all the quality assurance systems of all the individual professional bodies (a particular problem in Business) is a complex, time consuming and expensive process. In one case the internal quality and self assessment system has attempted to take the best of the Common Inspection Framework and the QAA review process and to adopt them across all programmes. This is only partially successful and still needs programme managers and other senior managers to be familiar with both (or more) systems. When inspection looms, staff realise that they have to 'play the game' according to the rules of the separate inspection agencies and prepare accordingly. For quality assurance and inspection the QAA process is much preferred by those who experience both systems. It is seen as less bureaucratic and concentrates more effectively on teaching and learning issues.

One of the biggest problems of working with the two systems is the need to deal with two sets of different PIs, for example in achievement and retention, that mean entirely different things and do not allow staff and mangers to effectively communicate across the FE/HE divide.

5.5.4 **Marketing**

Marketing of HE provision varies across the four colleges considered with some clearly marketing and promoting the HE experience as separate from the FE offer while others attempt to market the continuum of FE through to HE. Each attempt to address the perceived different needs of HE students to those of FE students. In the case of marketing as a continuum there is an attempt to identify the HE sub-brand within the offer of each faculty.

There were mixed messages in relation to the effect that the presence of HE had in relation to recruitment although there was a strong view that the presence of more mature HE students helped convey a distinctive adult atmosphere to FE students (and therefore reinforced the cultural differences from continued study at school). The existence of the wider range of equipment and resources necessary for the delivery of HE programmes in particular curriculum areas was also felt to add to the attractiveness of the college for FE students even if they would not normally have access to such equipment.

There were felt to be some difficulties in the promotion of the colleges' own HE offer to its FE students given the role of an FE college to provide clear unbiased advice and guidance on progression. This was seen to be less problematic in the case of a college which was the major local provider of HE and also in the case of the specialist vocational curriculum offer in some colleges.

5.6 Longer Term Implications

The following are seen as being longer term implications:-

- There is a view that one of the greatest difficulties for the FE and HE developments is that no person or no agency outside the colleges has an overview or understanding of their HE provision and the possible links between HE and FE. Each funding or inspecting agency concentrates on its own sector and there is no joined up thinking available to support developments within the colleges.
- A further problem identified by the colleges is that they cannot access any capital funding from HEFCE for HE developments.
- Similarly a further problem which was identified is the lack of access for HE students to additional support funding, which may mean that some students are not receiving the levels of support which may help them complete their programme of study.
- There was a strong preference for a single funding methodology, (namely the HEFCE system) which was seen to put less onerous requirements on colleges and to adopt a more light touch approach to the partnership between colleges and the funding body.
- The colleges identified a major issue in the amount of inspection in which they are required to participate, with the feeling being that inspectors did not take cognisance of the results of any other inspections results which may have taken place within a similar time-frame.
- The nature of the mixed economy college meant that they usually had small HE numbers relative to FE provision and sometimes the HE volume was in decline. In some cases the colleges also had a fragmented internal college management approach to HE, and there were queries over financial cost-effectiveness and viability of the HE provision.

6 Conclusions

In this section we bring together the findings of each of the models of mixed FE and HE provision and outline some possible recommendations.

6.1 Conclusions on individual models of mixed FE/HE provision

6.1.1 Mergers

These are outlined below under three main headings of: “provision” and “organisation and resources”:-

6.1.1.1 *Provision*

- All of the case study mergers involved the merger of a university with a small specialist and/or rural FEC. These FECs were perceived as part of a particularly vulnerable group at the time of the mergers, when progressive efficiency gains required of all FECs between 1995-98, were being claimed to have had a significantly greater impact on smaller specialist and rural colleges, than their larger urban counterparts. Thus these mergers have involved a particular type of FE college and the general applicability, to larger and urban FE colleges, of findings from these case studies, must be treated with caution.
- In all cases, the mergers have ensured the medium to long term survival of much of the FE provision provided by the FECs at a time when some of this provision at least, if not the FEC in totality, was seen to be at risk. For the FECs involved, it was hoped that the improved financial stability and investment potential on offer would both sustain and enhance their provision and would provide higher quality accommodation and facilities. In no cases did the merger aims include the aim to sustain and develop all of the current FE provision, irrespective of its quality and viability. However, assurances were given about the continuation of a viable FE portfolio on the FEC site and the protection of adequate and sufficient FE provision to meet local needs and the needs of disadvantaged groups. As a consequence of merger, financial stability has largely been achieved and financial viability of the FE provision has improved.
- In most cases, the approach adopted has been to maintain FE provision at the FEC site as a discrete and cohesive entity. Thus coherence has been maintained, whilst at the same time integrating most of the support systems and functions as part of a central university service. The universities’ organisational structures have had to demonstrate flexibility to accommodate these arrangements. In one case, following merger, a disaggregation and redistribution of FE programmes to other faculties was attempted but this strategy has now been reconsidered and all the FE provision brought back together, as it has been recognised that FE management expertise is required to develop and deliver these programmes effectively.
- Since the mergers, the universities have sustained that FE provision which has proved viable or where there is a specific need, such as in the case of the SLDD provision. Retention and completion rates have improved in both the FE and HE provision previously offered by the FEC. Although the FECs initially perceived that there were limited opportunities for further development of work at FE level in their localities, as merged institutions they have identified and already been successful in achieving growth, particularly in adult part time provision, in these localities.

- Since merger, there has, in some cases, been substantial growth in FE provision whilst in others there has been a planned reduction in FE provision, although this has not usually been at the FE/HE interface or where full time core provision has retained its viability. In some cases it has been the FE part time provision and level 1 and 2 provision that has reduced whereas in others, the FE part time provision has grown, as the university has grasped the opportunity to increase market penetration in new areas for its outreach and community based provision. There is little incentivisation to expand key skills provision and additionality within FE programmes run by the HEI's as their internal budget allocation systems are usually based primarily on student number counts and projections.

- Linkage to a university has improved the 'brand image', of FE provision and HE in FE provision, in general terms, but loss of brand identity for some of the specialist FECs has caused problems with recruitment in the initial post-merger period. However, with regard to foundation degrees, there is some consumer resistance to studying for these at the FE college arm of the merged institution rather than the main university.

- There are indications of some pressure, in some cases, from the larger and more influential HE provider to raise entry levels, reduce lower level provision and focus upon HE and options for progression, if necessary, at the expense of FE.

- A common aim of the mergers was the widening of access to HE through FE via the strengthening of coherent, well articulated progression routes for full time students in particular, from FE to HE programmes. Also, the aim was to achieve growth through the exploitation of new opportunities to reach out to part time students, mainly adults, in those local communities where there was an FE but not an HE presence. As yet, there appear to be little evidence of significant improvements in progression from FE to HE as a consequence of merger. However, it must be noted that the mergers all involved partners who had previously had long established collaborative arrangements and, therefore, the mergers consolidated existing links and stabilised them. Progression was, therefore, well established before the mergers and this is why, as yet, there may appear to be little significant improvement.

6.1.1.2 *Organisation and resources*

- To enable the merger to be successful, it is important that there is a strong commitment at the highest level within the merged institution to the protection and development of FE provision. Also it is important that there is a senior manager within the merged institution responsible for FE provision.

- As a consequence of merger, the universities have invested heavily in the FE sites to improve the quality of facilities and accommodation for students and staff. There is little evidence of 'asset stripping', and in the majority of cases significant inward investment has been made to what was hitherto, variable quality FE facilities and under utilised estates. The universities believe they have had to subsidise the support for FE provision and facilities considerably by FE budget ring fencing, capital investment and allocation of senior management and central support services time over the first three years of merger to achieve longer term financial stability and self sufficiency.

- Merger has been accomplished without significant rationalisation of staff posts or compulsory redundancies. Upon transfer to university employment, most staff accepted a broadly similar contract to that applied when employed directly by the college. Most staff feel that the transfer has improved their pay and conditions of service since at the time of transfer many staff in FECs were not receiving annual pay awards and these immediately re-appeared when they transferred. There has been considerable investment in staff development to help FE academic and support staff to adjust to work within the HE system and to acquire, in some cases, the skills to teach in HE programmes. Staff morale has generally improved but staff pay and conditions have taken some time to harmonise and have proved costly where no pay awards had been given to staff immediately pre-merger. Not all FE posts have been replaced when vacancies have arisen.

- Sometimes FE staff have felt that decision making on issues specific to their own provision has taken longer through the university system and has involved greater degrees of bureaucracy than when they were part of free-standing FECs.
- Full integration of FE and HE systems has not taken place and this may be hampering harmonisation, clarity in terms of management structures and the achievement of parity of esteem in terms of the FE provision within the merged university. It is perceived that dual reporting systems for FE and HE provision are adding internal bureaucratic burdens to those managing the FE provision. The university senior management also feel that the external student number audit requirements add an extra bureaucratic burden to their other audit systems.
- Some senior management posts have been allocated to FE managers but these are in the minority – the FE voice has not been directly 'represented', on university main Boards of Governors or university Executives, through Board members or college principalship members transferring into these top levels of Governance and Management.
- There is evidence of lack of clarity on some issues of accountability and management of the provision, e.g.
    - Reporting and monitoring of student numbers (especially the FE activity)
    - Duplication and/or absence of audit and inspection, inconsistency of approach
    - Institutions unclear of demarcation of issues between different funding bodies
- There seems to have been little in the way of external follow-up, post-merger, to ensure compliance etc with conditions or duties of merger agreements and asset deeds (e.g. clauses over assets, governance representation, etc) in two of the four case studies considered but in these cases we believe a review by the LLSC has been scheduled to take place in the near future.
- There are cultural challenges and difficulties of bringing together very different staff, structures, conditions of service, and the harmonisation of control and reporting systems and structures.

6.1.2 Transfers

These are outlined below under three main headings of: "provision" and "organisation and resources":-

6.1.2.1 *Provision*

- Of the three transfers that have taken place, all have involved specialist FE institutions becoming specialist HE institutions. All of these institutions intend to retain their specialist status although they may add additional types of provision in existing subject areas. There are no examples as yet of generalist FE institutions becoming generalist HE institutions. To the best of our knowledge, there are not likely to be any examples of transfer taking place, in the foreseeable future, involving generalist rather than specialist institutions. In the light of the above comments, the lessons to be learned from this model of mixed provision are limited.

- All of the institutions are very positive about their change in status and believe that it will bring longer term benefits even if those benefits have yet to materialise. Longer term benefits include; increased attractiveness to HE students, improved business links and involvement in HE networks. All of the institutions would aspire to have the term “university” in their title as a means of enhancing their status still further.
- All institutions have an ongoing commitment to FE provision since this provides one of the main sources for their HE provision. In general terms, the institutions see progression from FE to HE as a false dichotomy. They encourage progression at all levels of provision up to and including HE. It is difficult to draw any firm conclusions about changes to their volume and pattern of FE provision. It would appear that changes which have taken place have been caused more by local factors than the impact of transfer.

6.1.2.2 *Organisation and resources*

- Only limited organisational changes have taken place within the institutions as a consequence of transfer. However, organisational changes may well have taken place in preparation for transfer.
- Of the institutions that have transferred to HE status, only one has had this enhanced status for a significant period of time. Thus it is difficult to identify any clear and definitive longer term impacts resulting from this model of mixed provision. Initially, the impact of transfer on staff and students has been limited. The main impacts have been to do with administrative matters such as funding, reporting, liaison etc.

6.1.3 Mixed economy colleges

These are outlined below under three main headings of: “provision” and “organisation and resources”:-

6.1.3.1 *Provision*

- In ME colleges the level of HE provision has grown steadily over the years and there have been no quantum leaps in the level of provision. HE student numbers have increased substantially in recent years but have plateaued in the last year.
- FE student numbers have remained fairly constant or shown slight increases. There have been changes in the mix of provision. Maintenance of FE student numbers is regarded as important since it provides the seed corn for future HE student numbers. Retention and achievement rates for FE provision have shown a slight upward trend.
- There are good rates of progression from FE to HE within ME colleges and, for marketing purposes, the colleges emphasise the potential for progression through different levels of FE and into HE within the same institution.
- ME colleges will encourage certain students (who would/may otherwise drop out of education) to progress to higher education. However, the lack of HEI status and the lack of dedicated HE facilities will always be a barrier to recruiting other classes of student who

will aspire to a HEI experience. Where the college operates in close proximity to a HEI, it must aim to distinguish itself from the HEI in the eyes of students.

- Many ME colleges now undertake a significant amount of provision for 14-16 year olds and this level of provision may increase, given the growing national emphasis on 14-19 within Success for All. Thus there may be strategic problems in providing large scale HE provision at the same time as providing an increasing range of provision to 14-16 year old students. There may be problems in meeting the needs and expectations of HE students within a wider environment (e.g. access to licensed bar facilities) among a population of much younger students.

6.1.3.2 *Organisation and resources*

- There are different models of organisation with some colleges splitting HE and FE by either running the two operations separately with an executive group for each, or by creating a separate HE unit, while in others HE provision is spread over the existing departments. Where HE provision is spread over a range of departments, the college may build (or may aspire to build) a centre for HE students.
- ME colleges, as designated FECs, are ineligible for many HEFCE funded initiatives, although they do receive the postcode uplift and the formula driven development in teaching and learning. Also ME colleges have only limited access to capital funds for HE provision either from the LSC or from HEFCE and as the LSC only funds a maximum of 35% of build costs, the funding of capital projects can be extremely problematic for mixed economy institutions. These constraints would seem to limit their potential for growth in HE provision.
- There are difficulties in working with two quality assurance systems. Overall, the HE quality assurance system operated by the QAA is regarded as being less bureaucratic than the FE system and hence preferred.
- ME colleges feel that nobody has an overview of their HE provision and the possible links between HE and FE.

6.2 Over-arching conclusions

In this section we look at some overarching conclusions regarding mixed HE and FE provision. We consider these in the context of objectives concerned with:-

- Increasing FE participation rates
- Increasing HE participation rates
- Widening access of provision
- Encouraging progression from FE to HE
- Achieving high quality provision
- Delivering efficient provision.
- Maintaining an institutional performance that is consistent with Mission Statement and ethos.

In the context of the above, the following comments are pertinent:-

- FE provision in a particular institution can be affected by a range of factors. Some of these factors will be external such as: local demand, local employment opportunities, level of competition from other providers etc. However, particularly where the institution is a mixed provider of FE and HE, the FE provision can also be influenced by the attitude of the institution itself and the priority it gives to FE provision. Based on the findings of these case studies we are of the opinion that in all cases the institutions concerned wish, at the present time, to maintain or even increase their level of FE provision.

- As we have already noted, the mergers that have taken place have ensured the medium to long term survival of much of the FE provision provided by the FECs at a time when some or all of this provision was at risk. This has been to the benefit of the FE institutions themselves and their students who might otherwise have been disadvantaged.

- At the time these mergers took place there seemed to be little alternative to merger as a means of dealing with the financial problems being faced by those FECs. Therefore, in terms of fulfilment of the original vision and premise on which the merger proposals were constructed, it is clear that these mergers have largely proved successful.

- The mergers have largely proved successful because of specific aspects of the way in which they were undertaken. In particular we would emphasise the maintenance of a separate FEC site as a discrete and cohesive entity and the investment provided by the university in FE provision.

- To some degree FE provision has been protected through mechanisms such as asset deeds and commitments given by senior managers and Governors of the university. However, these mechanisms have only a limited life span and for the longer term future there is no guarantee that FE provision will continue to be protected. Different circumstances and different personnel may (or may not) lead to a situation where asset stripping takes place and FE provision in the university is downgraded. We do not believe it is possible to introduce and maintain bureaucratic mechanisms which can protect FE provision in HE in perpetuity.

- In similar situations today where there is an FEC with financial problems, the reality is that there are other possible solutions to these problems than merger. This could involve:-

  - Provision of interim support by the LSC while the colleges take the necessary action to improve their financial health

  - The development of collaborative models with other providers which could involve the provision of shared central services and the avoidance of duplication of provision

  These models might be more effective than merger with HEIs in protecting FE provision in the longer term.

- Overall, the transferred institutions model seems to be a good model of mixed provision incorporating:-

  - The benefits of HE status

  - Substantial and ongoing provision in both FE and HE

  - The means of progression across the curriculum

- We are confident that it is in the transferred institutions' own interests to maintain and even enlarge their base of FE provision, particularly since some may have difficulties in further expanding their HE provision in other ways.
- As we have already emphasised, this transfer model has only been applied to a small number of specialist institutions with, by definition, a limited curriculum range and whose HE provision was already the major part of their provision. We are not certain about the applicability of this model to the majority of general ME colleges whose curriculum range is much wider and whose HE provision is, proportionally, much smaller.
- ME colleges undoubtedly make a valuable contribution to HE provision in their area and in achieving progression from FE to HE. However, we suspect that their lack of HEI status will place a ceiling on the range of students they can attract into HE. Also, their difficulties in accessing capital funds might inhibit their ability to deliver increasing volumes of HE provision.

6.3 Acknowledgements

The following institutions participated in this study and we offer thanks to them for their assistance:-

- Arts Institute at Bournemouth
- Birmingham College of Food, Tourism and Creative Studies
- Croydon College
- Cumbria Institute of the Arts
- Leeds Metropolitan University
- Nottingham Trent University
- Newcastle College
- Suffolk College
- University of Derby
- University of Central Lancashire
- Wigan and Leigh College

7 Appendix A: Examples of good practice in relation to mergers of FE/HE institutions

7.1 Staff time allowances

In one case, FE staff who teach HE provision have an allowance of 1.5 hours for every one hour of HE work they teach, to offset contact time imbalances.

7.2 Mentoring arrangements

Prior to their retirement being effected, senior managers from the FEC were given a harmonisation brief to integrate key FE functions such as finance, quality, industrial relations and student services. They were also asked to act as mentors for the university's support staff who would be dealing with the FE requirements of these functions for the first time.

7.3 Reconfiguration of provision

In one case, the FE provision offered by the university prior to merger has now been relocated organisationally to align with that offered previously by the FE college, in management terms. This is in recognition that the FE provision offered in other parts of the university would benefit from the expertise and experience that FE staff could apply to its development and delivery.

7.4 Committee Arrangements

A permanent sub – committee of the Academic Board of the university has been created to consider FE provision and this committee has predominantly FE staff members. This committee oversees the quality assurance and development of the FE provision in line with the remit and responsibilities of all the university Academic Board committees.

7.5 Reporting arrangements

Reporting of FE academic and business performance to the Board of one of the FECs was particularly well structured. Post merger, the university has adopted these report formats to improve the clarity of reports to the university Council on all aspects of the university's performance.

7.6 Budget allocation models

One university has developed a particularly clear policy and set of transparent internal budget allocation procedures in order to ensure that once received, all funding streams are appropriately directed within the institution to the areas of FE or HE work generating the income and that the income received as a result is consistently utilised for its intended purposes.

7.7 Marketing

Following one merger a major review of all marketing promotional activity was undertaken to enable a more customer focused approach to be adopted corporately but also to allow for distinctive approaches within this corporate strategy, each approach being developed on a market sector basis. This enabled the 'brand image', of the FE provision to be retained and has led the university to re-instate a marketing presence in a locality close to the FE provision to address both the local FE and HE market.

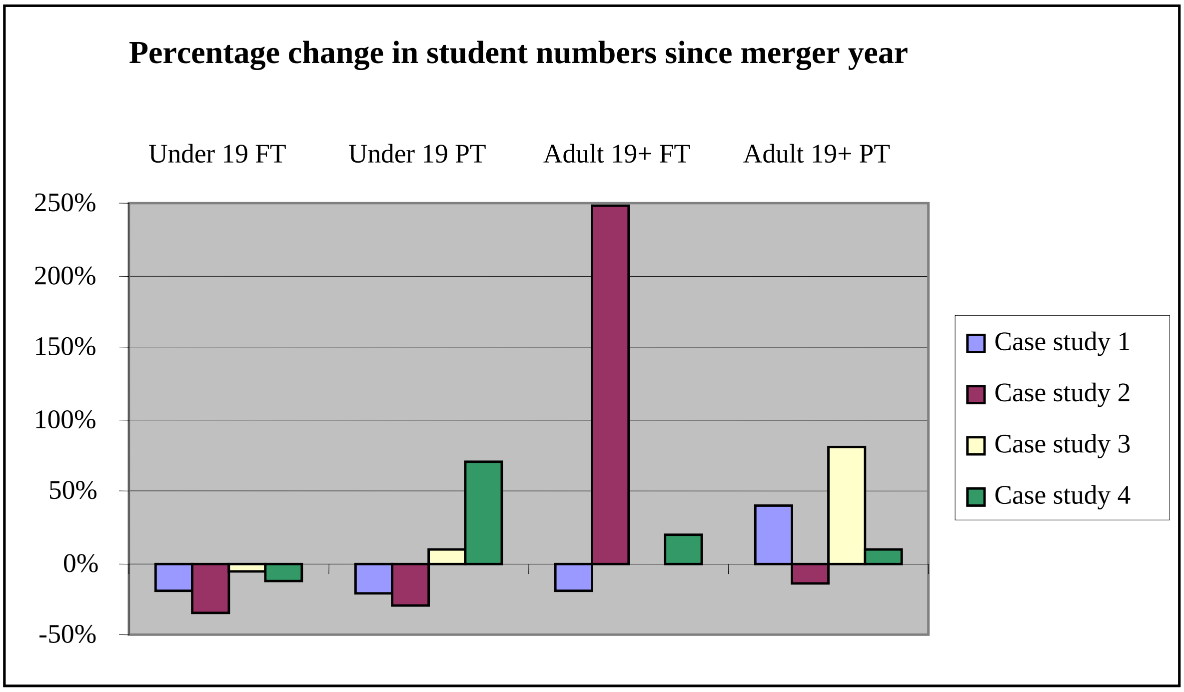
7.8 Union/management arrangements

Prior to the merger in one case, a joint union and management working party was charged to merge the different procedures of the two institutions. This harmonisation has been seen to be useful in building relationships between the management and staff of the two merger partners.

8 Appendix B: Data analysis

8.1 Mergers

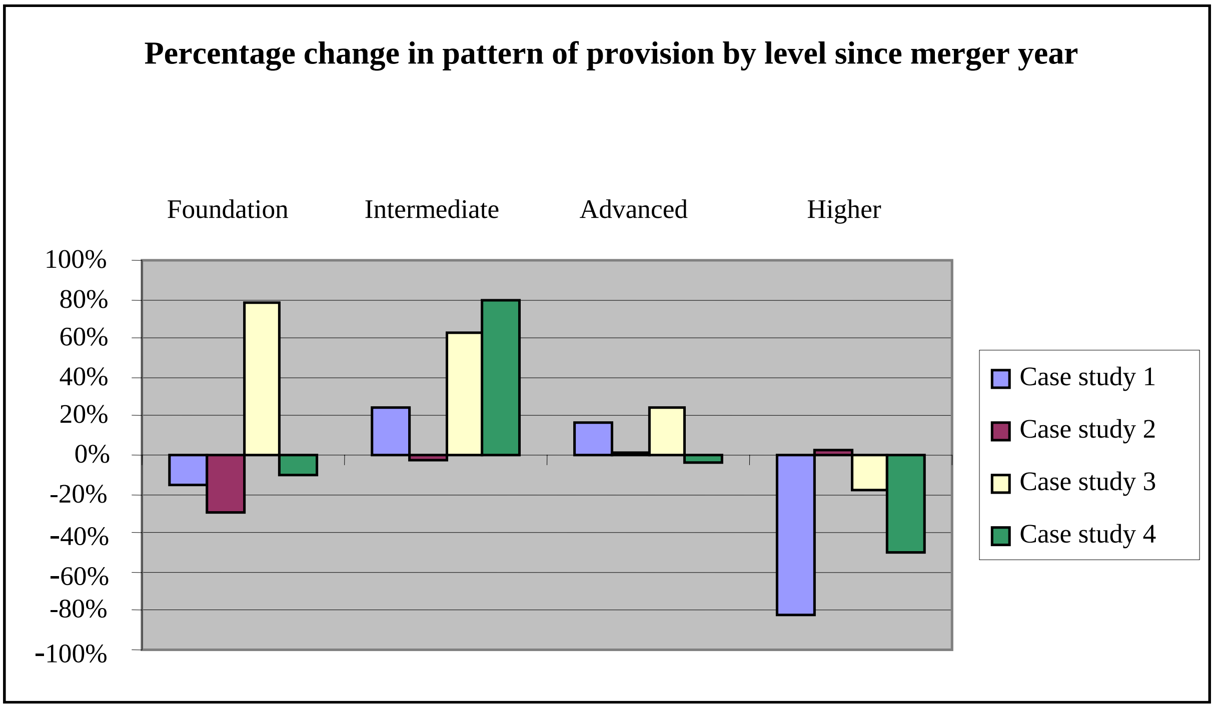
8.1.1 Volume of provision



Source: final ISRs from each Merger college, both prior to and after merger, where available. Where ISR/ILR data was not available post-merger (one institution only), HESA data was used to extract appropriate and consistent fields

NB: The actual % rise in Adult 19+ provision at Case Study Institution 2 was approximately 250%, however for ease of interpretation of the chart, this has been reduced to 100%

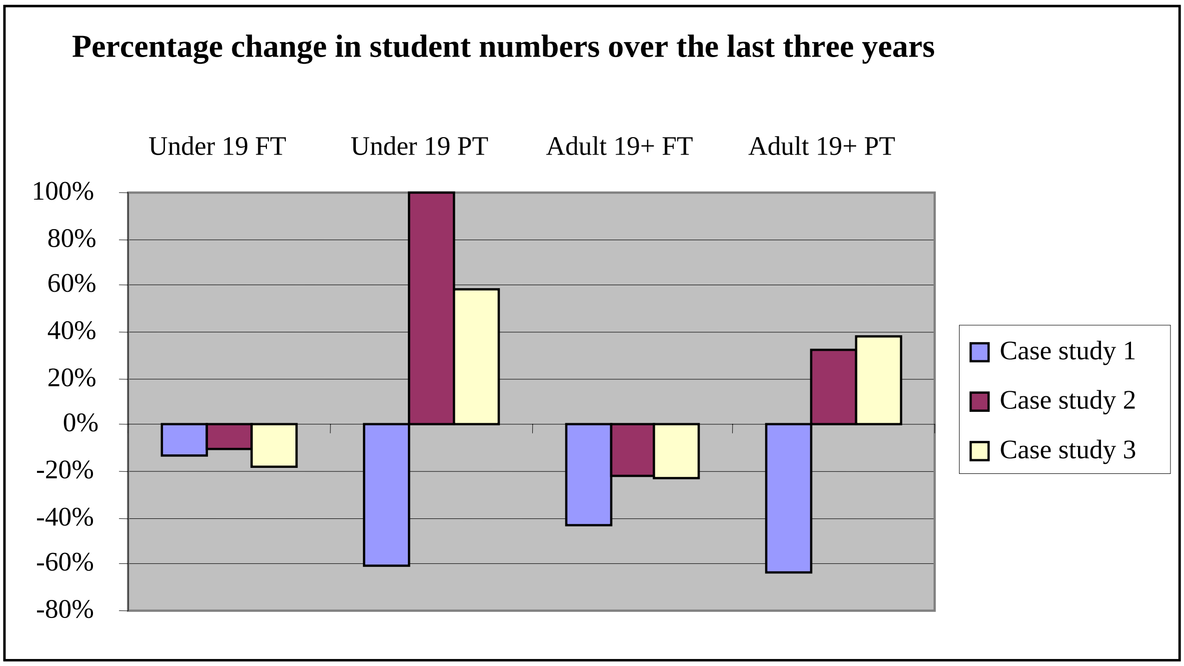
8.1.2 Pattern of provision



Source: final ISRs from each Merger college, both prior to and after merger, where available. Where ISR/ILR data was not available post-merger (one institution only), HESA data was used to extract appropriate and consistent fields

8.2 Transfers

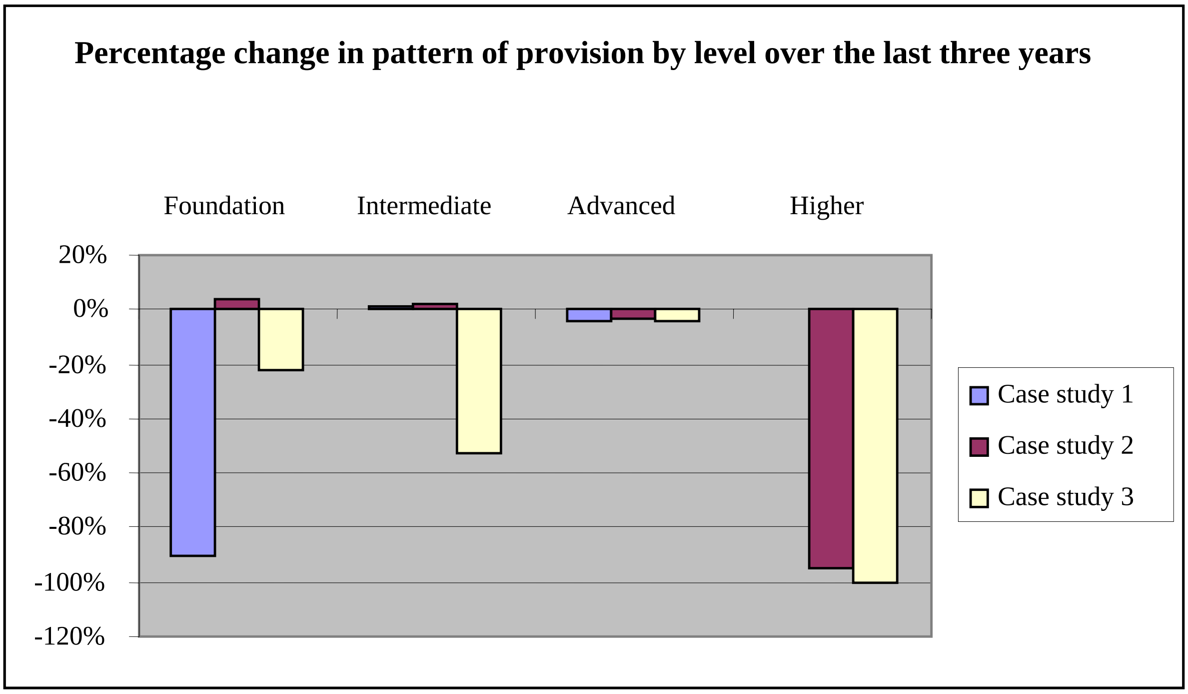
8.2.1 Volume of provision



Source: final ISRs from each Transfer college, both prior to and after transfer, where available. Where ISR/ILR data was not available post-transfer (one institution only), HESA derived ILR data was used to extract appropriate and consistent fields

NB: Under 19 PT growth was greater than 200% in Case Study institution, however for ease of interpretation, the chart has been amended to show 100% growth.

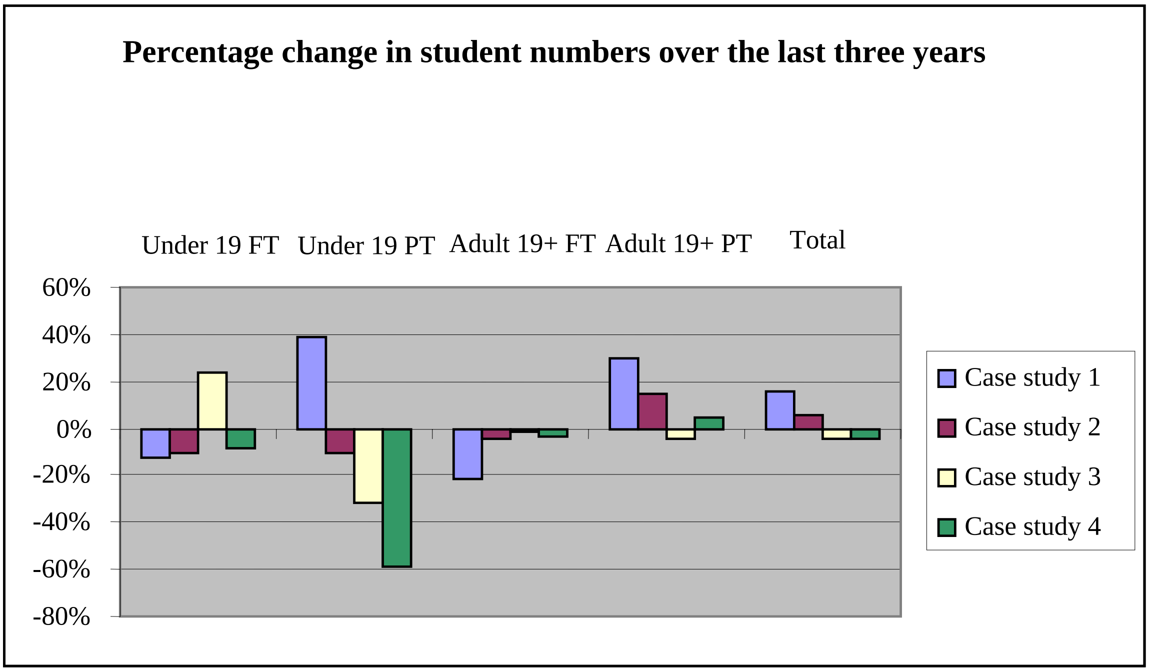
8.2.2 Pattern of provision



Source: final ISRs from each Transfer college, both prior to and after transfer, where available. Where ISR/ILR data was not available post-transfer (one institution only), HESA derived ILR data was used to extract appropriate and consistent fields

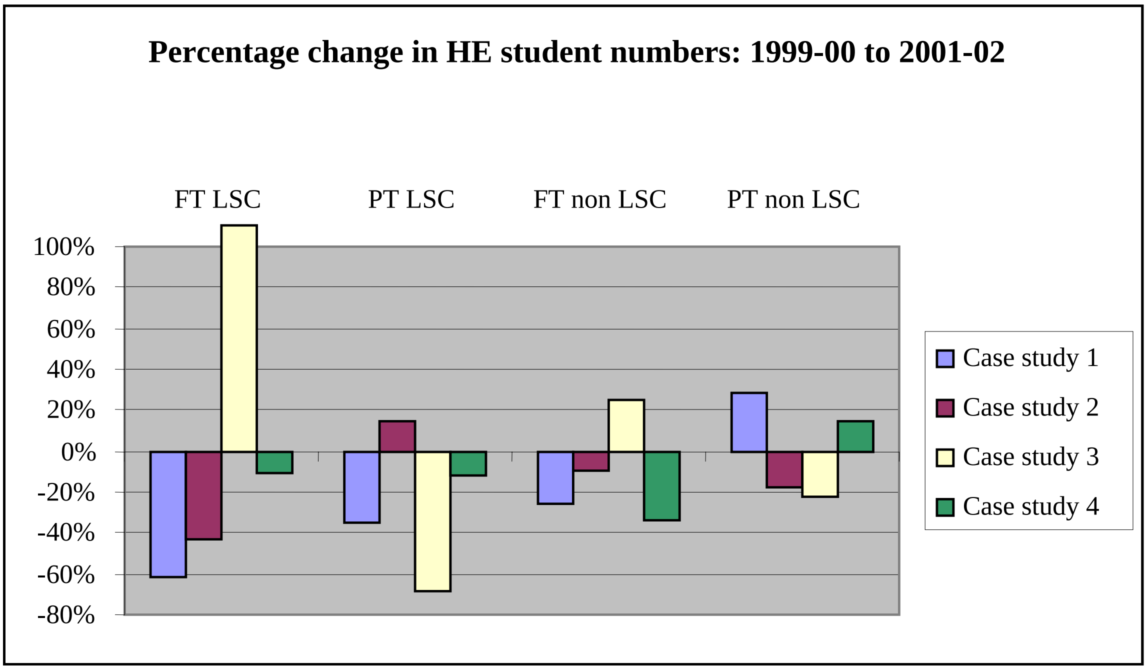
8.3 Mixed Economy colleges

8.3.1 Volume of provision



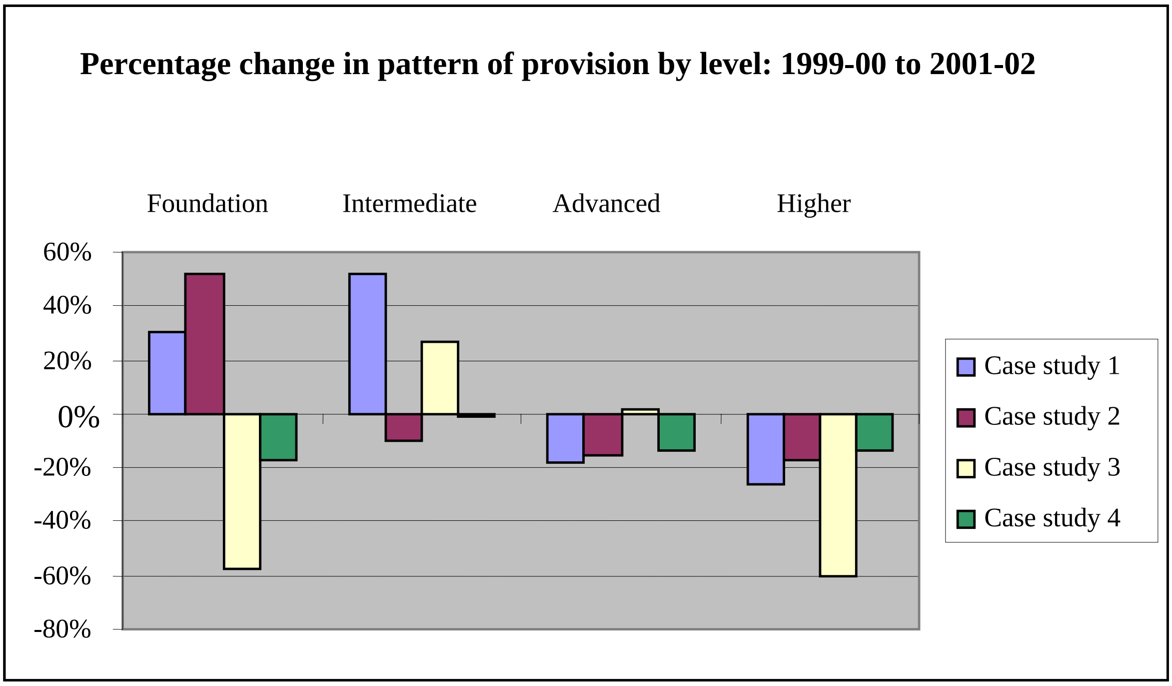
Source: college ISR/ILR final returns

8.3.2 HE provision

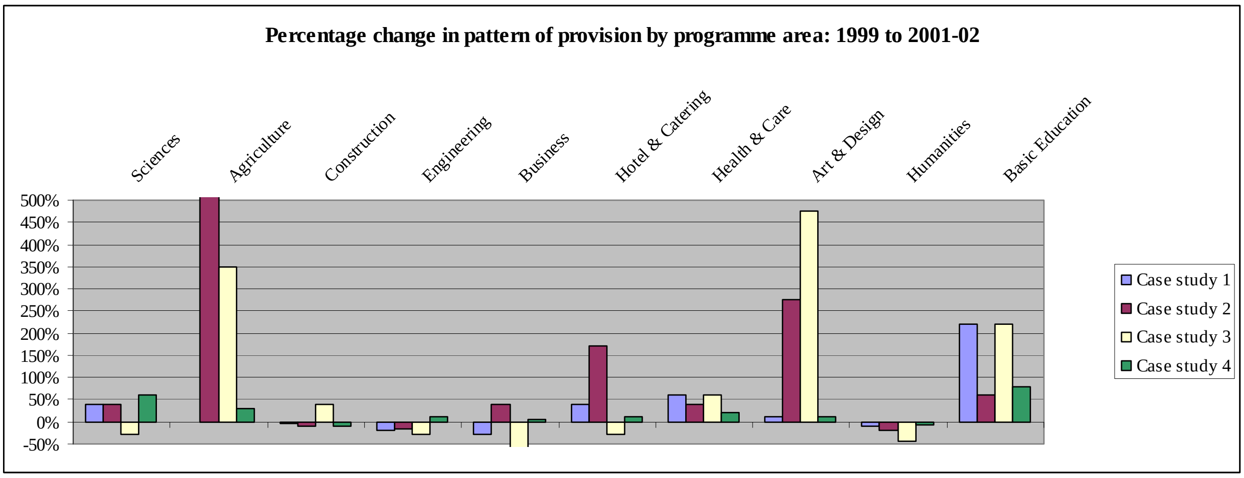


Source: college ISR/ILR final returns

8.3.3 **Pattern of provision**



Source: college ISR/ILR final returns



Source: college ISR/ILR final returns