The impact of changes in Further Education Funding Council (FEFC) funding on the further education (FE) colleges across the United Kingdom was examined in a survey of a sample of 14 FE colleges, including 11 that had participated in a previous survey. Managers and practitioners at each college were interviewed to determine the current FEFC funding methodology's impact on the FE curriculum. Selected findings were as follows: (1) the sample colleges were still in a transitional state, moving from learning about FEFC funding to learning to live with it; (2) as in the previous survey, colleges still found the FEFC data requirements onerous; (3) all levels of staff commented on the impact of increasing workloads on conditions of service; (4) nearly all respondents expressed concern about the growing use of part-time staff and the resultant collegial and planning difficulties; (5) the number of taught hours received by full-time students appeared to have bottomed out around an average of 15-18 hours weekly, including tutorial time; and (6) the changing role of teachers in the context of the growth of resource-based learning was stressed by many in the sample. The following items are appended: a summary of previous research; an overview of recent policy and funding changes; and an annotated bibliography listing 11 references. (MN)
LEARNING TO LIVE WITH IT

The Impact of FEFC Funding, Further Evidence from Fourteen Colleges

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November 1999
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FOREWARD

I am pleased to be able to both introduce and commend this latest piece of research on funding in further education from NATFHE and the Lifelong Learning Group of the Institute of Education.

The previous research on FE Funding by NATFHE and the Institute, 'Learning Funding', was one of the first publications to examine in some detail the impact of the FEFC funding methodology on college curricula. How much this was needed can be seen by the number of times it is referred to in other research and articles on FE.

That document captured a particular moment in the recent story of FE. That moment was probably worst in its history as the DLE funding crisis was breaking and various chickens were coming home to roost and displaying some of the more unfortunate aspects of incorporation.

Since then much has changed. A new government has brought with it many changes, usually for the better for FE. Despite the many problems that remain, the future for the sector is brighter than it was in 1997.

This latest research traces the continuing impact of the FEFC funding methodology as it changed to adapt itself to the new Government's goals for FE. It brings the take-up-to-date, to the eve of yet another new dawn for the sector with the impending implementation of new post-16 system as outlined in the White Paper, 'Learning to Succeed'. We have moved since the publication of 'Learning Funding' from the rhetoric of competition to the rhetoric of partnership. The key task ahead will be to move beyond rhetoric to making sure that the new system does deliver all that is promised. The key to this must be funding, both an adequate quantum for the new system, and a new methodology.

As General Secretary of the main union for college lecturers I am struck how the findings presented in the research confirm many of the concerns that NATFHE has been expressing to the Government, especially in the area of raising standards and quality. In particular, the pressures of increasing workloads – often because of FEFC data demands on colleges and the lack of coherent and consistent national salary structures – are driving experienced and committed staff from colleges. It can't be right that college middle managers spend so much time on counting that they are pushed to have the time to devise strategies to counter social exclusion and develop the curriculum.

It is interesting to see how the increasing use of part-time staff puts a greater burden on salaried staff and the use of agency staff is starting to be seen as sending the wrong messages to students and parents. In the words of one of the respondents quoted in this publication, agency staff are "like Andalusian landless labourers wandering from hacienda to hacienda in search of work". The document also records some of the sector's perceptions on the new initiatives such those aimed at supporting widening participation, partnerships and the New Deal which show that much remains to be accomplished in these areas.

And yet I am also struck by how much commitment, good will, professionalism and desire and determination to raise achievement and attainment levels of FE students comes across from the views expressed throughout the document. I hope this can last through the changes to come.

The White Paper states that the new methodology will be based on that of the FEFC. Thus this new research presented here is extremely timely as it examines how the recent changes in the FEFC's methodology are impacting on colleges. I hope that those responsible for devising the new system's funding mechanisms will read this publication with care, and learn from the facts it presents.
SECTION ONE. EXECUTIVE SUMMARY

The main findings from the survey were as follows:

- The sample colleges were still in a transitional state moving from learning about the FEFC funding to learning to live with it. Generally budget responsibility was being devolved to departmental areas and a degree of financial autonomy was being allowed. Tensions still existed in colleges between an entirely funding unit-based system and the wish to maintain a broad and diverse curriculum base. Some saw this as a fundamental flaw in the methodology, others as limited understanding on the part of curriculum managers.

- As in the previous research, colleges still found the FEFC data requirements onerous. Some of the sample colleges had moved to fully computerised systems to provide tutor interface for data input and analysis. But there was still a variable picture as to how far this had developed and many were still struggling with inadequate software. There were reservations about the utility and analytic value of FEFC-generated data. This was often felt to be too complicated, of limited use and out-of-date. Some felt that education purposes were becoming secondary to an ever-increasing emphasis on audit data which did not result in sector-wide analysis.

- All levels of staff commented on the impact of increasing workloads on conditions of service. Many felt that the funding methodology had a double impact. Positively it had sought to fund learning, increase efficiency and unlock growth potential. Its negative aspect was growth which made ever increasing demands on staff in a detrimental and destructive manner. Middle managers were being placed under an inordinate degree of pressure with ever increasing responsibilities which were inexorably broadening as institutions were restructured. There was a perception that the lack of a national salary structure was militating against the
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development of a professional ethos among college staff.

- Almost all respondents were concerned about the growing use of part-time staff and the collegial and planning difficulties this created. This was at least partly caused by the loss of experienced full-time staff. Half the sample colleges used agency staff. The reason given by those not using agency staff was that it sent the wrong messages to staff as a whole, and did not secure staff of appropriate quality. In colleges using agency staff, many were concerned about the lack of continuity problems with quality and difficulties in ensuring that such staff had appropriate qualifications.

- The number of taught hours received by full-time students appears to have bottomed out around an average of 15 to 18 hours a week including tutorial time. The lowest figure quoted was 12 hours. Concern was expressed about these amounts of course hours. The importance of good tutoring was expressed by many. The reduction in taught hours and their replacement by resource-based and other forms of independent learning were perceived by some parents and students as a 'cheap option' and unacceptable. In some of the sample colleges managers accepted that the quality and quantity of teaching hours was being partly maintained by the good will of staff which was seen as a key element in professionalism, and was propping up standards and sometimes maintaining traditional levels of taught hours. Managers reporting this were well aware of the danger of abusing good will, and the past damage which had been done to it.

- The changing role of teachers in the context of the growth of resource-based learning (RBL), was stressed by many in the sample. The blurring of distinctions between teaching and support staff and the implied threat to professional status and capacity worried some. Issues of the implications of professional deskilling, reskilling and the demands of multi-skilled practice and the consequential staff development and training, still have to be addressed. All colleges in the survey were developing resource-based learning facilities which brought increasingly flexible forms of delivery with a heavy emphasis on ICT use. This had engendered a lively debate about modes of learning and the most effective combinations of taught time, independent learning and the various forms that RBL might take. The research revealed some sharply differing views. The question as to whether traditional contact teaching or RBL could induce more effective learning, and thus improve achievement rates, was hotly contested.

- Colleges in the sample were still experiencing sharp competition with school 6th forms. Many expressed outrage at the inequities of differential funding between schools and FE.

- The research findings indicate that growth of average group size continues to be uneven, although as in the last findings, the slow rate of increase is being maintained. Some managers quoted average size according to space surveys, others instanced limits in particular curriculum areas such as literacy and basic skills. We did not find dramatic across-the-board increases, although there was enormous variability across the sample colleges.

- Many of those interviewed felt that more money was needed for the entry phase. These respondents emphasised the importance of proper initial and diagnostic assessment as a precondition for the system to work effectively.

- Survey responses again suggested a consensus that the additional learning support funding mechanisms were still considered successful and a relatively positive aspect of the methodology. However a number of important criticisms were emerging relating to a lack of clarity in the guidelines and procedures for claiming these units, the potential of excluding many students with special needs, and dissatisfaction with the way the system tended to discourage forms of support other than one-to-one individual support.

- Many of those interviewed pointed out the contradiction between the government's encouragement to address areas of disadvantage such as those with mental health problems, emotional and behavioural difficulties and those being excluded from school, and the funding pressures which led some colleges to increasingly select only those who would enhance retention and achievement rates. There was still an older and continuing concern about the non-recognition within
the methodology of partial achievement.

- Practitioners developing work with students with learning difficulties and/or disabilities voiced concerns that whilst the Tomlinson Committee principles and practices of inclusive learning, had generally been acknowledged, the current emphasis closely linking inclusive learning to raising general levels of retention and achievement, threatens to undermine the very principle of creating a truly inclusive learning environment. Thus despite high profile and rhetorical support, there were fears that the Tomlinson recommendations are being marginalised.

- There was approval by many in the survey for the current government emphasis on retention and achievement. The focusing of attention on these key performance indicators had had considerable impact in terms of improved college practice and performance. But there was an increasing tension perceived between many of the measures that the colleges were undertaking with the intention of meeting the raised target levels, and the government’s other policy goal, of widening participation.

- As in the previous research, a major criticism of the increasing emphasis on retention and achievement was the non-recognition of partial achievement. In the view of many of the respondents, a narrow focus on achievement as being only measured through qualifications, conflicted with the lives of many existing and potential FE students. Part-time working is now widespread among FE students, who may leave to take-up full-time work. The system still registers them as educational failures.

- Reflecting on the recent measures to widen participation, the survey revealed sharp differences in perceptions of the value of the use of post codes as an indication of social deprivation. Inner city colleges welcomed the mechanism. Colleges in suburban and rural areas were extremely dissatisfied with it. Many commented that rural deprivation tended to be less visible and often existed in pockets alongside affluence. Thus the use of post codes did not effectively identify all disadvantage. Colleges with few post codes in their catchment area found the mechanism ‘insignificant’ as an incentive and ‘frustrating’ in terms of targeting real needs.

- No clear picture has emerged as to how far the funding methodology as presently constructed, will be able to promote future growth and truly wider participation. Inner city colleges felt they had reached a limit and the extra units were rewarding them for what they were already doing. The majority of those interviewed regarded the system as a ‘tool for now’, an imperfect system which needed to be refined. There was agreement on the need for specifically targeted provision to attract under-represented groups. Many felt that widening participation should not be about ‘chasing units’, but about establishing real links with hard-to-reach groups.

- Franchising remains a sensitive and controversial issue following the recent well-publicised cases of abuse. Grey areas remain around the definitions of franchising and the control mechanisms. As a mode of widening participation, it clearly has its advocates within our sample colleges. But for many there was a moral dimension to the debate, and the activity itself had become tainted. Conflicting definitions of franchising give rise to a multiplicity of practices. Many felt that the system still encourages colleges to ‘chase units’ rather than pursue genuine educational objectives. They commented that it was still a system that invited abuse.

- Responses indicate a very mixed picture as far as local collaboration and partnerships are concerned. This reflects complex local circumstances. Generally there appears to be a patchy emergence of some new patterns of collaboration. However the force of old, and some relatively recent competitive habits was still strong. Broadly our research indicated that competition remained; in some areas it was active and open; in others it had gone underground; in a few areas collaborative practices had begun to assert themselves. In many areas there was an uneasy combination of competition and collaboration, but with a crucial lack of overall planning.

- Almost all the sample colleges were involved to varying degrees in delivering the full-time education and training option in the government’s New Deal initiative for the unemployed. Responses to the programme ranged from those who unreservedly thought it a disaster, a bureaucratic nightmare which was not cost effective, to those who had
reservations but generally were satisfied with its progress so long as their commitment in terms of numbers remained manageably small. Many including those who were very dissatisfied declared their main reason for involvement was a political commitment to provide for the local unemployed and work with local partners. All mentioned the expense, onerous bureaucracy and mismatch between college and New Deal timetabling structures. Infilling New Deal participants was the most common form of provision. Few colleges had sufficient numbers to mount specific and separate provision.

SECTION TWO. INTRODUCTION

The research upon which this report is based was designed to follow up and build upon the research carried out in 1996/7 by NATFHE in collaboration with the Post-16 Education Centre of the Institute of Education, Learning Funding, The Impact of FEFC Funding, Evidence from Twelve FE Colleges, (1998). That research examined the impact of the FEFC funding methodology upon colleges and the further education curriculum during the period immediately following the incorporation of colleges in 1993.

Since the crisis in the FE funding system over demand-led growth early in 1997 and the election of the new labour government in the same year, certain changes in the funding mechanism have occurred and new policy priorities for the FE sector have been established. The current survey carried out jointly by NATFHE and the Post-16 Education Centre during the summer of 1999, aimed both to examine the impact of the latest version of the FEFC funding methodology upon the FE curriculum within the context of the new policy initiatives, and to trace the continuities and contrasts between phases in the evolution of the funding system since the last survey was carried out.

The interviews took place at a time when the FE sector had been receiving unprecedented national publicity. The publicity had both positive and negative aspects. It was highly positive as regards the role envisaged for the sector by the government in terms of raising skill levels and national competitiveness and promoting social inclusion and lifelong learning. Other publicity, however, was very much more negative and damaging to the reputation of the sector as a whole, as a result of the widely publicised scandals in which a handful of colleges had been exposed for financial malpractice, particularly in relation to their entrepreneurial franchising operations.

At the same time colleges had only recently begun to put into operation new initiatives such as the mechanism for encouraging widening participation in further education (as recommended in the Kennedy Report, 1997) and the education option of the New Deal for the unemployed. The government had announced additional funding for the sector to promote access and inclusion and was completing its review of 16-plus education. The White Paper, Learning to Succeed, with its proposals for implementing aspects of the lifelong learning policy agenda, was published in July 1999 as the interviews were being completed.

The survey was thus very timely in terms of the current national debate about the purposes of further education and the interviews were in a real sense very much part of the debate. We hope that this research report, in its description and analysis of the data generated in the interviews, will provide informed insight into how professionals in the sector perceive the changes which are taking place and the impact of the evolving funding system upon the FE curriculum and the processes of teaching and learning in colleges across the country.

Methodology

Following the methodology adopted in the previous survey, the qualitative data upon which this report is based was generated through a series of interviews which were carried out in May, June and July 1999 with staff in a sample of 14 further education colleges.

The sample: 11 of the 12 colleges which had participated in the previous survey agreed to take part in the follow-up study. (It was decided not to include one college which had been undergoing severe financial and organisational difficulties.) The original sample had included a range of colleges selected to reflect differing financial situations according to FEFC funding allocations in terms of unit of resource position based on their Average Level of Funding (ALF). The sample thus included low, median and high ALF colleges. The sample was also selected to reflect a geographical spread across England and included inner city, suburban and rural colleges. Two sixth form colleges and an agricultural college were added to the original eleven colleges who agreed to participate in the follow-up survey and were
included in the new sample in order to extend its representativeness of the sector as a whole.

The staff interviewed were as far as was possible (and in most cases were) the same individuals who had contributed to the previous survey. Colleges were each asked to nominate three individuals to be interviewed, drawn from three levels of the hierarchy: senior management, middle management, and main grade lecturers. A total of 39 staff were interviewed.

The interviews: The interviews were semi-structured and based upon a questionnaire/topic guide. The schedule was piloted in both face-to-face and telephone interviews in four colleges in London. It was revised, and then used in telephone interviews with all the colleges in the national sample.

The interviews, which on average lasted from between 45 minutes to one hour, were tape-recorded. Each interviewee was given an assurance of anonymity. Some minor alterations have been made to some of the quotations used in the text both to ensure this anonymity and to render the spoken word clearly as written text.

The interviewer took notes during each interview and a matrix was compiled to show correlations between the research questions and the major issues and concerns raised in the interviews. The matrix thus allowed a picture to come into focus of the emerging themes, convergences and divergences, arising from the interviews. The matrix was also used for the selection of illustrative quotations for transcription and inclusion in the text.

The aim in the research was to generate qualitative data, capturing the perceptions of a small but reasonably representative sample of FE managers and practitioners about the impact on the curriculum of the current version of the FEFC funding methodology. The interviews produced a wealth of material, of which only a small proportion could be used in a report of this kind. In the report, as in the previous report, extensive use has been made of respondents' own words to illustrate the issues raised. By doing this we hope to convey more vividly the lived concerns of professionals in further education whose daily working lives, and those of their students, are directly affected in multifarious ways by the impact of the funding mechanism.
SECTION THREE.
RESEARCH DATA AND OUTCOMES

General financial context

The sample includes a broad range of colleges which reflect the rich diversity of the FE sector as a whole. Financial pressure has been a constant factor for all the colleges in the survey but their varying situations in terms of financial health, stability and capacity to fulfill their stated missions depend on a wide range of factors. These include widely varying geographical locations and the broad heterogeneity of areas and communities which colleges seek to serve.

As the interviewees indicated, many factors impinge upon the financial health of a college, including its size; the extent of its capital assets; its position as a High- or Low-ALF college on the trajectory towards convergence; its success in finding other sources of funding apart from the FEFC; the extent of its dependence on franchise partners and difficulties which may have been experienced in reducing such dependence following the recent introduction of new guidelines for franchising; the extent to which its geographical position and the social composition of its actual and potential student population allow it to gain advantage from the post-code based mechanism for encouraging wider participation in FE; and, amongst many other factors, the ever-shifting state of competition and/or collaboration with neighbouring institutions, both schools and colleges.

Respondents from stronger colleges in the sample emphasised the strength and stability of their financial situation and attributed their success to a wide variety of factors. These included the long suffering and hard work of staff, shrewd financial management and probity in accounting, a clear sense of mission and leadership, good inheritance at the time of incorporation and valuable capital assets.

Large colleges tended to be stronger, to be located in urban areas and often were the products of merger. One very large urban college was the product of a recent and possibly continuing process of merger which has involved the amalgamation of a group of colleges. Another had merged at the time of incorporation; a third large urban college, whose offer included substantial HE provision, had performed a longstanding role as a large local provider of comprehensive tertiary education. The two sixth form colleges both reported reasonably healthy financial situations, one attributing its healthy and relatively wealthy situation at least in part to its management of valuable capital assets - good accommodation consolidated through sound investment - and to a favourable location in an affluent suburban and semi-rural area.

Low ALF colleges felt hard done by and also faced financial pressure. A curriculum manager from a very small college, which had at one time been one of the lowest out of 450 colleges in ALF terms, described her college as having progressed from being “extremely poor” to being merely “very poor”. In the words of others, the low ALF situation meant “You are always squeezed” and “Low ALF means slow growth”. Low ALF colleges stressed the difficulty in expanding on the basis of low levels of unit funding and the particular pressures that this placed on staff when growth was demanded without an increase in staffing.

Internal resource allocation: 
Effects on the curriculum

The current period could be described as still in the transitional stage of setting up a fully unit-based system for internal resource allocation. Such a system would replicate the FEFC model with internal cost centres receiving funding on the basis of performance and targets achieved.

Most colleges in the sample had established or were moving towards a replica of the FEFC model of funding for the internal allocation of their income. Systems based on funding units with devolved budgets for each departmental/curriculum area were seen to be more equitable and transparent than the systems based on historical precedent and grace and favour which some colleges had operated in the past. As a finance director put it:

“We operate a zero-based approach to the budget, recreating all income by forecasting numbers by departments. It is a rational approach which gives responsibility to all. Student numbers drive all resources, therefore it suits the methodology and gives more control to individual departments. Some systems which colleges are still using are archaic.”
There were certain tensions evident in this transitional stage. Some colleges were still operating systems which combined historic allocations and annual review. A director of studies commented:

"We haven't gone as far as we would like in resource allocation methodology whereby resources follow funding units by either schools, curriculum sections or programmes areas. It's been under development now for the last two years, but it's not yielded any useful models yet... The college has taken the view that we've not wanted to set one school or department at another by adopting a too formulaic approach."

The process of devolution of budgetary responsibility and the granting of a degree of financial autonomy to managers at the departmental/programme level was viewed in different ways by respondents, in part depending on their position in the hierarchy, but also on the extent to which such autonomy was considered to be real. In a number of cases it was considered to be a highly positive process whereby responsibility is devolved, ownership of the budget is granted and performance is rewarded equitably. In one case, however, it was considered as "ownership without power"; in another, the new system had not done much to change a battleground scenario featuring plenty of competition and very little co-operation, with Heads of Departments "slugging it out" in time honoured fashion.

Some managers noted tensions between an entirely unit-based system and the desire (or requirement as stated in college missions) to maintain a broad and diverse curriculum base. Two colleges singled out Engineering and Construction as areas of the curriculum which under recent conditions of recession had suffered falling demand for student places. Colleges were seen as having a responsibility to maintain provision which served essential skill needs in the locality. In one case, the decision to maintain provision in the face of falling demand had been vindicated by a recent upturn in Engineering and the beginnings of a revival in the Construction sector.

"There is a balance to make. If it is too unitised then there is a danger of no longer supporting areas which have a part to play if you are looking to the future in terms of shifts in the economy of the country. I mean clearly we could very easily I suppose, have shut down Construction and trimmed Engineering a few years ago but those are picking up again now. We have a responsibility to maintain them through difficult periods. The FEFC system doesn't recognise that, but they blame the colleges... they're not very good at putting more into things which are not cost effective."

(Director of Enterprise & Training)

On the other hand there was considerable resentment in another college at decisions which had been taken, with no seeming rationale, to maintain expensive Engineering provision catering for very small groups of students. This had resulted in cross-subsidisation between departments which was experienced as inequitable by colleagues in other departments during a period when the college had been suffering cuts and significant redundancies in staffing.

It was recognised that there is a need for effective balancing mechanisms, sometimes informal agreements between heads of departments, to offset the fact that different programme areas are affected in different ways by the accounting procedures and that projecting units in some departments is a highly uncertain business.

In the eyes of at least one respondent, the root of some of these problems lies in the relatively limited understanding that many curriculum managers have of the funding system itself:

"I think the problem with internal resource allocation in most colleges is not about whether the resource allocation is correct or incorrect, it's probably about people who hold budgets who are incapable of managing those budgets and procedures, and that's probably about staff development."

(Director of Enterprise & Training)

Coping with FEFC data requirements

The processing of large amounts of accurate data is crucial to the effective functioning of the funding system. Following notorious problems in the early days of the FEFC funding methodology with outdated MIS systems...
and inadequate software failing to capture and control the required levels of information, colleges were extremely aware of the need to achieve a balance between technological sophistication and manageable simplicity in devising and operating systems which could perform the necessary functions.

Many colleges that we researched, were moving towards fully computerised systems aiming to provide tutor interface for input and analysis of data. However, as in our previous research, the survey reveals a very variable picture in terms of how far down this road different colleges found themselves. Some were still suffering serious problems with inadequate MIS systems, adding to the already onerous and increasing burden of admin. One college appeared to be 'moving backwards' as it required staff to enter data manually due to system failure; another college reported an endless stream of confirmation requests to check information for accuracy:

"Our MIS is quite poor. I'm sure that that's the case for a number of colleges. The cost of replacing it is enormous. At the end of the day some of the information can only come from the people actually carrying out the assessment. Everything else apart from the assessment process we try to deal with centrally and therefore we have protected the teaching staff from that. Except that when you're doing it centrally, you have to be certain that the information you hold is correct and therefore the teachers seem to be getting an unending stream of 'requests to confirm that the following information is correct' which I'm sure does get quite frustrating at times."

(Head of Planning, Quality, Marketing)

Some colleges were seeking to shift the admin burden from teaching staff by employing more central admin. staff; others were giving teachers training and remission for dealing with data; others were putting their faith and money into new technology. There was still debate also about how much teaching staff needed to know about the system as a whole in order to fulfil their own function effectively within it, and questions about the extent that staff need to be protected from information overload and repeated requests for information. One college was carrying out an exercise to survey the impact of data on staff time.

A manager in a recently merged group of colleges provided an interesting instance of different approaches in different colleges to data handling – paper-based versus high tech approaches. High tech state-of-the-art systems tended to foster a lazy disengaged relationship to the information, whereas a 'Neolithic' paper-based/manual approach emphasised interaction and responsiveness to the information. As these different traditions merge within the super entity of the new institution, time may tell which person-system relationship is the more efficacious or liveable.

Respondents were asked to comment on how far down the hierarchy a detailed knowledge of the funding system needed to go and whether awareness of the funding mechanisms still needed to feature in staff development programmes. A variety of different views were expressed although it appeared that most staff were aware of the importance of data. As one curriculum manager put it:

"As for awareness about funding, we're all sick to death of hearing about it but it's the words of the moment because, as everywhere, if the units aren't there, think about your job because it's the units that actually pay for our work! I think people are becoming ever more conscious and we've done a lot, certainly we have as a division, a lot of training on units and ways of generating more units and how we can operate more flexibly, and we input details into the ISR. So we've had a lot of training there and it's ongoing because the goal posts change, don't they, every six months?"

Some respondents raised questions about the usefulness of the data generated and the lack of useful feedback and analysis from FEFC. A number felt that educational purposes and priorities were getting lost with the ever increasing emphasis upon data generation for audit purposes. One view of this distortion of priorities was that "The tail is now wagging the dog!"

Others argued that the complexity and detail of the information required were excessive, although it was acknowledged by some that much of the information that had to be collected was either vital to and/or useful for internal management purposes. In the view of one
Director of Finance the problem was that the information flow was only one way and that the potential for valuable sector-wide analysis was not being realised by the FEFC:

"Where the FEFC have failed is that the whole point about gathering this huge data base on the sector is firstly so that they can answer the Minister of State's questions, and secondly that they were going to feed back to the sector what they were finding out. But they have singularly failed to do that. I don't know of a single bit of useful information the FEFC have given me about the information we've given them. We get performance indicator booklets from the FEFC - they're 18 months late (we've just got 1996/7, I think) and they're all data and statistics - they're really useless as a management tool!... I think they just publish them because they have a statutory requirement to publish data about the sector."

(Finance Director)

How have staff been affected?

Staff at all levels within the college hierarchies who were interviewed commented on the effects of the funding system on their conditions of work and on the impact upon themselves and upon colleagues of the drive to growth which is at the heart of the methodology. Many commented on the dual nature of the impact on institutions: the positive effects on the one side of a method which seeks to fund learning, to increase efficiency and unlock potential for growth, and on the other side the detrimental and destructive effects of a system whose growth is fuelled by ever increasing demands made of staff. As one college principal said:

"I've always argued for a national unit of funding because that would bring a national wage with it and this variation of funding has resulted in a variation of salary structure. You'll never get a profession when you can do the same job for more money in another college. So for the people on the ground it's got harder. You can see that - there's no doubt about it - you can see that in our sickness records. There's clearly pressure in the system."

Another principal spoke both of the positive gains made since incorporation and some of the more negative aspects of change:

"We have become more business-like in planning. We've become a more responsive college with a much clearer focus on our aim and purpose. But the downside is that we are increasingly looking to financial efficiency and that inevitably has put more pressure on staff at all levels and increasing levels of expectation. A lot more of our overheads go on administrative tasks as our 97 review of management showed... and we are replacing lecturers on lower levels of remuneration when they leave."

A particular concern of this principal was about the long-term effect on quality of teaching of the loss of experienced teaching staff:

"That's where we will lose out long-term, is those people who get themselves reasonably skilled, who say - for family reasons or whatever - 'I need more money than this and I can get it by breaking out and going to do something on my own... We are stripping out the long-term retention of an experienced staff - and that's got to have an effect on quality."

(Principal)

Such fears were echoed by staff in a wide range of colleges in the sample, including those colleges whose financial situation was robust and healthy, and where high quality provision had been ratified by grade 1 inspection reports. As a curriculum director put it:

"I think the psychological damage caused over these past 5 years - I'm not sure that that will ever be healed. Really staff have felt that they've had to do more and more with less and less, and to maintain quality at the same time very, very high standards. We've had a good inspection report. But the counter side to getting a very good inspection report is that you want to maintain those high standards, and at the same time the government wants us to show increasing value for money so teachers
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are teaching more hours than ever before, more students than ever before — and there comes a point where the maintenance of high quality, even with the most efficient and cutting edge quality systems in place — we hope — people start to feel ragged. People are leaving the profession because of these kinds of pressures.”

One effect of these pressures on working conditions and salaries of staff, has been, as a number of colleges reported, a tendency to an over-reliance on the use of part time teaching staff as a means of reducing staff costs:

“We use no agency staff — our staffing is made up of a combination of secured staff and annualised hourly paid staff. We have been reducing our dependency on part-time staff, but we’re still heavily dependent on part-time staff and heavily dependent on their good will to contribute to curriculum planning, monitoring, and development and review, and all the other things you would expect to be a matter of routine for secured staff.”

(Director of Studies)

About half of the sample colleges used agency staff. Those who did not, said that this was because the use of agency staff sent the wrong messages to the staff as a whole, and because of the difficulties in securing staff of appropriate quality through the agencies. Of those colleges who used agency staff, many were concerned about the problems their use entailed: lack of continuity, problems with quality and difficulties in ensuring that such staff were appropriately qualified.

One curriculum manager reported that over 5 years only two of the agency staff she had recruited had fulfilled the requisite job specifications. As an alternative she had developed her own pool of part-time staff whom she could draw on as required. Two colleges reported that they regularly re-employed through an agency former staff who had been made redundant. In one case this appeared to be a mutually convenient arrangement, in the other the staff concerned were considered to have been doubly duped.

In one college with an average of about 10% of agency staff in each department and where full-time staff lived under the ‘black cloud’ of the threat of redundancy notices, this created a situation where collaboration between colleagues appeared to be too much to expect. As one main grade lecturer commented in our interview:

“The limbo existence of part-time agency staff is simply deplorable. They’re neither self employed nor employed. They’re like Andalusian landless labourers wandering from hacienda to hacienda in search of work. If I were in their position I’d behave in an entirely mechanistic way towards the institution — I’d come in, do my contracted hours and leave other staff to pick up all the pieces that would normally be picked up.”

A significant number of respondents made the point that pressures in the system impacted to an inordinate degree on middle managers. A manager in a recently merged low ALF college described the accumulation of such pressures as her job and responsibilities were inexorably broadened as the institution restructured:

“As a middle manager I find that I’m now pressurised, being given tight deadlines by four people rather than by just one vice-principal — being given tight deadlines by each of my immediate line managers because they each have different roles to fulfil. I think actually the job sizing is an issue currently with this new structure. The programme manager posts were not replaced and the job size for the curriculum team manager’s role that I have has increased.”

Many respondents expressed concerns about the growing burden on staff: the intense scrutiny the inordinate time spent on audit leading to increasing levels of stress, and mounting demands for evidence leading to increasing paperwork — to the extent that staff were ‘drowning in paper’. High sickness and absenteeism rates were reported in some colleges and two thirds of the colleges in the sample mentioned stress on staff as an issue relating to heavy auditing. Several colleges emphasised the particular burden that middle managers were under with ‘the information deluge’.
A curriculum manager with responsibility for outreach work described the effects of the data and admin burden as teachers' energies are consumed and as the flood levels of paper steadily rise:

"The way the units are being driven we're increasingly more involved with paper and the students are getting lost in it. The shift is not, you know, about what would be good for the students, it's about at the end of the day – will it pay? The workloads have got out of hand – it's just very tiring and that's definitely got worse since your last research. There are positive things which allow us to be more flexible with students. We're looking at individual learners rather than courses and we can give tutors some autonomy, but at the end of the day there are still fifty thousand sheets of paper which have to be filled in."

Many of our respondents stressed the changing roles of teachers particularly in the context of the growth of resource based learning. The debate raises issues about the role of the increasing numbers of newly recruited staff who perform a range of learning support and facilitating functions mediating between the students as independent learners and the highly differentiated array of new and traditional resources for learning. A principal told us:

"You can't put staff into rigid departments. Things are changing and almost certainly it'll accelerate, the change. Because of the technology we'll all become really support staff to the learning process in some form or other. We've been moving steadily down that road. Our new centre has no classrooms – it's all open access. We've got the latest technology at your fingertips and we're appointing people that we're calling learning advisors. They're on teacher salaries but their main role is to guide students to use the resources, not to be subject experts – they're learning experts, learning consultants."

A worrying aspect of these changes for some was the blurring of distinctions between teaching and support staff and the implied threat to professional status and capacity.

Senior managers were trying to look into the future as far as these issues are concerned. As one senior manager put it:

"I cannot see a growth in the absolute number of lecturers but we are certainly not planning for shrinkage. What I think is you'll have a core of professional teaching staff who should be more professionalised, who are then supported by a periphery of para-professional staff – be they learning support people, IT support staff and so on. This would allow people to concentrate on the heart of the professional exercise which is helping students to learn. I would like to see them rewarded better so that they would then genuinely become the managers of learning."

The implications of professional deskilling, reskilling and the demands of multi-skilled practice remain to be addressed. One principal commented:

"It means that you have a change in the way that you recognise the role of a teacher. I think the idea that we recruit subject specialisms is partly finished now. There'll always be a need where you're doing higher work, like we're doing, to have an English specialist, a statistician, for example. But people need more than one string to their bow. Salary issues and teacher education issues come in. You're asking for multiskilled practitioners and you're not going to get them on 13 grand a year!"

Course Hours

The number of taught hours which full time students receive appears to have bottomed out, which reflects the findings of our previous research. Colleges on average offered between 15 and 18 hours for a full time programme. The lowest figure quoted for a course was 12 hours. Several colleges quoted an average of between 12.5 and 15 hours, or an average of 14 to 16 hours including tutorial time. There appeared to be no clear indications of these base levels shifting significantly either way in the near future.
However, this certainly did not mean that the current levels were generally considered to be acceptable. As a head of school put it:

“15 hours is a very low figure, it is appalling, absolutely dreadful. A lot of students who need learning support need more than 15 hours a week, especially 16 and 17 year-olds who experience lots of difficulties with timetables which are for two and a half days a week instead of five.”

GNVQ groups at one sixth form college were experiencing a shift away from taught hours towards more tutorial time – 16 hours course time could include as much as 4 or 5 hours tutorial time. This was part of a cross college strategy aiming to increase targeted study support time as taught hours were reduced. The value of good tutoring more than compensated for the loss of taught hours, in the view of one of the tutors who was interviewed, although he remained sceptical about the loss of separately taught key skills.

Institutions in the sample which were experiencing sharp competition with school sixth forms – a sixth form college and a rural FE college – commented on the growing intolerability of the funding pressure to reduce taught hours in combination with the pressure that the competition exerted on them to maintain the quantity and quality of teaching hours. And this was in addition to the inequities of differential funding as between schools and FE. Both voiced concern that reducing taught hours and replacing them with resource based or other forms of independent learning would be considered by parents to be “a cheap option” and thus unacceptable.

A lecturer in an agricultural college described the enormous reductions in taught hours over the decade as “double edged”. On the one hand, with awards having disappeared, students were having to fund themselves through part-time work – thus a 4-day teaching week was advantageous. On the other hand, reduced contact time was having a negative effect upon the quality of tuition, especially in practical work.

In a number of cases colleges were able still to maintain quality and quantity of teaching hours at least in part through the good will of staff. Good will would appear to have been stretched to or beyond its limits, but it clearly still existed in many parts of the system as a key element of professionalism. It propped up standards and sometimes maintained traditional levels of taught hours. Managers who reported on this were aware of the danger of abusing good will, one manager acknowledging that the only justification for accepting the situation was in the exploitation of her own good will in the ordinate number of hours she herself was putting in.

Staff in one sixth form college provided drop-in workshops for A-Level students in their own time as this was considered a traditional and necessary form of support. The head of department was aware that such good will was increasingly rare, not to be abused and was definitely not inexhaustible. Managers spoke of the need to be flexible and creative, as well as hard-nosed, in delivering the curriculum under these constraints. One manager had been able to give autonomy and initiative to her staff to design their own delivery programmes within the funding limitations.

The growth of resource-based learning

All colleges in the survey were developing facilities for resource-based learning (RBL) – learning centres, on-line learning, open access IT. Such developments bring with them increasingly flexible forms of delivery with a big emphasis on the use of ICT. Thus colleges were making significant investments in RBL: in purpose-built accommodation designed to house state-of-the-art equipment, opening up possibilities for on-line learning, e-mail, video-conferencing and such like, in the recruitment of specialist staff and in staff training (one college had a programme of compulsory staff development in IT).

These developments have given rise to an active debate about these new modes of learning and the most effective combinations of taught time, supported/facilitated learning, independent learning and the various forms that RBL might take. RBL has its enthusiastic advocates as well as its critics and responses in the survey included some quite sharply differing views over the trade-off between teaching time and RBL.

A number of respondents were less than convinced that RBL was pedagogically sound and felt that it was largely a cost-cutting measure. Some managers were in the business of trying to convince staff about the benefits of RBL and at the same time reinstating contact hours which had been shed in earlier forays into RBL.
"We have two learning centres in the college and we tried 2 to 3 years ago to introduce RBL as a 'non-cost-cutting measure' – I think people didn’t believe that though. What we said was instead of having a full time course of 15 hours of direct contact time you can have 13 hours of direct contact time and 4 hours where your students can attend the RBL and participate in group activities – I don’t think frankly that that fooled anyone.”

(Director of Studies)

Other views were less dubious and emphasised the variety of other forms of learning apart from teacher contact, and the positive pedagogic value of a variety of modes of learning:

"I think we’re getting a bit more sophisticated thinking about the mix between taught hours and RBL. It’s not just the taught hours. For example, next year a 16-19 student would have typically 16 taught hours, if you like, hard content hours. They would then have probably an hour or two additional learning support if they need it, and they could have a couple of hours in the RBL centre. I don’t think the solution is in more teaching but in more supported learning. If a student goes to college and goes from having – whatever it is – 25 structured hours a week to 16 structured hours, they can’t deal with the unstructured time. But I personally don’t think the answer is to put them in front of teachers all the time. I think there are lots of other professionals and para-professional staff who can give other sorts of support.”

(Director of Student & Client Services)

There was some scepticism expressed about full blooded enthusiasm for IT as a catalyst for improved learning:

"In most colleges, not just ours, there’s a drive towards learning through IT. So there you’ve got a hairdresser and I’m trying to work out how you teach someone to cut hair using new technology, how to cut up a chicken ...it’s about losing the plot, you know. I’m very old fashioned I suppose, well I think FE was here traditionally to take a whole pile of people to give them a second chance. We do skills and crafts, that sort of thing, and I don’t see how you learn those through IT.”

(Director of Enterprise & Training)

The question as to whether traditional contact teaching or RBL plus support/facilitator could induce more effective learning and thus improve achievement rates was, according to one respondent, "unknowable at the moment".

Group size

If taught hours have generally stabilised at a low level, responses from this survey indicate that average group size continues to grow albeit at a slower rate than hitherto. However, given the increasing flexibility in teaching and learning modes, the new and creative forms of delivery that many colleges are developing, and the wide variation in group sizes brought together for a range of purposes, perhaps the only generalisation that can safely be made is that there is enormous variability in teaching group sizes across the sample colleges. As our last research revealed the most obvious constraint upon the general upward trend in group size is in facilities and space for practical workshop, laboratory and IT sessions. One college noted the negative effects on health and safety syllabus coverage and the management of practical sessions of increases in science group numbers over the past few years from a maximum of 12/15 to current numbers of 23/24.

Some managers quoted average size according to space surveys (eg 10/12). Others instanced particular curriculum areas where size limits were set, eg literacy: 12 or less, basic skills: 8 – 14/15. Others referred to averages on register of between 18 – 26. Numbers as high as 30/34 were mentioned as recruiting targets. One college maintained group size on its GNVQ programme by merging three groups into two at Christmas – the ‘concertina effect’. The highest teaching group numbers were in the region of 30, occasionally more. The lowest numbers quoted were 4/5 in cross-subsidised Engineering groups.

A main grade lecturer noted significant increases in group size and the impact which this had on teaching and learning:
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"More students mean more money and we are doing more for less. Class sizes have been going up and we are getting more students. I have 27 in one A-Level class, for example. The class space is too small. We have streamlined the assessment, but the feedback that we can give is limited. It is more difficult to identify weaknesses and to provide tutoring, and indirectly there is a very big difference in the amount of marking."

It was also recognised that certain subject areas, such as the arts and music, which had an intrinsic value not recognised within the narrow frame of the unit-based funding mentality needed to be protected. In the view of some respondents, closure of small classes represented a disenfranchisement of certain groups in the community that colleges ought to be serving.

Additional Learning Support
Responses in the survey suggest a general consensus, with certain important qualifications, that the system for funding additional learning support was still considered a successful and relatively positive aspect of the funding methodology. At the same time there were a number of important criticisms of the system, and some fears that current trends could lead to a diminishment of the entitlements of students requiring additional support. The criticisms related to a number of issues: lack of clarity in the guidelines and procedures for claiming units; dissatisfaction with the way in which the system discouraged forms of support apart from one-to-one individual support for students; concerns about the manner in which the current emphasis on retention and achievement was having the effect of denying access to some students with learning difficulties and disabilities; and fears that principles of equal opportunities and access were potentially being eroded by funding pressures and current policy emphases.

A number of respondents focused on the question of gauging the appropriate level of support across the whole student body in a college. On this issue responses fall into two main groups — those who considered that they were seriously underclaiming in terms of the amount of support that current student cohorts apparently needed, and those who had found ways of ‘unlocking’ the mechanisms to allow increasing flows of monies for learning support. One or two respondents even suggested that once the system had been cracked, the supply of additional support units could be almost limitless. Others were aware of the contradiction that growth through additional units conflicted with the principle and purposes of growth in terms of student numbers.

Three main inhibitors were reported which prevented colleges from claiming the levels of additional units which were felt to be needed. Firstly, a large number of respondents criticised the claiming mechanism: there was a strong perception that FEFC guidance on claiming was inadequate, and that the guidelines were obscure and were interpreted by colleges in different ways. Even after 6 years of the operation of the funding system, lack of clear guidance had still led to a significant amount of underclaiming among the surveyed colleges. One Finance Director, newly installed in post, described the level of claim in his college as being "pitifully low".

Secondly, it was felt that the system was geared only towards providing additional units to support students on a one-to-one basis and that it failed to provide adequate levels of support for groups or for the crucial tasks of cross-college co-ordination of support. One college reported that funding pressures and the lack of direct income for co-ordinating support was threatening the effective functioning of the system across the college.

Thirdly, it was recognised that setting up an adequate cross-college system required significant initial investment in fixed staffing costs, and for certain categories of students: special facilities and equipment. Without such initial investment it was difficult for colleges to take advantage of the system for providing support.

Clarity about procedures paved the way for clearer perceptions about getting acknowledgement and recompense for time actually put in to provide essential support, for establishing professional standards and for co-ordinating the provision of support across the college, as the same respondent explained:

"I certainly think that two years ago we weren’t clear about it and now we’re actually accessing..."
it far more effectively and we're getting a lot more support for the students. Whereas in the past we were using a lot of volunteers we can have trained people coming in now. I think we're still underclaiming though. We have common paperwork across the whole college as we've got better at identifying where we can claim for additional support. The support team have got better at producing the sorts of paper that are required for audit. It's there in the guidelines but difficult to understand exactly what it's telling you."

(Curriculum Manager)

Given that additional support is complicated to set up, it was also seen as essential to set it up early in order to achieve, in the words of one college's Director of Finance, the 'virtuous circle' whereby timely and strategically deployed support plays its part in raising levels of retention and achievement. Timely support also depended on effective diagnostic assessment and identification of levels and types of need, and on effective cross-college coordination, as a number of respondents made clear:

"To make it work well you need to put it in at the word go, at the very beginning of the student's programme. But there are problems in setting it up. The process of diagnosis is complicated because it's not owned by the departments and departments don't have the staff."

(Head of Department, ESOL, Basic Skills)

Some colleges strongly emphasised the crucial but very demanding requirement for initial diagnostic assessment:

"8 – 10% of our students are in receipt of additional support. That's round about the threshold that the FEFC will support – and there are many colleges who try and make the case that every student needs additional support. But we have a very, very well structured programme of initial testing – it's massive to deal with now."

(Head of School)

The same college had carried out a survey to assess the impact of well targeted support upon retention rates. The virtuous circle was seen to work, but only so long as attitudes of both students and staff changed and the stigma sometimes attached to support dissolved.

"It does work, we've got quantifiable evidence that it does work. Its impact has shifted now because there's a difference in the way the statistics are being collected. What we had to do was go for the college culture so that students don't see themselves as dumb because they have to have special lessons."

(Head of School)

The question of the highly variable proportion of students who could be considered to be in need of additional support and the way that this potentially conflicted with numerical targets, was raised a number of times in the interviews.

"For learning support we use about 40,000 units. It works but we need more of it. In a place like this, if you doubled it we'd use it. You can only claim on a formula which correlates to what you actually put in and since what you put in is largely fixed staff costs you've got to put more staff in to get more units, so you've got to have the money in the first place to put the more staff in."

(College Principal)

A high ALF college reported on the damaging effects caused by the funding pressures of convergence on SLDD provision – continuing growth in SLDD numbers but with no additional staffing due to a staffing freeze. It had brought negative consequences of a kind unknown in recent years: students with disabilities being turned away and insufficient staff available to carry out initial assessment or to respond to on-course referrals. The same funding pressures also threatened cross-college coordinating posts designed to oversee the implementation of equal opportunities policies in relation to areas such as disabilities, race and gender, because such posts did not earn direct income through the funding system.

According to one Head of Learning Support the effect of these pressures in the current year (1998/9) had
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reversed a trend, established over a number of years, of "structured, planned increase in the type, level and variation of support which we deliver." However, in the last year the number of cases of potentially discriminatory exclusion of disadvantaged students had increased in the college, particularly due to pressures on tutors regarding their retention and achievement rates.

"There has been a sea change since the time of the last interview, when I was really quite satisfied. Now I'm really quite concerned about the dichotomy between widening participation and retention and achievement. We had a sudden rash of cases last year of discriminatory exclusion. We've never had this for years – it's been virtually unknown over recent years... Tutors whose retention and achievement rates are low are being very careful when they're interviewing in particular young people with emotional and behavioural difficulties – 'this youngster has a record of poor attendance, this youngster has been excluded... I can't risk my achievement rate by taking them onto this programme.'

(Learning Support Co-ordinator)

These concerns pointed up a contradiction between government encouragement to FE providers to address areas of disadvantage such as mental health, emotional and behavioural difficulties, and school exclusion, and the funding pressures on colleges to select only those students who will enhance retention and achievement rates. Added to this were older and continuing concerns about the way the funding system, just as it did not allow partial achievement to be recognised, did not allow recognition of the sometimes enormous personal success and achievement represented by a student with mental health problems, for example, staying on a course for as long as two terms, but short of a full year.

In general, the view of many respondents was that, once understood, the system worked reasonably well. However, practitioners who were leading the way in terms of developing SLDD provision voiced some important concerns and criticisms of the current system. Such criticisms added to an emerging concern that, despite the fact that the principles and practice of inclusive learning as recommended by the Tomlinson committee had generally been acknowledged, the current emphasis which closely linked inclusive learning with raising general levels of retention and achievement, threatened to undermine the very principle, enshrined in the Tomlinson Report, of creating a truly inclusive learning environment. Thus, in the view of one manager with responsibility for learning support, despite high profile and rhetorical support for inclusive learning, current priorities had "put Tomlinson on the back burner".

The Entry phase

In this area we detected little change from our last report. The admissions process is obviously crucial in determining access to FE programmes. A large number of comments focused on the importance of the entry phase in the funding cycle, with many suggesting that both improved procedures and increased funding were needed for this phase in order to more fully realise the aims not only of better performance in retention and achievement but also of making FE more widely accessible to sections of the communities who have not participated.

"We have to recruit with integrity. The days of rapid growth, demand-led funding, have gone. That's very good but the kernel of all of this is actually having a sophisticated recruitment, admissions and diagnostic assessment system and that requires an awful lot more than the 8% of the total funding originally attached to that part of the exercise."

(Main grade lecturer)

Retention & Achievement

Many respondents in the survey approved of the current emphasis by government on retention and achievement. The simple fact of focusing attention on these key performance indicators itself had had some considerable impact in terms of improved practices and performance in the colleges. As a senior manager in student services told us:

"I've no doubt that over the past years the concentration on retention and achievement has changed things for the better. I think the emphasis is absolutely correct. There was a lot of muddled thinking that just to participate was essential – but it's not, people have got to achieve."
A head of school commented:

"When you've got growth targets, and when you're not going to hit your unit targets because there aren't any more students out there -- well, where do you get your growth from? You keep the ones you've got! When you put it in those terms it's a very cogent argument. You've done all the work to get them in there in the first place -- why spoil it by losing them?"

There were, however, a range of important criticisms of the current approach to these issues, both at the level of detail and more fundamentally. The major fundamental criticism was that in practice many of the measures that colleges were undertaking with the intention of meeting raised target levels for retention and achievement, conflicted with the principles and aims of another plank of government policy that of widening participation.

"If we were serious about these benchmarks we would run the risk of offending the architects of Widening Participation because we would reject students, we'd say, 'We are very sorry -- we've looked at your abilities and you are not going to achieve.'"

(Main grade lecturer)

A wide range of respondents commented on this contradiction:

"How do you reconcile Widening Participation and Retention and Achievement? I have difficulty with that concept... It's the hardest thing in the world to retain students who don't want to be there."

(Finance Director)

Sixth form college staff reported that the pressure to improve performance indicators was directly having the effect of raising entry standards for access to their courses. A 'harder gateway' was being erected, and as there was no shortage of demand for student places, the college was taking more able students. One sixth form college lecturer said:

"Retention and achievement affects everything from initial guidance on. It ripples through everybody's job. Previously 4 Cs at GCSE were enough to enrol for A-Level, now it is harder. The gateway is harder to pass and we are becoming more aware that we risk debarring some students who might do well at A-Level. Staff feel they are less able to take risks with students. The risk-taking curriculum delivery is being squeezed out and we are being more and more cramming-driven in the way we have to deliver the curriculum."

Another sixth form college lecturer described other aspects of the same process whereby those students who have got through the gateway are thrown away as 'negative statistics' at the next bureaucratic hurdle in the funding cycle.

"You look at the difficulty of maintaining very good retention with a very good value-added, because the two don't necessarily go hand in hand unless you do something which teachers find difficult to do -- that is to cull. Some colleges and curriculum areas have culled. They've looked really, really hard at their clientele by November and have chosen to throw away the students that they feel sure are going to be negative statistics. At the end of the day I don't think that is good education. It might well be good efficiency, it might be cost effective, it might be all of those other wonderful things, but I don't think educationally it's particularly sound."

There were conflicting views as to the value of the national benchmarks for retention and achievement currently in use. Some found it helpful to be able to compare their own performance with national averages and to bring underperforming departments into line. Others found them too crude, complex and bureaucratic. They did not reflect reality and were aggregated at the wrong level, and were therefore not useful at the crucial level of individual course/programme performance.

Respondents noted the complex range of factors which affect retention and achievement: the particular characteristics of different student groups, poor achievement in local schools, financial problems, the cost of transport, part-time working, students leaving to take up employment or shifting from full to part-time attendance.
Colleges were developing a wide range of strategies for improving retention. Some were employing extra and sometimes specialist central admin. staff to assist and complement teaching staff efforts to track students. Measures included the use of electronic registers, follow up phone calls, 'amber alert' systems, value added approaches, and increased tutorial support.

Several respondents emphasised the key importance of quality of teaching staff more important than any other factor influencing retention and achievement.

"The quality of what we can offer the students is about the quality of staff when all's said and done – the actual experience and retention and achievement – the hugest influence on those two factors will be the quality of the staff."

(Senior Manager)

The need for partial achievement to be funded

A major criticism of the heavy emphasis on retention and achievement was that partial achievement was not recognised by the funding system. This reinforces our findings in our last report. In the view of many, a narrow focus on achievement as being only measurable through qualifications conflicts with the realities of the lives of many existing and potential FE students. Many adults are not interested in qualifications. Students' working patterns also conflict with the pressures on them to achieve qualifications. Part-time working is now widespread among FE students which has a direct impact upon their attendance and achievement.

Students who leave to take up full-time work are registered by the system as educational failures an anomaly which many considered to be contradictory and ludicrous. One curriculum manager in community education said:

"We used to get funding in the good old days for people who came through the door regardless of whether they wanted to achieve a qualification but we no longer have the luxury of saying – 'you can take two years to do this'. And for a lot of people that's what's appropriate – not that they must come and find out how to do a qualification. We used to have other measures of achievement if someone came to college and studied and left and got a job. Now you have to keep that adult here at all costs – 'Don't take the job – it doesn't matter if your family get fed, you really must get your qualification!"

The recently increased access fund was considered a positive development and would help to offset some of the problems that some students faced. However as a Director of Studies put it:

"You can't run an education system, particularly a post-compulsory system, where the focus is entirely about achievement. I accept we need to be competitive as a nation, I accept we need to do more for the workforce because a learning nation is a productive nation, but there are many, many people who want to learn for reasons other than taking an examination."

Widening Participation

The system currently in operation for encouraging measures to widen participation in FE rewards colleges for recruiting students from post-code areas which coincide with wards which have high indices for social deprivation. This is used as a proxy for educational disadvantage. Students from these post-code areas attract an 'uplift factor' of 6% currently, rising to 10% within the next two years. The system is newly introduced and is being implemented on a trial basis.

Because this is a new factor since our last report, we recorded the comments in some detail.

The survey revealed sharp differences in perceptions of the value of the current mechanism. Such differences depended directly on the location of the colleges and the relative homogeneity or heterogeneity of the communities which they served. Thus there was a marked split between rural and urban colleges. The benefits of the postcode system were recognised and welcomed by inner city colleges with high or very high populations (between 90% and 100%) coming from indexed areas. Major criticism of the post-code system came from colleges serving rural, semi-rural, mixed suburban areas – these colleges had no or very few designated post codes within their catchment areas.

The general view of colleges with high widening participation (WP) factors was that it was a mechanism which reflected social and educational needs in their
areas with reasonable accuracy. As one Finance Director put it:

"The widening participation post-code system works to our advantage because we rank about number 30 in the social deprivation indices in the country and most of these students that we bring into the college are going to fall into these post-codes. We've earned over 27,000 units for widening participation. At 90% we're as high as any college could be... The post-code system is probably as good as you could get — it's a pretty good reflection of the city."

For such a college, however, the system was rewarding them for what they were already doing:

"I have to be honest and say I think it's rewarding us for what we're doing already. I think the additional monies that have been made available have enabled us to take it a stage further. This means that we can now put on additional provision where we can generate the units and we look to do that in areas where we've already got a demand for it and we've got waiting lists."

(Finance Director)

At least one other college with a high widening participation factor took a more cynical view, acknowledging that it could be used merely as a means to meet targets — counting existing students without actually taking measures to increase numbers overall. Several colleges suffering convergence cuts recognised that their high inner city WP factor had helped to relieve strained financial circumstances, one saying that Widening Participation had had a significant effect, contributing 2% to a target growth of 9%. A curriculum manager in another high ALF inner city college with an indexed post-code population close to 100%, commented that the WP uplift factor had 'alleviated a dire scenario' on the funding front.

By contrast, colleges in rural, semi-rural, suburban areas or who served highly differentiated populations in mixed urban and rural areas were extremely dissatisfied with the post-code system. Post-codes as indices of deprivation were well out of date in some areas. Many commented that rural deprivation tended to be less visible and existed in pockets within and alongside more affluent areas and that therefore the post code system did not effectively identify disadvantage. Colleges with few post-codes in their area found it 'insignificant' as an incentive and 'frustrating' in terms of targeting real needs. A manager in a low ALF college serving a semi-rural area said:

"With Widening Participation based on post-codes, we lose out. Very low achievers cannot be targeted — we have the lowest 16+ participation in the country... additional funds are very very low... we can grow in attracting new client groups but only from low index postcodes."

Colleges in mixed areas faced problems in balancing economies with the strategic location of sites and the deployment of staff. One principal commented:

"We've got this mixture of a poor urban population in the new town and surrounded by massive rural economy with little villages and another market town which is service industry driven. We have 28/29 sites — in schools, community halls and a mobile facility. It's an interesting combination but a nightmare to manage."

The principal of a small rural college described the system as 'farcical and ridiculous' and as a 'crude sociological tool which does not identify need and skews the system in favour of urban metropolitan colleges'.

No clear picture emerges from the research as to how far the funding mechanism will be able to promote significant future growth and truly wider participation. Colleges providing for populations with 90% or more coming from WP post-codes considered that they had reached a limit. A typical comment was: "We can't do more than what we're already doing".

A low ALF semi-rural college with only two small uplift areas in the catchment reported that they would be unable to change or extend their recruitment patterns as lack of transport facilities in rural areas prevented access and participation from the pockets of educational deprivation that existed. Other colleges in similar circumstances commented:

"Widening Participation has missed the point. We need to have much more penetration in
rural areas in order to reach adult learners. We have done much more through franchising, especially in IT provision.”

(Principal)

Given the problems of the post-code system, that it is much too crude as an indicator in many areas, and is neither designed nor able to identify the crucial aspects of individual need, many respondents wanted to see the development of more responsive methods.

“The post-codes are very crude. They don’t identify disadvantage in the community. We only have two post-codes for 100,000 people and therefore we only have a low WP factor. It is not so simple because poverty exists in affluent areas, and we have four estates with abysmally low participation. There is no quick fix – we’ve got to go back to individual needs. A system of retrospective payment based on individual assessment of needs, as we have for additional support, would be much fairer than the catch-all post-codes.”

(Principal)

Rationalising and developing systems for tracking young people was another suggestion:

“Widening Participation is only marginal help. We do not have many post-code areas. We had already been involved in projects in the areas that get the lift factor so it has not identified anything that was new to us. We have some very leafy suburbs where I’m certain there is as much learning deprivation as in the poverty areas… Our problem is you make a blanket assumption in a post code analysis that people in this area, because they are poor, will not be active learners. One of the main problems that all colleges face is accurately tracking youngsters from school to college, to work, wherever… We use one system, TECs use a separate system, the Employment Service another – all kinds of different systems. It would be nice to have extra resource to develop better quality tracking systems.”

(Head of Faculty)

A further suggestion was that the economic problems of multi-site colleges trying to reach out to isolated communities could be offset by special weighting. A Director of Studies in a mixed urban and rural college told us:

“One of our problems as a multi-site college is you do replicate your costs all over the place. It’s a positive strategic decision to take the buildings out to where the students are, and not to expect the students to come into one central site. Of course you pay the price of that. If the funding methodology could be adapted to reflect that in some shape or form in the same way that there’s a London weighting – a factor for placing learning centres in rural districts and all the increased admin costs and travel costs for students, it would help us in what we’re trying to achieve.”

For all its faults, the system was regarded by the majority of respondents as a ‘tool for now’, an imperfect system which needed to be refined. Both urban and rural colleges concurred that it did not provide a means to target particular groups who are traditionally under-represented. Some argued that a system capable of identifying need on entry was already potentially in place and would be a lot fairer:

“It has to be related to level of achievement. We do qualifications on entry for all students already, everyone is looking at value added, and the software is already available for 16-18 year old students.”

(Senior Manager)

Respondents with experience of running community outreach programmes pointed out that a more responsive system would have to be retrospective because those they were trying to reach did not possess qualifications:

“A better system could be about prior achievement but it would have to be retrospective. We ask about qualifications on entry and people who would have nothing are coming in with nothing. They are usually the people that need it most – for example, single parents, a lot of single parents are really
struggling who don’t live in the post-code areas, and all the elderly who haven’t had a lot of opportunities. Some of our catchment areas are very poor but they don’t fall into post-code areas.”

(Curriculum Manager)

There was agreement across a broad range of colleges on the need for specifically targeted provision to attract under-represented groups – eg adult males, young men excluded from the system, community language speakers, older people, ex-offenders, the homeless, travellers, people with disabilities, mental health sufferers. Several respondents voiced the strongly-held view that widening participation is not about ‘chasing units’ but about establishing real links with hard to reach groups. A local authority grant had allowed one college to establish free provision in community settings as a first step back into education for people easily discouraged and intimidated by institutions.

“We bid for local authority community education money for priority groups and priority areas so that we could put on a whole range of courses free. It’s not about chasing units. There is a need for new initiatives, first steps back which work to provide the pathways through to the mainstream courses. The FEFC should take responsibility for non-accredited work in areas like improving own learning and performance, personal development, confidence building. These things can have a huge impact on widening participation and adults returning to learn.”

(Curriculum manager)

Franchising since the DLE crisis

Our last report covered the period before the DLE and franchising crisis. Franchising is a sensitive and controversial issue following the recent notorious cases of abuses publicised in the national press. This sensitivity is reflected in the careful and qualified responses that most colleges gave to questions on the issue. Most reported only a low level of involvement in activities which are to be much more closely regulated in the future. It is intended that future franchising operations will be restricted largely to within local college catchment areas. Some colleges, however, criticised the new guidelines as restrictive, unrealistic and unclear. Franchising, in the view of some respondents, was a more effective way of widening participation than the current post-code system.

As an earlier method of widening participation and stimulating growth, it was both profitable and socially progressive if correctly handled:

“It could be used prudently and properly as a way of widening participation. Unfortunately people got greedy.”

(Senior Manager)

Colleges which had entered into franchise operations in good faith, were now having to readjust and were reappraising their franchising operations in the light of the new guidelines. Many had reduced their level of involvement. A college principal explained:

“Immediately DLE disappeared, then you didn’t really have the incentive to continue with franchising. It was worth 30,000 units to us at one time which was relatively high for this college, out of 1 million units. Now it doesn’t exist at all – we’ve turned those units into other types of provision. We looked on it then as an opportunity to cash in and simply buy units
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– and there was encouragement within the system to do it.”

Reductions in franchise income was causing financial problems in at least one case.

“Strategically we made a decision 18 months ago to reduce our dependency on franchised provision, and also what franchised provision we did become involved in had to be locality/regionality-based. So there is some impact on college funding, and we are looking ahead at a number of areas the reduced level of franchise funding that we may get; the requirement on employers to pay up to 50% of tuition fees – because there’s been a marked reluctance for employers to even pay anything and we’re going to struggle with that.”

(Director of Studies)

Colleges with small current franchising operations (4% or 5%) emphasised that these were not for profit but were a way of establishing links with ‘bona fide local community groups’. Some considered that franchising did not allow them to do anything that they could not do otherwise; others considered it a good mechanism for establishing local links. Organisations which colleges mentioned being involved with through franchising included a local music workshop, NACRO and St John’s Ambulance. One college found it an essential means for delivering NVQs in the workplace.

One London college reported that a large number of non-London colleges were still franchising into London. One such outwardly franchising college was included in the sample. The principal confirmed that they were having to change their practices and pull out of the community network they served in London. However, the view of this principal was that the new regulations for controlling franchising were restrictive and untenable in the long term, particularly given the potential of ICT for learning.

“These are very rigid boundaries, especially for on-line learning... It will make it more difficult for us to widen participation – franchising is a genuine way of reaching out... Real partnership is not necessarily local.”

This view from a very large urban college was reflected in the very different context of a small college in a rural area. Whereas previously they had been encouraged and rewarded for reaching out in an entrepreneurial way into the community they could no longer do so with the same confidence:

“Widening participation has missed the point. We have done much more through franchising – for example, by providing IT training provision in 6 or 7 small market towns. Our main partners are IT specialists previously employed by us. This is community-based provision at a basic level for ordinary members of the public, but you have to conceal the fact that you’re doing it. You shouldn’t have to conceal it.”

(Principal)

Other respondents were also critical about the current lack of clarity about the limits and definitions of franchising. The new guidelines were ambiguous and the FEFC response to requests were equivocal, in the frustrated experience of one interviewee:

“I operate franchises for the college and I’ve just had a document, FEFC 99/25, telling the college to make its own definition of what is a non-profit-making organisation working in the community and also be aware, if you make the wrong decision of the consequences of that. I think that’s a very unprofessional way for a funding body to behave if you make a mistake it’s your fault, and we are the funding body but we’re not prepared to make the decision.”

(Director of Enterprise & Training)

This experience of dealing with the FEFC accords with the view of the Finance Director of another college who described the funding council’s stance as one of operating “a blame-free line”.

Grey areas clearly remain around the diverse activities of franchising. Another respondent, responsible for college business development, while accepting the need to limit unrestricted competitive franchising, found the local restriction for franchising to be incompatible with the aims and mode of operation of large national companies who did not want to have to make numerous separate arrangements with small FE providers.
The debate about franchising and how it should be defined and controlled is by no means over according to responses in the survey. As one mode of widening participation it has its advocates, but for many there was a moral dimension to the debate, and the activity itself has become tainted by the abuses associated with it.

One college principal thought that it should be completely outlawed. Another cited the principle that FE is or should be "a national service locally delivered". He had faced and seen off competition in the past, protecting his patch by "fighting off the Haltons of this world who were crawling all over our engineering firms". As competition between 6 colleges hotted up in a new area where the college was developing a new site, he was reasonably confident of arriving at an outcome where "local provision is seen to be best".

Many responses reflected a widespread sense of anger and dismay at the way in which public perceptions of FE had been affected by the publicised abuses:

"How unproductive the reports on Halton and the Wirral have been! Because all they've done is not describe the massive efforts that have been made in the sector, they've described to the general public a degree of corruption which is not reflected in the 650 other colleges."

(Senior Manager)

One manager was seriously concerned about new forms of abuse - outwardly franchising colleges trying to recruit in post-code areas well outside their local catchment areas in order to take advantage of the Widening Participation 'uplift factor'. The evidence for this was anecdotal and based on recent Access Fund allocations which appeared to suggest that some colleges had suddenly increased their eligibility for access funds by recruiting in WP postcodes outside their local areas.

Several respondents reiterated the view that the only way to check abuse is through effective internal and external quality control measures. However, as one Director of Finance pointed out, the seeds of the ambiguities about franchising were sown in 93/94 FEFC guidelines which themselves appeared to encourage the practice. The problem of definition has not gone away, despite the exposures and the new guidelines:

"The problem with checking it is that you have actually to define the activity in order to make it illegal, but whatever law you invent there will always be people who work at the margins."

(Director of Finance)

The ambiguities remain. Conflicting definitions of franchising, widening participation and community outreach give rise to a multiplicity of different practices, and the system still encourages colleges to 'chase units' rather than pursue genuine educational objectives. As one senior manager succinctly commented: "It is a system which invites abuse."

**Partnership, local collaboration**

Responses indicate a very mixed picture as far as local collaboration and partnerships are concerned. This is naturally a reflection of complex local circumstances: the sometimes bizarre accidents of borough, TEC and geographical boundaries; the vagaries of local travel/transport networks; the extent to which tertiary and other former collaborative arrangements still exist; varying demographic and participation patterns; and, especially, the proximity of other providers. In general there appeared to be a somewhat patchy emergence of some new patterns of collaboration, although clearly the force of old, and relatively recent, competitive habits was strong. As the Finance Director of a large and successful college commented:

"Competition is easy; collaboration is hard."

Planning and consultation were beginning to become features of some local landscapes, often under the auspices of Lifelong Learning Partnerships. A wide range of opinions were voiced about the viability and future potential of these local partnerships. Some dismissed them as over-bureaucratised talking shops; others were actively engaged in local partnership activities and were urgently looking for some kind of local mechanism for planning provision, mediating between providers and setting regional priorities.

A college principal, who was also Chair of the local Lifelong Learning Partnership committee, considered that his partnership had "a lot of potential so long as they don't just become another stick to beat people with in terms of targets that are focused on locally but which really are national targets".

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Broadly the research indicated that competition had not gone away in some areas it was active and open; in other areas it had gone underground; in a few areas collaborative practices were beginning to assert themselves. In many areas the situation was of an uneasy combination of competition and collaboration, but with a crucial lack of overall planning. A head of faculty told us:

"There’s been an increase in collaboration but competition is still there. It is quite a difficult issue to handle at times – for example, even though we are working collaboratively because of delegating the budget down to department level, a department may decide it wants to increase its number of students doing, lets say, IT, which may have an effect on one of our partners because they will be recruiting from the same pot."

"It’s a working collaboration, but still recognising that we’re all independent. I think there’s a desperate need for more open planning and perhaps more directed planning, otherwise there’s a danger that we will waste resource and resource is quite precious. There is the ability to convert the existing structure into one which will work better for the community."

Despite that potential and the desire to change the existing structures, real change was rather more difficult to achieve. A number of respondents commented on the vital difference between intention and real action, and of the difficulty of moving from talk to decision. The comment of a Head of Department in a Sixth Form College serves as a good example:

"We have talked with some of the colleges within our area about collaborating in sharing of information and in teaching of courses, but nothing concrete has come out of those discussions as yet. The tech (local FE college) are reluctant to relinquish their A-Level work, not that they have much of it, and we for various reasons – to do with funding as well as breadth of the curriculum, inclusivity and all the other things we want to do – we have some very successful vocational courses – it would be logical if they could be at the tech, but we don’t particularly want to give away our GNVQs. They don’t want to relinquish their relatively small A-Levels, and so there’s a kind of permanent sticking point. I think, until government says – ‘This is ridiculous, you must’ – I suspect that very little will budge."

The need for a catalyst to shift incipient collaboration on to the next stage was mentioned by more than one contributor, suggesting perhaps quite a widespread willingness to change. However, there was as yet a lack of confidence in the ability of the newly established and planned local and regional structures to overcome the competitive imperative which is built into the funding methodology itself.

"Under the FEFC rationalisation fund we’ve found ways we can work in a collaborative way with schools, eg to timetable that we wouldn’t offer certain A-Levels, and we would take their GNVQ vocational units, but the pupils would stay with them. A collaborative spirit is beginning to develop with schools but less so with colleges. I think the barriers are still there. Colleges know they have to achieve their funding unit targets and in our area we’re surrounded by three sixth form colleges within driving distance and five FE colleges. To get those people to co-operate is a little naive, shall we say. I think all of us would like to, but it’s a case of who’s going to be the first one to say, ‘Well, I won’t run this programme of courses if you won’t run that one’."

"Yes, there is a need for a catalyst. Something may come of local learning partnerships and the regional agencies. There is some inevitable duplication in colleges, some very wasteful duplication, but it’s a very brave college which says, ‘I’m putting down this batch of provision because it’s not viable and we’ll encourage our students to go to college x and college x reciprocates in the same way’. But just at the moment I think the competition is too intense."

(Director of Studies)

As in the debate about widening participation, some respondents saw franchising as providing the model for collaborative partnership. And, as one senior manager
suggested, long distance franchise/partnership arrangements were easier to manage than local collaboration, planning and rationalisation:

"I think colleges have these wonderful meetings across the country where they’re all good friends and then they go off and do something totally different. We collaborate brilliantly with a college in Wales and we’ve got a number of other projects, but we find it harder to collaborate with the college down the road. Those are the ones that we should be collaborating with."

No clear pattern emerges from the research in terms of whether competition is increasing or decreasing as between colleges and schools and/or between colleges themselves. Some reported that relationships with local schools had improved, whereas others complained that school-college competition had intensified. Some colleges reported very sharp competition with schools, particularly where schools had been introducing and extending vocational provision, where new school sixth forms had been set up in the dying days of the last government, and also where demographic factors impinged – areas with shrinking cohorts of 16-19 year-olds.

FE providers in such areas, and especially one of the sixth form colleges, were particularly angry about the inequitable differentials in funding between schools and colleges. Policies of the previous government which had encouraged the proliferation of school sixth forms, apart from undermining well established tertiary arrangements, ran counter to the logic of fitness for purpose – as specialist providers across a broad curriculum range sixth form colleges were fitter, in the view of their staff, as league table results would appear to confirm. A sixth form college head of department expressed the view that:

"Relations are tense with the local school sixth forms, though most of the schools in the area are 11 to 16. We are incensed at the relative generosity of school sixth form funding and the quality of school sixth form results compared to the very high quality of results here on very much less funding – not just of the curriculum but also the relative salaries of staff. We are very, very angry and demoralised. It is a nonsense for schools to have small, unviable sixth forms subsidised by cannibalism."

Many responses reiterated the criticism of the waste of resources that narrow competitive practices and ‘needless duplication’ produced. Other effects included the narrowing of the curriculum and the loss of subjects which only attracted a minority of students, such as Music. A curriculum manager was convinced that planned collaboration was the only way that subjects like Music could be offered by providers in relatively isolated, rural areas.

One college reported growing competition with local TECs as well as with schools, in an area which bordered on three local authority areas. As each authority operated different systems of student support, there was no coherent support strategy for 16 to 18 year-olds. In a context where the 16-18 cohort was shrinking, schools were actively developing GNVQs in the competition for 16-18 year olds, while the TECs were competing to meet their targets for 16-18 year-olds on National Traineeships and Modern Apprenticeships. FE colleges were painfully aware of the competitive pressures and the emergence of some less than honest inducements offered to young people:

"As well as being able to offer trainee allowances to young people, TECs are offering inducements to entice people onto NTs and MAs with no hope of a job at the end. They’ve entered into partnerships with schools and offered young people the guarantee of an NVQ Level 4 at the local university. There’s no such thing as impartial guidance – who’s there to stop this kind of thing going on? We’re hoping that the new Learning & Skills Council will not allow that sort of idea to be considered. We have a local Lifelong Learning Partnership but the roles are not clear – we need a lot more coherence than there is now.”

(Curriculum Director)

Some colleges reported improved relationships with schools but increasing competition with other colleges where several colleges were trying to recruit and grow in close proximity with one another. Others, particularly small colleges, had begun a process of building
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The principal of a small college which had entered into a collaborative regional network with other colleges, commented:

“A small college cannot stand alone. We have been learning to collaborate over the last 18 months. The border warfaras are now gone and we are entering a new phase of collaboration.”

Large colleges with widely diversified provision, on the other hand, felt less impelled to collaborate. Respondents from several large colleges confirmed the view that there was currently very little incentive for large colleges to collaborate. As one manager put it:

“There is not a lot of trust locally – it is quite competitive. The problem with being so big in a locality like this is that nobody trusts us for a start. Getting our departments to collaborate together is a major achievement; to get an institution to cooperate would be a huge success. We don’t know how to cooperate or why we should.”

Another manager commented: “We are big enough. We don’t need co-operation.”

The New Deal in colleges
Almost all the colleges in the survey were involved to varying degrees in delivering the full-time education option of the government’s New Deal initiative for the unemployed. Responses can be divided into four groups:

i) There were a significant number of those who unreservedly declared it a ‘disaster’, a ‘bureaucratic nightmare’ which was not cost effective, which brought with it excessively detailed paperwork and administration, and which clashed with college annual and weekly timetabling patterns because they could only run it by infilling new dealers onto existing programmes.

It was expensive to run compared to FEFC funded programmes – “There’s no money in it” was a typical complaint; “It’s killing us!” was another. One college said they were effectively subsidising it, another that it amounted to a ‘tax on colleges in areas of high unemployment’.

One college manager described it as a ‘triple whammy’: most New Dealers were conversions (who would have been fulltime students anyway); administration was very demanding (for 140 students bringing in £150,000, administration costs amounted to £70,000); the different attendance requirements for new dealers made infilling them onto existing programmes a serious timetabling problem.

ii) A second group of respondents were those who had reservations but in general were satisfied with how it was going in some cases so long as their commitment in terms of numbers remained at a manageably small scale. One college had found numbers of 80 New Dealers ‘tolerable’, whereas expanding it to 175 had been a ‘disaster and very disruptive’.

iii) The exception were the one or two respondents who recognised distinctive positive features in the education option of New Deal, one college in particular seeing it as a unique opportunity to widen participation.

iv) Finally, there were those who had no or only minimal involvement and therefore had no strong views either way. This group included the two Sixth Form colleges.

Most respondents, including those who were very dissatisfied, declared that their main reason for being involved was a political commitment – to providing for local unemployed people, to working with local partners, and to supporting and working with a recently introduced scheme which, although imperfect, might yet be reformed or improved.

Major criticisms included the expense, the onerous bureaucracy and the mismatch between college timetable structures and the 30 hours by 44 week structure of New Deal. Infilling New Dealers into existing programmes was the most common form of provision with few colleges taking sufficient numbers to be able to mount specific provision. The shortfall of hours was usually made up with key skills, enrichment activities and resource based learning. Some New Dealers however proved not to be successful or willing independent learners; some colleges found that New Deal students could be a disruptive presence when
infilled into existing groups, negatively affecting retention and achievement.

Some commented on problems of motivation and the unintentional creation of a non-progressive fifth option -

"New Deal went private in our region. The bureaucracy of it is a nightmare... We've lost students - they're supposed to be here for 30 hours a week - they're never going to do it. It only works as far as the new dealers allow it to work. There's lots of people here who are just running holes through it - the idea that there's no 5th option - well they just stay on Gateway as long as they can, and who can blame them if one of the options isn't for them?"

(Principal)

One criticised the fact that New Deal was not able to provide 'bespoke training' planned to meet identified skills gaps in specific localities. Most reiterated the problems of structural mismatch and the funding issue.

One college senior manager summed up the problems they faced through their commitment to the New Deal:

"The funding levels do not permit the college to deliver what New Deal wants. This is our first full year and we're already grappling with the problem of what we do with these students during the non-term summer period when many lecturers are on holiday and traditional full-time programmes have come to an end."

"The college is committed to it through its involvement with a partnership of providers, but we're paying a very severe financial penalty for doing so. We did have a cohort of students who were unemployed (in a town with high levels of unemployment), who were accessing full-time education through the FEFC route as a means of improving their employability. That option is taken away from them; they now have to go on New Deal. I think the students lose because they have to go for their New Deal interview, go through the Gateway process, get involved in all kinds of different activities and then start their full-time education programme after a point at which it's traditionally started in the college. There are financial difficulties, difficulties in accessing the full learning programme, eg if you're coming along in November and you say, 'Well I think the best route for me is to do a GNVQ Engineering course', or something like this. Then you're starting it two months late and you've got to stay on the following summer when there's no formal tuition taking place!"

However, some colleges' commitment to New Deal was growing and they considered that it was a positive advantage to be involved at a local partnership level so as to have influence over consortium arrangements and especially over recruitment and progression systems. Some colleges had taken responsibility for the Gateway induction period which gave them advantages in terms of being able to influence the selection of participants for the education option.

One college declared itself happy with the scheme, except for the audit burden and were pleased at the flexibility which allowed them to offer qualifications at Level 3 to some students where appropriate. An agricultural college had entered the scheme with some reluctance, but were delighted when two out of their first cohort of 16 progressed to higher education.

Several principals and managers considered that college involvement at a local partnership level was crucial to the scheme:

"I think New Deal would die if it were not for the fact that colleges have seen it as their responsibility. The government have introduced it; politically they have to do it. I would hazard a guess that any college that is doing New Deal, if it wasn't for the political considerations, wouldn't be doing it at all. Any success that you hear is about colleges doing it at a loss. At the very best it's marginally costed, but we're all aware that the government has hung their hat on New Deal."

(Business/Enterprise manager)

The political commitment of many colleges was genuine despite the fact that it was seriously underfunded.

"It's too important (not to be involved) - it connects with our wider responsibilities which
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"We have a strong commitment to New Deal — unfortunately. It's a nightmare — without question it's really underfunded. We established that fact very early on. It's a major problem for colleges because nobody will readily admit to it, politically they won't admit to it and politically they're obliged to be in there and offering the training. It's underfunded and I'd be amazed if colleges were not subsidising it, given all the problems of the monitoring of it all, and that's for students who in many instances don't want to be there anyway."

(Finance Director)

From a rather different perspective, the Director of Curriculum in one college was unreservedly positive about her college's involvement in New Deal despite the difficulties. She considered the challenge posed by a difficult cohort of New Deal students to be an opportunity to be engaged in real widening of participation:

"The first cohort was fairly straightforward; the latest group is more difficult. They include more extreme cases than we normally have dealt with — adults with learning difficulties, people with mental health problems,... We don't yet have specialised people to support them and we don't have joined up services to help and provide the backup we need."

"We need to take funding to resource the type of support needed, such as specialist counselling services, and we have to be selective about the kinds of programmes that they can go onto. New Dealers are not generally looking to go on to further and higher education, they want to get back to work, to re-engage... We negotiate an action plan with them and guarantee an interview at the end..."

"We are committed to New Deal. Widening participation doesn’t mean anything if colleges can’t respond. Be flexible, think in terms of the real needs of client groups."
SECTION FOUR. CONCLUSIONS

This section seeks to analyse the changes that have taken place since our last research and point to some future reforms. The fieldwork for the first analysis of the effects of the Further Education Funding Council's methodology on colleges was undertaken over the winter of 1996/97. With hindsight one can see the DLE crisis as a watershed in the evolution of the funding methodology. It was over this period that the rumbling volcano of franchising, the demand-led element and the dash for growth erupted, and brought to a close a phase of the FEFC’s funding methodology.

One way of analysing the FEFC model of funding and incorporation is to view it as a series of stages (Lucas 1999). The first stage is the one where colleges got independence from LEAs with devolved budgets just prior to incorporation. The second phase was the first year of incorporation, which is characterised as one of independence without the FEFC funding mechanism. This was followed by the third phase, which our last research covered. This was the phase of high growth targets, efficiency savings, redundancies, the growth of part-time staff and the dispute over contracts. The fourth phase followed the DLE crisis where the old funding regime of unlimited growth and competition began to crumble. With the election of a new government some of the worst aspects of the ‘marketisation’ of FE began to ease. This is the phase of incorporation that our research covers and in appendix two we give a chronology of that phase.

During the fourth period of FEFC incorporation, it is clear that the sector went into crisis following the withdrawal of DLE. The crisis was precipitated by the refusal of the DfEE/Treasury to come up with additional money to fund the DLE fuelled growth in the sector. It represented the lowest point for FE since incorporation. It also marked the beginning of the end of the policies on which incorporation had been founded: competition, the unplanned dash for growth and differential pricing. One of the areas on which the FEFC has moved decisively has been franchising. Spurred on by a series of highly public scandals concerning very high profile franchising colleges, the FEFC has drawn up new regulations which should make distance franchising (that is away from a college’s local catchment) virtually impossible. Our research showed franchising to be a sensitive and controversial issue and there were many grey areas and different arrangements still in existence.

The election of a new Government represented a turning point in the fourth phase. After a slow start with the Labour Government remaining pledged to stay within the spending limits of the previous administration, FE has done extremely well in terms of increased funding. The black hole of the DLE crisis was at least partially filled. The Comprehensive Spending Review more than fulfilled the sector’s expectations (indeed the amounts given exceeded the sums demanded by NATFHE!). The rhetoric of competition was replaced by co-operation and efforts are being made to bring about partnership at a structural level. In terms of policy goals, a single focus on competitiveness in the global economy has been tempered with an agenda around social inclusion and lifelong learning. The dash for unplanned growth has shifted to more tangible targets. However, in practice our research indicates that competition between local providers remains fierce. There was a wish to co-operate, but both the culture of the past and the funding mechanism militated against it.

Although we found a more settled picture then our last research revealed, colleges were experimenting with internal resource allocation models that allowed more strategic control. Colleges were learning to live with the FEFC regime and the injection of extra funds into the sector had alleviated some of the worst aspects of the previous period of incorporation. However, our research did reveal particular worries concerning the growing bureaucratic demands, the poor morale and lack of professional development opportunities for the FE teacher. Furthermore, many of our respondents noted the loss of experienced staff and the growing use of and reliance upon part-timers. This growth of a core and periphery strategy towards staffing, driven by financial considerations, seems to be a common characteristic of human resource management in the fourth phase of incorporation. Colleges in our survey were of the view that this has long term detrimental effects on teaching and learning in the FE sector and needs to be urgently addressed.

We would like to suggest that as this second analysis is being written, the end of the fourth period is drawing to a close and the end of FEFC funding methodology is in sight. This has been precipitated about by the Labour
SUMMARY OF PREVIOUS RESEARCH

Government's blueprint for a restructured post-16 system has been signalled in the White Paper, 'Learning to Succeed' which heralds fundamental changes in the funding and strategic direction of the FE sector.

In our view the Kennedy Report opened up a new debate about the strategic purpose of FE and was an early and public signal of the new priorities. It also caught the imagination and the mood of the FE sector. Its radical vision for FE acknowledged the sector's strengths, and saw it as a potentially powerful tool for social, economic and cultural regeneration. It was able to give FE an agenda, which at last made some kind of sense in terms of possible practice and policy goals. The Kennedy vision was followed by reports from the National Advisory Group for Continuing Education and Lifelong Learning (the Fryer Report) and then the Green Paper on Lifelong Learning. All acknowledged the historic underfunding of FE, the damage done by the over-reliance on market forces, and set out what has become the twin policy goals of the Government for the sector: improving quality and standards and social inclusion through widening participation. The implementation of Kennedy by using post codes to widen participation was shown in our research to be problematic. Together with concerns expressed about the New Deal, these two areas need more research and re-evaluation.

One of the most noticeable trends to emerge from the Labour Government's post-16 policies, has been a growing divergence between the policies and arrangements for 16 to 18 year olds, and those for adults. There are curriculum changes, which together with the arrangements for advice and guidance demonstrate the growing divide. The White Paper 'Learning to Succeed' includes proposals for separate Inspectorates for full-time young students and for adults, as well as separate committees within the new Learning and Skills Council. In our view this all points in the direction of separate arrangements for adults and 16-19 year olds. This stems from a perception that the needs and requirements of young people are very different from those of adults.

A significant sign of this new age divide were the changes announced in the Summer of 1999, to the funding methodology for full-time 16 to 18 year old students. These were announced by David Melville, the FEFC Chief Executive at the AoC 16-19 Conference in mid-June 1999. It seems the changes in the funding are to match the changes in the curriculum post-Qualifying for Success. These changes introduce six unit A levels, six unit GNVQs and three units AS and a new Key Skills Qualification. They are being called Curriculum 2000. The main purpose of the changes is to support sixth form colleges and even-up the funding for them vis-à-vis school funding. From our research, practitioners had mixed feelings about these changes. They showed concern about the reforms in the context of cuts in course hours, and stressed the crucial importance of proper initial diagnostic assessment as a precondition for the reform of the curriculum to work effectively.

Another related issue concerns the funding between school sixth forms and FE institutions. Our current research findings confirm the sense of injustice felt by FE staff and organisations, particularly when, despite the Government's intentions, competition at a local level, is still present. The Government has recognised the justice of the complaints. In the latest round of consultations around the 'Learning to Succeed' White Paper is a consultation document concerning the funding of school sixth forms. The intention is to make a more 'level playing field' between the two sectors in terms of funding post-16 provision. At the time of writing this report the proposals are still out for consultation.

The time that has passed between our two research projects has been one of never ending change. It would seem that unlike previous periods of FE's history nothing remains settled and stable for long in post-16 education. The White Paper 'Learning to Succeed' strongly signals that the new fifth phase of incorporation will also be one of momentous change although unlike previous phases tinged with cautious optimism. The colleges and staff that we interviewed were committed to the vision of FE that saw it as a major site for lifelong and inclusive learning. They also welcomed the rhetoric from government about collaboration and planning. However as our research reveals these values were seen as at odds with the values of the funding mechanism that was designed for another purpose.
The White Paper sets out plans to create a new post-16 sector from FE and sixth form colleges: TEC funded training and adult and community education. The White Paper intimates that local Learning and Skills Councils will be allowed some autonomy and flexibility to vary funding arrangements to meet local circumstances. It is our view that although the funding mechanism has had some positive effects, overall the logic of its methodology is at odds with the present government’s emphasis on social inclusion, widening participation and local/regional planning and collaboration. Indeed it was designed within the context of marketisation and competition to achieve growth. A conclusion of our research is that the funding methodology should be rethought, including the concept of funding units, in order to meet the new agenda that is emerging. The present changes could herald a new funding regime based more on local and regional planning. We believe the present context is an excellent opportunity to change some of the long-standing difficulties that colleges have experienced with FEFC funding system. We hope that our research can contribute to the process of change and reform.
Appendix Two

A CHRONOLOGY OF EVENTS AFFECTING FUNDING SINCE THE LAST RESEARCH

Introduction
This research project builds upon previous research carried out in 1996/7 published in April 1988 entitled; 'Learning Funding: The Impact of FEFC Funding, Evidence from Twelve FE Colleges'. Leney, T., Lucas, N., Taubman, D. Below we summarize the major findings of the report.

Summary of previous research
1. Colleges complained that the data and bureaucratic requirements of the FEFC and its funding regime was perceived as leading to waste and unnecessary administration. New technology was seen as the only way of coping with FEFC data demands although the ISR and MIS software had proved to be problematic and very expensive. All recognised the need for tracking and recording, but the auditing demands of the FEFC were now out of control.

2. It was strongly felt that the data demands of the FEFC were diverting resources away from teaching and learning which detracted from planning the curriculum. Where curriculum development did take place, it was finance driven and the tariffs were used in any calculation of courses to be developed. The climate of financial restraint did not stop curriculum development but inhibited curriculum innovation and risk taking.

3. Financial and funding considerations preoccupied the sector and affected all aspects of college activity. However, knowledge of the funding methodology and its implication was patchy often understood by a few senior and middle managers, whilst full time and part time lecturers were left out of the process. The implementation and sometimes manipulation of funding units was the responsibility of small group of informed staff in the colleges.

4. All colleges reported serious cuts in course hours and concerns about quality were expressed. The most common reduction in course hours was from 21 hours per week to 16 or 14. All colleges reported operating at the bottom of the FEFC band range.

5. All colleges were moving towards more resource-based learning methods in an effort to compensate for cuts in course hours. Whilst there was support for aspects of resource-based learning, there was a widespread view among those interviewed, that certain types of 'weaker' students were disadvantaged by these developments and that widening participation will bring in groups who need more direct teaching time and contact with lecturers, not less.

6. Colleges reported improvements in advice and guidance given to students on entry and this part of the funding was seen as beneficial. Furthermore, our research found evidence of good guidance practice in previously untouched areas such as outreach work. With advice and guidance there was a general concern that colleges gave advice and guidance to students who either ended up not enrolling or left before the census date resulting in the colleges not actually obtaining the funding for the work they had undertaken.

7. No evidence was found that students were guided onto lower level courses in order that they may achieve and progress internally. Indeed, there was some evidence that students were being allowed on courses beyond their capability for fear of losing them to nearby rival institutions.

8. Colleges were very aware of the importance of achieving good retention levels and was an area where the policy steer within the methodology had a positive effect. But there was a growing concern that in some classes unmotivated students with very poor attendance were being kept on, sometimes to the disadvantage of other learners. With widening participation this problem may become more serious.

9. Achievement was seen as an important matter of professional pride and marketing, but not an important part of the funding methodology. The evidence from the research showed that an area in which the funding methodology had had little impact was on achievement. Concern was expressed that the methodology stressed retention rather than achievement, although there was a rejection of any move towards a model of achievement lead funding. The research also revealed some disquiet with the automatic equation...
between achievement and qualifications. Such an approach seemed to disregard the process element of education and that the long term outcomes of education and learning did not always equate to formal qualifications.

10. The research found a widespread view that the existing funding methodology was too rigid and changes were needed to allow modularisation and to recognise unit or partial achievement. Some students did not seek qualifications, and gaining employment should be seen as a fundable outcome. Many felt that the funding regime was too focused on whole course achievement and that this had implication for adult learning and widening participation. Many of those interviewed felt the funding methodology favoured full time students. Part time students on short courses, many of whom are adult returners, were disadvantaged.

11. Very favourable responses were received concerning the additional units for those requiring learning support. However, the additional units were missing many needy students who just failed to trigger the lowest band required to generate additional support funding. Furthermore, because the funding of additional support came in the form of funding units, low ALF colleges felt disadvantaged and that there may be merit in consideration of a national rate for additional support units.

12. Concern was expressed about the disappearance of enrichment studies and other extra curricula activities for 16-19 year olds in particular. The belief was that FEFC funding disadvantaged the younger FE student in comparison to those in school sixth forms and that the funding levels for 16-19 year olds should be standard across the two sectors.

13. The division between schedule two and non schedule two programmes was seen as undermining established progression routes that were important in widening participation in further education.

14. A number of those interviewed expressed frustration at the FEFC convergence strategy. What caused frustration amongst the low ALF colleges was not distant colleges in inner city areas, but neighbouring colleges serving roughly the same students, but getting more funding per unit. It was felt that convergence on a regional basis might be more acceptable and just.

15. Managers and lecturers reported that in their view class size has increased. In this respect our findings did not agree with the FEFC. While a small number of teachers and managers considered that class sizes had remained static, or even reduced, most of those interviewed reported that class size had increased.

16. The majority of those interviewed supported the broad principles of the methodology and found a number of the specific mechanisms beneficial. The methodology had proved an effective tool to bring about a number of policy steers. However the positive impacts on colleges were countered by others aspects that were perceived to have distinctly negative impacts. We found the links between funding and the curriculum complex and multi-dimensional.

17. Despite the aim stated of the FEFC to produce a methodology that would provide the sector with a measure of stability, this had proved illusory. In particular the policy of convergence has failed to bring stability to the sector. Stability has also been undermined by the constant adjustment and shifts within the methodology. This has presented colleges with a constantly moving platform on which to attempt to plan both their finances and their curriculum.
Appendix Two

October 1996: The FEFC announce the setting up of a review group chaired by Helena Kennedy Q.C., to conduct a review of its funding methodology to review the fundamental principles of the FEFC and propose viable alternatives. She was charged to prepare a draft consultation document for publication before Christmas 1996.

November 1996: The FEFC announce by the end of 1996/97 most colleges actual Average Levels of Funding (ALF) will be within +/- 10% of the median – one of the original aims of the funding methodology. The FEFC sent a formal request to the DfEE for £82 million of additional grant-in-aid for 1996/97. This is to fund the extra activity generated by colleges in pursuit of uncapped Demand-led element (DLE) funding. In previous years the FEFC had met the DLE funds from clawbacks from colleges failing to achieve their targets.

December 1996: The FEFC in Council News 35 states that in the light of its annual letter from the DfEE setting out the funds it will be receiving, it was looking for an 8% growth in student numbers and an efficiency gain of 5.3%. The Council News shows that the percentage of colleges in ‘robust financial health’ had dropped from 70% to 47% in 2 years. Those with ‘weak financial positions’ had grown from 6% to 19% in the same period.

January 1997: The DfEE wrote to the FEFC asking how they intended to keep within its total expenditure, given the expansion of student numbers. This expansion was far in excess of that envisaged by the DfEE and questions uncontrolled franchising for the situation. The FEFC decides that uncapped DLE will have to cease immediately as it seems no DfEE funds are forthcoming. The FEFC advises colleges of the situation and stops colleges from entering into any new commitments based on DLE funding.

February 1997: News of the crisis of the DLE becomes public. Colleges protest to the Secretary of State. 79 Labour MPs sign a Commons Early Day Motion on the situation in the sector. The DfEE announces that a substantial amount of the DLE funds will be restored but the FEFC has to meet all future spending from its planned provision. The National Audit office issues its report on the FEFC, calculating that franchising amounts to 10% of all FEFC provision, but that 29 of the largest providers account for 58% of this.

March 1997: The FEFC consults on 2 broad paths to continue convergence: either over a 3 or 5 year period. The former will mean efficiency savings of 8%, the 5 year option efficiency savings of 5.5%.

April 1997: The FEFC announce the college funding allocations for 1997/98. Only 14% of colleges receive an increase in their total funding, while 86% receive a decrease. A DfEE working party on franchising reports that it would be wrong to oppose franchising on principle, but it does increase risks including that the FEFC might be paying for training that would have occurred anyway yet colleges should limit their role to their local areas.

Association of Colleges (AoC) calculate that unit costs in FE will be cut by 50%, and the efficiency gains in the sector of over 30% since incorporation.

**June 1997:** 275 colleges operating in deficit. 28 colleges report that they can no longer fulfil their statutory duty to provide 'adequate and sufficient facilities'. The FEFC forecasts further decline over the next 3 years and predicts increasing numbers of mergers and rationalisation. It agrees on convergence by 2000-2001. It offers to continue with the existing method of convergence or move to a planned approach whereby high ALF colleges would lose at a steady but predictable loss.

**July 1997:** New budget gives no additional funding to FE but does announce 'Welfare to work' and 'New Deal'. On the same day the FEFC report called 'Widening Participation' (the Kennedy Report) is published. It recognises the gross underfunding of the FE quantum and makes explicit calls for redirection and reprioritising within the sector. It makes recommendations for changes in the FEFC funding methodology including having entry units in reverse proportion to previous achievement levels, and extra units for students drawn from postal code area with a high levels of socio-economic deprivation.

**Summer 1997:** The Government announces an additional £69 millions to fill the gap left over from the earlier DLE crisis although tied to targets for growth. The FEFC announce the implementation of the Kennedy proposal to use 'uplift funding' in order to encourage widening participation initiatives. It also states the convergence timescale will be another 3 years, and that it intends to prioritise bringing low ALF colleges up to the target ALF. It consults the sector on restricting franchising and reducing the tariff for franchised courses by one third.

**Autumn 1997:** The Education Sub-Committee of the Commons Select Committee on Education and Employment announce an inquiry into FE funding and governance, and begins to take evidence. The inquiry soon develops into a full-blown inquiry into all aspects of FE. The Sub-Committee is bewildered by the FEFC funding methodology.

**November 1997:** The Secretary of State announces that the efficiency squeeze on the sector is to be no more than the rate of inflation. The funding methodology and allocation is to reflect the government's policies with respect to widening participation of adults and increased provision for 16 to 18 year olds. There means an extra £83 millions of which £25 millions will be directly to support college ALFs, £55 millions for Kennedy implementation and £3 millions for increased FE Access funds. £100 millions was also expected from colleges' participation in New Deal.

**February 1998:** The FEFC announce that for 1998/9 colleges will receive the previous year's allocation of units; convergence will be over 3 years, with low ALF colleges moving immediately to an ALF of £16.20, and high ALFs moving to this figure in 3 equal stages over 3 years. Extra funds would be available for targeted growth of both adults and 16 to 18 year olds. The 'Competitiveness Fund' introduced by the Conservative Government is renamed 'the FE Collaboration Fund' and refocused to promote
Appendix Three

BIBLIOGRAPHY

rationalisation and collaboration with £10 millions for this purpose, and £16 millions for local and regional skills development. The Government Green Paper on lifelong learning, the Learning Age is published.

April 1998: New Deal for the long term unemployed 18 to 25 years goes national. Those going on the full-time education and training option delivered mainly by FE colleges far exceed projections. Funding for this option is on a similar 3 part basis as the FEFC’s, but the amount of funding per New Deal participant is less than that received from the FEFC.

May 1998: The Select Committee Report on FE is published. It acknowledges that FE is underfunded compared to other sectors, and has been required to make efficiency savings beyond that required of other sectors. It recommends an extra £500 millions increase per year in the sector’s funding. It calls on the Government to give the sector direction. It calls for changes in the funding methodology in relation to franchising. To prevent college franchising outside its immediate local area. At about the same time as the report the Principal of Halton College, one of the main franchisers suspended amid allegations of misuse of public funds.

July 1998: The Government sets four priorities for the sector: widening participation, improving quality and standards, increasing the numbers of full-time 16 to 18 students and local partnerships. FE gains an additional £220 millions on its baseline budget representing a 8.2% cash increase. The efficiency gain is to be only 1% instead of the predicted 7.6%. An extra 420,000 students are to be enrolled by 2002. The Kennedy factor which had been only partially funded, is to be fully funded.

September 1998: The Stage 2 Group of the FEFC’s fundamental review of the funding methodology reports. It recommends no change in the methodology until 2000-2001, and at least 12 months notice of changes wherever possible. It asks for further research on using prior achievement as a proxies for deprivation and an evaluation of the additional support mechanism. It issues further guidance on collaborative provisions (franchising).

October 1998: the National Audit Office begins an investigation into Halton College.

November-December 1998: The Secretary of State for Education and Employment announces FE funding for 1999/2000 and 2000/01. The total for the 2 years is £750m. The key objectives set for FE are to raise standards, seen as significant rises in retention and achievement rates. The emphasis on targets is to be supported by £35m in 1999 and £80m in 2000 from a new FE Standards Fund. On widening participation, the target is to be 700,000 students by 2001-2002. The Government emphasises governance and accountability of colleges for their use of public funds. The announcement also sees the reintroduction of a separate capital line of up to £100 millions by 2002. A new Post-16 Partnership Fund is set up of £25m for 1999-2002. Funding for Higher National Diplomas and Certificates is to transfer to the Higher Education Funding Council.
from 1999/2000. All of this means that the target ALF is to be £17 by 2000-2001 instead of £16.20. The revised convergence target is moved again, and is now 2001-2.

**December 1998:** The annual report of college accounts for 1996/97 shows a slightly improving picture of the financial health of the sector. Half the sector is still operating in deficit but the situation has not worsened.

**February 1999:** The corporation of Wirral Metropolitan College resign following the earlier resignation of the Principal amid allegations of financial mismanagement. Birtson Community College, another of the principal franchising colleges, receives the worst ever FEFC inspection report. The FEFC in giving guidance on the funding for 1999/2000 maintains its new approach to the methodology-funds can’t be vired between the various allocations without FEFC permission. In making programmes, colleges are to consider local needs and the government’s policy of collaboration between colleges and between colleges and other education and training providers.

**March 1999:** The Government announce that they are conducting a thorough review of national and local arrangements concerning the delivery of post-16 education and training. The corporation of Halton College resign.

**April 1999:** The allegations against the principal of Halton College by the FEFC are partially founded. The House of Commons Public Accounts Committee begins an investigation of the College. The FEFC’s powers of intervention into FE college’s affairs are strengthened. Regional Development Agencies are launched. They have a remit for the regional skills agenda.
I. DOCUMENT IDENTIFICATION:

Title: LEARNING TO LIVE WITH IT: THE IMPACT OF FEFC FUNDING, FURTHER EVIDENCE FROM FOURTEEN COLLEGES

Author(s): NAFTHE

Corporate Source: 

Publication Date: 

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