

# Strategies to Achieve and Manage Growth



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**The National Audit Office would like to thank the colleges we visited for providing us with photographs for the report. Photographs from the following colleges are shown in the report.**

Barnsley College

Birmingham College of Food, Tourism and Creative Studies

City College Manchester

Hackney Community College

Loughborough College

Manchester College of Arts and Technology

Myerscough College

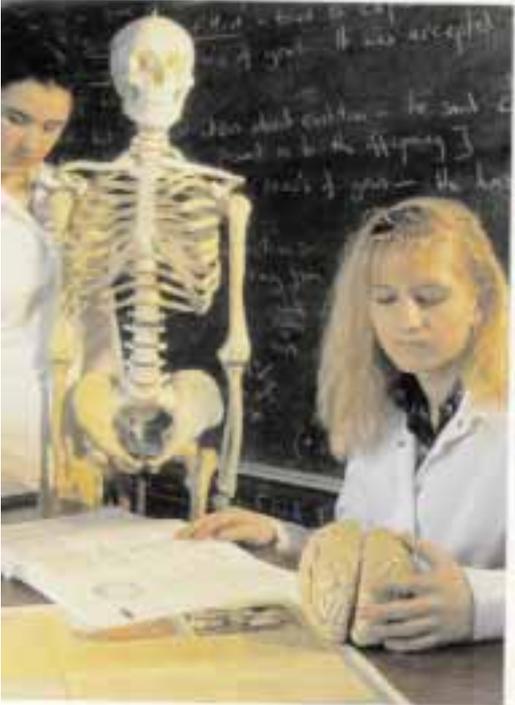
North Derbyshire Tertiary College

Shena Simon College

South Birmingham College

Waltham Forest College

Further Education Colleges in England  
Strategies to Achieve and Manage Growth



## Executive summary

**1** Further education colleges provide a wide range of education and training programmes for students from school age upwards. In the past five years the colleges in England - 446 at May 1997 - are forecast to have increased student numbers by around one third to just over four million students. The Comptroller and Auditor General's report on *The management of growth in the English further education sector*, published alongside this report, examines how the sector has managed the growth in response to policy objectives first set out in the 1991 White Paper *Education and training for the 21st century*.

**2** This report sets out the results of examinations undertaken by the National Audit Office of the strategies that a sample of colleges adopted to achieve and manage growth. It focuses on their approaches to:

- planning for growth;
- curriculum review and development;
- marketing; and
- student support mechanisms to improve student retention and achievement.

During the examination the National Audit Office visited nine colleges to identify good practice. We followed this up by visits to a further 15 colleges to assess in detail, in the light of the identified good practice, the practices that these colleges adopted.

**3** Fourteen of the 15 colleges examined in detail achieved varying rates of growth over the two academic years 1994/95 and 1995/96. The variability was not untypical of the further education sector as a whole. During this period the existence of a demand-led element of funding meant that colleges were not concerned about the extent to which they exceeded their planned levels of growth, and some of the colleges visited exceeded their funding agreements with the Further Education Funding Council by a wide margin. **From academic year 1997/98 funding for additional growth is capped, with the ending of the non-cash limited provision for the demand-led element of funding. In this situation, colleges will be operating in a tighter financial environment. It will**

**become increasingly important that they should be able to predict more accurately their expected levels of funding unit activity and achieve those levels** (paragraphs 2.1-2.6).

## Planning for growth

**4** Local factors were an important feature of growth at the colleges visited by the National Audit Office. However, many colleges undertook little systematic research or appraisal of published data potentially available to them. Further, information on labour market needs or trends, available to colleges from external sources, was often incomplete or not provided in a useful form. Despite these factors, most could demonstrate a good awareness of their local situation, owing to direct contact with local community organisations. Informal contacts between teachers and employers played a useful role, but were not always fully exploited (paragraphs 3.1-3.16).

**5** **Key aspects of making good use of market information in strategic planning were analyses of: local labour market information; competitors' portfolios; and management information on existing students. Another significant factor was the integration of such analyses with colleges' curriculum planning activities.** The Funding Council issued in March 1997 a guidance booklet *Identifying and Addressing Needs: a practical guide* (paragraphs 3.1-3.16).

**6** **Successful colleges visited by the National Audit Office had typically evaluated and addressed barriers to growth, and appraised opportunities to invest resources to overcome them.** Such mechanisms were important to avoiding the risk that colleges might continue to deliver courses and other services which largely reflected their capabilities and areas of expertise and did not respond to the needs of the communities they served (paragraphs 3.17-3.18).

## Curriculum review and development

**7** While there was evidence that the colleges examined in detail by the National Audit Office were using flexible delivery methods to a greater or lesser extent as a means of enhancing access, achieving growth and increasing efficiency, there was scope for more development in this area. **Most of the 15 colleges tended to have in place course monitoring mechanisms for student numbers, income and expenditure and course quality. However, financial information was often incomplete and colleges tended to be poor at considering the resource implications of individual courses.** Colleges have introduced new

courses in a wide variety of areas, although courses wholly funded by business were rare. Where colleges had introduced new courses they had tended to be successful in terms of the numbers of students recruited. The management of the risks associated with introducing new areas of work - for example, ensuring that appropriate financial and/or contractual agreements were in place - was variable (paragraphs 4.1-4.12).

## Marketing

**8** The colleges examined by the National Audit Office often increased student recruitment using imaginative promotional activities. However, the cost effectiveness of individual marketing activities was rarely evaluated and there was little attempt to target marketing expenditure to priority areas identified in strategic planning. There were also big differences between colleges in the amounts spent on marketing per student (paragraphs 5.1-5.8).

## Student support mechanisms to improve student retention and achievement

**9** The network of support services offered across the majority of colleges visited by the National Audit Office was generally strong for full-time students but was more variable for part-time students. For example, tutorial support was good for full-time students but the picture for part-time students was more patchy. Colleges were generally good at identifying students needing additional support and providing the support required. Most colleges had formal strategies to raise levels of achievement although most colleges could do more to improve achievement rates. Most colleges were good at monitoring student progress and student satisfaction (paragraphs 6.1-6.12).

## Recommendations

**10** The National Audit Office identified the following key lessons for the future management of growth at colleges:

- a) In the light of the tighter financial environment that applies to them from academic year 1997/98 onwards, colleges should monitor carefully the extent to which they need to achieve efficiency gains in order to avoid the risk of deteriorating financial positions, and put in place strategies to achieve the required gains.

- b)** Colleges should be more proactive in gathering market information on which to base their strategic planning. They should work with Training and Enterprise Councils and others towards the development of labour market information that is more useful to them, and have regard to the guidance issued by the Funding Council. Some colleges with less success in delivering their plans need to consider how to address barriers.
- c)** Colleges should develop appropriate mechanisms for costing their activities, setting targets and undertaking financial monitoring to enable them to make more informed decisions about their existing courses or potential new courses. They should also consider the opportunities for growth in areas of activity not funded by the Funding Council.
- d)** Colleges should give a strategic focus to their marketing activities, target their efforts more effectively, and ensure that there is good co-ordination between marketing teams and senior staff engaged in strategic planning and curriculum management. They should monitor the results, and evaluate the cost effectiveness of individual promotional activities.
- e)** Colleges need to review how they could improve the consistency of student support services, especially for part-time students. They need to consider how they could translate strong student support into formal retention and achievement strategies with operational targets. Colleges should consider the benefits of integrating the results of their student monitoring procedures with other processes for managing growth.

## Preface

This report examines the strategies, and highlights the good practice, adopted by a sample of further education colleges to achieve and manage growth and to widen participation in further education. It complements the Comptroller and Auditor General's report *The management of growth in the English further education sector* (HC 259, Session 1997-98) which examines the funding and patterns of growth at a sector level. For a more in-depth coverage of the Further Education Funding Council, please see the Comptroller and Auditor General's report *The Further Education Funding Council for England* (HC 223, Session 1996-97). This examined the impact of the Funding Council's funding methodology in encouraging overall growth in the further education sector; the effectiveness of their arrangements for promoting improvements in the quality of further education; and the financial health of colleges.

Readers of this report who are not familiar with the further education sector or who have not seen the other reports referred to above are advised to read paragraphs 1.1-1.17. These provide background information. Other readers may prefer to turn straight to paragraph 1.18.

# Part 1: Introduction

## Background information on the further education sector

### Colleges and students

**1.1** Colleges in the further education sector in England provide education and training opportunities for a wide range of people from school-leaving age upwards. They have an income of around £4 billion per annum, three quarters of which is provided by the Further Education Funding Council for England (the Funding Council). Colleges enrol students onto courses throughout the year, some 4.2 million forecast in academic year 1996/97.

**1.2** Of the 446 colleges in the sector at May 1997:

- 222 general further education and 63 tertiary colleges provide a wide range of education and training courses for full-time and part-time students of all ages (some 3.7 million students);
- 110 sixth form colleges provide mainly full-time education for 16 to 19 year olds, though many are now broadening their appeal to a wider range of students (some 0.2 million students); and
- 51 institutions offer specialist provision including 30 specialising in agriculture and horticulture, eight specialising in art, design and the performing arts (some 0.1 million students) and 13 specialist designated institutions making provision mainly for adults (some 0.2 million students).

**1.3** The wide variety of courses offered by colleges include:

- general education courses leading to qualifications at General Certificate of Secondary Education and General Certificate of Education AS and A level;
- vocational education, including courses leading to General National Vocational Qualifications;
- training for jobs, including courses leading to National Vocational Qualifications; and

- higher education, including courses leading to professional qualifications and degrees.

**1.4** In addition, many colleges offer courses for students with learning difficulties and/or disabilities and courses designed to improve basic skills in, for example, literacy and numeracy or to prepare students for entry into a course leading to one of the above qualifications. Many provide leisure or recreational courses, primarily designed for adult learners, which do not lead directly to a qualification. They also provide bespoke courses, mainly to employers, but increasingly in response to demand from overseas markets, on a full-cost basis.

### **The context for growth**

**1.5** Further education colleges in England were established as independent corporate bodies following the Further and Higher Education Act 1992 (the Act). The Act removed colleges from local education authority control from 1 April 1993. It also established the Funding Council to administer the grant from the Department for Education and Employment (the Department) for further education. Figure 1 summarises the respective roles of the Department, the Funding Council and the institutions in the further education sector.

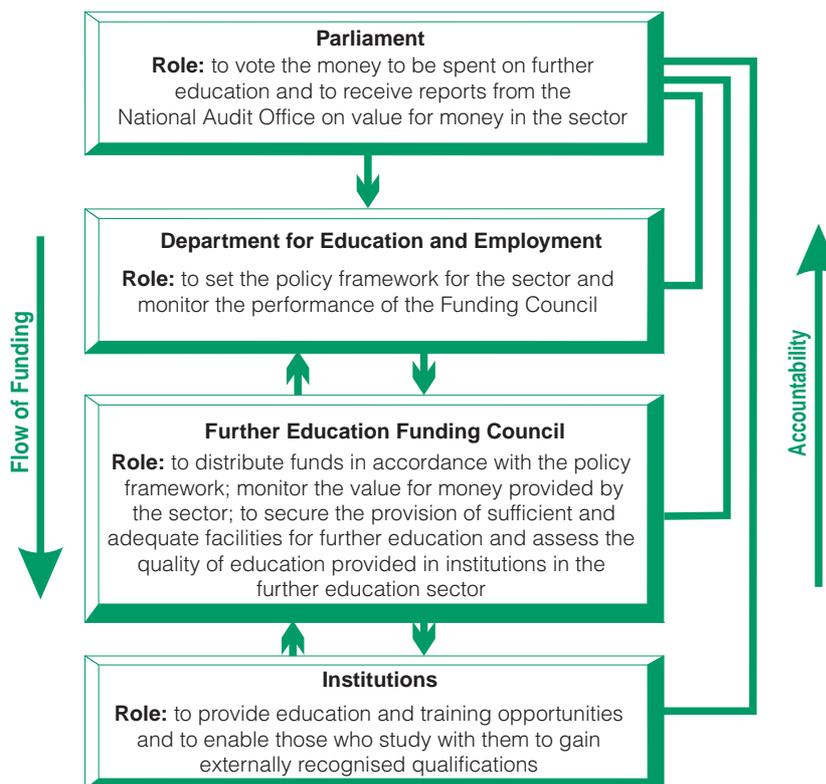
#### **At Departmental level**

**1.6** The 1991 White Paper *Education and training for the 21st century* which preceded the Act announced the establishment of a new further education college sector for post-16 education and training. It set out objectives for colleges to widen participation by young people in further education and to boost levels of student achievement. It gave a clear steer to the Funding Council to develop and implement a new system of funding colleges which would reward expansion. In his letter of guidance to the Funding Council in July 1992 the then Secretary of State made clear that the key areas of funding should be to provide a direct incentive to colleges to expand participation by relating an element of colleges' funding to actual student enrolments. He gave an undertaking that the total resources available to the Funding Council and hence to colleges would be determined in part by the actual numbers of students recruited in the year in question. The Funding Council responded to this by introducing a funding methodology containing a demand-led element (see paragraph 1.9).

**1.7** In 1992 the then Secretary of State set a target for the new sector to achieve 25 per cent cumulative growth in numbers of full-time equivalent students funded by the Funding Council over the three financial years from 1992-93. No particular groups of people or curriculum areas were identified within the target for overall

**Roles of the various bodies involved in further education in England**

**Figure 1**



growth. The National Audit Office analysed the sector's performance in the Comptroller and Auditor General's report on *The management of growth in the English further education sector* (HC 259, Session 1997-98).

**1.3** The Funding Council and the Department identified in September 1996 that, in financial year 1996-97, there would for the first time be a need for provision for demand-led funding additional to that contained in the Department's Parliamentary Estimate to meet validated demand-led funding claims from colleges. This was confirmed by the Funding Council at the beginning of December 1996 in line with the Department's timetable. The Funding Council also confirmed that colleges' applications for academic year 1997/98 were likely to give rise to at least the same level of additional expenditure in financial year 1997-98. In the light of this information the Department asked the Funding Council in January 1997 to consider what steps would be consistent with the containment of total expenditure in future years within planned levels of expenditure, while allowing the sector to achieve reasonable and well-managed growth. In

February 1997, the Department notified the Funding Council that all future expenditure would need to be met within a cash-limited planned provision and confirmed that the Department expected to meet the greater part of the cost of growth incurred up to and including academic year 1996/97.

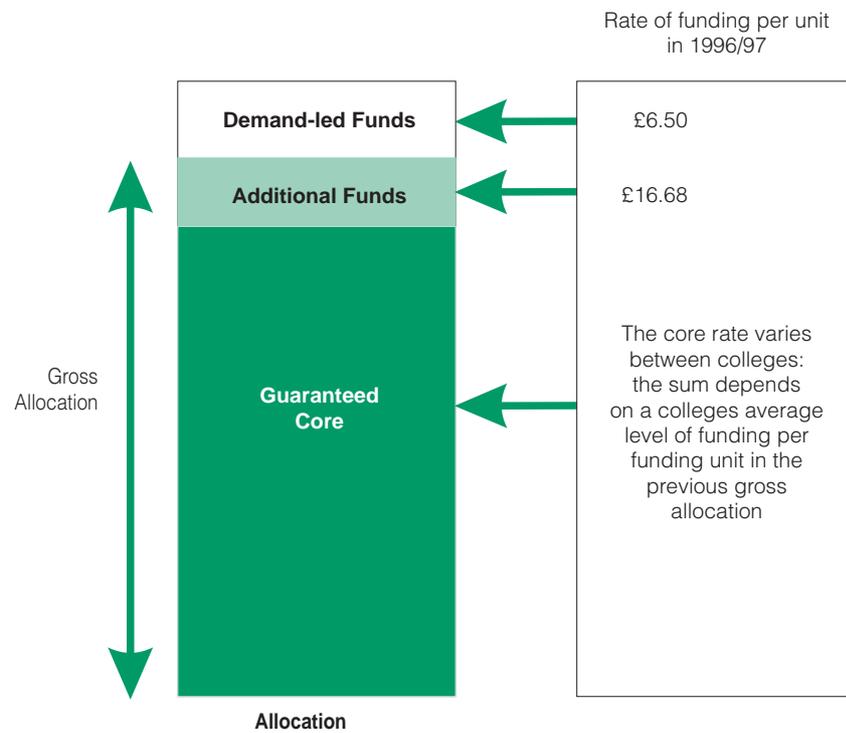
### **At Funding Council level**

**1.9** Over the last five years the Funding Council, in consultation with the sector, have put in place a new funding methodology designed to stimulate growth and promote improved student retention and achievement. The new funding methodology contains three elements as shown in Figure 2. The largest element, known as core funding, guarantees colleges 90 per cent of their previous year's gross allocation from the Funding Council. The other two elements constitute the incentives for growth, wider participation and improved rates of student success:

- In order to grow or to maintain a stable funding situation, most colleges apply for an additional funding element, not only to cover the 10 per cent reduction in their core allocation of the previous year, but also to achieve the efficiency gains implicit in Departmental funding for further education since incorporation. The additional funding element is allocated at a rate determined each year by the Funding Council (£16.68 per funding unit in academic year 1996/97). Core plus additional funding is known as colleges' gross allocation from the Funding Council. It also constitutes their funding agreement with the Funding Council, expressed in terms of numbers of funding units. Colleges which do not meet their funding agreements may have funding clawed back by the Funding Council.
- In addition, colleges could enrol students over and above their funding agreements and receive a demand-led element of funding. The funds to meet demand-led element claims were to be provided from the non-cash limited Parliamentary Vote. The demand-led element may be seen as playing a similar role to the mandatory tuition fee in higher education. This demand-led funding was available for full-time students only in academic year 1993/94 and part-time students thereafter, and has been funded at a much lower rate per unit (£6.50 in academic year 1996/97). From academic year 1997/98 colleges will no longer receive funding from the Funding Council for students enrolled above their funding agreements and will have to fund additional students from other sources.

**Elements of a college's allocation of funding from the Funding Council**

**Figure 2**



Source: Further Education Funding Council

**1.10** By basing the funding methodology on funding units, the Funding Council have been able to build into it a variety of further encouragements to colleges to aim for growth, wider participation and student success. The funding methodology rewards colleges for ensuring that students:

- receive initial guidance and counselling as to what is the right course for them;
- complete their courses; and
- achieve their primary learning goals, usually a recognised qualification.

It also enables colleges to:

- waive tuition fees to people in a number of categories, for example, adults in receipt of Jobseeker's Allowance;

- meet the childcare costs of certain groups of people; and
- provide additional learning support to students who need it.

**1.11** The funding methodology recognises that some types of courses are more expensive to deliver than others, for example, construction related courses. It allocates a higher number of funding units to such courses than to ones that require fewer hours of guided learning or are otherwise less expensive to deliver. The funding methodology also allocates a slightly higher number of funding units to qualifications achieved by students that count towards the National Targets for Education and Training.

**1.12** The rationing mechanism employed by the Funding Council in their allocations from academic year 1994/95 onwards has given preference to colleges which have achieved their funding agreements and have demonstrated cost effectiveness by their average levels of funding per unit.

**1.13** In addition to the new funding methodology, the Funding Council have introduced, in consultation with the sector, two further mechanisms which are significant to the management of growth:

- a strategic planning framework which encourages colleges to identify the local needs for education and training and the potential for growth; and
- a national student data collection system, the Individualised Student Record, which requires colleges to maintain for each student a comprehensive and standardised set of data.



### **At college level**

**1.14** Colleges are independent bodies governed by governing bodies of between 10 and 20 members of which business members, including a nominee of the local Training and Enterprise Council, must make up at least half of the membership. Governing body members, other than the principal who is a member by virtue of his or her position in the college, are not remunerated for their contribution although they may claim legitimate expenses. The governing body is responsible for determining the educational character and mission of the college and for oversight of its activities. In this context, the governing body normally approves the college's strategic plan which sets out how the college intends to fulfil its mission.

**1.15** The strategic planning framework introduced by the Funding Council makes it clear that colleges' strategic plans are owned by colleges. The Funding Council asks colleges to share their strategic plans with them but does not approve them. It is up to each college to determine its strategy. Since incorporation, a significant element of many colleges' strategies has been to grow. This reflects colleges' response to the incentives for growth contained in the funding methodology introduced by the Funding Council from academic year 1994/95. Box 1 sets out the key dates and activities linking funding and strategic planning in each academic year.

**1.16** Another key factor which has tended to characterise the environment in which colleges have operated since incorporation is competition with other providers of education and training. When under local education authority control, colleges were subject to a degree of local planning of post-16 education and training provision. With the removal of local education authority controls and boundaries, colleges became free to attract students from different and wider catchment areas, in competition with schools, other colleges, and private training providers. How colleges have responded to this competitive environment is dealt with in Part 3 of the report. In the light of the new financial realities facing colleges, there are emerging indications that colleges are now seeking to collaborate more with other institutions, including considering the option of merger.

**1.17** Appendix 1 to this Report sets out additional background information on the further education sector including the legislative framework, the funding methodology, and the initiatives taken by the Funding Council aimed at widening participation in further education.

## The annual funding and strategic planning cycle for colleges

### Box 1

<i>August</i>	Start of colleges' academic and financial years.
<i>November</i>	First of three census dates for student numbers and funding unit activity.
<i>November</i>	The Funding Council receive notification from the Secretary of State of their funding for the following financial year.
<i>December</i>	The Funding Council determine the total additional units to be funded in the following college year and issue guidance to colleges on funding applications for the following year.
<i>February</i>	Second of three census dates.
<i>February</i>	Colleges apply to the Funding Council for additional funding for the following academic year, on the basis that 90 per cent of the previous year's funding is already guaranteed under the funding methodology. The application process is the opportunity for colleges to bid for growth and includes details of a college's planned student numbers, broken down by programme area, mode of attendance, and whether or not the provision is to be funded by the Funding Council or from other sources.
<i>April/May</i>	Colleges are notified by the Funding Council of their funding allocation for the following academic year. The funding allocation is also expressed in terms of a number of funding units which becomes the college's funding agreement with the Funding Council.
<i>May</i>	Third of three census dates.
<i>end July</i>	Colleges provide the Funding Council with a copy of their full strategic plan (every three years) or annual strategic plan updates (two interim years). This should be in line with the information supplied in February's funding application and compatible with the funding allocation notified to them by the Funding Council in April/May.

Source: Further Education  
Funding Council

## The National Audit Office's examination

### Fieldwork at colleges

**1.18** The National Audit Office's fieldwork leading to this report was primarily undertaken at a sample of 24 colleges (Appendix 3). The work was divided into two parts.

**1.19** First, the National Audit Office visited nine colleges at the end of 1995 and beginning of 1996 to identify the key characteristics of good practice that colleges need to address to achieve and manage growth and to widen participation in

further education. We were supported in this by a group of representatives from the further education sector. The good practice characteristics that we identified are set out in Appendix 2. They concentrate on colleges' arrangements for planning for growth, curriculum review and development, marketing, and student support mechanisms to improve student retention and achievement.

**1.20** Then the National Audit Office visited a further 15 colleges in the Spring and Summer terms of 1996 to undertake a detailed evaluation of their strategies for, and management of, growth and to identify further examples of good practice. The 15 colleges were selected to cover the range of different types and size of college. Some neighbouring colleges were chosen to facilitate an examination of the possible effects of competition as a barrier or incentive to growth.

**1.21** The National Audit Office provided each of the 15 colleges with a management report detailing the good practice found and including recommendations for improvements which needed to be made or considered. Illustrative examples of good practice or lessons to be learned at individual colleges are set out in Parts 3 to 6 of the report. In writing individual reports to colleges and this report, we drew upon the work of the Funding Council's Inspectorate at colleges where appropriate. Many of the colleges have already implemented the recommendations made in management reports.

### **Additional work on marketing**

**1.22** The National Audit Office, together with the Funding Council, the Department and the Further Education Funding Council for Wales, also commissioned external consultants to develop a good practice guide on college marketing. The consultants visited a further 15 colleges in autumn 1996 (Appendix 3). The guide is due to be published in 1997. This report takes account of the consultants' work, and the good practice guide draws on the National Audit Office's findings.

## Part 2: Achievement of growth at the colleges visited by the National Audit Office

### Introduction

**2.1** The National Audit Office's examination at the 15 colleges visited in the Spring and Summer terms of 1996 was set against a background of differing college strategies. This part of the report briefly summarises the changes in student numbers at the colleges visited in the context of the extent of growth achieved in the sector as a whole. It also summarises the extent to which the 15 colleges visited met both their planned student numbers and funding agreements with the Funding Council.

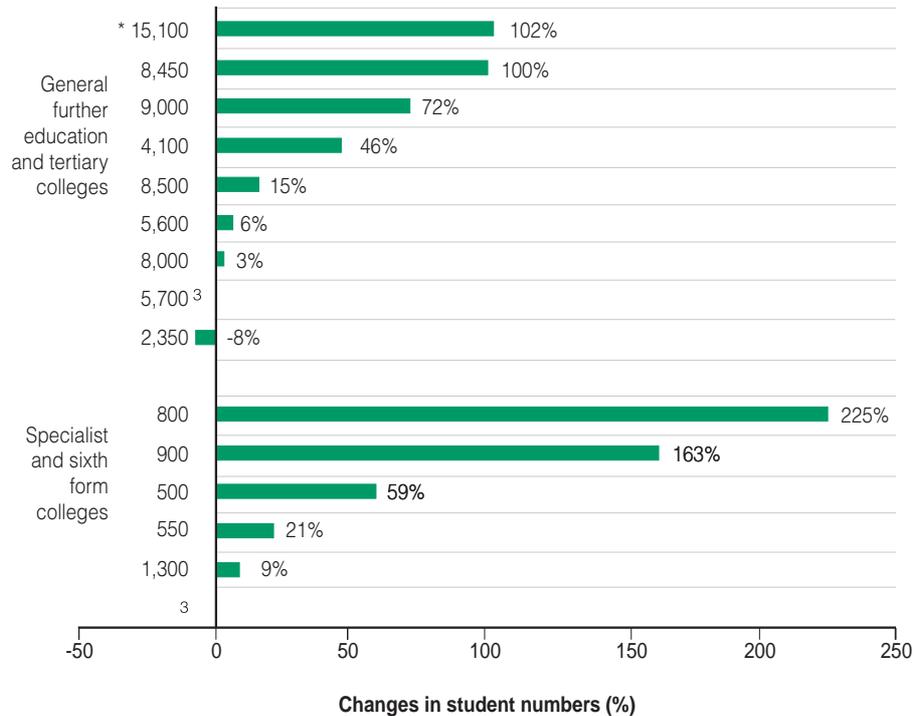
### Growth in student numbers

**2.2** Fourteen of the 15 colleges visited by the National Audit Office increased their numbers of students over the two academic years commencing in August 1994. Figure 3 indicates the extent of change. In general, increases in part-time students account for the largest percentage change. Nine of the 15 colleges were involved in some form of outward franchising in academic year 1995/96 which explains some of their growth in part-time student numbers.

**2.3** Whilst the sample of colleges visited was not intended to be statistically representative of all colleges, the patterns of changes in student numbers at the colleges visited were not untypical of changes at a sector level. Overall patterns of growth in student numbers at a sector level, as examined in the Comptroller and Auditor General's report *The management of growth in the English further education sector* (HC 259, Session 1997-98), are summarised in Table 1. Within these aggregate figures for the sector as a whole, the National Audit Office found significant variability in changes in student numbers at an individual college level. This variability is reflected in the changes at the colleges visited.

Changes in student numbers<sup>(1)</sup> at the colleges visited<sup>(2)</sup>

**Figure 3**



(\*) Number of students at 1 August 1994

- Notes:
- 1 Changes in the number of students funded by the Funding Council from 1 August 1994 to 31 July 1996.
  - 2 This Figure relates to the 15 colleges visited by the National Audit Office in the Spring and Summer terms of 1996.
  - 3 The college has not agreed student number data with the Funding Council for one of the two academic years covered by the period.

Source: Further Education Funding Council

**Fourteen of the 15 colleges visited increased student numbers in the period. Growth, in both absolute and percentage terms, varied greatly.**

## Achievement of planned growth

**2.4** Ten of the 15 colleges visited planned to grow in academic year 1994/95, and 12 planned to grow in academic year 1995/96. Data were unavailable for one college in each year with the remaining colleges indicating a decline in student numbers. Over the two academic years, only one college planned a net decrease in student numbers. The extent to which the 15 colleges visited under or over-achieved the student numbers implied in their funding agreements with the Funding Council is summarised in Table 2.

**Growth in student numbers (\*) in the further education sector**

**Table 1**

	<i>Percentage Increase</i>	
	<i>1992/93 to 1995/96</i>	<i>1994/95 to 1995/96</i>
<b>College Type</b>		
General further education and tertiary	20%	17%
Specialist (excluding specialist designated)	8%	8%
Sixth Form	82%	30%
<b>Mode of Attendance</b>		
Full-time	19%	3%
Part-time	22%	22%
<b>Source of Funding</b>		
Funded by the Funding Council	46%	27%
Funded from other sources	- 24%	- 8%
<b>Total</b>	21%	17%

(\*) Total student numbers including those funded from sources other than the Funding Council

Note: Data for academic year 1992/93 are a best estimate based on enrolment figures converted into student number figures using a methodology agreed between the Department and the Funding Council. Data for academic years 1994/95 and 1995/96 are actuals derived from the Individualised Student Record.

**There has been overall growth in student numbers in the sector with most of the growth, particularly in part-time student numbers, occurring in academic year 1995/96. The vast majority of growth has been funded by the Funding Council.**

Source: National Audit Office analysis of student number data

**College achievement of planned student numbers at the colleges visited<sup>(1)</sup>**

**Table 2**

Percentage difference between planned and actual student numbers at the end of the academic year	1994/95(number) <sup>(2)</sup>	1995/96(number) <sup>(2)</sup>
Within 5 per cent	3	3
5 to 10 per cent	3	2
10 to 20 per cent	5	1
Over 20 per cent	3	8

Notes: 1. This Figure relates to the 15 colleges visited by the National Audit Office in the Spring and Summer terms of 1996.

2. Data only available for 14 colleges in each year. Data relate to students funded by the Funding Council.

**The majority of colleges exceeded or undershot planned student numbers by more than 10 per cent. In academic year 1995/96 there was a marked increase in the number of colleges which exceeded their planned numbers by more than 20 per cent.**

Source: College strategic plans July 1994 and July 1995

**2.5** In addition to the achievement of planned student numbers, paragraph 1.10 sets out the other types of student activity which may contribute to colleges meeting their funding agreements. In academic year 1994/95 nine of the 15 colleges visited exceeded their funding agreements, whilst 12 exceeded their funding agreement in academic year 1995/96. In terms of meeting their funding agreements the performance and trends at the colleges visited were again typical of the sector as a whole. The extent to which the colleges achieved their funding agreements is summarised in Table 3.

**Achievement of funding agreements at the colleges visited by the National Audit Office<sup>(1)</sup>**

**Table 3**

Percentage achievement of funding agreement	1994/95 (number)	1995/96 (number)
Achieved less than 95 % of the agreement	3	3
95 % to 100 %	3	-
100 % to 110%	6	7
Over 110 %	3	5

Note: 1. This Figure relates to the 15 colleges visited by the National Audit Office in the Spring and Summer terms of 1996.

Source: Further Education Funding Council

**The majority of colleges visited exceeded their funding agreements, with a marked increase in the number doing so in academic year 1995/96.**

**2.6** Because of the existence of demand-led funding up to academic year 1996/97, colleges have not been concerned about the extent to which they exceeded either their planned student numbers or funding agreements. In many cases colleges will have deliberately set out to exceed planned student numbers and funding agreements. However, with the removal of demand-led funding from academic year 1997/98 onwards, it will become important for colleges to be able accurately to forecast and achieve planned levels of student activity.

## Part 3: Planning for growth

### Introduction

**3.1** Colleges plan their activities within the funding and strategic planning frameworks developed by the Funding Council in consultation with the sector. These were described in Part 1, paragraphs 1.9 to 1.13 and paragraph 1.15. In planning their level of activity, colleges need to be aware of the size and nature of the local and wider markets for further education, the extent to which population groups participate in education and training, and other competitors' share of their markets. They should also be able to respond to the needs of the local labour market, and identify emerging new opportunities. They rely on information from a range of sources to inform their analysis of local and wider education and training needs.

**3.2** At the 15 colleges visited by the National Audit Office in the Spring and Summer terms of 1996, we examined the strategies, systems and procedures used to identify the opportunities for growth and whether this information was used appropriately in college planning. In particular, we examined how colleges:

- use demographic information;
- use labour market information;
- assess competitors' portfolios and activities;
- use management information on student activity in the college;
- undertake primary data collection; and
- identify and quantify barriers to growth.

**3.3** The results of the National Audit Office's assessment of good practice in planning for growth at the 15 colleges reviewed are summarised in Figure 4. Our assessment of good practice was based on the characteristics specified in Appendix 2.

## Key messages

The National Audit Office found that:

- Local factors were an important feature of growth, and most colleges could demonstrate a good awareness of their local situation. Some colleges have developed successful approaches to analysing local needs, but many undertook little systematic research or appraisal of the data sources potentially available to them. Informal staff contacts with employers and other organisations played an important role, but were not always fully exploited. Information available to colleges from external sources was often incomplete or was not provided in a useful form. Colleges therefore need to be proactive in seeking market information on which to base their planning, and should refer to the guidance issued by the Funding Council in March 1977 *Identifying and Assessing Needs - a practical guide*. Specifically, colleges should:
    - work with Training and Enterprise Councils, the regional and subregional groupings established following the 1994 Competitiveness White Paper, and others to develop labour market information that is more useful to their needs;
    - carry out more systematic appraisal of competitors' portfolios and activities;
    - make better use of management information on their students;
    - consider the scope for carrying out targeted research on the scope for developing new initiatives or areas of work; and
    - ensure that market analysis is integrated with curriculum planning.
  - Successful colleges had evaluated and addressed barriers to growth, and appraised opportunities to invest resources to overcome them. Some colleges with less success in delivering their plans need to consider how to address barriers.
  - In the absence of these mechanisms there is a risk that colleges will continue to deliver courses and other services which may only reflect their capabilities and areas of expertise but which do not respond to the needs of the communities they serve.
- 

## Demographic information

**3.4** In assessing the local need for education and training provision, most of the 15 colleges visited by the National Audit Office took account of local demographic information derived from the 1991 Census and the Office of National Statistics. Information on the local school population was important for colleges for which the provision of education and training to 16-19 year olds was a key part of their activities, but a few colleges told us that they had difficulty in obtaining good information from local schools.

**Figure 4**

Assessment of good practice in planning for growth: a summary of the National Audit Office's key findings at the 15 colleges visited

Colleges ranked in descending order of growth in student numbers <sup>(1)</sup>	Use of Demographic Information	Use of Labour market information	Contacts with Employers	Competitor assessment	Use of management information	Primary data collection	Use of needs analysis in planning	Identification of barriers to growth
<b>General further education and tertiary colleges<sup>(2)</sup></b>								
1	❖	❖	❖	❖	❖	❖	❖	❖
2		❖	❖		❖	❖	❖	❖
3		❖	❖		❖	❖	❖	❖
4		❖			❖	❖	❖	❖
5		❖	❖	❖		❖		❖
6		❖	❖					❖
7		❖			❖	❖		❖
8	❖	❖	❖			❖		
9		❖			❖	❖		
<b>Sixth form and specialist colleges<sup>(2)</sup></b>								
10			❖		❖	❖	❖	❖
11			❖		❖		❖	❖
12			❖	❖		❖	❖	❖
13	❖		❖		❖		❖	❖
14			❖		❖	❖	❖	
15	❖				❖		❖	❖

(❖) indicates good practice in line with the characteristics specified in Appendix 2

Notes: 1. Growth in total student numbers between academic years 1992/93 and 1995/96.

2. General further education and tertiary colleges are shown separately from sixth form and specialist colleges to reflect differences in their patterns of growth and approach to delivering planned increases in student numbers.

Source: National Audit Office

**The areas with the greatest scope for improvement were colleges' use of demographic information and their assessment of competitor activities.**

**3.5** In order to assess current and future demand in their local area, colleges need to have a firm idea of local rates of participation in post 16-education. The Department publish participation rates for 16 and 17 year olds by local education authority. However, this information is not always suitable for the purposes of detailed college strategic planning. It was not relevant to some of the 15 colleges visited, mainly because it did not cover a geographical area meaningful to the college, or that age group was not the primary focus of the college's planning for

growth. Six of the colleges did not have local population data in a form which allowed them to determine the levels of local participation in further education, and only one had attempted to calculate local participation rates for all age groups.

## Labour market information

**3.6** To assess employer and labour market needs, the colleges visited took advantage of a number of data sources including local or regional labour market reviews produced by Training and Enterprise Councils and the Employment Service. Much of this information is produced to assist the work of the 14 regional and subregional groupings established by the Funding Council and Training and Enterprise Councils in response to the 1994 White Paper *Competitiveness: Helping Business to Win*, but it is also available to colleges. The regional and subregional groupings bring together members of the Funding Council's regional committees, representatives of the Training and Enterprise Councils in the region or subregion and representatives of Government Regional Offices. They consider analyses of the labour market in connection with their role of giving advice to the Funding Council on the adequacy and sufficiency of further education provision in their area. These analyses also provide the priorities and criteria for the allocation of the Competitiveness Fund of some £20 million to fund college capital projects to meet particularly critical labour market needs. In addition to this information provided by Training and Enterprise Councils and the Employment Service, some of the colleges visited by the National Audit Office also obtained information from their former local authorities.

**3.7** The National Audit Office found significant variations in the labour market information available in different areas, and in how well it reflected the markets relevant to colleges. In some areas, in particular the West Midlands, colleges were able to obtain quite comprehensive and up-to-date information. There were also examples of colleges working with Training and Enterprise Councils to identify specific needs (Example 1). In other areas information was less comprehensive or useful to colleges, particularly if Training and Enterprise Council boundaries did not match the geographical area they served.



**3.8** There is scope for colleges to develop further with Training and Enterprise Councils and the regional and subregional groupings ways of providing labour market information in a form more useful to colleges. Guidance on these matters is contained in the 1995 publication *Working together: Good practice in college-TEC relations*. The Department have followed up the commitments in the 1996 White Paper, *Competitiveness: Learning to Compete* by funding initiatives to encourage the further education sector and Training and Enterprise Councils to work together to share information to identify labour market needs, tailor it to local requirements, consider how well provision meets those needs and how it could adapt to meet them more effectively.

#### Example 1

##### Identifying local skill needs

Together with the local Training and Enterprise Council, one college commissioned a report to identify the skills needs of firms served by local job centres. At the same time and in collaboration with local job centres the college made an assessment of skills held by the long term unemployed within the region. By analysing the two sets of data together with other local economic information the college was able to identify the key skills required in a successful retraining programme.

## Contacts with employers and other organisations

**3.9** Local contacts with employers and other organisations, either directly or via groups such as the Chambers of Commerce, were at least as important to some of the 15 colleges that the National Audit Office visited in assessing local needs and identifying market opportunities as the analysis of published sources of information. The Funding Council's Inspectorate have also found that most colleges work closely with employers and community organisations, but that some failed to exploit the links teachers had with employers. These contacts with other organisations, which were often made by individual teachers in respect of their courses, helped colleges to build up a good awareness of their local situation.

**3.10** One of the 15 colleges had established a network of local community groups to help develop and promote new provision which made a major contribution to the high growth achieved by the college. Another developed an effective process for using advisory boards in curriculum areas to collaborate with employers. Although these models



were very much tailored to the local situations of the colleges, other colleges may be able to identify means of using direct contact with relevant local organisations to identify market needs. Taking information from published sources and from local contacts together, four of the 15 colleges needed either to improve information on the labour market, for instance through better contacts with employers, or to use available data in a more co-ordinated and targeted way within the college.

## Assessment of competitors

**3.11** Colleges' assessment and understanding of their competitors' portfolios was patchy. This partly reflects the differing competitive environments in which they operate, but few colleges carried out systematic analysis of competitors, especially private sector competitors. Three of the 15 colleges visited had made very good assessments of their competitors (Example 2). Colleges which had collaborative arrangements with their neighbours were, unsurprisingly, able to be much better informed about each other's activities. Colleges involved in collaborative arrangements were less likely to have overlapping provision or to attempt to confront other colleges in the same markets.

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### Example 2 Competitor analysis

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At one college, the market research officer analysed the provision, marketing and promotion at competitor institutions. From this information, he prepared a competitor analysis report which was used to identify gaps in the market. Curriculum managers targeted their development and recruitment efforts in the areas identified and achieved growth in these areas.

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## Management information on student activity

**3.12** An important source of information on the needs of potential students is a college's information on its existing students. This information also aids colleges in their own assessment of how successful they have been in responding to those needs and on the extent to which they cater for their local population. Accurate information on existing students also allows a college to monitor its performance in terms of recruitment, retention and participation and to tailor appropriate strategies.

**3.13** The Funding Council recognised at the time of independence that there was a need to improve management information on students, and developed the Individualised Student Record (paragraph 1.13) in response. The 15 colleges

visited by the National Audit Office were at various stages in developing improved management information systems. Two colleges had problems with the reliability of data on their students. They had over-estimated their student numbers and therefore the income they expected to receive. Unreliable data on student activity also meant that strategic plans were subject to uncertainty. Two other colleges had problems in bringing course-level student data together at a college level to give a complete picture of their student profile and retention.

**3.14** Some colleges were able to use their new management information systems to generate detailed and useful information about their students. But because these systems had only recently been introduced, fewer colleges had begun to use this information to make a significant contribution to the planning process. The use of data on enquiries and applications was even less well developed: six colleges either did not track enquiries or had not analysed their enquiry data for planning purposes. Colleges were aware that they had not yet been able to develop the potential of their management information systems in assessing market needs, for instance to identify unmet needs, differences in patterns of participation or achievement between different groups within their student population. However, three colleges used postcode analysis of their existing locally based students to supplement their population information to ascertain how successful the college had been in attracting students from different districts amongst various age groups and ethnic populations (Example 3).

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**Example 3**      **Postcode analysis**

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The college employed a consultancy firm to produce a detailed postcode analysis of the area. This involved matching census data about postcode areas with details of the students in the college for each of those areas. This determined the level of penetration the college had achieved within each postcode amongst various age groups and the different ethnic populations for both its part-time and full-time markets. The college was then able to use the information to make decisions about how and where best to target future promotion and recruitment drives.

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## **Primary data collection**

**3.15** Even if colleges take full advantage of the sources of information available to them through published material, data on their own students, contacts with employers, monitoring of competitors' activities and liaison with other organisations, this may not provide all the information they might need about potential markets. It is difficult, for instance, for colleges to assess the needs of those who do not participate in education, or to determine why students choose to attend other institutions. Six of the colleges visited had recently undertaken or participated in primary data collection. This usually took the form of surveys of

actual and potential students or other groups such as employers. The results can provide useful information for planning purposes. Example 4 shows how targeted research can be used in the planning process.

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**Example 4**      **The contribution of a market research officer to strategic planning**

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At one college, strategic planning is based on very strong market research. A market research officer is responsible for co-ordinating information and trends from a wide range of sources. In addition, he carries out or commissions a rolling programme of research into specific areas in response to demand from curriculum managers. The college's main areas of growth reflect local labour market needs identified by its own market research.

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## Needs analysis information in planning

**3.16** In addition to external contacts and other sources of information, colleges often depend on teaching staff to generate new course proposals for their strategic plan. This means that the outcomes of needs analyses undertaken by central or specialised staff need to be communicated successfully to the staff engaged in curriculum development and delivery. If this is not coordinated, there is a risk that research will not impact practically on the curriculum the college is planning to offer. The Funding Council have issued a publication, *Identifying and Assessing Needs - a practical guide*, to assist colleges in this process. Colleges have developed mechanisms such as involving curriculum managers in planning groups which use the outcomes of market research, appointing faculty marketing representatives, producing regular bulletins which update staff on market information and providing staff with access to a database of community and employer links. However, five colleges visited by the National Audit Office had no mechanism to integrate market analysis into their strategic planning process. Example 5 describes a good planning mechanism.

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**Example 5**      **Proposing new courses**

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At one college, proposals for new course development are considered as part of a formal bidding process. Each application requires that courses are fully costed and resource requirements identified - both in terms of use of current facilities and new resources. The course's strategic fit must be demonstrated together with its ability to address key objectives of the college's strategic plan. Local and, if appropriate, national competitors are identified and a justification on the basis of labour market information or general marketing information provided. Staff must be prepared to undertake a formal presentation of their proposals to the curriculum development group.

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## Barriers to growth

**3.17** All the colleges visited by the National Audit Office were able to identify factors which inhibited growth. These included national, local and college-specific factors. The most common barriers identified at the 15 colleges visited are summarised in Table 4 together with examples of action taken to address them.

### Barriers to growth

**Table 4**

Barriers identified by colleges	Number of colleges citing barrier	Actions taken by colleges to overcome barriers
Student hardship	6	Fee remission; use of Access funds; providing childcare facilities
Access to college facilities	5	Providing a bus service; developing outreach and open learning provision; developing multi-site provision
Poor college facilities	4	Using reserves to improve site; making better use of the space available for teaching; seeking opportunities, including the Private Finance Initiative, to acquire new buildings
Competition	4	More targeted promotion; direct mailing to potential students; setting up an "education shop"
Poor image of college to potential students and customers	2	Modifying and enhancing the curriculum; more targeted promotion
Poor image of area	2	Improving security; participating in local regeneration working group

Source: National Audit Office

**The table shows the steps that some colleges have taken to address barriers to growth.**

**3.18** Colleges were generally able to indicate that they had taken some action to address barriers. Some actions identified either had no cost implications or involved the redirection of existing resources. Colleges often recognised, however, that expenditure on tackling barriers was an investment and assigned resources to address them (Example 6). A few had attempted to quantify the benefits of this investment, such as assessing whether fee remission or transport policies would be repaid in funding for increased recruitment or retention. But three colleges

which had low growth, and had not achieved their planned numbers of students, had not considered the issue of releasing resources to overcome barriers to growth or assessed the costs and benefits.

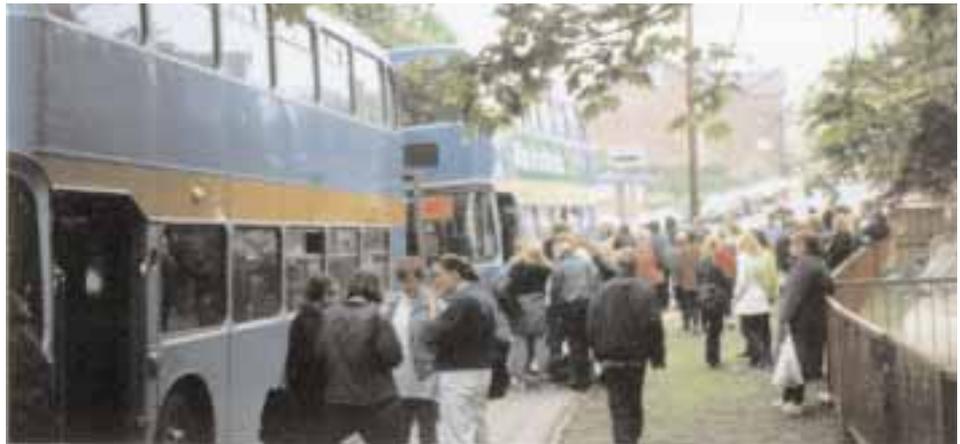
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**Example 6**      **Addressing a barrier to growth**

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A college that attracted many students from outside its local area before incorporation identified the reduction in the number and value of discretionary travel awards as a potential barrier to growth. The college decided to change its recruitment focus and adopt a 'travel to college' strategy. In executing this strategy, the college paid for buses from certain areas. Subsequently, the college identified an opportunity both to reduce the cost of its bussing activities and to grow by opening an outreach centre. These activities were accompanied by more targeted promotional activities and some small scale market research.

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## Part 4: Curriculum review and development

### Introduction

**4.1** Colleges seeking to continue to attract students must continually review the nature and quality of the provision they offer. In the period since incorporation, colleges have tended to focus most of their efforts in this respect on the provision which is eligible for funding from the Funding Council. On average, colleges receive 75 per cent of their funding from the Funding Council.

**4.2** In order to assess how effectively the 15 colleges visited in the Spring and Summer terms of 1996 were managing their curriculum development and the associated risks, the National Audit Office examined a sample of 27 recently introduced courses or projects involving over 5,000 students and a total yearly turnover of £3.5 million. In particular we examined whether colleges had:

- been flexible in the way in which courses were delivered;
- adequately costed courses and established course monitoring mechanisms;
- established contracts and terms of agreement when appropriate; and
- developed work outside the areas of activity funded by the Funding Council.

**4.3** The results of the National Audit Office's assessment of good practice in curriculum review and development at the 15 colleges reviewed are summarised in Figure 5. Our assessment of good practice was based on the characteristics specified in Appendix 2.

## Key messages

The National Audit Office found that:

- While most colleges had explored, to a greater or lesser extent, some ways of making their courses more flexible and accessible, there was scope for colleges to do more to develop flexible delivery as a means of enhancing access, achieving growth and increasing efficiency.
- Colleges tended to be poor at considering the resource implications of individual courses. Although monitoring mechanisms for course quality, student numbers and income and expenditure tended to be in place, financial information was often incomplete. Colleges had introduced new courses in a wide variety of areas, although courses wholly funded by business were rare. Where colleges had introduced new courses they had tended to be successful.
- Having generated new provision, the management of the associated risks at colleges was variable. Some weaknesses were particularly common. The National Audit Office concluded that colleges should review their procedures for:
  - calculating the income, direct expenditure and the contribution towards overheads for each course so as to inform decision making in respect of curriculum appraisal;
  - ensuring that course and project monitoring mechanisms benefit from recruitment and financial targets set in advance;
  - ensuring that courses and projects are systematically monitored and reviewed against their targets; and
  - protecting the interests of the college when in partnership by ensuring appropriate contractual arrangements are in place.
- Colleges should consider the opportunities for growth in areas not funded by the Funding Council.

## Flexible delivery

**4.4** Delivering the curriculum more flexibly, by offering courses at different times and locations and by using a variety of teaching methods and media, may be used by colleges as an instrument for promoting increased participation and for increasing efficiency. The National Audit Office found that the colleges visited had redefined and repackaged courses in a variety of ways (Figure 6).

Assessment of good practice in curriculum review and development: a summary of the National Audit Office's findings at the 15 colleges visited

**Figure 5**

<i>Colleges ranked in descending order of growth in student numbers<sup>(1)</sup></i>	<i>Flexible delivery</i>	<i>Costing the curriculum and the development of course monitoring mechanisms</i>	<i>Appropriate contractual arrangements in place</i>	<i>Developing work outside the areas funded by the Funding Council</i>
<b>General Further Education and tertiary colleges<sup>(2)</sup></b>				
1	❖	❖		
2	❖	❖	(3)	
3	❖		❖	
4	❖		❖	❖
5	❖	❖		
6			❖	❖
7	❖		❖	
8			❖	
9		❖	(3)	
<b>Specialist and sixth form colleges<sup>(2)</sup></b>				
10	❖		❖	
11	❖		❖	❖
12	❖			
13	❖	❖		❖
14	❖		❖	
15			(3)	

(❖) indicates good practice in line with the characteristics specified in Appendix 2

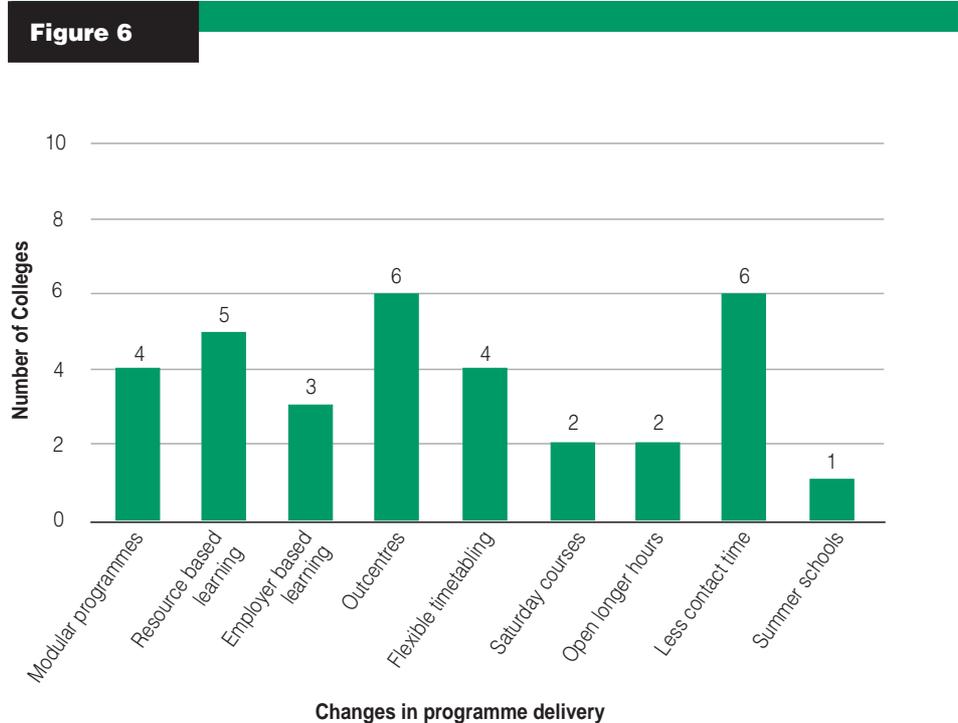
- Notes: 1 Growth in total student numbers between academic years 1992/93 and 1995/96.
- 2 General further education and tertiary colleges are shown separately from sixth form and specialist colleges to reflect differences in their patterns of growth and approach to delivering planned increases in student numbers.
- 3 Not relevant to the activities undertaken at the college.

**The area with the greatest scope for improvement was in colleges' use of course costing and course monitoring mechanisms.**

Source: National Audit Office

**4.5** The Funding Council Inspectorate's 1996 report on *College Responsiveness* stated that there was scope at most colleges to develop more opportunities for open learning whereby students can study on their own, at times which suit them, and obtain support from tutors when it is needed. One third of colleges visited by the National Audit Office were promoting resource based learning. In addition, we found that six of the 15 colleges visited were delivering courses in centres away from the college while three were delivering courses on employers' premises. Two were

**Changes in  
programme delivery  
at colleges**



Source: National Audit Office

**Colleges visited by the National Audit Office were exploring a range of ways to change their programme delivery.**

offering Saturday courses while one college was running a summer school of short courses. Given the potential benefits of more flexible delivery methods, there appears to be scope for colleges to explore these options further.



## Costing the curriculum and developing course monitoring mechanisms

**4.6** Costing courses and comparing costs with the income generated is an important aid to decision making and business planning. Costing provides information about the resources devoted to courses, provides a benchmark against which non financial benefits can be assessed and allows comparisons between courses to be made. In assessing its curriculum, a college needs to calculate the income and direct expenditure attributable to each course or project and the contribution made towards overheads. The examination at 15 colleges showed that they tended to be poor at assessing the resource implications of individual courses or projects. Ten of the 15 colleges visited by the National Audit Office had weaknesses in course costing including failing to calculate fully the costs of staff, supplies and direct costs attributable to a particular course. Example 7 is one of the few good examples found of course costing.

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### Example 7 Course costing model

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One college used a resourcing model spreadsheet for existing and planned courses to determine whether the provision generated a surplus or a loss. The model used the expected fee-paying and concessionary enrolments to calculate, for each course:

- units earned from the Funding Council for each programme element
- an estimate of the units earned from the Funding Council for fee remission, additional learning support and childcare costs
- fees and other charges
- staff hours and costs
- supplies costs
- overheads (allocated per staff hour)

Course leaders input student numbers and staff time onto the spreadsheet, and the model calculates indicative costs, contribution and profit or loss for each course and department.

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**4.7** Course monitoring mechanisms allow corrective action to be taken if a course or project does not meet targets. At each of the projects examined, the National Audit Office looked for a review of performance against predetermined performance targets. Twenty-two of the 27 courses or projects examined had a mechanism for monitoring progress in respect of quality, student numbers enrolled, course completion, and income and expenditure. However, because 12 of

these projects had inadequate costing, the financial information supplied was incomplete. One project (Example 8), did not undertake financial forecasts or projections of student numbers. As a result the college did not have the appropriate information to determine if the project was proceeding according to plan.

**Example 8 Performance indicators and monitoring mechanisms**

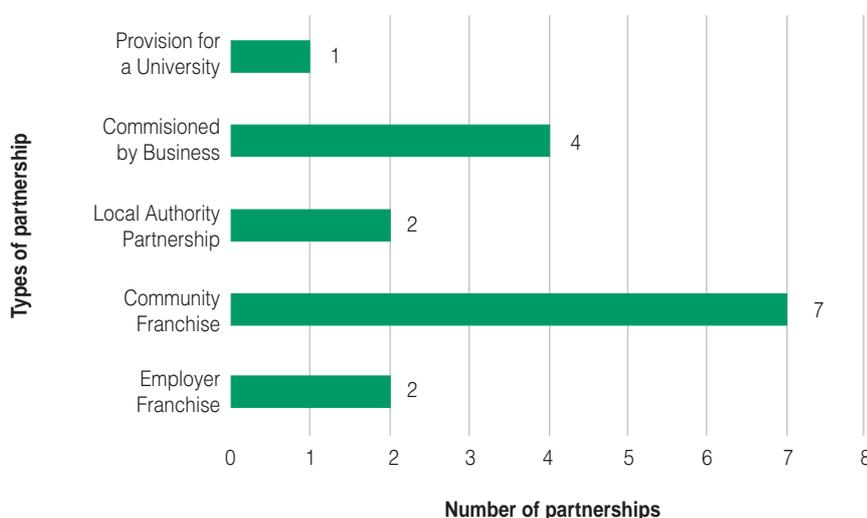
A city centre college undertook extensive and detailed research into regional and national employment trends in a particular industry. The college developed a network of links with businesses and development organisations to form a local training body. The college then succeeded in raising £500,000 in grants and sponsorship to buy new equipment and to train staff in local businesses. This commendable research by the college was not followed through into planning and monitoring. The college did not forecast student numbers or set targets for income and expenditure. Without targets and projections prepared in advance, the progress and relative success of the project cannot be determined and the college loses the opportunity to take any corrective action. The project has, however, succeeded in arresting a dramatic decline in this type of training and related income generating work has increased.

**Partnerships and agreements**

**4.8** New initiatives frequently involve partnerships with other organisations. Of the 27 courses or projects examined by the National Audit Office, 16 involved a partnership with another organisation. Figure 7 shows the types of partnerships we examined.

16 partnerships examined at colleges

**Figure 7**



**Community franchises represented the most common form of partnership at the colleges visited by the National Audit Office.**

Source: National Audit Office

**4.9** When college programmes are provided for, or by, another organisation a formal agreement or contract is required to protect the interests of the college. The National Audit Office reviewed 16 projects where the 15 colleges visited were in partnership with another organisation. While 12 of the projects were the subject of a formal agreement that satisfactorily protected the college's interests, four were not covered by a formal agreement or contract. However, two of the partnerships not covered by agreements were related to the outward franchising of provision. Since our visits to colleges the Funding Council have required colleges to have contracts or agreements in place in respect of franchised provision.

## **Developing work outside the areas funded by the Funding Council**

**4.10** On average, colleges receive 25 per cent of their income from sources other than the Funding Council. Many colleges have contracts with higher education institutions, Training and Enterprise Councils, or local education authorities. Colleges may also provide bespoke courses for business or training sponsored by the European Union, and employers may pay tuition fees for students on Funding Council-funded provision. Developing new areas of work outside those funded by the Funding Council enables colleges to:

- generate additional income;
- diversify their income base and reduce dependency on the Funding Council;
- offset the effects of falling levels of income per funding unit;
- cross subsidise Funding Council funded activity; and
- utilise spare capacity.

The National Audit Office examined whether colleges had been active and innovative in introducing new areas of work not funded by the Funding Council.

**4.11** In their report on *College Responsiveness*, the Funding Council noted the rarity of training provided for business in which the cost of provision is fully borne by the company involved. This is supported by the findings of the National Audit Office who found only four examples of training funded by business. At two of these initiatives, the companies concerned met the full cost of training. At the other two examples, the companies contributed to the costs of training which also attracted

Funding Council support. The low incidence of this type of activity suggests that there is scope for colleges to explore how they could expand provision where the costs are fully borne by employers.

**4.12** Two privately funded projects involved the teaching at colleges in England of students recruited from overseas. One of these was particularly well managed (Example 9). Four of the colleges visited provided teaching for higher education institutions with which they had a long term strategic alliance (Example 10). Several colleges had established partnerships with local authorities (Example 11).

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**Example 9**      **Developing a course for overseas students**

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One college has developed a network of contacts in Asia. Students recruited from India and elsewhere are taught at the college. Staff involved in the project have cultural links with the target nations and students often stay with local Asian families. As a result the college can offer parents an appropriate level of religious and pastoral support for students. The type of student support available provides the college with an advantage in a competitive market. The students are taught in existing classes with local students and as a result the associated marginal teaching costs are relatively low. The programme is distinguished by the level of research, planning and monitoring associated with it. In 1996-97 students on the scheme generated income of about £250,000 for the college.

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**Example 10**      **A partnership with higher education**

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One college provided undergraduate teaching for a nearby university. Senior management at the college considered the project to be of strategic importance. The arrangement went through a well documented validation process and a detailed agreement exists. Higher Education is provided by teachers from each institution at the sites of both the college and the university. Staff on the programme undertake joint staff development and the programme generates about £300,000 a year. The college benefits from diversification, staff development and the generation of income. In addition all the college's students have access to some university facilities and additional progression routes are established. Risk to the college has been minimised by the level of planning and monitoring.

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**Example 11**      **A partnership with a local authority**

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One college has established a training partnership with the local authority. As well as providing existing programmes, the college helped develop two brand new National Vocational Qualifications. In addition to generating funding units, students obtain special rates at some local authority sports facilities which is a useful marketing and recruiting feature. The arrangement also allows the college to review its own sports facility provision. The partnership is well documented and reviewed.

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## Part 5: Marketing

### Introduction

**5.1** Frequently colleges are operating in increasingly competitive markets. In this situation, the successful marketing and promotion of a college or course is particularly important. At the 15 colleges visited during the Spring and Summer terms of 1996, the National Audit Office examined:

- colleges' approaches to, and strategies for, marketing;
- colleges' approaches to targeting their promotional activities; and
- colleges' monitoring of these activities and approaches to evaluating their effectiveness.



In addition, we looked at how much each college was spending on its marketing activities.

#### Key messages

The National Audit Office found that:

- Well targeted and effective marketing and promotion can be as important as high quality teaching in terms of student recruitment. The colleges examined by the National Audit Office were often engaged in imaginative and successful promotional activity. However, there were big differences between colleges in the amounts spent on marketing per student. There was little attempt to target marketing expenditure to priority areas identified in strategic planning, and the cost effectiveness of individual marketing activities was rarely evaluated. We concluded that colleges need to:
  - give marketing a strategic focus;
  - ensure that there is good co-ordination between marketing teams and senior staff involved in strategic planning and curriculum management;
  - target promotional activities at particular groups and markets; and
  - monitor the results, and evaluate the cost effectiveness, of individual promotional activities.
- The amount spent on marketing at the colleges visited by the National Audit Office varied from one per cent to almost three per cent of total expenditure.

**5.2** The results of the National Audit Office’s assessment of good practice in marketing at the 15 colleges reviewed are summarised in Figure 8 below. Our assessment of good practice was based on the characteristics specified in Appendix 3.

**Assessment of good practice in marketing: a summary of the National Audit Office’s findings at the 15 colleges visited**

**Figure 8**

<i>Colleges ranked in descending order of growth in student numbers<sup>(1)</sup></i>	<i>Marketing plan in place</i>	<i>Evidence of targeted promotion</i>	<i>Monitoring and evaluation of marketing activities</i>
<b>General further education and tertiary colleges<sup>(2)</sup></b>			
1	❖	❖	❖
2	❖		
3	❖		
4	❖	❖	
5	❖		
6	❖		
7	❖		
8	❖		
9	❖		❖
<b>Sixth form and specialist colleges<sup>(2)</sup></b>			
10	❖	❖	
11	❖		❖
12		❖	❖
13	❖	❖	
14	❖		
15		❖	

(❖) indicates good practice in line with the characteristics specified in Appendix 2

Notes: 1 Growth in total student numbers between academic years 1992/93 and 1995/96.

2 General further education and tertiary colleges are shown separately from sixth form and specialist colleges to reflect differences in their patterns of growth and approach to delivering planned increases in student numbers.

**The area with the greatest scope for improvement was in colleges’ monitoring and evaluation of marketing activities.**

Source: National Audit Office

## Marketing strategies

**5.3** The National Audit Office found that the 15 colleges visited had varying approaches to, and plans for, marketing (Figure 9). Five colleges had not established a marketing team or had only recently appointed marketing staff. Two of the colleges without specialist marketing staff also had no marketing plan. Three others had operational plans for promotional activities but had not developed a marketing strategy. Many college marketing teams concentrated on promotional activities and were not involved in market research, needs assessment or strategic planning. This was often combined with a lack of consideration of marketing at a strategic level. Lack of a strategic focus in marketing, and a lack of co-ordination between marketing teams and senior staff involved in strategic planning and curriculum management, made it more difficult for colleges to co-ordinate all the activities necessary to achieve growth. Promotional activity was also unlikely to be targeted effectively.

**Figure 9** The marketing function at colleges

	College														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Marketing team	❖	❖	❖	❖	❖	❖		(new)	❖		❖	❖	❖		
Marketing plan	❖	❖	❖	❖	❖	❖	❖	❖	❖	❖	❖	❖	❖		
Marketing strategy	❖	❖	❖	❖	❖	❖	❖	❖	❖	❖					
Marketing consideration in strategic plan	❖	❖	❖	❖	❖	❖	❖	❖							❖

(❖) indicates existence of the factor under examination.

Note: The order of listing of colleges does not relate to other Figures in this report.

Source: National Audit Office

**Some colleges had not established a marketing team, had no marketing plan or had not developed a marketing strategy. Marketing was not always considered strategically by colleges.**

## Targeted promotional activities

**5.4** Colleges employed a range of promotional activities to consolidate their position, facilitate the development of new market areas, and to ensure that the external market was aware of their curriculum offer. Some of these activities had clearly been very effective (Examples 12 and 13). A few of the most successful colleges had made significant efforts to build up good relationships with the local press and were able to generate positive press coverage.

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### Example 12 Involving students in the recruitment process

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When preparing to visit partner schools each year, one college identifies a number of current students interested in returning to their old school and talking to pupils about life at the college. Students who go on the school visits are given a short training programme to explain the key objectives of the visit, what sort of questions they may be asked and what image the college wants to present. The involvement of students in visits to partner schools represents an imaginative way of bringing careers talks to life for school pupils, giving them role models to whom they can relate and communicate with more readily. The college has monitored the benefits of this approach and has observed a small but steady increase in the numbers of students recruited from partner schools since it adopted this approach.

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### Example 13 The use of a telemarketing unit

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One college established a pilot centralised freefone telephone enquiry service for a number of its professional courses. The pilot scheme generated hundreds of enquiries in a short space of time. In addition, the inadequacies of the existing procedures were revealed: the parochial attitudes of individual departments had led to fragmented communications and an inconsistent approach to customer service. A centralised telemarketing unit for the entire college has now been established. Potential students are tracked to the point of enrolment and information is fed back to marketing staff about the effectiveness of individual campaigns. The college believes that the telemarketing unit is much more consumer orientated and the proportion of initial enquiries converted into enrolments has increased considerably.

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**5.5** In only about half the colleges were promotional activities clearly targeted at specific groups of potential students. Many examples of this were in sixth form colleges which could identify potential students easily as they aimed to recruit mainly from Year 11 in a number of local schools. Two large colleges had deliberately adopted different promotional strategies for clearly differentiated target groups. There were examples of other large colleges which had identified target groups, but had not introduced promotional strategies aimed at those groups.

## Monitoring and evaluation

**5.6** The 15 colleges visited by the National Audit Office could usually provide broad analysis of costs, identifying spend on headings such as market research, advertising, and publications, but only four could identify the costs of specific promotional activities. Nor were many attempts made to monitor the results of promotional activity, such as tracking the response to promotional campaigns. Some colleges recorded the source of enquirers' or new students' awareness of the college, which provides base data to start to do this. Five colleges used surveys or focus groups to evaluate the success of promotion. But in the absence of data on the cost or the outcome of activities, an assessment of their cost-effectiveness could not be attempted. Most colleges were not therefore aware of how well their marketing budget had been spent as very little information was gathered on the success of different activities.

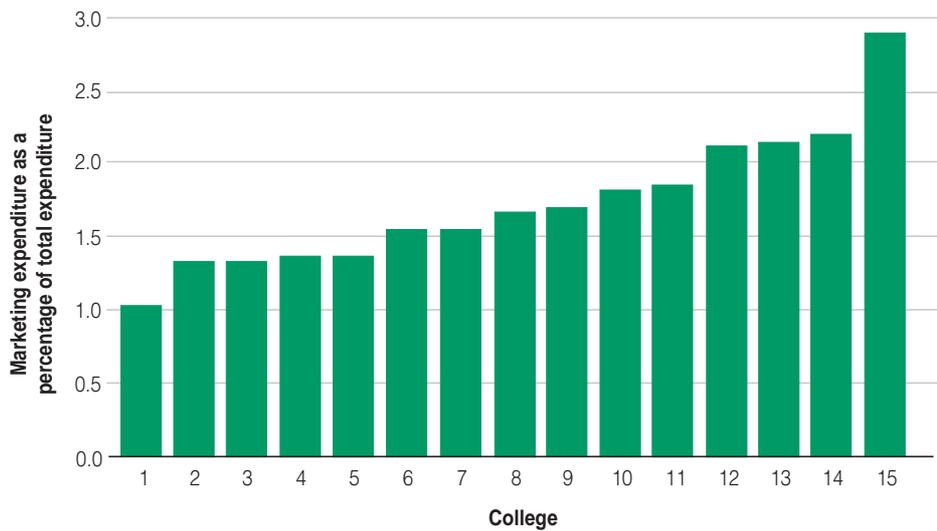
## Marketing costs

**5.7** The National Audit Office asked colleges to provide a breakdown of the costs of their marketing activities, including market research and analysis as well as expenditure on promotion and publicity. All colleges had a marketing budget, and most could provide an estimate of the staffing costs of marketing activities, although for the purposes of our examination we made an estimate of staff costs at three colleges. Figure 10 shows colleges' marketing costs as a percentage of expenditure in 1995-96.

**5.8** Figure 11 shows the amount spent on marketing by the colleges visited by the National Audit Office and the number of new full-time equivalent students they recruited in 1995/96. Colleges' success in recruiting new students cannot be expected to correlate exactly with marketing expenditure. Nevertheless, there was a striking variation in the amount each college spent to recruit an additional student, from around £30 per head to almost £140 per head at the 15 colleges visited. High cost per new student could indicate that expenditure had been ineffective, or that the market for further education in the area was such that colleges were experiencing diminishing returns on their expenditure. Some colleges in the same areas had significantly different levels of cost, making the latter explanation less likely, although they were sometimes targeting different student groups. Review of the colleges visited indicates that more investment is required to attract adult students and those outside the colleges' traditional markets.

**Marketing expenditure as a percentage of total expenditure  
Academic Year 1995/96**

**Figure 10**

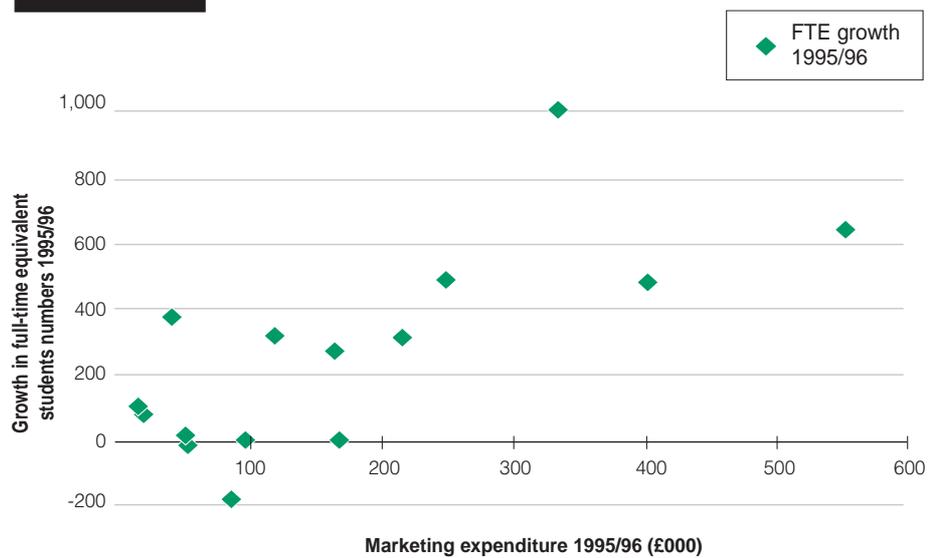


Source: National Audit Office

Marketing expenditure as a percentage of total expenditure varied from one per cent to almost three per cent at the 15 colleges visited by the National Audit Office.

**Relationship between marketing expenditure and growth in full-time equivalent students**

**Figure 11**



(◆) Shows growth in full-time equivalent students funded by the Funding Council

Source: National Audit Office

The figure suggests there was a striking variation in the amount each college visited by the National Audit Office spent to recruit an additional student.

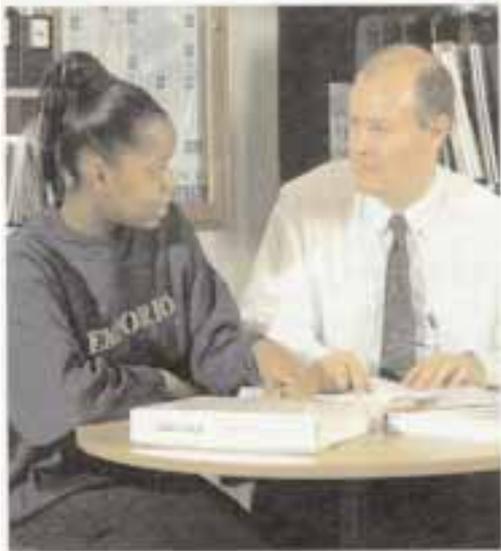
## Part 6: Student support mechanisms to improve retention and achievement

### Introduction

**6.1** For colleges, the process of achieving, managing and sustaining growth is not simply a matter of recruiting students each year but also retaining them and enabling them to achieve their learning goals, normally a recognised qualification. A further incentive to colleges to provide students with the support mechanisms to enable them to complete their programmes of study successfully is the Funding Council's funding methodology. This recognises the resource commitment in providing initial guidance and counselling to students. In addition, the funding methodology rewards colleges for securing student retention and achievement (paragraph 1.10). To achieve this, they need to have in place effective systems of student support.

**6.2** During the visits to 15 colleges in the Spring and Summer terms of 1996, the National Audit Office focused on the following aspects of colleges' approaches to student support mechanisms:

- identifying learning support needs;
- learning and tutorial support systems;
- retention strategies;
- achievement strategies; and
- monitoring and tracking student progress.



## Key messages

The National Audit Office found that:

- The network of support services offered across the majority of colleges was generally strong for full-time students but was more variable for part-time students. Colleges need to consider how they could improve the consistency of student support services, especially for part-time students.
- Colleges were generally good at identifying students needing additional support and providing the support required.
- Tutorial support was good for full-time students but the picture for part-time students was more patchy.
- Colleges need to consider how they could translate strong student support into formal retention strategies with operational targets.
- Most colleges had formal strategies to raise levels of achievement although most colleges could do more to improve achievement rates.
- Most colleges were good at monitoring student progress and student satisfaction.
- Finally, colleges should consider the benefits of integrating the results of their student monitoring procedures with other processes for managing growth.

**6.3** The results of the National Audit Office's assessment of good practice in student support at colleges at the 15 colleges reviewed are summarised in Figure 12. Our assessment of good practice was based on the characteristics specified in Appendix 2.

## Identifying learning support needs

**6.4** Guidance provided to students at the pre-entry, enrolment and on course stages was generally well developed across the colleges visited by the National Audit Office, and this is confirmed by the findings of the Funding Council Inspectorate in this area. Twelve out of the 15 colleges visited had established good systems, generally involving some form of diagnostic testing, to identify students' learning support needs during the enrolment or induction period. However, three colleges had not yet fully implemented this area of support. For example, one college had yet to introduce diagnostic testing and had not established procedures for identifying students with learning difficulties. Two further colleges that used diagnostic testing did not systematically apply this technique.

**Figure 12**

Assessment of good practice in student support: a summary of the National Audit Office's findings at the 15 colleges visited

Colleges ranked in descending order of growth in student numbers <sup>(1)</sup>	Guidance and counselling	Identifying learning support needs	Learning and tutorial support	Retention strategy	Achievement Strategy	Monitoring and tracking student progress
<b>General further education and tertiary colleges<sup>(2)</sup></b>						
1	❖	❖	❖		❖	❖
2	❖	❖	❖		❖	❖
3	❖	❖	❖	❖	❖	❖
4					❖	
5	❖	❖	❖		❖	❖
6	❖	❖	❖		❖	❖
7	❖	❖	❖		❖	❖
8		❖	❖		❖	
9	❖				❖	
<b>Sixth form and specialist colleges<sup>(2)</sup></b>						
10	❖	❖	❖		❖	❖
11		❖	❖		❖	❖
12		❖	❖		❖	❖
13	❖	❖	❖		❖	❖
14					❖	❖
15		❖	❖		❖	❖

(❖) indicates good practice in line with the characteristics specified in Appendix 2

Notes: 1 Growth in total student numbers between academic years 1992/93 and 1995/96.

2 General further education and tertiary colleges are shown separately from sixth form and specialist colleges to reflect differences in their patterns of growth and approach to delivering planned increases in student numbers.

Source: National Audit Office

**Most colleges had good systems in place to support students. But hardly any had either formalised or fully developed student retention strategies.**

## Learning and tutorial support systems

**6.5** Nine colleges had created learning support centres which provided excellent support and guidance for a wide cross section of students, including those with learning disabilities. Strong tutorial support frameworks were evident within 12 of the colleges. All 15 colleges had formal tutorial and review systems in place to monitor progress and provide support for students. Mechanisms within these systems identified those students requiring additional support and provided

a direct link with learning support areas (Example 14). The Funding Council Inspectorate have found that tutorial support for full-time students is generally good, but that support for part-time students is patchy.

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**Example 14**     **Disability and learning support**

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Disability and learning support offered in one college are tailored to the needs of individuals requiring support. A referral system exists which may identify a learning support need from various sources and at various times during a student's college career. Once a referral is made, the learner support coordinator will assess the specific needs of the individual. The support needs are then negotiated with the student and the learning contract and support programme are devised. This outlines the support the student can expect to receive and the commitment the college requires from the student in order for the programme to be effective. The contract is issued to the student and his/her personal tutor and is reviewed at an agreed date. Support may involve individual support, class support or specific workshops for a student. Each student who is receiving additional learning support is offered a progression interview with the coordinator to ensure that his/her support needs are identified for the chosen progression route. Students' progress is monitored continuously. All students who receive additional learning support are asked to complete a questionnaire at the end of a programme, to state how useful they felt the support had been. The support programme is reviewed in the light of feedback from the questionnaire.

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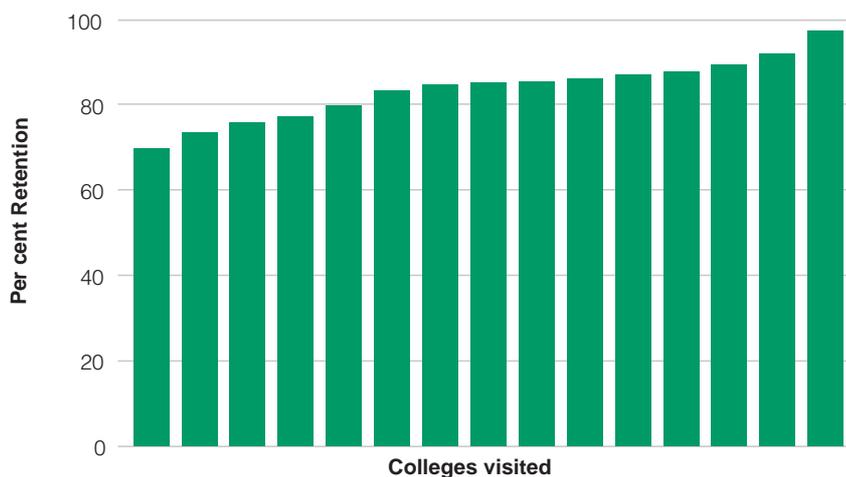
## Retention strategies

**6.6**     Given the incentives within the funding methodology (Table 7), it was surprising that more colleges had not developed formal strategies to raise levels of retention. While colleges were well aware of the need to raise retention rates and had targeted certain areas with a view to improving retention, none had developed formal strategies. The development of such strategies would assist colleges in systematically tackling what is in most colleges a considerable task. The Funding Council have measured the retention rate at the 15 colleges visited by the National Audit Office (Figure 13).

**6.7**     The variability in retention performance shows the importance of successful retention strategies. A strategy would outline key objectives, identify the means by which retention is to be improved and provide a framework for monitoring retention across each programme area. A key component of a retention strategy would be to include retention targets for each programme area as well as targets for specific groups of students. One college visited had established a retention group to address the problems generated by low retention rates and to identify possible solutions.

**Retention rates at the colleges visited by the National Audit Office**

**Figure 13** Full-time student retention rates



Note: Retention rates of full year students on courses funded by the Funding Council in academic year 1995/96

Source: Further Education Funding Council

**Retention rates at the colleges visited by the National Audit Office varied from 70 per cent to 98 per cent.**

## Achievement strategies

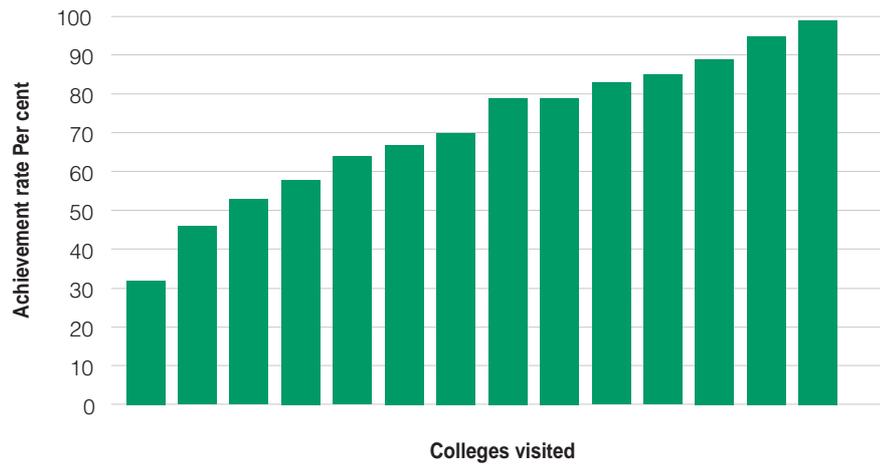
**6.3** Across the entire sector, 67 per cent of qualification aims were achieved by students in 1994/95. Figure 14 shows the performance of 14 of the colleges visited, where the percentage success rates range from just over 30 per cent to almost 100 per cent. However, it should be noted that the achievement rate at the low end of the range is agreed by the Funding Council to be an underestimate of the true picture for the college in question (see Figure 14, Note 2). All the colleges reviewed by the National Audit Office were aware of the need to have a framework in place to ensure that consistently high standards of teaching are delivered across the college. Many had developed tutor handbooks and other guidance to ensure such consistency.

## Monitoring and tracking student progress

**6.9** The 15 colleges reviewed were generally very good at surveying students at key stages of contact such as taster days, enrolment, induction, at the end of the first term or first year of their programme and at exit. A key function of these surveys is to identify the needs of all student groups to ensure that support can be tailored to meet those needs. Results of surveys provided vital feedback to both teaching staff and the management of each college. Of the colleges reviewed, three

**Qualifications achieved  
at the 15 colleges  
visited**

**Figure 14**



- Notes:
- 1 Achievement rates of full-year students funded by the Funding Council in academic year 1995/96.
  - 2 The low achievement at one college (32 per cent) is agreed by the Funding Council to be an underestimate of the true picture. It reflects the difficulty the college has in capturing the achievements of all its students on its central management information systems. The under-recording of student achievements is usually in the areas of adult basic education programmes and short part-time courses.
  - 3 Data were unavailable at one college.

Source: Further Education  
Funding Council

**Achievement rates at the colleges visited by the National Audit Office varied from just over 30 per cent to almost 100 per cent.**

would benefit from greater control over the use of student surveys. One college did not survey part-time students who had completed their course. In another, there was no control to ensure that exit questionnaires were provided as a matter of course to all leavers.

**6.10** There was a variety of systems in place across the colleges visited used to monitor student progress and the effectiveness of student support. These were sometimes, but not always, integrated with the management information systems referred to in paragraph 3.13 to 3.14. One of the colleges reviewed had implemented a sophisticated database which it used to track student progression from initial inquiry to post completion. However, the database was not regularly reviewed to ensure that all the key stages of the pre-enrolment process were actioned on a timely basis or that the reasons for withdrawals pre-enrolment were closely monitored. Monitoring and regular review of data contained within the

information system need to be undertaken systematically to maximise the benefits of such information. The results of monitoring of student progression were not always fed into other growth-related activities such as planning, curriculum development and promotion.

## **Student support and its effect on retention and achievement**

**6.11** Since incorporation, colleges throughout the sector have sought to improve their support to students as a means of helping them to remain on their programmes and achieve their qualification aims. Figure 15 shows the performance as regards student retention and achievement in academic year 1995/96 of the 15 colleges visited by the National Audit set against our assessment of how well each college matched aspects of good practice in student support specified in Appendix 3.

**6.12** The National Audit Office found little evidence to suggest a strong relationship between student retention and achievement and the factors considered during our examination. This reflects the difficulty in isolating the effects of differences in student cohorts and other local factors, as well as the absence, as yet, of firm trend data on student performance. However, it also suggests that colleges, in order to improve student retention and achievement, will need to focus closely on strategies that go beyond conventional thinking on what constitutes good practice in student support. For example, some of the colleges visited had already identified the need to monitor closely student attendance rates, and take prompt action as problems emerged, as a key element of their approach to improving student retention.

**Figure 15**

Levels of retention and achievement at the colleges visited by the National Audit Office set against an assessment of their implementation of a range of student support strategies

<i>Retention Rates (full-time students) (1)</i>	<i>Qualification aims achieved (1)</i>	<i>College</i>	<i>Guidance and counselling</i>	<i>Diagnostic testing</i>	<i>Retention strategy</i>	<i>Learning and tutorial support</i>	<i>Achievement Strategy</i>	<i>Monitoring and tracking student progress</i>
97.5	99	College 1 (2)		❖	❖	❖	❖	❖
92.1	79	College 2			❖			
89.6	79	College 3		❖	❖	❖	❖	❖
88.0	85	College 4		❖		❖	❖	❖
87.3	58	College 5		❖	❖	❖	❖	❖
86.3	89	College 6	❖	❖	❖	❖	❖	❖
85.7	53	College 7	❖	❖	❖	❖	❖	
85.4	70	College 8	❖					
84.8	32	College 9	❖	❖		❖	❖	
83.5	67	College 10	❖	❖		❖		❖
79.9	95	College 11	❖	❖	❖	❖	❖	
77.3	46	College 12	❖	❖	❖	❖	❖	❖
76.1	64	College 13	❖	❖		❖	❖	
73.6	83	College 14				❖		
69.8	(3)	College 15	❖	❖	❖	❖	❖	❖

(❖) denotes good practice in the aspects of student support identified above and specified in more detail in Appendix 2. Each college was implementing all the strategies to a greater or lesser extent. A blank cell indicates that the National Audit Office made suggestions for improvement.

- Notes: 1 Retention and achievement rates for full-year students funded by the Funding Council in academic year 1995/96.  
2 The order of listing of colleges does not relate to other Figures in this report  
3 Data unavailable at the college  
4 The low achievement rate for College 9 (32 per cent) is agreed by the Funding Council to be an underestimate of the true picture. It reflects the difficulty the college had in capturing the achievements of all its students on its central management information systems. The under-recording of student achievements is usually in the areas of adult basic education programmes and short part-time courses.

Source: Further Education Funding Council and National Audit Office

**The figure indicates little evidence of a strong relationship between student retention and achievement and the various aspects of student support considered by the National Audit Office.**

# Glossary

<b>Academic Year</b>	Academic or teaching year that runs from 1 August to 31 July. The period on which college strategic planning, curriculum delivery and accounting is based.
<b>Additional learning support</b>	Any activity that provides direct support for learning to individual students, over and above that which is normally provided in a standard learning programme which leads to their primary learning goal.
<b>Designated and Specialist Designated College</b>	Prior to incorporation, most of the 446 colleges now in the sector were owned, administered and funded by the local authority. Thirty-two designated colleges, however, were (and are) owned by a church group or voluntary organisation. Nineteen of these are sixth form colleges, mainly Catholic. Thirteen are specialist designated colleges mainly providing adult education.
<b>Fee remission</b>	Some students, for example, those in receipt of a means tested state benefit or unemployed people in receipt of Jobseeker's Allowance, may not be required to pay fees. Instead the college remits the fee. The Funding Council compensate institutions which remit 100 per cent of the fee for certain groups of people on low incomes. All 16 to 18 year olds on full-time provision do not have to pay fees.
<b>Financial Year</b>	Runs from 1 April to 31 March. The period on which Departmental financial planning and accounting is based. Also the basis on which cash is voted by Parliament for further education.
<b>Flexible learning</b>	A term used to describe methods of curriculum delivery other than traditional classroom based teaching. Flexible learning enables colleges to respond to more flexible patterns of attendance and study, and often requires less direct teacher contact but more tutorial support. Flexible delivery of a single course might entail a mix of classroom based teaching, work place based learning, use of distance learning materials and other forms of open learning using resources made available on college premises.
<b>Franchising (or 'off-site collaborative provision')</b>	An arrangement where another organisation provides teaching or training on behalf of the college. Provision is generally provided away from the college by a private training provider, voluntary group or employer, the franchisee. Students are always enrolled by the college which claims funding for the course and, in most cases, passes on a proportion to the franchisee for providing the course. Similar

arrangements for colleges to deliver certain types of higher education (but not further education) for universities and other higher education institutions have existed for some time.

**Full-time equivalent students**

A measure of student numbers in which full-time full year students are simply counted as one full time equivalent, but part-time and part-year students are included as fractions in a manner that broadly reflects their attendance as a proportion of full-time full-year provision.

**Funding methodology**

The mechanism used by the Funding Council to determine levels of grant allocated to colleges including the following elements:

**funding units:** measure used by the Funding Council to allocate funds to institutions, based on assigning a number of units per student to each learning programme (see below) at the college.

**core funding:** the element of the Funding Council's grant to colleges which is based on the previous year's funding. To date, this has been calculated at 90 per cent of the previous year's funding.

**additional funding:** the additional element of the Funding Council's grant to colleges - additional to core funding and based on activity in addition to core units. It is based on an application by each college for a proposed level of activity expressed in funding units. The level of activity agreed by colleges with the Funding Council as the basis for their annual funding allocation comprises core units, and additional units if applied for.

**demand-led element:** further funding made available for student activity achieved over and above the level of activity agreed by the college with the Funding Council for their annual funding allocation. It is paid at a lower rate than that agreed for each additional funding unit.

**General National Vocational Qualifications (GNVQ)**

Vocational qualifications which can be college or school based, or undertaken through a work based route. They have a broad vocational emphasis comprising mandatory and optional vocational units and core skills elements (see also National Vocational Qualifications below).

**Guided learning hours**

The number of hours of specific teaching, supervision or assessment received by a student for a particular course. Does not include general supervision or assistance.

<b>Individualised Student Record (ISR)</b>	A statement of information provided by each college to the Funding Council. The ISR provides data on students numbers, qualification aims, retention and achievement. The ISR is a key part of the funding method in that it provides the audit evidence necessary to support funding claims.
<b>National Targets for Education and Training</b>	National Targets for Education and Training, launched, with Government support, by the Confederation of British Industry in 1991. There are three Foundation Learning Targets and three Lifetime Learning Targets which have the objectives of increasing the demand for, and achieving improved levels of attainment in, education and training of high quality.
<b>National Vocational Qualifications (NVQ)</b>	Framework of vocational qualifications based on students' ability to demonstrate practical skills gained via experience in the workplace (see also General National Vocational Qualifications above).
<b>Programme area</b>	<p>Since 1993/94 the Funding Council categorise the curriculum into one of the following 10 programme areas:</p> <ol style="list-style-type: none"><li>1. Sciences (including mathematics and computing)</li><li>2. Agriculture</li><li>3. Construction</li><li>4. Engineering (including manufacturing technologies)</li><li>5. Business (including administration and management)</li><li>6. Hotel and Catering (including leisure and tourism)</li><li>7. Health and Community Care</li><li>8. Art, design, creative and performing arts</li><li>9. Humanities (including education and social studies)</li><li>10. Basic education (including programmes of study in basic numeracy, literacy, English for speakers of other languages, discrete provision for students with learning difficulties and/or disabilities, and programmes of study for adults such as 'return to learn').</li></ol>
<b>Provision</b>	The totality of educational and training programmes offered by a college.

<b>Primary learning goal</b>	The qualifications or other objectives intended to be achieved as set out in the student's learning agreement.
<b>Qualification Aims</b>	The qualifications a student intends to study in a particular year.
<b>Regional Committees</b>	The Further and Higher Education Act (1992) established an advisory committee in each of the Funding Council's nine regions. The committees include members of the local business community, representatives of the college principals in the region and people from Training and Enterprise Councils.
<b>Sixth Form College</b>	A college originally catering largely for school leavers taking GCSE and Advanced level qualifications on a full time basis. Since incorporation many of these colleges are attracting a wider range of students.
<b>Specialist College</b>	There are 30 colleges specialising in Agriculture and Horticulture, and eight colleges specialising in Art and Design and the performing arts.
<b>Student tracking</b>	Recording and monitoring of student activity from initial enquiry to final post-college destination.
<b>Tertiary College</b>	Colleges which were established by local education authorities, prior to incorporation, as the sole public provider, other than higher education institutions, of post-16 academic and vocational education within a particular geographic catchment area. Since incorporation, such arrangements have sometimes been replaced by competition between colleges and schools.
<b>Training and Enterprise Council</b>	A private sector company which manages local training and enterprise activities under a performance based contract with the Department for Education and Employment.

# Appendix 1

## Background to Further Education Sector

### Legislative framework

**1** The Further and Higher Education Act 1992 (the Act) made colleges independent bodies and established funding councils for England and Wales to administer the central government grant for the further education sector. The Further Education Funding Council for England (the Funding Council) have responsibility for administering funds in respect of 446 colleges, and to other institutions providing further education. In restricted circumstances the Funding Council funds some higher education in further education colleges. The grant to the Funding Council from the Department for Education and Employment (the Department) for the financial year 1996-97 totalled £3.16 billion, including additional funds made available for demand-led growth in excess of Department projections.

**2** Financial memoranda govern the financial relationships between the Department and the Funding Council and between the Funding Council and individual sector colleges. The financial memoranda specify the terms and conditions on which public money is provided. The responsibilities of the Chief Executive of the Funding Council include:

- satisfying himself that colleges have appropriate arrangements for financial management and accounting;
- promoting value for money through the grants paid to colleges; and
- monitoring their financial health and borrowing.

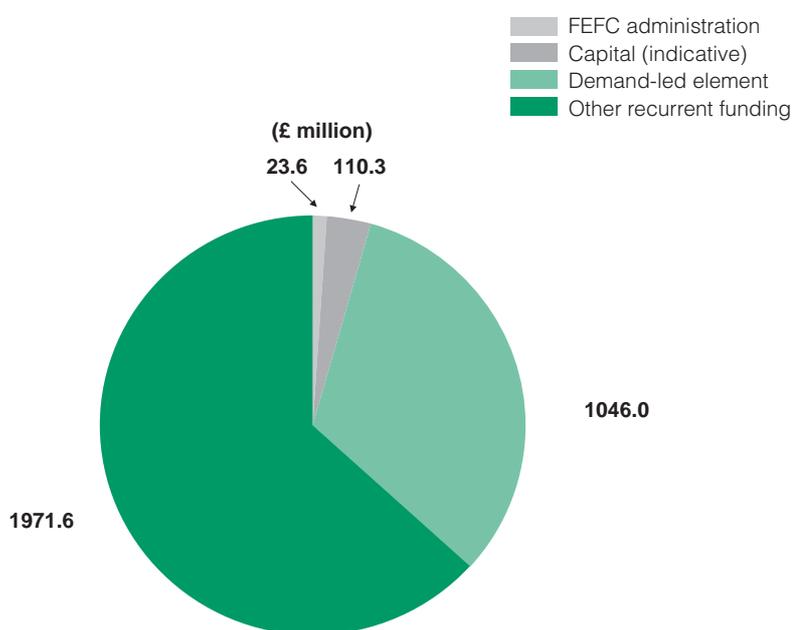
**3** The Act places a duty on the Funding Council to secure the provision of sufficient facilities for the full-time education of 16-18 year olds, and adequate facilities for the part-time education of those over 16 and full-time further education for those over 18. The Act also requires the Funding Council to make provision for assessing the quality of education in the sector. In response the Funding Council have established an Inspectorate to carry out external assessments of colleges by means of a four-year cycle of inspection visits.

## Funding for colleges

**4** Annual letters from the Secretary of State inform the Funding Council of their funding allocation for the following year and state the assumptions on sector growth and efficiency which underlie this allocation. It is for the Funding Council to determine how the funds for the further education sector should be allocated to individual institutions. The allocation includes an indicative sum to be spent on capital. Up to financial year 1996-97 the Government have made part of the allocation, the demand-led element related to growth, exempt from cash limits (Figure 1). The Funding Council introduced a new funding methodology from academic year 1994/95 which was designed to be able to achieve a number of objectives including the growth sought by the Government to secure sufficient and adequate facilities in England.

Central Government  
expenditure on further  
education 1996-97

Figure 1



**Of the £3.1 billion made available to the sector by the Department for Education and Employment, some £3.0 billion represents recurrent funding of institutions, of which one third is exempt from cash limits.**

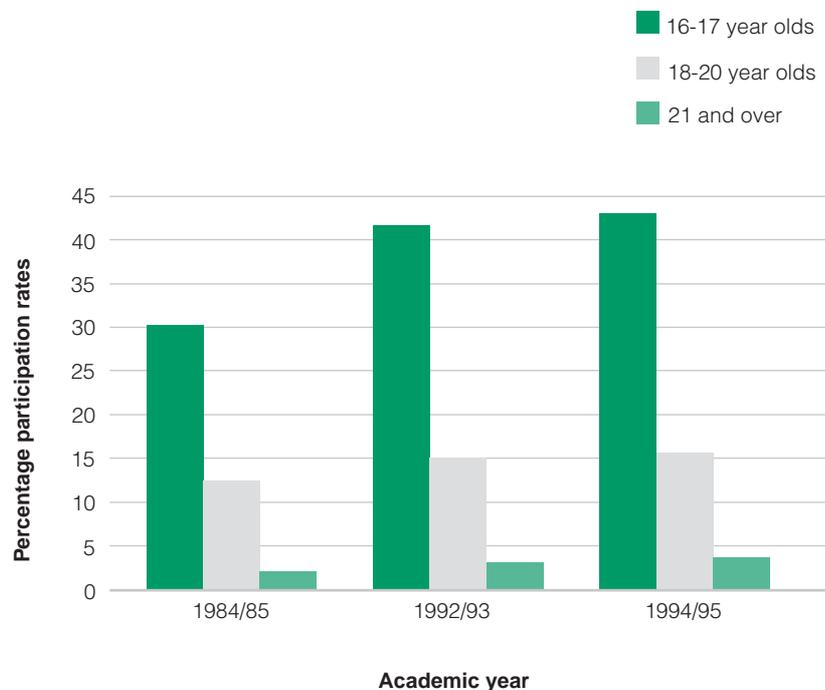
Source: Department for  
Education and Employment

## Widening participation

**5** Over the last decade there has been an increasing emphasis on widening participation in further education, not only by 16 and 17 year olds but also by adults and others who had traditionally not taken full advantage of the opportunities offered by further education. Figure 2 shows that since academic year 1984/85 participation by all age groups has increased, although there appears to be scope for increased participation by adults.

**Rates of participation  
in Further Education**

**Figure 2**



Note: The participation rate is derived from a count of students in further education at one point in time in the academic year.

Source: Department for  
Education and Employment

### The trend has been for increased participation for all age groups.

**6** The Funding Council established a Widening Participation Committee in 1995 to identify, and recommend ways to address, the needs of under-represented groups in further education. The Committee produced an interim report in November 1996 which recommended the funding of strategic partnerships to develop joint working to widen participation locally and the introduction of a new learning pathway for adults through the wide range of opportunities in further education. The Committee delivered their final report on 3 July 1997. Other committees established by the Funding Council have commented on ways to

increase participation amongst those with learning difficulties and/or disabilities and to improve access to further education through improved use of learning technology.

## Accountability

**7** Colleges are required by regulations under the Act to prepare audited annual accounts for each financial year. In addition, the Funding Council publish reports on inspections, and they have developed a series of performance indicators for colleges to be published annually. The coverage of the performance indicators is restricted to provision funded by the Funding Council (including part funded provision), with the exception of performance indicator five which covers all provision. The first set of performance indicators, for academic year 1994/95, were published in February 1997. They are listed in Box 1.

### College performance indicators

#### Box 1

<i>Indicator</i>	<i>Description</i>	<i>Indicator of</i>
1. Achievement of funding target	Unit of activity as % of funding target	Effectiveness
2. Student number trends	Change in student numbers from previous year	Responsiveness
3. Student continuation	% of enrolled students attending in 3rd term	Programme effectiveness
4. Learning goals and qualifications	% of qualification aims achieved	Student achievements
5. Attainment of National Vocational Qualifications or equivalent	Numbers achieving qualifications which contribute to National Targets	Contribution to National Targets
6. Average level of funding	Funding Council funding per unit of activity	Value for money

## **Appendix 2**

# **Management of growth: key characteristics of good practice assessed by the National Audit Office at individual colleges**

The National Audit Office, with support from a group of representatives from the further education sector, identified the key characteristics of good practice that colleges need to address to achieve and manage growth. With the help of the 'expert group' we identified nine colleges known to have developed good practice in one or more key area. We visited the nine colleges to examine good practice in detail. Based on the results of these visits we devised a detailed template of good practice which was used to assess in detail the actions taken by a further 15 colleges to achieve and manage growth. The colleges visited by the National Audit Office are listed in Appendix 3. Characteristics of good practice examined by the National Audit Office at individual colleges are summarised below.

### **College situational analysis**

- awareness of:
  - the needs of local individuals, communities and labour markets, and the scope for partnership with employers and community organisations
  - opportunities for growth, whether local, regional, national or international
  - barriers to, and constraints on, growth
  - the activities of private and public sector competitors and the scope for collaboration
  - demographic trends and the extent of local population participation in education and training

- the development of :
  - labour market intelligence and contacts with Training and Enterprise Councils
  - contacts with employers and other organisations including the establishment of advisory committees, employers or community group fora, and informal contacts
  - targeted independent market research, in-house or commissioned
  - internal data from college management information systems and other sources on trends in student activity from initial enquiries through to post-college destinations
- a clear understanding, derived from the situational analysis, of the college's market position and the potential for the development of new markets and products

## **College planning**

- the setting of clear and appropriate strategies and targets for growth in student numbers and activity (including student retention and achievement), and the development of appropriate performance indicators to evaluate success
- the inclusion of strategies for:
  - more flexible delivery of education and training provision to improve both access and efficiency
  - developing growth in areas that attract funding from sources other than the Funding Council
- an assessment of the resource implications of existing and proposed education and training provision, underpinned by sound student data and course costing methodologies
- formal arrangements for the monitoring and evaluation of college performance against plans, to inform future college planning

## **Curriculum review and development**

- justification for new courses and activities supported by the results of appropriate market research
- use of option appraisal, including identification of risks, detailed costing and sensitivity analysis
- integration within the college's strategic aims
- existence of a detailed course or product specification and clear arrangements for the management of development and implementation including the setting of targets and deadlines
- cost-effective financial and legal arrangements, including contracts where third parties are involved
- formal arrangements for the monitoring and review of quality and financial impacts of existing and new projects/products, to evaluate success and inform future college planning

## **Marketing**

- the development of marketing strategies and plans in support of college strategic plans
- marketing plans that contain appropriate targets as the basis for evaluating the success of marketing and promotional activities
- clearly defined staff responsibilities for marketing and promotion
- monitoring and evaluation of marketing activities, to evaluate success and inform future planning of marketing and promotion

## **Student support mechanisms**

- provision of timely and appropriate pre-course guidance and counselling to potential students to enable them to choose a suitable course
- diagnostic testing of students to identify potential learning difficulties

- systems for tracking student progress, including structured tutorial arrangements
- the provision of learning and tutorial systems which are accessible to all students
- the regular collection of student' perceptions of the college and their courses and the use of the resulting information in future planning activities
- the existence of strategies to:
  - raise levels of retention
  - raise levels of achievement

## Appendix 3

### Colleges visited **Colleges visited by the National Audit Office:**

To inform development of  
good practice

<i>College</i>	<i>Type</i>	<i>Location</i>
Barnsley College	Tertiary	Barnsley
Birmingham College of Food, Tourism and Creative Studies	General Further Education	Birmingham
Cambridge Regional College	General Further Education	Cambridge
Gateshead College	Tertiary	Gateshead
Hackney Community College	General Further Education	Hackney (Greater London)
Josiah Mason College	Sixth Form	Birmingham
Myerscough College	Agriculture and Horticulture	Lancashire
North Derbyshire College	Tertiary	Derbyshire
South East Essex College of Arts and Technology	General Further Education	Essex

To undertake detailed  
evaluation

<i>College</i>	<i>Type</i>	<i>Location</i>
City College, Manchester	General Further Education	Manchester
College of North East London	General Further Education	Haringey (Greater London)
East Norfolk Sixth Form College	Sixth Form	Norfolk
Joseph Chamberlain Sixth Form College	Sixth Form	Birmingham
Loreto College	Catholic Sixth Form	Manchester
Loughborough College	General Further Education	Leicestershire

continued ...

**To undertake detailed evaluation continued**

<i>College</i>	<i>Type</i>	<i>Location</i>
Manchester College of Arts and Technology	General Further Education	Manchester
Matthew Boulton College of Further and Higher Education	General Further Education	Birmingham
Melton Mowbray College	General Further Education	Leicestershire
Paston Sixth Form College	Sixth Form	Norfolk
Pershore College of Horticulture	Agriculture and Horticulture	Hereford and Worcester
Shena Simon College	Sixth Form	Manchester
South Birmingham College	General Further Education	Birmingham
Southgate College	General Further Education	Enfield (Greater London)
Waltham Forest College	General Further Education	Waltham Forest (Greater London)

**Colleges visited by consultants as part of the joint study to develop good practice guidance on marketing**

<i>College</i>	<i>Type</i>	<i>Location</i>
Berkshire College of Agriculture	Agriculture and Horticulture	Berkshire
Bracknell and Wokingham College	General Further Education	Berkshire
Broxtowe College	General Further Education	Nottinghamshire
Carlisle College	General Further Education	Cumbria
Clarendon College	General Further Education	Nottinghamshire
East Berkshire College	General Further Education	Berkshire
High Pavement College	Sixth Form	Nottinghamshire
Kendal College	General Further Education	Cumbria
Leeds College of Art and Design	Art, Design and Performing Arts	Leeds
Leeds College of Building	General Further Education	Leeds
Notre Dame College	Catholic Sixth Form	Leeds
Park Lane College	General Further Education	Leeds

continued ...

**Colleges visited by  
consultants as part of the  
joint study to develop  
good practice guidance  
on marketing continued**

<i>College</i>	<i>Type</i>	<i>Location</i>
People's College	Tertiary	Nottinghamshire
Pontypridd College	General Further Education	Rhondda Cynon Taff
Reading College of Art and Technology	General Further Education	Berkshire