

# Funding higher education at work in England

---

## 1. Introduction

This is a complex subject, and this paper is intended to provide guidance for employers.

The first point to make is that there is no dedicated mechanism for accessing public higher education funds to support work based employer led activity. In other words there is no national scheme and in addition, Scotland, Wales, and Northern Ireland differ from that of England, all with their own distinct funding arrangements.

The second point is that higher education organisation with its emphasis on individuality generates additional complications, which are reinforced by the funding councils. This is because in England the funding Council for England (HEFCE) channels its resources from government directly to higher education institutions (HEIs) in England and not to other organisations such as businesses. In 2007/08, the Council funded 275 organisations; of that 132 were higher education institutions, 88 universities, 44 specialist institutions and 143 further education colleges.

The method HEFCE uses to fund teaching works by providing similar funding for similar activities, so it takes account of factors such as the number and type of students at each HEI, the subjects taught, and additional costs such as operating in London or maintaining historic buildings. Consequently the only way in which a business can access public funding for work based education activity it wishes to undertake is by accessing funds from an individual higher education institution.

The following paragraphs explain the types of funding that these institutions have access to. It should also be noted that the funding Council only supports 'approved' higher education qualifications.

HEIs will design, validate and deliver courses and qualifications for a business if it meets the costs involved and delivers sufficient numbers of registered students on a consistent basis.

The system generally geared to individuals rather than businesses.

## 2. What is Higher Education

Higher education includes teaching, research and social services activities of HEIs, and within the realm of teaching, it includes the *undergraduate* level and the *graduate* (or *postgraduate*) level. Higher education generally involves work towards a foundation, honours, masters or doctorate degree qualification.

In addition universities are awarding bodies in their own right and can design and validate higher education qualifications which they may or may not teach.

In most developed countries a high proportion of the population (up to 50%) now enters higher education at some time in their lives. Higher education is therefore very important to national economies, both as a significant industry in its own right, and as a source of trained and educated

personnel for the rest of the economy. It provides a range of opportunities, and modes of delivery including part-time, and full-time courses, from one day to 3 years delivered on campus, by distance learning, work based or franchised locally and internationally.

### **3. Part Time Approved Courses**

Part-time provision is funded pro-rata in terms of a full-time equivalent student (FTE), expressed either as a proportion of annual learning time (24 weeks) or credit (120 credits). For example, an unweighted undergraduate course will bring £2,662 per student of Hefce funding in 2009/10, assuming a fee income of £1,285. Hefce's central funding methodology is based on a year of full-time provision, with weightings applied in four bands to take account of the higher costs of delivering courses such as medicine and engineering. There are also additional London weightings.

The only, albeit oblique, reference to work-based learning in the mainstream allocation guidance concerns the 'year out' of 'sandwich' students, which Hefce counts at the rate of 0.5 FTE per student for that year.

In September 2007 the Government instructed Hefce to phase out funding provided to higher education institutions (HEIs) and further education colleges (FECs) to teach students who are studying for a qualification that is equivalent to, or lower than a qualification that they have already achieved. This has had a significant impact on part time recruitment and is directly relevant to any individual at work who is contemplating undertaking a further degree. The government exempted some programmes and sectors from the policy, most related to work-based learning are Foundation degrees, teacher training and a range of health and social care professional qualifications.

---

2

### **4. Full Time Courses**

Virtually all undergraduate provision is organised around subjects (disciplines) such as history, chemistry, architecture, business, accounting, or engineering and the primary qualification is a 3 year full time honours degree. This can be seen as a preparation or route to work for the individual.

2 year full time or 3 to 4 year part time Foundation degrees are a recent addition to the HEI portfolio but not all universities provide these. These qualifications are expected to be strongly vocational and employer influenced. Employers are often requested to sit on the programme or advisory committee.

Hefce funding arrangements recognise that "there are usually higher costs for foundation degrees associated with partnerships between institutions and employers."

Significantly for work-based learning provision, the allocation is 'variable' to recognise costs that vary according to the volume of learning and teaching. The allocation of £24m in the current year replaces the former flat-rate premium of 10 per cent which did not allow for this element of variation.

### **5. Co-funding and employer engagement**

Ministers intended the level of contribution to be split 50/50, between the HEI and business but HEIs have found this hard to implement in practice. Hefce are still testing the water, accepting bids for

employer contributions of 25 per cent or more from HEIs. Hefce has also accepted HEI proposals for in-kind employer contributions, particularly from sectors which have low levels of resource to spend on training their staff. They are interested in developing a sector-wide approach to in-kind contributions, and are looking for proposals from institutions which seek to test this type of co-funding from employers. The allocation of co-funded additional student numbers (ASNs) is used as the mechanism to channel the finance to the HEI.

The co-funded ASNs allocated to HEIs on a competitive bidding basis for 2009/10 amounted to 3,400 FTEs. These will increase substantially when final allocations are made and announced in July, when the total is expected to exceed 8,000 FTEs. As most of these are likely to be part-time places, the co-funded headcount could approach 20,000, which would be double the current co-funded figure.

## 6. The Strategic Development Fund (SDF)

The co-funding approach builds on HEI employer engagement capacity-building and co-funded projects supported by Hefce through the Strategic Development Fund (SDF), which is no longer open to bids. £99m of capacity-building has been allocated, together with 60 co-funded projects involving 46 lead institutions. With the co-funded places they bring the total employer engagement 'pot' to £15m in the current year. This will rise sharply to £40m in 2009/10 and to at least £50m the year after. Essentially this is to help the HEIs build their capacity to engage and meet business need. These funds can be used by the HEI to pump prime activities with business. This is at the discretion of the lead HEI.

## 7. Employer engagement through other programmes and funds

The following organisations have been set up by HEI consortia with Hefce funds.

- **Lifelong Learning Networks (LLNs):** All LLNs engage employers to varying degrees, primarily around curriculum development. Some see employer needs as a key area for future development, and have structures for engaging employers and Sector Skills Councils. Hefce has earmarked a small number of additional co-funded places – 200 part-time and 100 full-time – specifically for LLNs. The progression agreements that LLNs have developed, enabling learners to build a credit portfolio across institutions in the network towards a full qualification, have potential for use by employers and employees. However, these are no longer to be funded by Hefce and are progressively being phased out.
- **Higher Level Skills Pathfinders (HLSPs):** These aim to find ways of connecting employers and HE on a regional basis, linking with the Train to Gain programme through its brokerage service. Hefce currently funds three HLSPs – in the North West, North East and South West. Led by the Higher Education Regional Association in each region, the Pathfinders have development resources and additional student numbers to help build capacity in their institutions to respond to employer needs. Hefce describes their role thus: *“The Pathfinders are building on the Train to Gain model by putting in place HE specialists to work with employers to identify their higher-level skills needs, and work with HE institutions to develop responsive provision. In this way, the Pathfinders aim to build both the long-term capability and the capacity of institutions to engage with employers. The Pathfinders provide the regional infrastructure for employer engagement*

*which, it is hoped in the longer term, will also promote employer contributions to this type of HE provision.”<sup>1</sup>*

- **Economic Challenge Investment Fund:** Over 70 HEIs and colleges successfully bid to this £50m fund launched in response to the economic downturn. The institutions will support some 50,000 people and 11,700 businesses through short courses and work placements for graduates.

## **8. Additional Student Numbers Scheme**

ASN funding priorities with most relevance to work-based learning are:

- funding growth to complete business plans of currently funded Strategic Development Fund projects (many of which relate to employer engagement)
- Foundation degrees – 4,700 part-time, 1,500 full-time
- Employer co-funded places – 7,800 part-time, 500 full-time (discussed in section 2.5 below)
- Strategically Important and Vulnerable Subjects (SIVSs) particularly science, technology, engineering and mathematics (STEM) subjects
- Priorities within the healthcare sector.

## **9. European Social Fund (ESF)**

In 2007, the EU launched a new round of ESF programmes for the seven years to 2013, with improving the skills of the workforce as one of the overarching themes. In the UK the programme is supported by £4.6 billion, half from the ESF, matched by a similar amount from the government. Each region has an allocation of ESF funds to support projects. Allocations are based on regional employment and skills needs.

The criteria for support include:

- building a skilled and flexible workforce: making sure training corresponds to the requirements of unfilled jobs in the new knowledge economy
- attracting more workers into lifelong learning: funding more training in the workplace, especially in small companies or sectors with a low training record
- helping the social and voluntary sector, through training and development, to increase its work with disadvantaged groups
- supporting SMEs by developing technical and management skills.

Successful bids in HE mainly relate to the widening participation agenda. LLNs, for example, are part-funded by the ESF. Although the emphasis of ESF is on the disadvantaged and low-skilled, the above criteria suggest that there may be scope to gain ESF support for higher work-based learning in partnership with small to medium businesses (SMEs), the voluntary sector, areas of skills shortage and sectors with low HE participation.

---

<sup>1</sup> <http://www.hefce.ac.uk/econsoc/employer/path/>

## 10. Conclusion

The overall message from this is that there is no national scheme which is simple and easy to understand that businesses can plug into with the minimum of fuss.

If a business wants to access higher education services and public funds, it will need to build a relationship with an individual University or several universities. However, the presumption is that the business will pay.

Businesses should negotiate with individual universities rather than accept the university fees.

Businesses might wish to employ agents such as Higher Education at Work to undertake negotiations with universities on their behalf.

---

©Professor Simon Roodhouse  
Technical Director  
HE@Work  
August 24, 2009