National Audit Office

**Report**
by the Comptroller
and Auditor General

**Department for Business, Innovation & Skills**

# Investigation into financial support for students at alternative higher education providers

# What this investigation is about

**1**     This investigation examines the arrangements for oversight and funding of alternative higher education providers, and focuses on 4 specific concerns relating to the financial support provided to students attending some of these providers. These concerns are whether:

- students at some alternative providers have claimed support for which they were not eligible;

- some providers have recruited students who did not have the capability or motivation to complete their courses;

- some providers have recruited students in receipt of student support onto courses that the Department for Business, Innovation & Skills (BIS) had not approved; and

- some providers have given BIS inaccurate information about student attendance.

**2**     These issues were brought to our attention by a number of parties and by BIS, which has conducted its own investigations into alternative providers. Concerns have also been raised in Parliament and in the media about some alternative higher education providers.

**3**     There are around 670 institutions offering higher education qualifications that do not receive direct funding from the Higher Education Funding Council for England. Approximately 140 of these institutions have students accessing public funds through student support; we refer to these institutions as alternative providers. Alternative providers range from private companies to charitable institutions. There have been specific allegations about a relatively small number of alternative providers.

**4**     Our investigation did not examine the full range of processes that BIS and its partner organisations use to oversee alternative providers. Our report only covers English-domiciled students or EU students studying in England who receive student support from the Student Loans Company (SLC).

**5**     Our methodology is set out at Appendix One.

# Summary

## Key findings

### Investigation into ineligible students

**6      EU students at some alternative providers have claimed or attempted to claim student support they were not entitled to.** Between September 2013 and May 2014, the Department for Business, Innovation & Skills (BIS) and the Student Loans Company (SLC) investigated whether 11,191 EU students applying for maintenance support met residency requirements. 5,548 applicants (50%) were either unable or chose not to provide evidence that they were eligible for the support; of these, 83% were applying to just 16 alternative providers. The SLC established that, as at the end of October 2014, 992 ineligible students had already received £5.4 million of support before payments were suspended.

### Student capability and motivation

**7      Dropout rates at 9 alternative providers were higher than 20% in 2012/13.** For comparison, the average dropout rate in the rest of the higher education sector was 4%. Dropout rates among alternative providers may be higher for a number of reasons. For example, the alternative provider sector offers access to higher education for students who may not previously have had the opportunity to enter education at this level, such as older students or those from lower socio-economic groups. Data from across the higher education sector show that both groups are more likely to withdraw from higher education. However, dropout rates may also reflect the capability and motivation of the students, the quality of the education and support provided, or inappropriate recruitment by the provider. BIS has not defined an expectation of what might constitute an acceptable dropout rate for providers that benefit from tuition fee loans. None of the oversight bodies has specific responsibility for scrutinising whether this aspect of performance is acceptable.

**8      20% of Higher National students recruited by alternative providers and claiming student support may not have been registered with the qualification awarding body in 2012/13.** Unless students are registered, they will not be able to attain the qualification they have enrolled for. The SLC does not have powers to check that providers have registered students with an awarding body before making student support payments. No work has been undertaken by the oversight bodies into why there is this apparent discrepancy.

## Courses approved for student support

**9     Between 2012 and 2014, BIS suspended payments to 7 providers and their students owing to concerns that providers had enrolled students onto unapproved courses.** BIS revoked all course approvals for 1 provider where it concluded students had accessed support for unapproved courses, and has taken steps to recover overpayments from 2 further providers where it concluded issues were substantiated.

**10     Furthermore, a lack of clarity has existed within BIS and its partner organisations about which courses were approved for student support.** Until September 2014, BIS did not hold a definitive master list for approved courses and, instead, a number of lists existed. From November 2013, in response to concerns about discrepancies between the lists, BIS undertook checks and concluded that the discrepancies were largely due to changes in its policy on approving courses by location; differences in how course details were recorded; and data entry errors. Aside from 1 case, where £163,640 had been paid to the provider and its students, BIS did not identify any incorrect payments. Additionally, in February 2014, the SLC found that 2 providers had added courses to its database for making student support payments before BIS had approved the courses. The SLC removed access to the database and confirmed that no payments were made in respect of these courses.

## Student attendance records

**11     In 3 cases, BIS suspended payments to providers or their students where it had concerns that the providers had supplied incorrect information about student attendance.** The SLC relies on providers to confirm attendance, and has no access rights to make routine attendance checks.