



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

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National Audit Office

Department for Business, Innovation & Skills

Investigation into financial support for students at alternative higher education providers

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

28 November 2014

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.

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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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.

Background

1.1 Higher education in England is provided by institutions that receive a proportion of funding from the Department for Business, Innovation & Skills (BIS) via the Higher Education Funding Council for England (HEFCE). These providers are referred to in this report as ‘HEFCE-funded providers’. Higher education is also provided by institutions that do not receive any direct funding from HEFCE but may receive substantial public funding through student support. These institutions are referred to as ‘alternative providers’.¹

1.2 Students in higher education can apply for financial support, provided from public funds by the Student Loans Company (SLC). The types of support that students can access will depend on whether they meet eligibility criteria (**Figure 1**).

1.3 Student support is only available to students enrolled on courses which have been approved, or ‘designated’, by BIS. Eligible courses at HEFCE-funded providers are automatically designated, while alternative providers must apply to have their courses designated for student support. Each designation at an alternative provider relates to a specific course delivered at a specific location.²

Figure 1

Types of student support

Type of support	Description	Eligibility criteria	Maximum amount available per year	
			HEFCE-funded providers	Alternative providers
Tuition fee loan	Non-income-assessed loan, paid direct to the provider.	All eligible UK and EU students on an eligible course.	£9,000 full-time £6,750 part-time	£6,000 full-time £4,500 part-time
Maintenance loan	Loan to cover living costs, made up of a non-financially-assessed portion, which all eligible students can receive, and a financially-assessed portion that depends on household income. Paid directly to the student.	Full-time UK and EU citizens resident in the UK for a minimum of the previous 3 years and EU migrant workers.	Outside London £5,555	London £7,751
Maintenance grant	Non-repayable grant to help students, particularly those from lower income backgrounds, with their general living costs while they study.	Full-time UK and EU citizens resident in the UK for a minimum of the previous 3 years and EU migrant workers.	£3,387	

Notes

1 Maximum maintenance loans shown are for students living away from home for courses from September 2014.

2 The maximum maintenance grant shown is for a full-time student with a household income of £25,000 or less.

Source: Student Loans Company; Student Finance England; National Audit Office

1 HEFCE-funded providers also have eligible students accessing student support.

2 Course designations have been location-specific since January 2013.

1.4 In June 2011, the government published a white paper that introduced measures designed to encourage diversity and competition in the higher education sector.³ In particular, the government increased the maximum tuition fee loan available to students studying at alternative providers, from £3,375 to £6,000.⁴ This change came into effect at the beginning of the 2012/13 academic year.⁵

Development of the alternative provider sector

Growth

1.5 There has been substantial growth in the sector. Between 2010/11 and 2013/14, the number of students claiming student support for courses at alternative providers rose from 7,000 to 53,000 (**Figure 2**). Before the government's decision to increase the maximum tuition fee loan available to alternative providers, BIS concluded that any resultant growth in student numbers eligible for support would be difficult to predict.

1.6 The highest growth has been in Higher National courses. Higher National Certificates and Higher National Diplomas are vocational qualifications awarded by Edexcel. They are roughly equivalent to the first one or two years of a Bachelor degree course respectively. The growth has also been concentrated in a small number of providers: between 2011/12 and 2013/14, 75% of the total growth was in 17 of the 140 alternative providers, with half of the total growth accounted for by just 5 providers.⁶

1.7 Student support payments to alternative providers have also grown. Since 2010/11, the total amount of public money paid to students at alternative providers, through tuition fee loans and maintenance loans and grants, has risen from around £50 million to around £675 million in 2013/14 (Figure 2).

1.8 There are currently around 670 higher education providers that do not receive funding from HEFCE, of which about 140 have students who access student support. The number of alternative providers with students accessing student support rose by 41% between 2011/12 and 2013/14. The majority of alternative providers are based in the London area; of the 17 alternative providers with the highest growth in student numbers, 14 are in London.

³ Department for Business, Innovation & Skills, *Higher Education: Students at the Heart of the System*, white paper, Cm 8122, June 2011.

⁴ £6,000 is the maximum fee loan available to full-time undergraduate students. The actual fee charged to the student by the alternative provider may be higher.

⁵ The convention used throughout this report is that academic years are written as 2012/13 and financial years are written as 2012-13.

⁶ St Patrick's International College; London School of Business & Finance; Greenwich School of Management; British Institute of Technology & E-commerce; and UK College of Business & Computing.

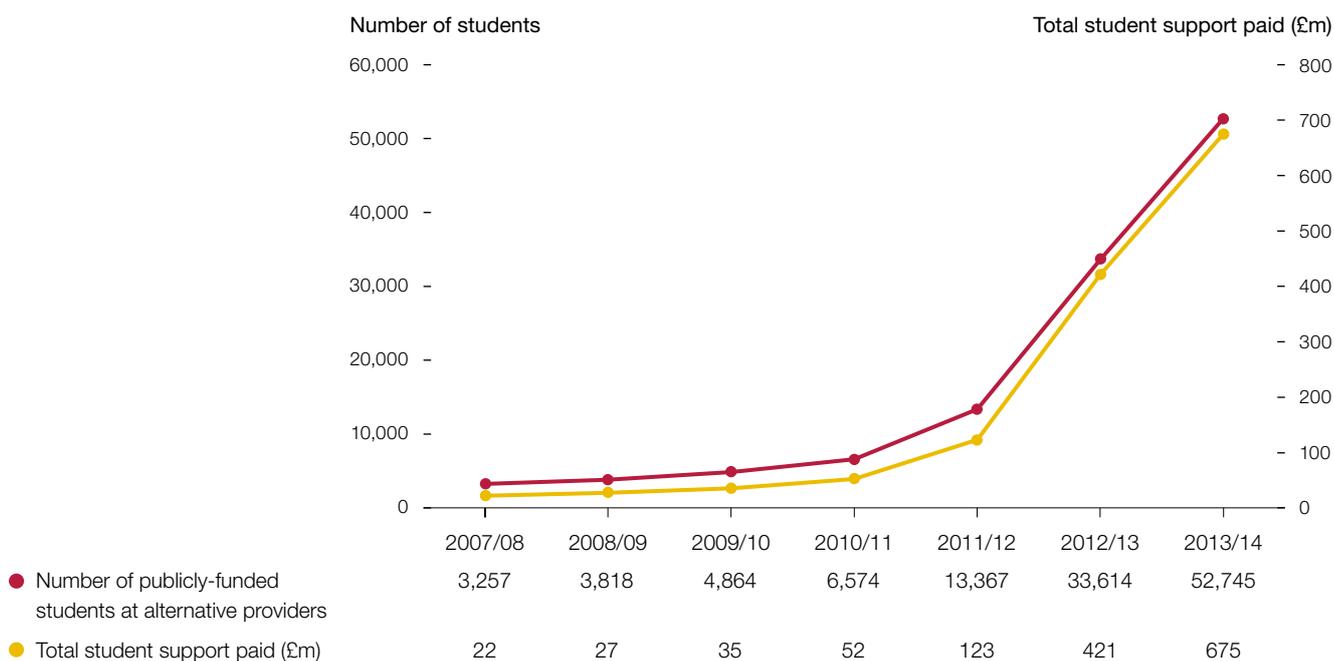
Action to limit further growth

1.9 Following rapid expansion in the number of students accessing support, BIS has acted to control its spending on student support. In November 2013, it instructed 23 of the fastest-growing alternative providers to stop recruiting funded students to full-time designated courses until September 2014. Between January and April 2014, BIS also instructed 3 further providers to halt recruitment.

1.10 For the 2014/15 academic year, BIS introduced student number controls for alternative providers that had more than 50 full-time students on designated courses in 2012/13. These controls impose limits on the growth in full-time student numbers, based on providers' 2012/13 entrant numbers. BIS expects that these number controls will mean that financial support for students at alternative providers will not increase significantly beyond 2013/14 levels.

Figure 2

Growth in the number of students receiving support at alternative providers



Source: Student Loans Company data

Oversight of alternative providers

The processes

1.11 There have been a number of changes to the processes supporting the oversight and funding of alternative providers since 2011. These are summarised in **Figure 3**.

1.12 The key elements of the current arrangements are shown in **Figure 4** on page 12 and summarised below. Further information about the responsibilities of each oversight body is at Appendix Three.

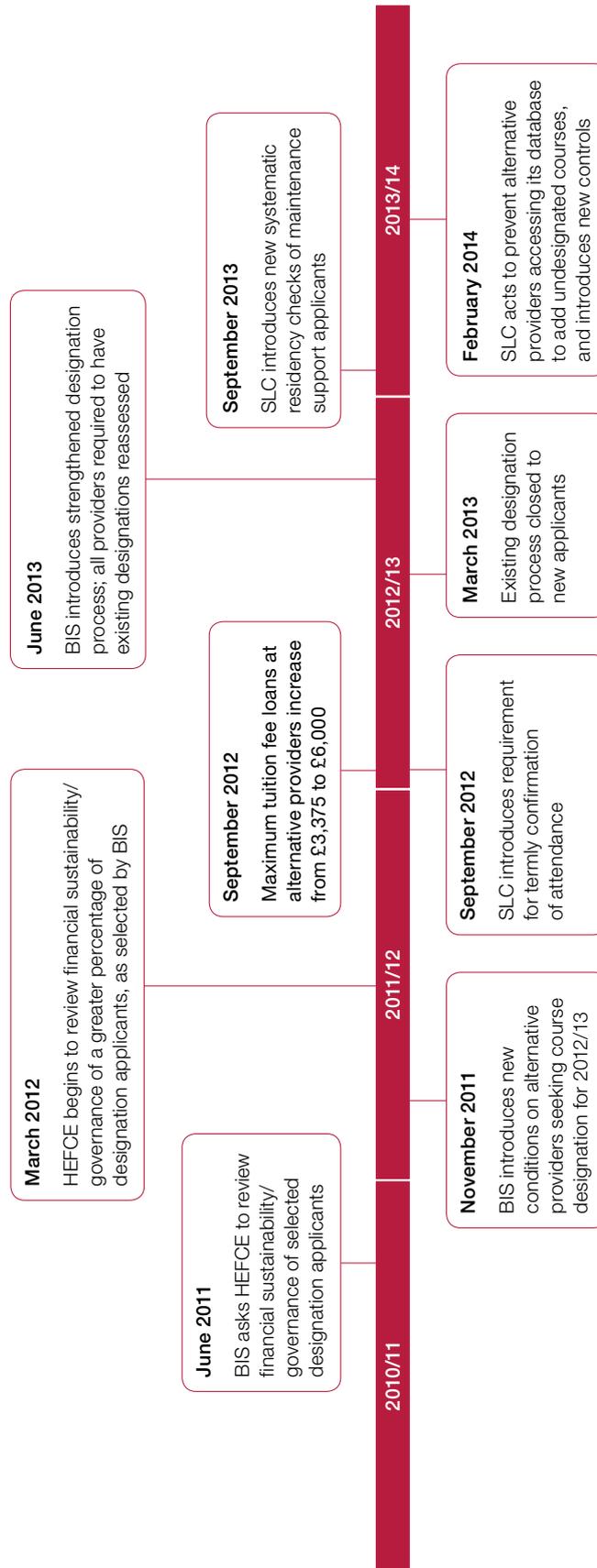
Course designation for student support

- BIS is responsible for deciding which providers and courses to designate. A provider wishing to recruit students who can claim support applies to BIS via HEFCE to have its courses designated. Alongside its own analysis, HEFCE collates information from reviews by the Quality Assurance Agency for Higher Education (QAA) when assessing designation applications from providers, and advises BIS accordingly.
- To have its courses designated, a provider must have had a recent successful review by the QAA. The QAA is a not-for-profit body independent of government that monitors and advises the public on standards and quality in UK higher education. It undertakes independent reviews of academic standards and quality in higher education providers.
- For a qualification to be recognised in the UK, it must be accredited through a qualification awarding body, such as a university, City and Guilds (a not-for-profit chartered institute) or a private company like Edexcel. Awarding bodies approve courses offered by providers if they meet criteria set by the awarding body. A designated course must be accredited by a UK awarding body, but not all recognised qualifications are designated.

Application for and payment of student support funding

- A student applies to a provider for a place on a course of study leading to a qualification. Entry criteria are determined by the provider.
- Eligible students may also apply to the SLC for tuition fee and maintenance loans or grants if required, if the course has been designated.
- Once the student has enrolled at the provider, the provider confirms to the SLC that the student is attending at the start of each term. The provider also registers the student with the awarding body.
- Following confirmation of the student's attendance at the provider, the SLC makes maintenance payments to the student and tuition fee payments direct to the provider on a term-by-term basis.

Figure 3
Timeline of changes to the oversight system

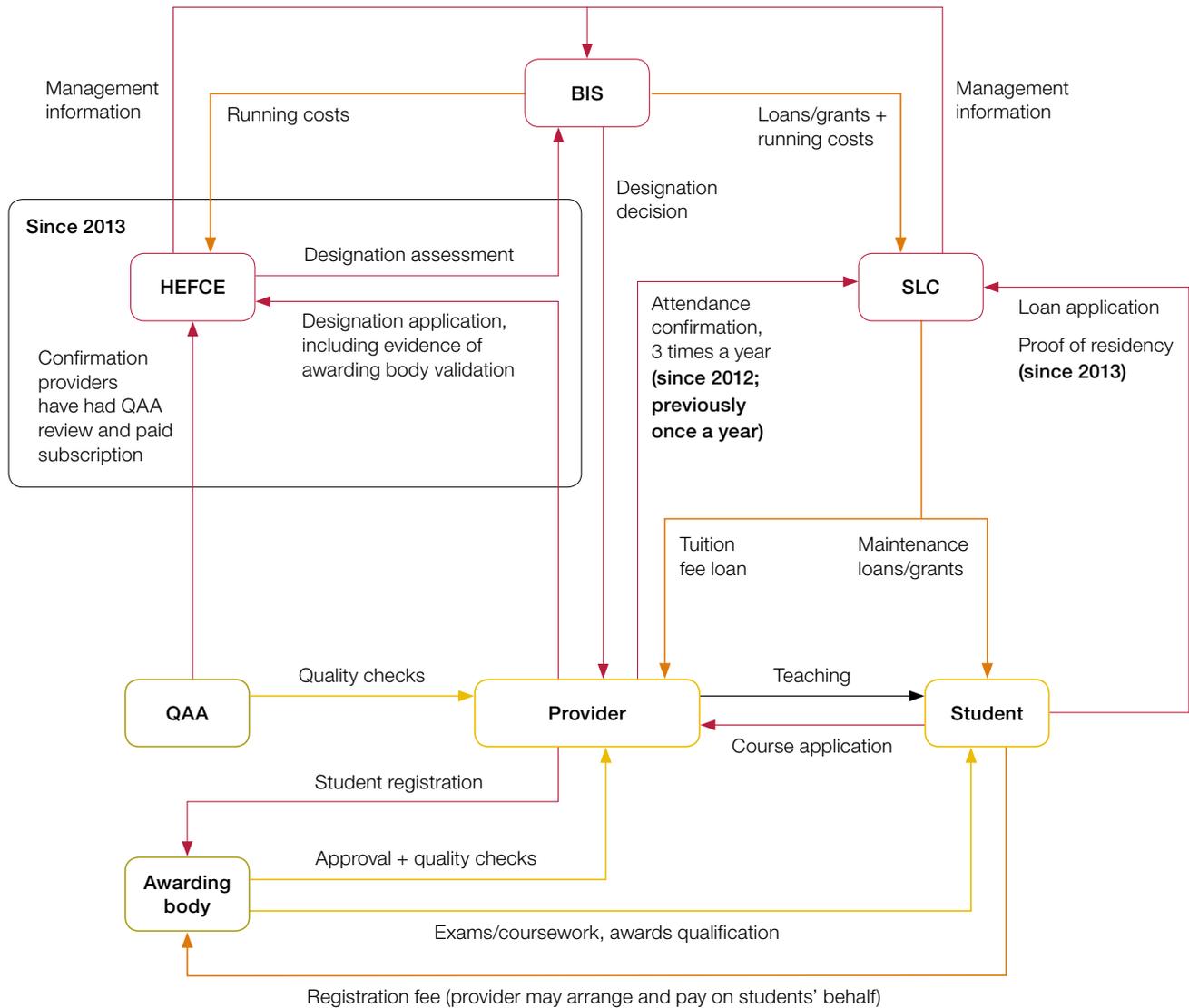


Note

1 The central band of this figure displays academic years.

Source: National Audit Office

Figure 4
Overview of the student funding system for alternative providers



- BIS organisation
- Other responsible organisation
- Providers and students
- ➔ Flow of information
- ➡ Flow of money
- Quality checks

Note

1 BIS: Department for Business, Innovation & Skills; HEFCE: Higher Education Funding Council for England; SLC: Student Loans Company; QAA: Quality Assurance Agency for Higher Education.

Regulation of the sector

1.13 In its June 2011 report on regulating higher education, the Committee of Public Accounts recommended that:

From 2012-13 onwards, the change in higher education funding arrangements will require a new system of regulation and accountability... The Department will need to... provide new powers to regulate institutions that receive little or no direct public funding but whose students have access to publicly-provided loans.⁷

1.14 BIS initially agreed with the Committee's recommendation but subsequently decided against creating new regulatory powers. In its response to the recommendations, BIS said it would bring forward legislation to establish a new regulatory role for HEFCE from the 2013/14 academic year.⁸ However, in 2012 BIS informed the Committee that it intended to work within existing legislation rather than bring forward new legislation. BIS has taken steps to limit student numbers at alternative providers and to strengthen the process for designating courses.

1.15 BIS has no rights of access to higher education providers. This affects the extent to which it can investigate when concerns are raised. As alternative providers do not receive funding from HEFCE, they are not subject to the same regulatory framework as HEFCE-funded providers. While some of the other bodies within the system (such as the QAA and awarding bodies) can visit alternative providers, BIS can enter a provider's premises to obtain information only with the provider's consent. There has been one occasion where BIS has carried out investigative work on the provider's premises (London School of Science & Technology). On other occasions, BIS has met with providers to discuss issues arising.

Concerns about support provided to students at some alternative providers

1.16 As the alternative provider sector has developed, a number of concerns have arisen relating to support provided to students at some alternative providers. We examine these concerns in the following sections of the report:

- whether students at some alternative providers have been claiming support for which they are not eligible;
- whether some providers have been recruiting students who lack the capability or motivation to complete their course;
- whether some providers recruited students in receipt of student support for courses that BIS had not approved; and
- whether some providers supplied BIS with inaccurate information about student attendance.

⁷ HC Committee of Public Accounts, *Regulating financial sustainability in higher education*, Thirty-sixth Report of Session 2010-12, HC 914, June 2011.

⁸ HM Treasury, *Government responses on the Thirty Fourth to the Thirty Seventh Reports from the Committee of Public Accounts: Session 2010-12*, Cm 8129, July 2011.

Findings on ineligible students

Summary

2.1 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.

The facts

Eligibility of EU students for student support

2.2 Approximately 40% of publicly-funded students at alternative providers come from outside the UK, compared with 6% of students in the rest of the higher education sector. EU students who have been resident in the UK for the previous 3 years, and migrant workers from EU member states, are eligible for maintenance and tuition fee support. EU students who have been resident in the European Economic Area (including Switzerland) for the last 3 years, but not the UK, are eligible for tuition fee loans only. Students who have not been resident in the UK or the European Economic Area are not eligible for student support.

2.3 Until September 2013, the SLC relied on students applying for maintenance support to confirm that they had been resident in the UK for at least 3 years. Responsibility for making the declarations rested solely with the students, who were also asked to provide address details. The SLC did not routinely require supporting evidence, although it investigated further where it had grounds for suspicion.

BIS investigation

2.4 In March 2013, the SLC identified high growth in maintenance support applications from Romanian nationals at alternative providers, prompting concerns that some applicants may not be meeting residency requirements. In July 2013, the Department for Work & Pensions (DWP) separately alerted BIS to a group of 48 non-UK nationals that DWP was investigating who had applied for National Insurance numbers to claim student support for courses at alternative providers. DWP found that 80% of the applicants it investigated could not provide proof of residency. In parallel, the SLC also investigated a sample of applicants and found that 85% could not or did not provide proof of residency.

2.5 In September 2013, BIS instructed the SLC to establish which students were eligible and prevent any payments to ineligible students. The SLC suspended all payments to 11,191 EU student support applicants, and asked for proof that they met the residency requirements for maintenance support. The SLC required applicants to supply evidence of UK addresses, such as bank statements, payslips and utility bills, and now requires this evidence from all EU applicants for maintenance support.

2.6 By May 2014, BIS and the SLC had found that, in 2013/14, 5,548 applicants out of the 11,191 investigated were either unable or chose not to prove that they had been resident in the UK for the 3 years before the start of their study. This will include some applicants who chose not to pursue their studies. The SLC cannot readily identify how many applicants provided unsatisfactory evidence and how many did not respond. Of the 5,548 applicants, 328 had also claimed student support in the 2012/13 academic year.

2.7 The suspension of maintenance support payments to these students is likely to have led to uncertainty for many about their future studies. One provider informed us that it estimated about 20% of its students had dropped out as they could not afford to keep studying.

2.8 BIS reported in May 2014 that 94% of the 5,548 applicants who had not provided sufficient evidence had applied to courses run by alternative providers, rather than providers that also receive funding from the Higher Education Funding Council for England (HEFCE) (**Figure 5**). These applicants were concentrated in a small number of providers; out of the 5,548 applicants, 83% were enrolled with or applying to 16 alternative providers (**Figure 6** overleaf). As it is the role of the SLC, and not of providers, to verify students' eligibility for maintenance support, BIS concluded that, without evidence to the contrary, it could not hold the providers responsible for claims made by their students.

Figure 5

Potentially ineligible applicants, by provider type

	HEFCE-funded providers	Alternative providers	Total
Potentially ineligible applicants	312	5,236	5,548

Note

1 Includes EU applicants and students who failed to contact the SLC between 16 April 2014 and 14 May 2014.

Source: Information published in the House of Commons library

Figure 6
Ineligible students, by provider

Provider name	As published in May 2014		As at October 2014
	Potentially ineligible applicants	Ineligible students paid	Ineligible students paid
St Patrick's International College	691	138	99
RTC Education/Regent College	497	136	117
UK College of Business & Computing Ltd	492	56	37
ICON College of Technology & Management	435	113	85
London School of Business & Finance	340	72	51
City of London College	336	9	4
BRIT College	328	8	4
London School of Science & Technology	273	44	36
Nelson College	194	102	90
Mont Rose College of Management & Sciences	181	88	76
British Institute of Technology & E-Commerce	176	21	14
Greenwich School of Management	160	61	31
The London College, UCK	144	58	45
Grafton College of Management Sciences	125	5	1
London Bridge Business Academy	108	3	1
ICE Academy	107	27	23
Total at 16 alternative providers	4,587	941	714
Total at 168 other alternative and HEFCE-funded providers	961	392	278
Investigation total	5,548	1,333	992

Notes

- 1 The table only shows individual providers with more than 100 potentially ineligible applicants identified by BIS's investigation by May 2014.
- 2 'Potentially ineligible applicants' means that, at that time, the applicants either could not or chose not to provide evidence of their eligibility.
- 3 Data are for student support applicants, not all of whom will have become enrolled students.

Source: Information published in the House of Commons library and additional data from the Student Loans Company

2.9 Some providers that we contacted informed us that their own records do not reconcile with the data in Figure 6, which may reflect differences in the way the data are calculated. Information about how the SLC records student numbers is at Appendix One.

2.10 Payments have been made to ineligible students. Before the SLC suspended payments, 992 ineligible students had received £5.4 million of maintenance grants, loans and tuition fees. By 12 November 2014, the SLC had recovered £0.35 million. The SLC estimates that, if it had not taken action during the 2013/14 academic year, the total exposure could have resulted in up to £65 million of payments to ineligible students.

Recruitment practices

2.11 During the course of its investigations, BIS had found unusual patterns in applications for student support, and became concerned that some alternative providers were inappropriately using recruitment agents in the UK and overseas. The unusual patterns included the following:

- high concentrations of specific nationalities; at some providers more than 80% of new students were of Romanian or Bulgarian origin;
- cases where multiple applications were made from individual households;
- cases where applications were submitted after the course start dates; and
- applications submitted in bulk, with up to 50 applications per day from the same internet location.

BIS has not conducted a specific investigation into recruitment practices, but has considered them alongside other issues when investigating individual providers that it considered to be high risk.

2.12 There is other evidence of potentially inappropriate recruitment practices by some providers and recruitment agents; some examples of recruitment advertisements are shown at Appendix Five. In one of these cases (Figure 15 on page 44), the provider it appears to refer to has informed us that it does not recognise the advertisement and that it is not authentic.

Findings on students who lack capability or motivation

Summary

3.1 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. The Department for Business, Innovation & Skills (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.

3.2 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 Student Loans Company (SLC) does not have powers to check that providers have registered students with an awarding body before making student support payments, and it is not a requirement for students to access support. No work has been undertaken by the oversight bodies into why there is this apparent discrepancy.

The facts

The process for confirming student attendance

3.3 Students' tuition fee loans are paid direct to the higher education provider. To receive these loans, institutions must confirm to the SLC that students are attending. Currently, institutions confirm which students are attending at 3 specified points in the year, with the annual tuition fee loan split 25:25:50 between these points. Until the 2012/13 academic year, institutions only confirmed once a year that students were attending. Institutions should also notify the SLC if a student drops out after their attendance has been confirmed. Where this happens, the SLC will recover any overpayments from future payments to the institution.

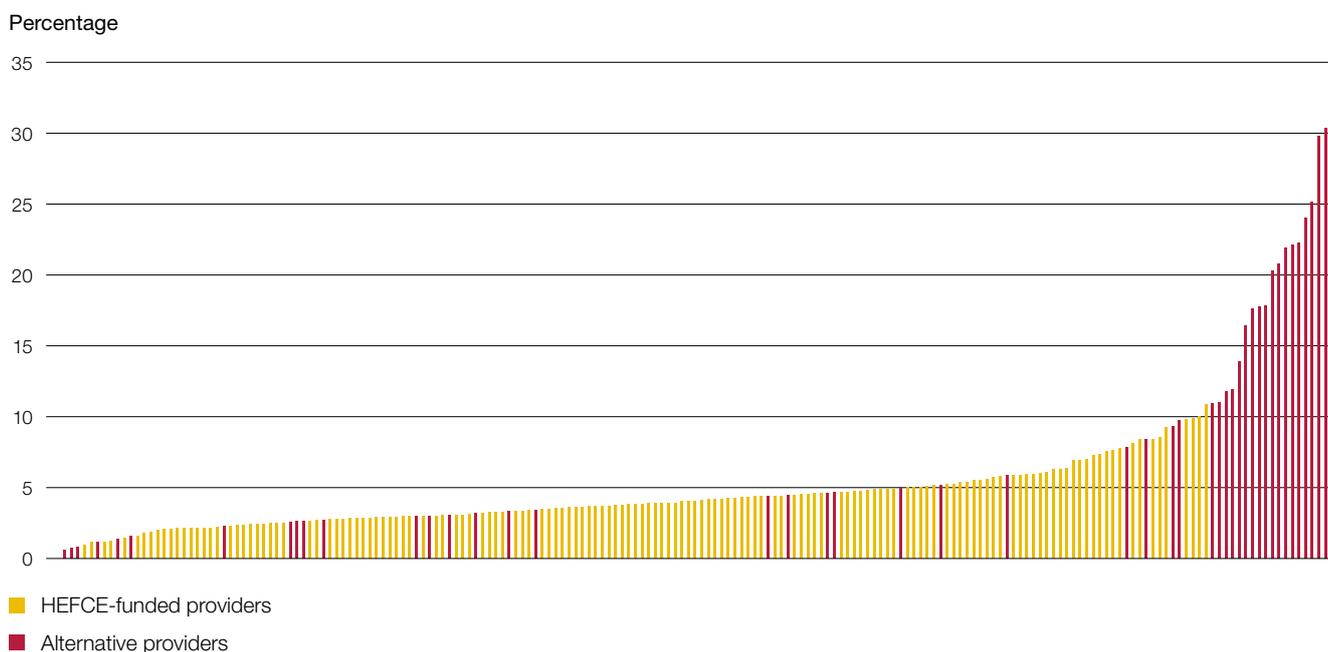
Dropout rates

3.4 Average dropout rates are higher for alternative providers accessing student support than for providers that also receive funding from the Higher Education Funding Council for England (HEFCE). Data from the SLC show that the average dropout rate for full-time students accessing student support in 2012/13 was 12% for students at alternative providers, compared with 4% for students at HEFCE-funded institutions. There were 9 institutions with dropout rates higher than 20% in 2012/13, all of which were alternative providers (**Figure 7** and **Figure 9** on page 21). We also conducted this analysis for Higher National courses only, and found similar trends.

3.5 Average dropout rates were also higher for alternative providers in the 2011/12 academic year. The average dropout rate for full-time students accessing student support in 2011/12 was 11% for students at alternative providers, compared with 4% for students at HEFCE-funded institutions. There were 3 institutions with dropout rates higher than 20%, all of which were alternative providers (**Figure 8** overleaf and Figure 9).

Figure 7

Dropout rates by higher education provider, 2012/13

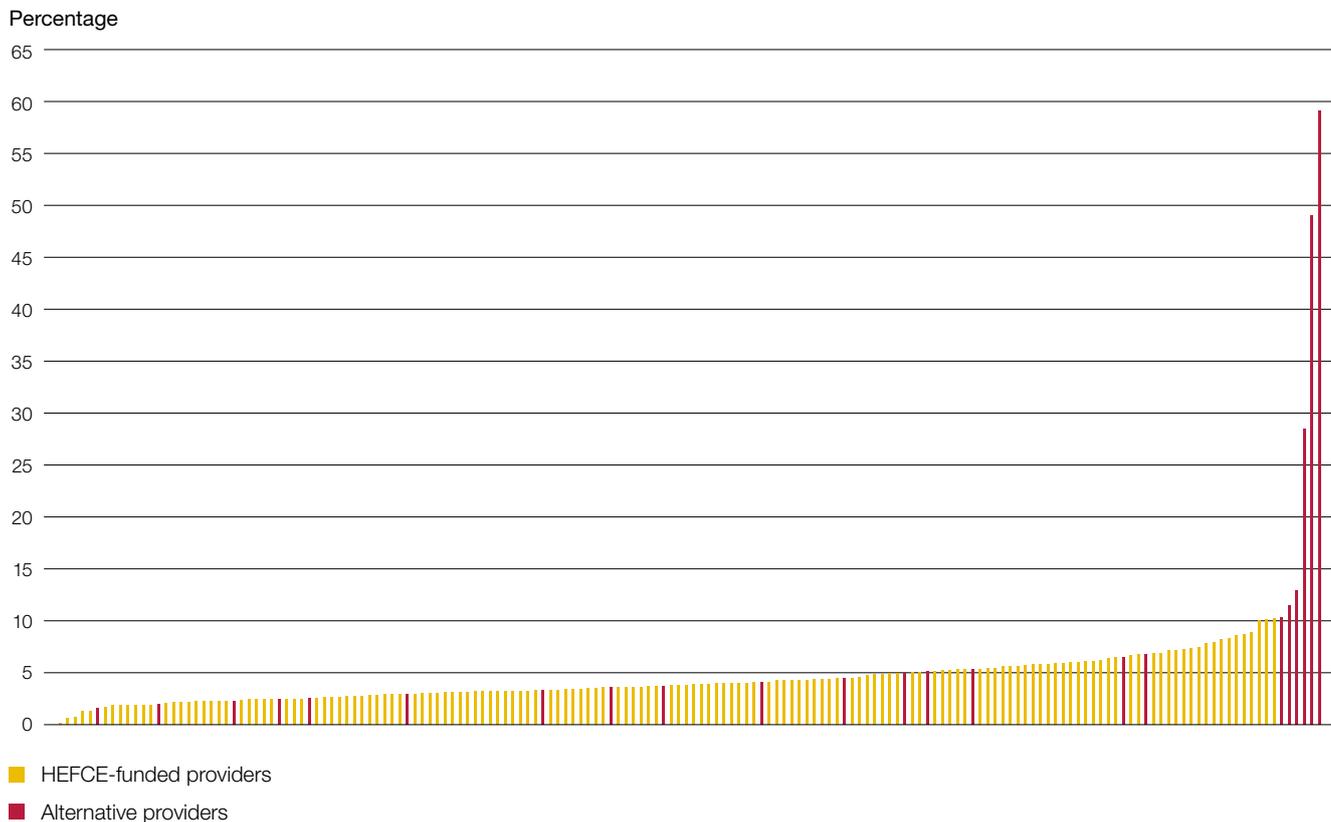


Note

1 The graph excludes institutions with fewer than 100 students.

Source: National Audit Office analysis of Student Loans Company data

Figure 8
Dropout rates by higher education provider, 2011/12



Note
1 The graph excludes institutions with fewer than 100 students.

Source: National Audit Office analysis of Student Loans Company data

3.6 Some providers that we contacted informed us that their own records do not reconcile with the data in Figure 9, which may reflect differences in the way the data are calculated. Information about how the SLC records dropout rates is at Appendix One.

3.7 Some providers also informed us that they have taken steps to reduce dropout rates since the periods covered by our analysis by, for example, tightening entrance requirements. Complete data are not yet available for more recent periods.

3.8 Dropout rates may reflect a number of factors. The analysis does not allow us to identify the reason for dropout in each case, which will vary by student and by institution. BIS expects dropout rates to be higher in alternative providers than in HEFCE-funded providers, because many alternative providers offer access to higher education for groups of students otherwise not represented in the sector.

Figure 9

Providers with higher than 20% dropout rate in 2011/12 or 2012/13

Provider	Students attending, 2011/12	Dropout rate, 2011/12 (%)	Students attending, 2012/13	Dropout rate, 2012/13 (%)
London School of Science & Technology	999	49	1,675	18
London Churchill College	159	59	396	30
Essex International College	323	29	1,232	22
ICON College of Technology & Management	4	0	1,508	20
SAE Institute	201	11	448	21
RTC Education/Regent College	3	0	764	22
London School of Business & Finance	0	n/a	2,410	22
Resource Development International	0	n/a	395	24
UK College of Business & Computing	0	n/a	656	25
Kaplan Open Learning	0	n/a	168	30

Notes

- 1 Some providers informed us that their own records do not reconcile with the data in this table. Information about how the SLC records dropout rates is at Appendix One.
- 2 BIS suspended student support payments to London Churchill College and Essex International College during these periods for 3 to 5 months while it investigated concerns about the colleges. Although BIS reinstated payments to both colleges, some students may have withdrawn because their payments were suspended, which may have increased dropout rates for these providers.
- 3 BIS also suspended payments to some providers in 2013/14, to control growth in student numbers and while it conducted its investigation into ineligible EU students. These suspensions will mainly have affected dropout rates in 2013/14, but may also have affected dropout rates for some students who enrolled in 2012/13.

Source: National Audit Office analysis of Student Loans Company data

3.9 SLC data on student support applicants indicates that higher percentages of older students and students from low-income households apply to alternative providers than apply to HEFCE-funded providers. Data published each year by the Higher Education Statistics Agency (HESA) show that, among full-time first degree students, both of these groups are more likely than average to withdraw from their studies.⁹ HESA data also show that students on part-time courses are the most likely to not continue their studies, which may affect dropout rates at providers who specialise in part-time learning, for example via online courses.

9 Published on HESA's 'UKPIs: Non-continuation rates' webpage, primarily covering HEFCE-funded providers. Available at: www.hesa.ac.uk/pis/noncon

3.10 High dropout rates could, however, also be an indication of the level of capability and motivation of the students, the quality of the education and support at the institution, or inappropriate recruitment by the provider. BIS has not examined the reasons for high dropout, or defined an expectation of what constitutes an acceptable dropout rate. None of the oversight bodies currently has specific responsibility for scrutinising whether this aspect of performance is acceptable. From 2014/15, alternative providers with 50 or more students on designated courses will provide data each year to HESA, which will allow HESA to calculate retention rates for these courses.

Registering for the qualification

3.11 Institutions offering Higher National courses must register enrolled students with the awarding body, Edexcel. Edexcel expects providers to register students within 30 days of starting their course.

3.12 We examined aggregate data on the numbers of students enrolled with Edexcel against data kept by the SLC. The aggregate data was provided by Edexcel voluntarily. We do not have access to student-level award data and have no legal power to match student-level data against SLC records.

3.13 Our analysis of aggregate data indicated that the total number of students registered by alternative providers for Higher Nationals in 2012/13 was substantially lower than the number accessing student support from the SLC. The SLC recorded 14,922 students as starting a Higher National course at an alternative provider in 2012/13, excluding those who dropped out during the year. Edexcel received 11,959 registrations from the same providers in 2012/13. This means the total number of registrations is 2,963 (20%) lower than the number of students accessing student support at the year-end.

3.14 The SLC does not check whether the student is registered with an awarding body before making payments to providers and students, because registration with an awarding body is not a requirement for students to access support and neither BIS nor the SLC have regulatory powers to access data kept by the awarding bodies. No cross-check has been undertaken to determine the extent of, or reasons for, differences in data held by the SLC and the awarding bodies.

3.15 Edexcel has taken steps to ensure that students enrolled with alternative providers register with them in a timely manner. In November 2013, Edexcel wrote to all providers reminding them of the requirement to register students within 30 days of their course starting. Some providers we contacted perceived this as a new requirement. Edexcel has also introduced checks to identify unusual patterns in registration and completion.

Entry requirements

3.16 Awarding bodies, rather than BIS, set minimum entry requirements for higher education qualifications. In the case of Higher Nationals, Edexcel does not specify entry requirements, but provides guidance on academic standards, noting that students with a strong or diverse profile at A-level or equivalent “are likely to benefit more readily from the programme”. However, many providers will accept candidates who do not have previous qualifications but can demonstrate they have appropriate work experience. BIS estimates that around 30% of students at alternative providers are recruited on the basis of work experience, rather than previous academic attainment.

3.17 Awarding bodies, rather than BIS, also set requirements for the level of English spoken by students. Edexcel recommends that, for its Higher National qualifications, all students should be at least level B1 on the Common European Framework of Reference (CEFR). This is broadly equivalent to between levels 4 and 5 in the International English Language Testing System (IELTS). The IELTS defines people speaking English below level 5 as “limited users” with “frequent problems in understanding and expression” (**Figure 10**).

Figure 10
English language requirements in a sample of 23 alternative providers

CEFR level	IELTS level	IELTS description	Number of providers
C1–C2	7.0 and above	Good user: Has operational command of the language, though with occasional inaccuracies, inappropriacies and misunderstandings in some situations. Generally handles complex language well and understands detailed reasoning.	0
B2	5.5–6.5	Competent user: Has generally effective command of the language despite some inaccuracies, inappropriacies and misunderstandings. Can use and understand fairly complex language, particularly in familiar situations.	5
B1	5.0	Modest user: Has partial command of the language, coping with overall meaning in most situations, though is likely to make many mistakes. Should be able to handle basic communication in own field.	11
B1	4.5 and below	Limited user: Basic competence is limited to familiar situations. Has frequent problems in understanding and expression. Is not able to use complex language.	3
No language requirement specified on website or application form			4
Total			23

Notes

- 1 CEFR stands for Common European Framework of Reference.
- 2 IELTS stands for International English Language Testing System.
- 3 Comparison between the 2 systems is drawn from guidance published by the IELTS.

Source: National Audit Office analysis of public information and publications from the Common European Framework of Reference and International English Language Testing System

3.18 We found that most alternative providers set English language requirements at the bottom of the recommended range. From a sample of 23 alternative providers, 3 set a minimum requirement of lower than IELTS level 5 or equivalent. These were the British Institute of Technology & E-Commerce, London Bridge Business Academy and Williams College. A further 11 require level 5 or equivalent. A further 5 providers set slightly higher requirements, while the remaining 4 do not specify any requirements in their published material or application forms (Figure 10).

Success rates

3.19 It is difficult for prospective students or other interested parties to make a fair assessment of qualification success rates at individual alternative providers. Providers are not obliged to publish statistics on examination results. BIS does not monitor pass rates, and the Quality Assurance Agency does not systematically report the pass rates of the providers it reviews. Furthermore, students registered for Higher National qualifications can study on a part-time basis or take breaks from study, so have up to 5 years to complete their courses. This means that it is too early to evaluate the success of cohorts of students who began their courses after the alternative provider sector expanded in 2012. From 2014/15, alternative providers with 50 or more students on designated courses will provide course completion data each year to HESA.

Findings on unapproved courses

Summary

4.1 Between 2012 and 2014, the Department for Business, Innovation & Skills (BIS) suspended payments to 7 providers and their students due 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.

4.2 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 Student Loans Company (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.

The facts

The course designation process

4.3 BIS is responsible for deciding whether courses run by alternative providers are eligible for student support. Courses approved by BIS are said to be 'designated' for student support. Designation applies to a specific course at a specific location, which means that providers need to make separate applications where they are running a course at more than 1 campus. BIS made designations location-specific in January 2013, to maintain a level of control over student numbers.

4.4 BIS has changed the course designation process substantially in the last 3 years. Until 2011, the SLC administered the designation process, which focused on checking that the proposed course was eligible for student support. From mid-2011, BIS asked the Higher Education Funding Council for England (HEFCE) to review the financial sustainability and governance of selected alternative providers seeking course designation, and the process evolved over the following 2 years. Providers had to supply additional evidence, and the process was applied more consistently for all applicants.

4.5 BIS introduced the current process, administered by HEFCE, in June 2013. It includes new and strengthened checks, and providers must meet criteria for quality,¹⁰ financial sustainability,¹¹ management and governance, and course eligibility.¹² Between June 2013 and May 2014, providers with existing course designations had to apply for re-assessment under the strengthened criteria. A number of providers reported to us that they experienced delays in this process; in several cases, designation decisions took longer than the expected 4 months, with some decisions coming after the planned course start dates. This led to uncertainty for both students and providers.

4.6 BIS uses HEFCE's analysis to help inform its decision on whether to designate each course. If BIS intends to reject the application, the provider can provide further information to support its application.

Decisions on designation

4.7 In 69 of the applications decided by BIS since August 2013, HEFCE did not identify material issues and BIS designated the courses applied for (**Figure 11**). In a further 24 cases HEFCE identified material issues (mostly about financial sustainability or governance) and BIS decided against designation. BIS designated courses in 35 cases where HEFCE had identified material issues:

- In 23 cases, HEFCE identified material issues but BIS designated the courses. We examined a sample of cases; in most of these cases BIS was able to show us records to support the reasoning behind its decision. In 2 cases, however, BIS explained its reasoning to us but did not hold a record of the basis of its decision.
- In a further 12 cases, BIS initially intended to reject the application, but designated the courses after the providers supplied additional information.

Figure 11

Analysis of completed designation applications for 2013/14 and 2014/15

HEFCE assessment	BIS initial view	Final outcome	Number of applications
No material issues	Minded to approve	Designated	69
Material issues	Minded to approve	Designated	23
Material issues	Minded to reject	Designated	12
Material issues	Minded to reject	Not designated	24

Notes

- 1 Summary data as at 6 October 2014. Since this date, BIS has made some further decisions.
- 2 Of the 23 courses that BIS was initially minded to approve following material issues identified by HEFCE, 10 required further assurances or commitments from the providers.

Source: National Audit Office analysis of information provided by Higher Education Funding Council for England and Department for Business, Innovation & Skills

- 10 HEFCE checks providers have had a recent and successful review by the Quality Assurance Agency.
- 11 Providers must submit 3 years' audited accounts in order to demonstrate a track record of financial performance and give an indication of their sustainability in the medium term. Providers must also submit student number and financial forecasts covering the current year and the following 3 years.
- 12 HEFCE checks that the course has been validated by the appropriate body, such as a university or a qualifications awarding body such as Edexcel.

BIS's investigations of providers enrolling students on unapproved courses

4.8 Between 2012 and 2014, BIS suspended payments to 7 providers and their students while it investigated concerns that providers had enrolled students claiming student support for courses that BIS had not approved (**Figure 12** overleaf):

- BIS revoked all course designations with immediate effect for 1 provider where it concluded students had accessed support for unapproved courses but the provider had knowingly reported that the students were on approved courses (Guildhall College).
- BIS concluded issues were substantiated at 2 providers and took steps to recover overpayments from providers and students (London Empire Academy and ICE Academy).
- In 2 cases, BIS concluded there had been no overpayments but took steps to clarify which courses had been designated (Essex International College and London School of Science & Technology).
- In 2 further cases, BIS was not able to substantiate the issues, and all payment suspensions were lifted.

Differences in records of designated courses

4.9 A lack of clarity existed within BIS and its partner organisations about which courses BIS had approved for student support before it introduced the strengthened designation process in June 2013. Until September 2014, BIS did not hold a definitive master list of courses it had designated. Instead several lists existed:

- BIS's list of designated courses (created following the Department's formation in 2009 by collating data from a number of sources).
- The SLC's database of designated courses for the purpose of making student support payments.
- There was also a list of designated courses on the SLC's website to inform prospective students which courses are eligible for student support.

Figure 12

BIS's investigations into providers incorrectly recording students' courses

Alternative provider	Findings	Outcome
Guildhall College	In August 2012, BIS concluded that the college had knowingly registered 281 out of 585 students on designated courses when the students were intending to study other, non-designated courses.	In October 2012, BIS revoked the college's designation and the college took BIS to court. In July 2013 the court ruled in BIS's favour. The college is now in liquidation. Formal notice of £658,000 owed to BIS has been lodged with the liquidator.
London Empire Academy	In February 2014, BIS concluded that the provider had enrolled 1,668 students on a 2-year HND course when the college had designation approval for 1-year HNCs and 1-year HNDs. The Academy disputes BIS's position. It informed us that it applied for designation for a 2-year HND, and that BIS mis-recorded this and has not responded to representations from the Academy trying to resolve the situation.	In February 2014, BIS concluded it would not retrospectively designate the 2-year HND course . Affected students were transferred to other colleges. £209,000 was overpaid in tuition fees, of which £144,000 has been recovered or is due to be recovered. £1.1 million was overpaid in maintenance loans.
ICE Academy	Following allegations in April 2013, BIS concluded that more than 1,000 applicants had applied for student support for courses at undesignated campuses.	BIS concluded that the issues were substantiated . The SLC informed us that £1.5 million in tuition fees and £5.4 million in maintenance loans was overpaid. To date, £35,000 of maintenance support has been recovered, and the SLC invoiced the Academy in November 2014 for tuition fee overpayments.
Essex International College	In October 2012, BIS investigated whether the provider had enrolled more than 1,000 students at franchised campuses between April 2012 and September 2012. BIS concluded that additional campuses were within the terms of the College's designation, but that franchise arrangements would not be permitted for new students.	BIS confirmed that the additional campuses were designated for students already enrolled, but new students attending these campuses would not be able to access funding . All funding payments were made correctly.
London School of Science & Technology	In April 2014, the SLC noticed that payments were being made to students at undesignated campuses. The provider was under the impression that the campuses were designated, and BIS accepted the provider's explanation.	BIS designated the additional campuses for 2013/14 only. These campuses were then approved for 2014/15 after the necessary checks had been completed . All funding payments were in respect of designated courses.

Source: Review of documents provided by Department for Business, Innovation & Skills

4.10 When BIS introduced the new designation process in June 2013, HEFCE needed to establish which courses had been previously designated before reassessing them under the stricter designation criteria. HEFCE found there were differences between the above lists. In response, BIS carried out 2 exercises to determine whether student support payments were being made in respect of undesignated courses:

- a** In November 2013, BIS undertook systematic checks to confirm that the courses offered by 20 of the biggest alternative providers were designated. The exercise, which covered around 30% of students attending alternative providers, identified 1 course dating from 2004 where BIS did not hold evidence that the course had been designated but £163,640 had been paid to the provider and its students. The provider applied for the course to be designated from 2014/15 under the new designation process and BIS granted designation.
- b** In early 2014, BIS undertook an exercise to compare its full list of designated courses against the SLC's records of designated courses and also against the SLC's payment records to individual students.

4.11 As a result of these 2 exercises, BIS concluded that the discrepancies in its records were attributable to a number of factors:

- BIS's policy of designating courses by specific location was introduced in January 2013 for new course designations. The multiple locations on the SLC's database related to courses designated before that date, for which designations were not limited by location.
- Differences in how details such as course title or duration were recorded. BIS concluded that the differences were not material.
- Data entry errors.

4.12 Aside from the case referred to in 4.10a, BIS did not identify any incorrect payments, and concluded there was no evidence that the SLC's database included undesignated courses. It did not, however, carry out a full reconciliation of all courses from all alternative providers back to source designation records, other than those of 20 of the largest providers.

4.13 Until February 2014, the established practice was that higher education providers, including alternative providers, could edit course details in the SLC's database of designated courses, subject to checks by the SLC. In February 2014, the SLC found that 2 providers had added courses to the SLC database before BIS had approved the courses. The SLC removed access to the database for all alternative providers, and confirmed that no payments had been made in respect of these courses.

4.14 BIS and its partner organisations have informed us that there are new controls to make clear which courses are approved. HEFCE now holds a register of higher education providers, which states the title and location of designated courses. This was first published in September 2014 and HEFCE has confirmed it will be updated regularly. The SLC removed access to its database for alternative providers in February 2014. It reinstated access to each provider on an individual basis once BIS had granted the provider course designation for 2014/15.

Findings on student attendance records

Summary

5.1 In 3 cases, the Department for Business, Innovation & Skills (BIS) suspended payments to providers or their students where it had concerns that the providers had supplied incorrect information about student attendance. The Student Loans Company (SLC) relies on providers to confirm attendance, and has no access rights to make routine attendance checks.

The facts

The process for confirming student attendance

5.2 Alternative providers need to inform the SLC about which of its enrolled students are attending, because only students that are attending are entitled to student support. Once a student registers with a provider, the provider confirms this to the SLC in order to trigger the maintenance loan payment from the SLC to the student. Since September 2012, in order to trigger the tuition fee loan payment from the SLC to the provider, providers have had to submit attendance information 2 weeks after the start of each term. Previously, attendance confirmation was only required once a year. It is a condition of a student's loan application that they must notify the SLC of any incorrect payments or if their circumstances change, for example if they drop out of the course.

5.3 The SLC relies on self-declaration by the provider, and has no legal basis on which it can demand to inspect an alternative provider's attendance records unless it has reasonable grounds for suspicion. Providers are responsible for their own attendance policies and how they monitor attendance. As part of the designation process, BIS requires the Higher Education Funding Council for England (HEFCE) to collect attendance policies from alternative providers; this forms part of the initial documentation checks. HEFCE is not asked to assess the quality of the policies, nor does it have the powers to check their implementation. In its reviews of providers, the Quality Assurance Agency does look at attendance policies, but does not systematically report on how well the policies are applied or monitored. The SLC informed us that it is not aware of any current weaknesses in the attendance reporting systems for alternative providers.

Action taken by BIS

5.4 BIS investigated 3 providers where it had received allegations that students were claiming support but not attending classes. Although its investigations did not substantiate all the allegations, BIS did uncover some issues and suspended payments to some students, and the SLC's recovery processes continue to seek to recover payments made to ineligible students.

5.5 In particular, BIS suspended payments to the London School of Science & Technology after it received allegations in March 2014 that enrolled students on student support were not attending the college. BIS's investigation did not substantiate the allegation, but found that up to 25% of students were not attending in accordance with the provider's own attendance policy during the period of the investigation. In August 2014, BIS lifted the suspension, but put the provider on a 6-month probationary period regarding management of attendance.

Appendix One

Our investigative approach

Scope

- 1 We conducted an investigation into 4 specific concerns. These were whether:
 - students at some alternative providers have claimed support for which they were not eligible;
 - some providers had recruited students who did not have the capability or motivation to complete their courses;
 - some providers had recruited students claiming student support onto courses that BIS had not approved; and
 - some providers had supplied BIS with inaccurate information about student attendance.

Methodology

- 2 In examining these issues, we drew on various sources of evidence.
- 3 We **interviewed** relevant individuals from the Department for Business, Innovation & Skills (BIS) and the Student Loans Company (SLC) to establish how concerns had come to their attention and how BIS had responded. This was to understand the higher education policy context within which BIS is operating and to understand the processes for funding and overseeing the alternative provider sector.
- 4 We also met with the Higher Education Funding Council for England (HEFCE), Edexcel and the Quality Assurance Agency (QAA) to understand their roles in relation to the oversight of alternative providers.
- 5 We interviewed representatives from 12 alternative providers in order to understand their perceptions of how oversight arrangements work.
- 6 We conducted a number of **data analyses**, including the following:
- 7 We calculated the dropout rate by higher education provider for the 2011/12 and 2012/13 academic years. We did this by analysing SLC data showing the number of students attending courses during the academic year and the number of students who dropped out during their year of study for each institution.¹³

¹³ Data are also available for 2013/14, but are not complete because for some qualifications, such as diplomas and certificates, students can enrol at any point in the year or take breaks from their studies.

8 The SLC records student numbers and dropout rates as follows:

- A student is recorded as attending if any support was paid out for them for their academic year. This will include some students who received a maintenance support payment because they registered with the provider, but who left their course within 2 weeks and did not have their attendance confirmed by the provider. In these cases, the provider would not have received a tuition fee loan. Providers do not need to report records for these students to the Higher Education Statistics Agency (HESA).
- A student is recorded as dropping out if the SLC made any support payments for them at the start of their academic year and they either withdrew or were suspended during that year.
- Dropout data cover only those students who drop out during their academic year. They will therefore not include students who simply do not return for the next year of study. However, they will include students who drop out and subsequently return to their studies, either at the same provider or elsewhere.
- A student's academic year covers a full year of study. For example, if a student started their course on 1 May 2013 (which occurs during the 2012/13 academic year), any change in the 12 months to 30 April 2014, such as dropping out, counts as occurring during their 2012/13 academic year. In this example, the student's 2013/14 year would be 1 May 2014 to 30 April 2015. This differs from the student records that providers report to HESA, which are based on activity in the period from 1 August to the following 31 July.

9 We analysed aggregate data from Edexcel on the numbers of students registering to take Higher National qualifications at alternative providers, and compared this with the attendance data from the SLC. The analysis is restricted in that we were not able to compare like with like. However, we would not expect the number of Higher National students receiving support at the end of their first year to be higher than the number of students who registered with Edexcel in that year, and in most cases the former should be lower. This is because Edexcel's registrations data include all students who registered, including international and other self-funded students, and those who withdrew after registering.

10 We **reviewed documents** relating to BIS's investigations into individual alternative providers to understand what had triggered each investigation and the extent of BIS's response to any concerns or allegations.

11 We reviewed documents relating to HEFCE's assessment of a sample of applications for course designation. These documents included the applications from providers, HEFCE's own research and analysis and the advice that HEFCE provided to BIS. For some of the applications in the sample, we also reviewed BIS's records relating to the final designation decision.

12 We **reviewed information provided by individuals raising concerns**, including correspondence provided directly to the National Audit Office.

13 We undertook **online research**, including reviewing:

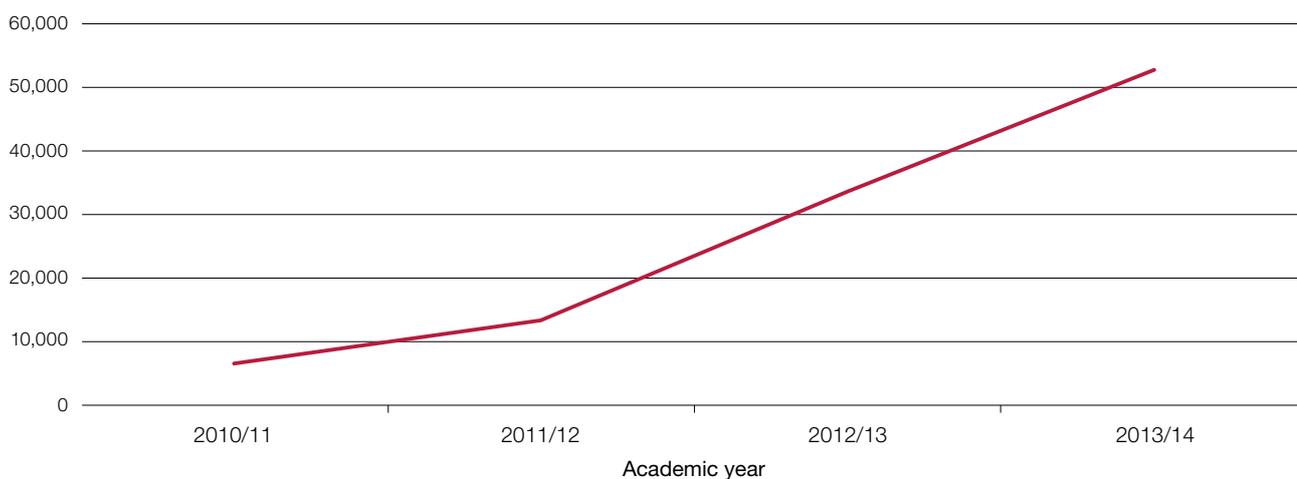
- alternative providers' websites;
- online student forums; and
- online material published by BIS, the SLC, HEFCE, the QAA and Edexcel.

Appendix Two

Figure 13

Timeline of events and developments

Number of publicly-funded students



2010/11	2011/12	2012/13	2013/14
<p>June 2011</p> <p>BIS publishes white paper signalling increase in maximum tuition fee loan to £6,000</p> <p>Committee of Public Accounts notes BIS will need a new system of regulation to match proposed changes to funding arrangements</p> <p>BIS tasks HEFCE with new role in designation process to start March 2012</p>	<p>November 2011</p> <p>BIS introduces new conditions on alternative providers seeking course designation for 2012/13</p>	<p>September 2012</p> <p>BIS increases maximum tuition fee loan to £6,000</p> <p>SLC introduces new requirement for termly confirmation of attendance</p> <p>March 2013</p> <p>Regulatory Partnership Group warns existing regulation is being pushed to the limit</p> <p>BIS announces student number controls for 2014/15</p> <p>June 2013</p> <p>BIS starts new designation process (old process closed to new applications March 2013)</p> <p>July 2013</p> <p>DWP alerts BIS to potential eligibility issues. SLC investigates</p>	<p>September 2013</p> <p>SLC introduces systematic residency checks of loan applicants</p> <p>SLC suspends payments to 11,191 students and requests proof of residency. SLC requests that all EU students provide additional evidence of residency. Individual suspensions lifted as evidence is provided</p> <p>November 2013 – August 2014</p> <p>BIS halts recruitment at 26 fast-growing providers</p> <p>February 2014</p> <p>SLC stops alternative providers from accessing designation database</p> <p>June 2014</p> <p>SLC residency investigation concludes 50% of 11,191 applicants investigated were either unable or chose not to prove they were eligible for support</p>

Academic Year 2014/15

September 2014

New legislation takes effect, allowing HEFCE to require provider information in relation to designated courses

September 2014

BIS implements student number controls for 2014/15

Appendix Three

Roles and responsibilities

Department for Business, Innovation & Skills

1 The Department for Business, Innovation & Skills (BIS) has overall responsibility for oversight of higher education, including alternative providers with publicly-funded students. In particular, BIS is responsible for the criteria and assessment process for course design and for deciding which providers and courses to approve for student support.

Higher Education Funding Council for England

2 The Higher Education Funding Council for England (HEFCE) was established by the Further and Higher Education Act 1992 (the 1992 Act). It is an arm's-length body accountable to BIS.

3 HEFCE's main responsibility is to administer funds from government for higher education. This includes funding to higher education institutions for providing education, conducting research and improving facilities and services. HEFCE also administers funds to further education colleges for approved higher education courses. HEFCE does not provide grants or loans to individual students.

4 In addition to administering funds, the 1992 Act enables HEFCE to:

- obtain information from higher education institutions and local education authorities so that it can carry out its role;
- ensure that systems are in place to allow it to assess the quality of education in institutions it funds or is considering funding; and
- provide the Secretary of State with information or advice relating to the provision of higher education.

5 In 2013, BIS asked HEFCE to administer a new process for specific course designation at alternative providers. HEFCE is legally confined to processing applications and giving BIS an analysis of the eligibility of the course and the applicant's financial sustainability, management and governance. BIS uses the information to decide which courses should be designated for student support.

6 HEFCE's assessments are in 3 stages:

- collating the conclusions of the latest review by the Quality Assurance Agency;
- assessing whether each course applied for is eligible for specific course designation; and
- assessing the provider's financial sustainability, management and governance, including analysing financial forecasts and 3 years of audited financial statements and checks against directors and trustees.

7 From September 2014, HEFCE publishes and maintains the register of designated providers and courses. The register includes information on the course length, location and awarding body for each qualification.

Student Loans Company

8 The Student Loans Company (SLC) is a non-profit government-owned company that provides loans and grants to students in universities and colleges in the UK. The SLC is owned by BIS, Scottish Ministers, the Welsh Assembly Government and the Department for Employment and Learning in Northern Ireland. It has a data-sharing agreement in place with HEFCE and BIS, and reports to BIS on significant causes for concern.

9 Once a course has been designated, eligible students can apply to the SLC for student support. The maximum annual tuition fee loan at alternative providers is £6,000 for full-time courses and £4,500 for part-time courses. Alternative providers do not have a fee-charging cap, so if they charge more than the maximum available loan, students will need to pay the remaining fee themselves. Students at alternative providers can access other forms of support on the same basis as students at publicly-funded providers, including maintenance loans and grants or Disabled Students' Allowance. All students are required to repay their loans on the same basis.

Quality Assurance Agency for Higher Education

10 The Quality Assurance Agency for Higher Education (QAA) is a not-for-profit body independent of government. It monitors and advises the public on standards and quality in UK higher education.¹⁴

¹⁴ The QAA is a registered charity and a company limited by guarantee.

11 The QAA independently reviews how higher education providers maintain academic standards and quality, and reports its findings publicly. Higher education providers undergoing review operated by the QAA include universities and colleges in the UK and worldwide, where courses lead to UK higher education qualifications. The QAA uses several methods to assess standards and quality, depending on the purpose for which the review is being conducted.

12 The QAA normally conducts a full review of each alternative provider every 4 years. Following the first review, providers submit an annual return, and may receive monitoring visits between full reviews.

13 For alternative providers with specific course designation, the review includes an assessment of the provider's arrangements for maintaining the academic standards and quality of the courses it offers. This assessment is conducted by peer reviewers, made up of staff and students from other providers, and is guided by the UK Quality Code for Higher Education.

14 The QAA publishes a report of its findings and judgements. Where the QAA has concerns or criticisms, it requires the provider to produce an action plan, in consultation with students, on how it intends to respond. The QAA monitors action plans each year.

15 A recent successful QAA review is now a prerequisite if a provider wishes to have courses designated for student support. Providers must also maintain a relationship with the QAA.

Awarding bodies

16 For qualifications to be recognised in the UK they must be accredited through an approved awarding body. There are a number of institutions with the power to award qualifications, including universities with degree-awarding powers. Some awarding bodies specialise in particular qualifications, while other, much bigger, awarding bodies award a variety of qualifications. For example, Pearson is one of the largest awarding bodies in the UK. It awards academic and vocational qualifications including Edexcel GCSEs, GCE A-levels, NVQs and Business and Technology Education Council (BTEC) courses.

17 Under the new designation process, providers must supply a copy of the course validation or awarding body contracts or approval agreements for each course and its location as part of its application.

Edexcel

18 Edexcel is a brand name of Pearson Education Limited (Pearson), the UK awarding body that offers BTEC Higher National qualifications in the education sector.

19 The BTEC Higher National qualification is an internationally recognised programme of specialist vocational learning. It has a strong emphasis on students developing practical skills for direct progression to employment and further study.

20 Before a provider can offer and access BTEC qualifications at any level, it must first gain BTEC centre approval from Pearson. After that, each subsequent qualification must also be approved. BTEC centre approval requires providers to demonstrate that they:

- have the human and physical resources to provide the qualification and assess learners effectively;
- agree to abide by independent assessment rules;
- have a robust internal assessment system supported by 'fit-for-purpose' assessment documentation; and
- have a system to verify assessment decisions internally, to ensure they are standardised across all assessors and sites.

21 Pearson works with providers to ensure that the criteria are upheld and applied across all BTEC programmes. Pearson annually reviews the consistent application of: policies affecting learners and registrations; appeals; effective external examination; and standardised processes. All Pearson assessments are also reviewed independently by external Pearson-appointed subject experts. If the provider is no longer able to assure the quality of programme or assessment standards, Pearson can work with the provider to agree an action plan, prevent registration or certification until concerns have been addressed, or withdraw either centre or qualification approval.

Appendix Four

Summary of findings by provider

Provider	Students who accessed support in 2013/14 ¹	Potentially ineligible EU applicants in 2013/14 (>100) ¹	Dropout rates (>20%) ¹	Low English language requirement	Concerns over undesignated courses	Concerns over attendance records
BRIT College	317	328				
British Institute of Technology & E-Commerce	2,172	176		Lower than IELTS level 5		
City of London College	743	336				
Essex International College	815		29% in 2011/12 22% in 2012/13		Not substantiated, but clarification required	
Grafton College of Management Sciences	757	125				
Greenwich School of Management	6,852	160				
Guildhall College	0				Designation revoked	
ICE Academy	722	107			Substantiated, payments blocked	
ICON College of Technology & Management	1,184	435	20% in 2012/13			
Kaplan Open Learning	293		30% in 2012/13			
London Bridge Business Academy	55	108		Lower than IELTS level 5		
London Churchill College	600		59% in 2011/12 30% in 2012/13			
London Empire Academy	517				Substantiated, payments blocked	
London School of Business & Finance	4,910	340	22% in 2012/13			
London School of Science & Technology	1,239	273	49% in 2011/12 18% in 2012/13		Not substantiated, but clarification required	Not substantiated, minor sanctions
Mont Rose College of Management & Sciences	711	181				

Provider	Students who accessed support in 2013/14 ¹	Potentially ineligible EU applicants in 2013/14 (>100) ¹	Dropout rates (>20%) ¹	Low English language requirement	Concerns over undesignated courses	Concerns over attendance records
Nelson College	1,153	194				
RTC Education/ Regent College	1,050	497	22% in 2012/13			
Resource Development International	602		24% in 2012/13			
SAE Institute	568		11% in 2011/12 21% in 2012/13			
St Patrick's International College	7,684	691				
The London College, UCK	691	144				
UK College of Business & Computing Ltd	1,501	492	25% in 2012/13			
Williams College	402			Lower than IELTS level 5		

Note

¹ Data are from the Student Loans Company (SLC). Details of how the SLC records student numbers and dropout rates are at Appendix One.

Source: National Audit Office analysis of data from the Student Loans Company; Department for Business, Innovation & Skills; and alternative providers' websites

Appendix Five

Examples of advertisements to recruit students

Figure 14

Recruitment advertisement

BOOK YOUR ENGLISH LANGUAGE COURSES TODAY



"REGENT COLLEGE"

FURTHER & HIGHER EDUCATION DIVISION

HOW DO I PAY FOR MY HND ?	If eligible, you will receive up to £ 6,000 as a tuition fee loan
HOW DO I COVER THE EXPENSES ?	If eligible, you will receive up to £ 7.675 as a maintenance loan If eligible, you will receive up to £ 3.354 as a maintenance grant

SHARE THE GOOD NEWS WITH ALL YOUR FRIENDS

Additional grants	If you have children under 17 Another adult depends on you financially You have a disability or health condition You are in financial hardship
You may be eligible for	Childcare Grant/ Child Tax Credit Adult Dependents' Grant Disabled Students' Allowances Parents' Learning Allowances

Duration of the course: 2 years + 1 (Bachelor's Degree) at any university in the UK or abroad. Your educational program and academical performance will be carefully supervised by experienced tutors during class lectures and workshops or individual learning sessions.

Source: This advertisement was passed to the National Audit Office by a member of the public. We understand that it appeared on the internet during 2014

Figure 15

Excerpt from a recruitment advertisement

London School of Science & Technology informed us that it did not recognise this advertisement, and that it does not refer to itself as LSST Business School

[London jobs -> General London jobs, UK](#)
[View previous job](#)
[View next job](#)

19 September 2011

Flexible Hour Opportunity Available Gbp 10,000 Per Year Apply Now

Job details:

Telephone: [REDACTED] (Mon - Sat 10am - 6pm) You can receive GBP10,000 per year financial support with your first payment of GBP3000 in your account this September . Additional financial support is available for those with children , adult dependants or disabilities. You can combine this opportunity with other responsibilities such as work/children / your own business. Please read on. Did you know there is a seat for you at LSST Business School? Which YES you can afford, YES you can manage, YES you can fit in, and YES you will achieve. You can combine the course with your work, children and other commitments. You can even start this September!!!!!! Are you interested in business and entrepreneurship? Are you interested in achieving a higher education qualification ? Do you have an ambition to open your own business? Is an educational opportunity which provides strong financial support something you would be interested in? Do you want to join 600 other very happy students who are learning real business and entrepreneurial skills and on their way to graduation?? LSST Flexibility Completely flexible with your other commitments : Study just 2 days a week OR 2 evenings and a Saturday. - Start this September whatever your circumstances. -Full government support in grants and loans. - Combine with your other commitments. LSST BUSINESS SCHOOL A new concept in Business education - university level courses which will provide highly sought after employment and entrepreneurial skills. Welcome to the new concept in university education! This course is paid for by student loans and grants while giving you up to GBP10,000 per year living / maintenance allowance and allows you to continue with employment. How so? Flexible full time hours, 2 full days / evenings / weekends, tailored to your busy life. A program of study available for you whatever you re previous study levels. (We have a course for you and your level) Students requiring refresher programs will be offered a pre University foundation course. This program is designed for anyone interested in Business/Management/Entrepreneurship LSST is far more interested in practical business skills than students reading and writing from masses and masses of texts. We welcome your previous work and life experience as criteria for entry. - Flexible start dates Flexible timetables - create your own timetable around your schedule. LSST has hundreds of students studying on our business programs, therefore we have classes running 6 days a week Monday to Saturday and 4 evenings a week. - Outstanding teachers with teaching and practical experience. - Unrivalled support leading to impressive pass rates. Areas of study - Business - Management - Marketing - Finance - HR - IT and Computing HOW WILL I PAY FOR MY STUDIES? We are affiliated with the Student Loan Company (SLC) who provide: - Full loans for you to cover our tuition fees - you will not be expected to pay anything towards your program until you have finished and are earning - Loans and grants (grants do not need to be paid back) of up to GBP10,000 tax free per year to support you during your studies. - We will assist in helping you to identify other sources of income, e.g. for childcare and carer support. AM I ELIGIBLE? Are you over 18? You cannot already have a degree Are you a UK or EU resident? (lived in the UK/EU for at least 3 years) (UK passport - indefinite leave to remain). Are you interested in Business/Management/ Entrep

Source: This advertisement was passed to the National Audit Office by a member of the public. It is dated September 2011 but was still accessible on the internet in November 2014

This report has been printed on Evolution Digital Satin and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

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