



Expansion of private higher education provision in England

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Library briefing SN/SP/6155 [Private higher education provision](#) 8 December 2011 provided an overview of policy development in the private HE sector up to the end of 2011. This note is a follow on from that and gives an overview of developments since 2011; it highlights the expansion of the system and discusses the controversy around the provision of student support for students at private higher education institutions and the introduction of student number controls at private institutions.

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1 Summary

There are many private higher education providers (also referred to as alternative learning providers) in the UK; they offer degree level courses and they receive no direct money from public funds. Most of these private institutions are colleges that offer programmes of study which are validated by other public higher education institutions.

One of the policies of the new Coalition government in 2010 was to increase choice and competition in the HE market by expanding the number of alternative providers in the sector. Within four months of coming into office the government created the first new private university in over 30 years when it conferred university college status on BPP, David Willetts the Minister of State for Universities and Science said at the time that:

Private universities will help to create a "dynamic and flexible" degree system¹

Since 2010 the number of private providers with their own degree awarding powers and university status has increased rapidly. There are currently seven private higher education institutions with degree awarding powers² in England and four of these institutions have university status³, of these institutions only the University of Buckingham offers a similar range of courses to public universities, the others generally provide a more limited range of courses and they tend to specialise in areas such as business, law, computing, management and hospitality courses.

The government's proposals to open up the HE sector to a wider range of providers were set out in the higher education White Paper *Students at the Heart of the System*. These proposals were welcomed by private providers, but public HE sector bodies were generally wary of the proposals and the University College Union in particular warned against

¹ "First private university in decades to be created", BBC News 26 July 2010

² Regent's University London, University of Buckingham, BPP University Ltd, the University of Law, Ashridge Business School, IFS University College and the College of Estate Management

³ BPP University, the University of Law and Regent's University London

expanding for-profit institutions. The public sector's main concerns were around regulation and quality control of the private sector and the impact of increased competition on public sector provision.

Recently the issue of private sector HE has come under the spotlight as increasing numbers of students are receiving public funding in the form of loans and grants to study at these institutions. Providing loans for these students means that public money is being allocated to private institutions and the spiralling cost of this funding is seen as a cause for concern.

2 Expansion of the private HE sector

For many years there have been private providers of education in the higher education sector, a press release by the Higher Education Statistics Agency (HESA) in April 2011 [UK Survey of private and for-profit providers of Higher Education in the UK 2009/10 - Provisional figures](#) stated that in 2010 nearly 38,000 students were attending private HE institutions.

On 11 June 2012 David Willetts announced that there would be a change to the criteria for the granting of university status, and that the number of full time degree students required by an institution applying for university title would be reduced from 4,000 to 1,000:

Business, Innovation and Skills

Higher Education Update

The Minister for Universities and Science (Mr David Willetts): On 28 June 2011, the Government published a higher education White Paper, "Students at the Heart of the System". This was followed on 4 August 2011 by a technical consultation, "A new fit-for-purpose Regulatory Framework for the Higher Education Sector". Over 200 responses to the White Paper were received, and over 150 responses to the technical consultation.

We are today publishing the Government response to both consultations. This provides a summary of respondents' views, and describes the progress Government are making to deliver a strong, financially sustainable and high quality HE sector; promote a better student experience; foster social mobility and widen participation; and create a more responsive higher education sector in which funding follows the decisions of learners and successful institutions are freed to thrive. The response includes an announcement that we will reduce the "numbers" criterion for university title from 4,000 higher education students to 1,000. This will widen access to university title for smaller, high quality providers, and is expected principally to benefit many of the long-established colleges represented by GuildHE.

[...]

The Government response also announces that we will arrange for alternative providers, and those FE colleges that do not receive HEFCE funding, to be treated alongside other providers of higher education in being covered by limits on their numbers of publicly-funded students. We will consult later this year on the process for applying these changes. We will also review how existing quality assurance arrangements affect alternative providers, including FE colleges offering HE. We strongly support both existing HE providers and the entry of alternative providers and FE colleges into the HE market, and these measures will create a more level playing field. ([HC Deb 11 June 2012 c1WS](#))

In 2009 there was only one private provider with full university status – the University of Buckingham, but since 2012 another three institutions have received university status - BPP University, the University of Law and Regent’s University London.

There has also been an increase in the number of private providers with degree awarding powers; in 2009 only four private HE providers had such powers,⁴ this has now risen to seven.⁵

BIS research paper no 111 *Privately funded providers of higher education in the UK* June 2013 contained a detailed analysis of private HE provision in the UK. The report identified a total of 674 named privately funded HE providers operating in the UK⁶ in 2011-12 and the report estimated that around 160,000 students were attending these institutions. Most of the providers identified in the report were relatively small in scale - 217 of the 674 had fewer than 100 students, however 35 providers had over 1000 students and five of these had over 5000 students.

David Willetts discussed his views on the expansion of private HE provision in an article in the *Telegraph* “[David Willetts: our privately funded university revolution](#)”, 24 July 2013

3 Student support for students at private HE institutions

Most students at private providers receive no public support, but students studying on ‘designated’ courses at private providers are eligible for student support, in 2011/12 110 private providers had courses which were designated for student support.⁷ Student Finance England maintains a list of all privately funded institutions that have courses which are specifically designated for student support purposes, this list is available at [Full list of designated courses](#).

3.1 Number of students accessing support

Eligible students on designated courses at private institutions have access to the same package of support in the form of tuition fee loans, maintenance loans and grants as students at publicly funded universities. The amount of tuition fee loan is lower however and students only receive £6,000 as a full time student or £4,500 as a part time student. Information on student support is set out in a BIS publication *Alternative Providers: Specific Course Designation Guidance for Providers: Criteria and Conditions* June 2013 p9:

Student Support Arrangements for Specifically Designated Courses

Once a course has been specifically designated, eligible students can apply to the SLC for student support. For 2013/14 the maximum tuition fee loans available to new eligible students on specifically designated courses provided by alternative providers are £6,000 (full-time students) and £4,500 (part-time students). Alternative providers are not subject to a fee charging cap so if alternative providers charge more than £6000 (or £4500 for part-time courses) students will need to pay a contribution to their fees upfront. Students can access all other forms of support, such as maintenance loans and grants, on the same basis as students at publicly-funded providers. All

⁴ Universities UK *The growth of private and for-profit higher education providers in the UK*, March 2010 p18

⁵ Regent’s University London, University of Buckingham, BPP University Ltd, the University of Law, Ashridge Business School, IFS University College and the College of Estate Management.

⁶ BIS research paper no 111 *Privately funded providers of higher education in the UK* June 2013 p7

⁷ BIS *Applying student number controls to alternative providers with designated courses Consultation* November 2012 table A1 p23

students will repay on the same basis as other students regardless of where they study.

A House of Commons deposited paper (Dep 2010-1756), showed that in 2009-10 4440 students at private HEIs received student support. Information given in answer to a House of Lords PQ in March 2013 showed the annual increase in the number of students receiving support since 2009:

Higher Education: Loans and Bursaries

Questions

Asked by Lord Willis of Knaresborough

To ask Her Majesty's Government how many students studying higher education courses offered by independent providers of higher education received loans or bursaries provided by public funds in (1) 2010-11, (2) 2011-12, and (3) 2012-13; and what were the courses they were studying.[HL5694]

Baroness Garden of Frogna: The number of students studying on specifically designated higher education courses offered by independent providers of higher education receiving loans or bursaries in the years in question are as follows:

2010-11—5,860; and

2011-12—12,240.

The data for 2012-13 are not yet available⁸

Figures in a HEFCE document in April 2014⁹ said that full-time undergraduate students who could access student support totalled around 25,000 in 2012-13 and that this number was projected to increase to near 60,000 in 2013-14. From this information it can be seen that the number of students at private providers accessing student support has increased significantly in the last few year

3.2 Cost of providing support to students at private providers

The increased number of students accessing student support means that the cost of providing support for students on designated courses has risen sharply. In 2011-12 the cost of providing support in the form of loans and grants to HE students at private providers was £100 million.¹⁰ A PQ in March 2014 gave information on future estimated costs:

Higher Education

Mr Byrne: To ask the Secretary of State for Business, Innovation and Skills (1) what his latest estimate is of total cost of supporting students at alternative learning providers in (a) 2013-14, (b) 2014-15 and (c) 2015-16 by (i) loan support, (ii) maintenance grants and (iii) any other support; [192893]

(2) what estimate his Department has made of the amount spent on maintenance grants for students at private colleges in (a) 2013-14 and (b) 2014-15. [193351]

⁸ [HL Deb 4 March 2013 c367](#)

⁹ HEFCE 2014/08 [Higher education in England 2014 Analysis of latest shifts and trends](#)

¹⁰ BIS [Applying student number controls to alternative providers with designated courses Consultation](#) November 2012 p5

Mr Willetts: The estimated costs of support to students at alternative providers are as follows:

	£ million		
	By financial year		
	2013-14	2014-15	2015-16
(i) Loan outlay (cash)	400	650	600
(ii) Maintenance grants and (iii) allowances	150	250	250

Forecast of expenditure on students at alternative providers remain especially uncertain as we still do not yet know how many students will be paid support in the 2013/14 academic year. All forecasts are based on assumed growth from the 2012/13 baseline. ([HC Deb 26 March 2014 c296](#))

From the above it can be seen that student support outlay could rise to £820 million by 2015/16 – that would be an increase of £720 million in four years.

4 Student number controls and private providers

Historically private providers have not come within government student number controls and increased access to student support has allowed some colleges to expand rapidly. The largest area of expansion for providers has been in students taking HNCs and HNDs.

In November 2012 the government launched a consultation [Applying student number controls to alternative providers with designated courses](#). The responses to the consultation, including the government’s response, were published on the GOV.UK website.¹¹ In December 2013 the government published its final report on the consultation in a BIS report [Alternative Higher Education Providers: Student Numbers Controls Final Guidance 2014/15](#). The report announced that number controls would be imposed on private providers in 2014/15:

For alternative providers’ number controls will continue in 2014/15 as planned. From 2015/16 student numbers at high quality alternative providers will be freed from student number controls in a similar manner as for HEFCE-funded providers. However number controls will be retained for high risk alternative providers. Further guidance will be issued for 2015/16 and subsequent years.

For the 2014/15 academic year the student number control for alternative providers will be based on the number of UK and EU students starting full-time undergraduate and PGCE (Postgraduate or Professional Graduate Diplomas in Education or Postgraduate / Professional Certificates in Education delivered by non-school providers) study on specifically designated courses in academic year 2012/13. A higher number control may apply in exceptional cases (see Chapter 2). Equally we reserve the right to take action on grounds of affordability against providers who have undergone very significant expansion in 2013/14 in advance of formal number controls being introduced.

¹¹ GOV.UK at [Applying Student Number Controls to Alternative Providers with Designated Courses](#)

Providers student numbers will be based on the number of students in 2012/13 and institutions which recruit over their cap could be fined, or have their specific course designation removed.¹²

5 Regulation of private providers

In June 2013 the government set out new standards on quality assurance, financial sustainability, management and governance to be met by all private providers seeking to designate courses for student support; the criteria were set out in a document [Alternative Providers: Specific Course Designation Guidance for Providers: Criteria and Conditions](#). The new requirements include the following (p5):

- **NB** A recent, successful QAA review is a pre-requisite for an application for specific course designation. It will also become a requirement for existing providers as part of the review of existing specific course designations. In both cases providers will also need to demonstrate a commitment to maintaining their relationship with the QAA. Providers will be required to meet the cost of QAA review, details of which can be found on the QAA website.
- All providers must provide externally audited copies of the last three years' accounts as part of the Financial Sustainability, Management and Governance (FSMG) checks when seeking specific course designation.
- Providers will be required to sign up to a set of terms and conditions of Specific Course Designation including complying with annual monitoring and data collection requirements.
- A Student Number Control (SNC) will be introduced in 2014/15 for full-time undergraduate courses and will be set on an annual basis. A specific SNC will be set for each provider; it will be for providers to manage their specifically designated courses within the SNC limit.
- Some providers will be required to submit data to the Higher Education Statistical Agency (HESA). They will need to pay a subscription to the agency to meet this requirement
- If a provider fails to comply with the terms and conditions and/or there are concerns raised during monitoring the Department will consider whether the course(s) should continue to be specifically designated. Possible action could include the issuing of an improvement notice, a freeze or cut in student numbers and possible withdrawal of designation for the course or courses in question.

The new arrangements will apply to all new specific course designation applications for the 2013/14 academic year and, over a transition period, to existing courses with specific designations.

Information on the regulation of alternative learning providers was given in answer to PQs on 7 April 2014 ([HC Deb 7 April 2014 c9](#)):

Higher Education

Mr Byrne: To ask the Secretary of State for Business, Innovation and Skills whether any alternative learning providers have not met the standards he recently announced

¹² [Alternative Higher Education Providers: Student Numbers Controls Final Guidance 2014/15](#).Sanctions p 10-11

on (a) quality assurance, (b) financial sustainability and (c) management and governance. [194323]

Mr Willetts: To date, 16 alternative providers that applied to have courses designated under the new specific course designation arrangements have not met the standards required. Three applications were rejected because of quality assurance; 13 applications were rejected because of concerns over financial sustainability.

Mr Byrne: To ask the Secretary of State for Business, Innovation and Skills what steps his Department plans to take to monitor whether alternative learning providers are meeting the standards he recently set out on (a) quality assurance, (b) financial sustainability and (c) management and governance; and how he plans to facilitate the meeting of those standards. [194324]

Mr Willetts: Under the new specific course designation arrangements alternative learning providers are required immediately to notify the Higher Education Funding Council for England (HEFCE) of any material changes which may affect their financial sustainability or quality of provision. HEFCE will also run an annual monitoring exercise to collect information about the ongoing financial sustainability, quality of provision, and changes to management and governance arrangements at alternative learning providers.

5.1 Financial regulation

All Institutions seeking designated course status must comply with the department's Financial Sustainability, Management and Governance (FSMG) checks - these checks are also carried out by QAA as part of the educational oversight process; FSMG checks are generally conducted before quality assurance checks

FSMG checks aim to ensure that providers are financially viable and sustainable with a low risk of failure on financial grounds over the medium term, these controls should give students reasonable confidence that they should not be at risk of being unable to complete their course as a result of financial failure of their education provider.

BIS document [Alternative Providers: Specific Course Designation Guidance for Providers: Criteria and Conditions June 2013](#), gives an illustrative list of the evidence that institutions will need to provide as part of the FSMG process:

The following is an illustrative list of the evidence that providers will need to give:

- Demonstration of the identity of the provider as an organisation and key individuals (for example, the principal, directors, shareholders, trustees) to ensure that the provider is owned, managed and run by 'fit and proper persons';
- Adequacy and appropriateness of corporate governance arrangements;
- The status of the specific course validation agreement or powers to award taught degrees;
- Sufficient track record of financial performance, evidenced by the last three years' externally audited accounts The basis of accounts and forecasts will be Generally Accepted Accounting Practice in the UK (UK GAAP) (or successor requirements) or International Financial Reporting Standards (IFRS) (if appropriate)³. New entrant providers or new entities without a track record will

need to demonstrate strong support from a parent company or guaranteed financial backing;

- Financial sustainability, evidenced by a business plan and full financial forecasts for the current year and future three years. This will include a commentary on the assumptions being made and how any financial risks are being managed. In order to assess the financial position and performance, the application must cover other relevant contextual information; and
- Accountability for the accuracy of the application.

5.2 Quality assurance

Concerns have been voiced about quality assurance processes at alternative learning providers however BIS research paper no 111 [Privately funded providers of higher education in the UK](#) June 2013, states that most private providers are quality assured by some form of external organisation:

Having said this, the majority of providers are accredited, overseen or reviewed by external bodies in some form, either through the QAA, the BAC or ASIC. Therefore, one route to maintaining quality is through these external bodies, as well as through the wide range of awarding organisations that award the HE qualifications privately funded providers deliver. Indeed, quality is arguably a more important distinction to make in any regulatory framework than other indicators, such as size, subject specialism or profit-making status, certainly from the point of view of the student. External recognition by recognised awarding or accrediting organisations may also be an important selling point for privately funded providers, particularly those that are relatively newly established.

Private providers seeking specific course designation, university status or Tier 4 sponsor status must meet specific quality assurance requirements.

In 2012 QAA conducted reviews on 209 private providers; these reviews raised some issues and there were discussed in an article¹³ by Stephen Jackson director of reviews at QAA:

Private providers are the subject of heated debate in the UK higher education sector. It's in this context that QAA (the Quality Assurance Agency for higher education) carried out 'educational oversight' reviews of 209 private colleges over the course of 2012. Overall, our review judged 86% of them to be providing a quality student experience, publishing honest and accurate information, and delivering courses that meet the academic standards laid down by their awarding organisations.

Of course, that isn't the whole story. More than 100 of the original applicants to QAA following the government's new rules on recruiting international students either failed to progress to review or failed the review itself – sometimes because of very serious problems.

[...]

The vast majority of colleges say they have benefited from external quality assurance review – 86% agree that the review achieved its aims, with 93% finding the review report useful.

[...]

¹³ [Private higher education: improving certainly, but still could do better](#). The Guardian 3 September 2013

Contrary to the stereotype, we've learned that students at private colleges are engaged with the quality of their own education. In 77 written student submissions and 24 video or video / written combined submissions, private college students expressed high levels of satisfaction with academic staff, referencing their subject knowledge, teaching ability and approachability.

We have also seen evidence that private providers can collaborate effectively with external bodies (for example awarding organisations, professional bodies, industry). The 36 examples of good practice that we saw included opportunities for staff training initiatives by partner organisations and timely responses by private colleges to recommendations by their awarding bodies.

However, we did find significant need for improvement in private colleges' quality assurance arrangements – 370 of the recommendations made by reviewers related to this area, including 126 recommendations for formalising quality assurance processes

[...]

There are still gaps to be plugged, but most students considering 'going private' should now be able to find a legitimate provider whose academic standards have been judged against the same criteria as their publicly funded rivals

Quality assurance for specific course designation

Private providers seeking to have courses designated for student support purposes will have to comply with new quality assurance requirements which are set out in the BIS publication [*Alternative Providers: Specific Course Designation Guidance for Providers: Criteria and Conditions June 2013*](#).

A recent, successful QAA review is a pre-requisite for making an application for specific course designation. Applications will not be accepted in the absence of the completion of such a review. It will also become a requirement for existing providers as part of the review of existing specific course designations (see Chapter 2). In both cases providers will also need to demonstrate a commitment to maintaining their relationship with the QAA by paying a subscription or annual maintenance fee to the Agency

Before applying for a new specific course designation, a provider will need to have undergone a successful quality assurance review and providers who have existing specific course designation(s) who do not meet this requirement will also need to apply for QAA review. In addition courses must be validated by a body with UK degree awarding powers or by an approved UK awarding body in the case of Higher National Diplomas (HNDs), Higher National Certificates (HNCs) or Initial Teacher Training (ITT) courses for teachers in the FE sector.

Principles of the Quality Assurance Requirement

Some alternative providers are subject to independent, external inspection or review by UK bodies other than the QAA. For example, some alternative providers offering a small amount of higher education in addition to other provision are reviewed for Educational Oversight in relation to their Tier 4 sponsor status by bodies approved for that purpose by the Home Office. These reviews entirely meet the purposes for which they were intended and remain a requirement for holding a Tier 4 sponsor licence.

We have assessed the extent to which reviews conducted under these frameworks meet the requirements we have established as part of the specific course designation process for higher education courses. This assessment shows they meet some but not

all of our requirements, which are clearly articulated through the expectations of the QAA's UK Quality Code for Higher Education: <http://www.qaa.ac.uk/AssuringStandardsAndQuality/quality-code/Pages/default.aspx>.

To avoid duplication, where providers undergo inspection/review processes for another purpose, through one of the review frameworks on a list maintained by the Department, they will be able to meet the quality requirement for specific course designation by also undergoing an adapted QAA review. The review will focus in particular on the management of the academic standards of their HE provision.

Review frameworks that will be included on the list are those operated by the following UK bodies:

Independent Schools Inspectorate

Bridge Schools Inspectorate

Schools Inspection Service

Other bodies wishing to be included on this list, or providers who wish to nominate other bodies for inclusion should contact the Department for consideration. Providers that are not reviewed under one of these listed review frameworks will need to undergo a full QAA review as described below.

QAA's review will be based on the same principles that apply to all other higher education providers involving external assurance about the academic standards of their higher education awards and the quality of the learning opportunities available to students. QAA will assess the reliability of the information produced by providers about their academic programmes and their general commitment to continuous quality improvement.

QAA will require evidence that a provider has delivered approved higher education programmes in the UK normally for at least 12 months at the date of application for review.

Quality assurance for university or university college title

All private providers must undergo a review by QAA in order to be awarded university or university college title. Institutions awarded university status will subsequently be subject to annual reviews by QAA. The BIS document states the following on quality control at ALPs with university title on p24:

Alternative Providers with University Title (UT) or University College Title (UCT)

Alternative providers that hold UT or UCT have already met a set of rigorous entry requirements including independent quality assurance and assessment of their corporate, financial and academic governance. In recognition of this once providers have gone through the initial process of assessment under the new criteria they will be offered the option to have an institutional level designation agreement from the 2014/15 academic year. We will provide further information to those affected in due course.

As with all providers under the new specific designation process these providers will be required to maintain their relationship with the QAA and will be subject to annual monitoring which will include checks on their financial position, quality and course eligibility and be subject to student number controls

Quality assurance and Tier 4 sponsor status

Educational oversight (EO) by a designated body is a requirement for Highly Trusted Sponsor status; in 2011, QAA was recognised by the Home Office as a designated body for higher education providers. Educational oversight involves a full QAA review in the year following an application for Highly Trusted Sponsor status and an annual return and interim monitoring visits between reviews in subsequent years.

In 2012 QAA reviewed 209 ALPs under this process, information on these reviews is available in a QAA document [Educational Oversight: One Year On](#). Further information on educational oversight is given on the QAA website at [Quality is key to new student visa arrangements](#) 13 June 2011.

6 Issues

6.1 Expansion of sub degree courses at private providers

A quarter of courses which were newly designated for student support purposes at private providers in 2013 were HNC and HND courses validated by Pearson.¹⁴ On 19 November 2013, with the cost of support for students at private institutions rising rapidly, David Willetts announced an immediate curb on student numbers at 23 private providers offering HNDs and HNCs:

Business, Innovation and Skills

Student Support in England

The Minister for Universities and Science (Mr David Willetts): In the 2011 White Paper on higher education, “Students at the Heart of the System” (Cmnd 8122), the Government announced their intention to introduce a level playing field for regulating higher education providers of all types. A number of reforms have since been introduced to deliver convergence between the rules governing higher education institutions funded by the Higher Education Funding Council for England (HEFCE) and others, known as alternative providers (APs). The process of applying student number controls to APs was subject to a consultation, which was launched in November 2012 and which closed in January 2013.

The previous Government introduced a system of recovery of payments from HEFCE-funded providers that breached their number controls. This regime was not applied to APs, even though students studying at APs are eligible for maintenance grants, maintenance loans and tuition fee loans. As the higher education sector has diversified, the number of applications for student support at APs has increased. In addition, the tuition fee changes implemented in 2012-13 mean students at APs may borrow up to £6,000 a year to cover the costs of their tuition. The number of English and EU students claiming support at APs has grown from 13,000 in 2011-12 to 30,000 in 2012-13, and the total public expenditure on these students has risen from £60 million to £175 million. This is 4% of the total student support budget. Growth has been particularly concentrated among students studying for higher national certificates (HNCs) and the higher national diplomas (HNDs).

The Government announced in March 2013 that they would introduce number controls for 2014-15 academic year based on institutions’ 2012-13 entry data. Alternative providers were asked to submit data to HEFCE on their recruitment plans. The Department received these data on 5 November and concluded that some of these plans were unaffordable, given the need to control public spending. We have therefore

¹⁴ [“Watchdog called in on private college use of student loans”](#), *Times Higher Education* 22 May 2014

written to the 23 APs that are expanding most rapidly to instruct them to recruit no more students for HNCs and HNDs in the current 2013-14 academic year. Degree-level courses are unaffected by these changes. ([HC Deb 19 November 2013 c43](#))

The imposition of the cap on some sub-degree courses in 2013/14 was discussed in an article in the *Guardian* on 28 November 2013:

Private colleges in England have been thrown into chaos after the government acted to stop half from recruiting any more students from Britain and the EU to study higher national diplomas and certificates.

A sudden intervention from the Department for Business has meant that in the past 10 days colleges educating thousands of students on courses such as business finance, hospitality management and IT management are no longer able to recruit any more this academic year.

Sally Hunt, general secretary of the UCU, which represents lecturers and academic staff, said her union had "specifically warned" ministers about recruitment at the colleges and added the department had got its sums "so spectacularly wrong" and that the situation had become "embarrassing".

In the past 10 days it has emerged that the department's budget for providing student loans and grants was overspent by £80m in 2012/13 – and that ministers were considering cuts to ensure that the budget balanced in future years.

The Department for Business has now suspended recruitment to HND and HNC courses at 22 private [higher education](#) colleges and chains.

With students at alternative providers accessing loans and grants now thought to number nearly 40 000, the department has been forced by budget pressures to reverse its policy of encouraging rapid growth in the higher education sector.

In all, the department has halted 200 courses from being taught to new students at the colleges. One hundred of the courses are offered by London College UCK, based in Notting Hill Gate. The department approved these courses in 2011/12, taking just four days to deal with the application paperwork.

The colleges where student recruitment has effectively been suspended by the curtailment of financial support are almost exclusively located in London and the south-east.

The list of suspended colleges includes London School of Business and Finance (LSBF), which won the Queen's Award for Enterprise in 2013. The suspension also affects its Birmingham and Manchester campuses.

[...]

The department said: "Take up is growing rapidly and we're taking measures to manage this growth within our budgets. We have instructed the providers that are growing most rapidly to stop recruiting students to these courses for this year."¹⁵

6.2 Incorrect payments of support to students at private providers

It has been suggested that students at some private providers have wrongly been given access to student support; allegations have also been made about the authenticity of some

¹⁵ "[Government stops private colleges taking on new students](#)", *Guardian* 28 November 2014

students at private colleges and it has been suggested that some providers have given misleading information to the Student Loans Company:

The government body in charge of the student loans system has discussed “counter-fraud” investigations into some for-profit colleges to examine “suspicions” about whether their students are genuine and turning up to classes.

Minutes from a Student Loans Company board meeting also suggest that there was confusion between the organisation and the Department for Business, Innovation and Skills as to who leads investigations into private colleges.

And it has emerged that BIS, which is reviewing all designations for public funding for private providers, has written to 40 private colleges to tell them their courses will no longer be eligible for public funding, a move likely to raise questions about how the department made the courses eligible in the first instance.¹⁶

In January 2014 BIS issued a press release in which it stated that students at ICE Academy had mistakenly been receiving student support:

The Department for Business, Innovation and Skills (BIS) has confirmed that the ICE Academy’s campuses in Manchester, Bedford and Croydon have never been designated for student support. Students at these campuses have never been eligible for student support. ICE Academy should not have advertised places on these courses as being eligible for support. These students will not receive any further payments and fee loans paid to the College on their behalf will be recovered by Student Loans Company (SLC).

Following an investigation ICE Academy admitted that it had supplied misleading information to the SLC about where some of its students were studying. They had provided details that led the SLC to believe that around 400 students studying at Manchester, Bedford and Croydon were studying at campuses where courses were designated for student support.

BIS hopes that ICE Academy will help students who wish to either continue their studies without public funding at one of their campuses or find a suitable course at another provider. For students moving to a new provider, BIS will consider approving their student support at that provider on a case by case basis. However, BIS will not approve student support payments for any students that transfer to another course at ICE Academy.

ICE Academy have also been informed that if in the future it goes beyond the terms of its designations or knowingly misleads SLC, BIS may decide to withdraw some or all of their designations.¹⁷

In November 2013 a further problem arose concerning maintenance support for EU students at private providers and in response the ministerial statement on 19 November 2013 announced that support for Romanian and Bulgarian students would be frozen:

We identified that there had been a significant increase in the number of Bulgarian and Romanian students applying for full student support in England this year. This support is usually only available to EU citizens resident in the UK for a minimum of three years. We have asked each of these students to supply additional information to support their

¹⁶ “[Private colleges investigated amid fears of fraud](#)”, *Times Higher Education* 19 June 2014

¹⁷ BIS press release, [BIS confirms ICE Academy campuses not entitled to student support designation](#), 30 January 2014

applications for maintenance, before any further public funding is made available to them or to their institutions. We have asked all EU citizens applying for maintenance support in England to supply this additional information

It has been suggested that many of the students involved in claiming maintenance support were registered at small number of alternative providers offering HNDs and other non-university qualifications:

The government has suspended all funding for overseas EU students at private colleges, and for Bulgarians and Romanians at public universities.

The move, revealed today in an email to institutions, will add to worries that an overspend on private providers has caused a major budget crisis at the Department for Business Innovation and Skills.

Universities with direct public funding will also be concerned that they are now being directly impacted by a problem that began in private colleges.

Some in the private sector immediately raised questions about whether the move could be judged as discriminatory to affected students under EU law.

Today's email from the Student Loans Company says: "We are writing to advise you that Student Finance England (SFE) have taken the decision, in consultation with the Department for Business Innovation and Skills (BIS), to suspend all elements of funding to EU students at alternative providers and all A2 nationals (e.g. students from Bulgaria and Romania) at a public institution for 13-14 payments."

BIS has since clarified that the funding suspensions do not affect students claiming fee loans only.

The funding suspension for EU students does not apply to those from the UK.

Today's move suspends tuition fee loans for 2013-14 for the relevant groups of students, as well as maintenance loans and grants, subject to students supplying additional information about whether or not they are eligible for funding.

The suspensions will apply for all students in the relevant categories, even if they are already studying in the UK and no matter what stage of their degree they are at.

A BIS spokesman confirmed: "All EU students at alternative providers have had payment suspended until they provide the additional information outlined in the letter.

"All Romanian and Bulgarian at all institutions (APs and universities) have had payments suspended until they provide the additional information."¹⁸

In June 2014 David Willetts said that the department would take direct action against providers who were found to be complicit in fraud:

Mr Willetts said today: "Of the 11,191 students who we asked for additional residency evidence, 1,333 (12 per cent) received a payment but were either unable to or chose not to demonstrate that they had been in the UK for the three years prior to the start of their study.

"Around £65 million was due to have been paid out to these individuals. As a result of our prompt action only £8 million was actually paid."

¹⁸ "[Student funding suspended following budget problems](#)", *Times Higher Education* 29 November 2014

Raising the prospect of fraud, Mr Willetts continued: “We have taken immediate action to recover these sums and already have recovered around £2.5 million. Work continues to recover the rest including using debt collection agencies, court action, and if we find evidence of fraud, we may prosecute those involved.”

And, significantly given the government’s drive to encourage for-profit providers, he added: “If any higher education provider is found to have been complicit in this, we will take the action against them directly.”

Mr Willetts continued: “In alignment with the Cabinet Office Fraud, Error and Debt Taskforce appointed by the Prime Minister, we will carry out a fraud and debt review which will look at: the resilience of the entire student finance system; how we respond to fraud; and the powers the Department of Business Innovation and Skills, Student Loans Company and partners have to tackle fraud.”¹⁹

The Public Accounts Committee and the National Audit Office are to hold an inquiry into the alleged misuse of public funding by some for-profit colleges.

¹⁹ [“Willetts threatens legal action over private provider student payments”](#), *Times Higher Education* June 2014