



Preserving student choice and a diverse higher education sector through 2020-21 – proposals to government

Introduction

The independent sector enriches higher education (HE) in the UK through a diverse ecosystem of specialist provision which widens access to less well represented groups of students and applies the lens of particular industries to the meeting point of academic and professional education.

Higher education is a market dominated by large metropolitan and campus universities which are the HE equivalent of the FTSE 100, while independent providers are its SMEs: 89% of them fall under the technical classification of a Small or Medium sized Enterprise. Like all SMEs, they have fewer assets and resources, and a less diversified revenue base, than the big businesses they compete with. As a result they are more vulnerable to the changing winds of economic fortune.

Nevertheless, independent providers play a valuable role in driving higher education forward into the 21st century, and often act as testbeds for innovation and new models of learning. They also provide a home for subjects and courses which have been deemed unprofitable by mainstream universities. Where the small size of many independent providers comes into its own is in delivering student-centred learning for groups with specific needs or offering the close supervision of practical activities that certain highly-skilled technical training demands.

The agility of independent providers and their willingness to work hand in glove with industry leave them well placed to respond to the evolving needs of the UK economy and society, both in the immediate aftershocks of Covid-19 and in tracing the 21st century's larger tectonic shifts. The diversity they represent and the flexibility they offer underline core strengths of the UK higher education system, but the reforms to make this system more hospitable to innovation are now at a fragile point. With some well-targeted support now, and creative policy solutions in the months ahead, independent providers can play a pivotal role in shaping a strong and sustainable sector which is responsive to new priorities in a changed and changing world.

The unique contribution that independent providers make to the overall UK higher education offer include:

- A dedication to the development of determined professionals in key growth industries, who have the appropriate balance of practical knowledge and skills
- The provision of the ideal conditions for nurturing professionals: highly specialist facilities and equipment, professionally-qualified and experienced educators, ongoing immersion with relevant industry and practice, and a range of connections that open doors for students and graduates
- Delivering a combination of flexibility and tailored teaching, learning and practice-development programme structures that support students from all



backgrounds through personalised learning, driving social mobility and quality of life

- Preserving specialist and traditional courses, subjects, and delivery models while championing new and innovative industries
- An eye for global skills so that these future experts can thrive wherever their interests and specialist skills take them, developing the global connections the UK needs for the future, and ensuring the UK sector can strengthen its appeal to international students.

Summary of proposals

1. **Guarantee 100% of loans** to appropriately regulated SME providers through the CBILS up to £500,000 or 25% of turnover, whichever is the lower.
2. Extend the government subsidy of **OfS registration fees** from Micro providers only to all SME providers for 2019-20 and 2020-21.
3. Issue all appropriately regulated SME providers with a rebate for the **VAT paid** on their higher education tuition fees in the 2019-20 academic year.
4. Extend the 12-month **Business Rates Holiday** to cover all SMEs with premises zoned D1 for education purposes.
5. Permanently reprofile **Student Loans Company (SLC) tuition fee payments** to better support the cash flow of SME providers and the financial models of providers with multiple start dates and accelerated courses.
6. Introduce a **responsible admissions framework** for 2020-21 with the joint agreement of regulators and the four higher education representative bodies, with providers committing to manage their growth in domestic undergraduate enrolments for the stability of the sector as a whole.
7. Protect students who choose providers in **validation and subcontract relationships** by ring-fencing forecast numbers from lead partners and facilitating moderate increases in validated numbers to enhance the financial stability of the smaller partner. Student continuity should be the defining principle of these decisions and clear sanctions may be needed to ensure this.
8. Establish an **adjustment process** by which providers can responsibly revise their forecasts over the summer to reflect up-to-date partnership activity, new programmes and start dates in response to emerging industry needs, and more demand locally due to travel restrictions and economic displacement.



9. Review admissions practices for the long term through an evidence-based, deliberate and collaborative process, taking account of **different approaches in the sector** and the needs of students across different types of provision.
10. Maintain the current arrangements for the funding and mobility of **EU students** throughout the entirety of the 2021 calendar year.
11. Ensure new and existing providers have a route to access student loans and international visas through a **properly resourced and available registration service** from the Office for Students including a modified process this year.
12. Fast-track the introduction of a **national skills fund** for retraining economically displaced workers, centred around professional short courses. Lift the Equivalent or Lower Qualification (ELQ) barrier for progression onto programmes leading to formal qualifications.
13. Invest public funds into a **blended learning transformation fund** to support SME providers to prepare for online and blended learning from 2020-21.
14. Preserve the diversity of the sector with targeted support for the UK's wide range of **specialist institutions** including those which need to access public funding for the first time.
15. Boost the confidence of prospective international students in choosing the UK by confirming they can **study online or in person** throughout 2020-21 and **apply for a visa** as soon as application centres reopen for arrival in the UK within 9 months.
16. Maximise **flexibility for international students** during this immediate period up to 31 August 2020 by allowing them to switch between all immigration routes and by allowing providers with a track record to assess their English language ability for all courses. Allow CAS (Confirmations of Acceptance for Studies) which were issued during this time to be used for applications up until 31 December 2020 and start dates to be modified after use where they are affected by Covid-19.
17. Ensure that no current international student is disadvantaged by Covid-19 by allowing **discretionary waiving of the time limit** for study below and above degree level and **waiving all fees** for any student extending their leave in order to repeat modules or the year.
18. Promote the UK as the first choice for international education in the post-Covid world by piloting a new flexible **Blended Learning Visa** which will allow multiple entries and exits in response to evolving public health measures globally for the duration of the course.

Survey and headline findings

IHE conducted a survey of independent HE providers during April 2020 to establish the impact that Covid-19 has already had on the sector, the impact it is expected to have, and how it is changing plans for 2020-21.

Providers were asked to identify the areas of their institutions most significantly impacted, the costs associated with the changes to their teaching delivery and student support, and the solutions they felt would ensure their future financial stability and the success of their students. Independent providers have not submitted any centralised financial data in the past, and so the IHE survey reached out beyond our membership to gain as broad a perspective as possible on the impact of Covid-19 on the financial stability of providers, in particular those classified as SMEs.

The Survey found:

- 94% of those who responded would match the standard definition of SME.
- Providers identified the following areas as being most negatively impacted:
 1. Model of Delivery
 2. Finances – future budgets and sustainability
 3. Student recruitment – domestic
 4. Finances – cash flow and liquidity
 5. Student recruitment- international
 6. Students – short courses and professional learning
- **30%** intended to start **new cohorts** before September 2020 and this group are most likely to be at risk of closure or insolvency within the next 6 months.
- **73%** were due to start **short courses** before September 2020 and they are also at higher risk of closure or insolvency within the next 6 months.
- **36%** are offering refunds or **compensation** to students, primarily to support students facing hardship.
- **43%** had **furloughed** some staff prior to the government's revised guidance for higher education providers, many of whom may prove ineligible for government support.
- **64%** say Covid-19 will make a significant negative impact on their **financial sustainability** in the next six months, with **10%** saying they are at risk of **closure or insolvency**.
- **69%** of those who responded expect a decline in their **international** student numbers, **64%** a decline in **EU** students and **54%** in **UK** students, suggesting that financial recovery may be a slow process.

Detailed proposals

FOR IMMEDIATE ACTION

A. To protect SME providers from closure in 2020 and support investment in their 2020-21 provision

Around 90% of independent higher education providers are SMEs, and the impact of Covid-19 has fallen very differently on them in both its severity and immediacy as compared with even the smallest of UK universities.

These providers face all of the same pressures on reserves and cash flow as SMEs across the economy, and they do not have the estates and other assets that large universities have accumulated with the support of public funding.

They need urgent access to cash which the Coronavirus Business Interruption Loan Scheme (CBILS) is not yet providing fast enough. Beyond cash flow, they have, unlike most universities, already suffered from irrecoverable losses due to the cancellation of spring and summer cohorts and short courses.

Independent providers are more likely to use practical learning environments and teach technical skills as part of industry-focused courses which cannot easily be delivered online. They teach far fewer courses and subjects, limiting the potential for cross-subsidy, and meaning that cancellations result in a greater impact on the institution as a whole. For many, therefore, the losses are real and have already been felt, as opposed to being an anticipated risk for the autumn.

Nevertheless, the immediate switch to online learning across the sector, and the prospect of a fully blended delivery model during 2020-21, now requires significant off-budget investment by providers at a time when their revenues have plummeted. A collective approach to funding and organising the transformation required would be welcomed by the SMEs we represent.

Direct cash grants will be essential to keeping some SME providers in business past the summer but few have established funding relationships with government. Many chose to avoid the Approved (Fee Cap) registration category because of complex and ill-fitting processes and little prospect of significant grant for their small numbers, so need alternative mechanisms to channel subsidy. We have proposed a number of measures which would get into the bank accounts and balance sheets of SME providers this year and allow them to make prudent expenditures to support future students.

- 1. Guarantee 100% of loans** to appropriately regulated SME providers through the CBILS up to £500,000 or 25% of turnover, whichever is the lower.
 - Cash flow is a top priority for many SME providers who expect to hit a credit crunch over the summer without the quick approval of a government-backed loan.

- The rigorous Office for Students (OfS) registration process and its intensive testing of a provider's financial sustainability should give the Treasury the confidence to guarantee 100% of loans extended to SME higher education providers to see them through the next year. Our survey data suggests that 25% of turnover (up to a maximum of £500,000) should be sufficient to cover the immediate shortfalls and invest in the next stage of recovery.
 - Equivalent regulatory processes can be relied upon to provide sufficient confidence in providers based in Scotland, Wales and Northern Ireland.
2. Extend the government subsidy of **OfS registration fees** from Micro providers only to all SME providers for 2019-20 and 2020-21.
- This provides a simple, tried-and-tested mechanism to channel government support to the majority of SME providers who are not in the Approved (Fee Cap) category and therefore cannot receive public grant-in-aid directly.
3. Issue all appropriately regulated SME providers with a rebate for the **VAT paid** on their higher education tuition fees in the 2019-20 academic year.
- The VAT system provides an easily operable route for directing support to the independent providers who cannot receive it via the usual public grant mechanisms, as the location currently for the largest regular transfer of cash from providers to the Treasury on a quarterly basis.
 - As independent providers receive the vast majority of their income from student fees, a rebate on 20% of the fees invoiced in the last academic year would bring immediate relief to those providers who receive no other form of public subsidy.
4. Extend the 12-month **Business Rates Holiday** to cover all SMEs with premises zoned D1 for education purposes.
- Independent higher education providers use their premises extensively for teaching and learning activities and as a rule do not leave them fallow for any extended period of time during the year. Multiple start dates, accelerated programmes and evening or weekend classes are all commonplace, while many of the more specialist providers run greatly valued short courses of high intensity for both professional development and leisure customers from the UK and overseas during the spring and summer seasons.



5. Permanently reprofile **Student Loans Company (SLC) tuition fee payments** to better support the cash flow of SME providers and the financial models of providers with multiple start dates and accelerated courses.
 - The SLC payment schedule is designed around a traditional university academic year and is structured to release funds after the point in each term at which students might withdraw. The holding back of half of the year's fees until the last term has always represented a significant cash flow concern for SME providers, as it would any SME, who need to invest in their learning environment and teachers long before this final payment is released. Lines of credit ordinarily used to cover this shortfall are now being redirected to other critical spending in the pandemic response.

FOR THE NEXT SIX MONTHS

B. To promote stability across the entire higher education sector while preserving the flexibility the economy needs

Government reforms since 2015 have contributed both to a greater focus on teaching and the student experience, as well as greater recognition of how a flexible and diverse sector supports the varied needs of students and the industries in which they aim to work.

The impact of Covid-19 will be destabilising for almost every sector of the economy but analysis by the Office for Budget Responsibility (OBR) suggests that higher education could suffer most of all, while the Organisation for Economic Co-operation and Development (OECD) suggests that the risk of business failure generally will fall disproportionately on SMEs. Without decisive government intervention and collective action by the sector, a number of institutions will not survive 2020 and student choice will be diminished and destabilised.

Universities UK (UUK) have proposed a one-year stability measure, representing compromise on the anti-competitive Student Number Controls (SNC) of the past and designed to allow only moderate growth in domestic student enrolments to counter an anticipated severe drop in enrolments of international students due to travel restrictions and global economic downturn.

Their SNC proposal is designed for large established institutions (UUK members) whose numbers and provision change only incrementally year on year and who have operated in a comparatively stable regulatory and funding environment for years. It would unfairly restrict independent providers who had planned rapid growth from 2020-21 as the first year in which they could access the full range of benefits that UUK members already enjoyed, and would significantly undermine the ability of the sector's most agile providers to respond to what will be rapidly changing economic needs.



6. Introduce a **responsible admissions framework** for 2020-21 with the joint agreement of regulators and the four higher education representative bodies, with providers committing to manage their growth in domestic undergraduate enrolments for the stability of the sector as a whole.
 - Providers should commit to recruiting to their currently forecast numbers for UK and EU undergraduates, within a tolerance of 5% or 100 students, whichever is the greater. Percentages alone cannot be applied fairly across the vastly different sizes of institution in the sector and flexibility is essential to avoid destabilising the 2020 recruitment cycle.
 - OfS already has the power to take enforcement action for risky recruitment behaviour by providers and should publicly confirm that in 2020-21 it will apply this power specifically in relation to behaviour which risks the stability of the sector as a whole.
7. Protect students who choose providers in **validation and subcontract relationships** by ring-fencing forecast numbers from lead partners and facilitating moderate increases in validated numbers to enhance the financial stability of the smaller partner. Student continuity should be the defining principle of these decisions and clear sanctions may be needed to ensure this.
 - Without additional protections, validated and subcontracted providers are at risk of decisions by partner universities to maximise revenue within their new SNC by increasing their own share.
 - Subcontract agreements typically feature minimum recruitment numbers rather than realistic forecasts, and partners are often unaware of what the university submits to OfS. These may need to be adjusted as part of the process outlined below.
8. Establish an **adjustment process** by which providers can responsibly revise their forecasts over the summer to reflect up-to-date partnership activity, new programmes and start dates in response to emerging industry needs, and more demand locally due to travel restrictions and economic displacement.
 - This measure allows providers to reflect the changing needs of their unique student bodies as they adapt to the impact of Covid-19. It also ensures that they can continue to play a leading role in the recruitment and training of skilled professionals the UK needs for recovery.
 - Courses with start dates from January 2021 onwards will be essential for students facing uncertainty in their level 3 qualifications, economic and health circumstances, but may be disrupted by attempts to stabilise the

autumn 2020 intake. An adjustment process would ensure providers can reflect the evolving student demand for flexibility in this area.

- Forecasts submitted by many independent providers for 2020 were, at the insistence of the regulator, unrealistically conservative. Few take account of the rapid growth when a popular new course is launched.
- Decisions on the recruitment of students onto validated and subcontracted courses are subject to ongoing dialogue between partners throughout the year and these numbers will need adjustment.

9. Review admissions practices for the long term through an evidence-based, deliberate and collaborative process, taking account of **different approaches in the sector** and the needs of students across different types of provision.

- Measures introduced to offer short-term stability and certainty for students must not destabilise the long-term and valid approaches to admissions taken by providers in previous cycles.
- Most independent providers make no use or only limited use of UCAS, having opted to manage a direct offer-making and admissions process.
- Unconditional offers are a normal and valid part of independent sector admissions practices which are typically more contextual in their approach and make greater use of auditions and portfolios.
- These practices have never had a destabilising impact on the sector and have already been applied to students in this cycle. Changing them now would result in unfair admissions practices for students who apply or receive offers after the changes are announced.

10. Maintain the current arrangements for the funding and mobility of **EU students** throughout the entirety of the 2021 calendar year.

- The global nature of the pandemic will mean varied and rolling restrictions to mobility across the EU. While we want to encourage EU students to choose a UK education, some will have no choice but to defer their start until 2021. They should not be penalised with a loss of funding or the rights they could expect to acquire under the EU Settlement Scheme.
- The student visa licensing system and supporting educational oversight structure are confused, backlogged and incapable of managing the residual demand from applicant providers in time for January 2021. This will leave students without a place to study should a visa system be imposed that providers have no ability to access.

FOR 2021

C. To promote economic mobility with a diverse, flexible and responsive tertiary education sector

New independent providers embedded within industries have shown they can design courses which respond rapidly to emerging employer needs. Their focus on the knowledge and skills that graduates will need to succeed professionally, and their commitment to flexible delivery which fits in with the lives of their students, make them well placed to contribute to the national effort of retraining and renewal which will be required following the economic disruption of Covid-19.

The new regulatory system in England is now suspended entirely and indefinitely due to a reallocation of the regulator's human resources – ostensibly in response to Covid-19 but in practice this under resourcing has already left providers waiting for registration for well over a year. Innovation will be more essential than ever to the national project of extending educational opportunity and responding to the new economic and social environment following Covid-19. The suspension of registration impacts not only new students, but current students whose providers have struggled with entirely new regulation, and a system plagued by delays. It is not acceptable for chronic under-resourcing of the registration process to place these students and providers at risk.

11. Ensure new and existing providers have a route to access student loans and international visas through a **properly resourced and available registration service from the Office for Students including a modified process this year.**

- The registration process at OfS has been in a state of severe dysfunction since the autumn of 2018 and has now been entirely suspended, leaving existing and new providers suddenly bearing considerably increased financial and strategic risk. There has meanwhile been no change to the external pressures for joining the register, such as requirements for Tier 4 licences or access to student loans.
- Any higher education provider who wishes to recruit EU students from January 2021 needs to register with OfS within the next six months and secure a licence from the Home Office, but the path forward is blocked and has been backlogged due to chronic under-resourcing. Increased and ringfenced funding is now required to deliver the efficient process needed.
- Providers who have already submitted registration applications, some of whom have waited for over a year to be registered, should be prioritised and OfS should seek to register them under a modified process which takes into account the destabilising factors of Covid-19.



- Providers who have not yet applied should be offered a modified process of registration which ensures they can meet the demands of external pressures such as Tier 4 and student loan funding on a temporary basis, until normal regulation can resume and further checks can be made.
- An independent provider wishing to access any new public funding which may be brought forward to help stabilise the sector in 2020-21 should be supported in a timely manner either to join the register or to switch from the Approved to the Approved (Fee Cap) category. The process to switch category which should have been available from the point of registration was delayed by almost two years, only being made available after pressure from providers and IHE in February 2020.

12. Fast-track the introduction of a **national skills fund** for retraining economically displaced workers, centred around professional short courses. Lift the Equivalent or Lower Qualification (ELQ) barrier for progression onto programmes leading to formal qualifications.

- Many independent providers offer a suite of shorter professional courses alongside their validated higher education programmes which are fully endorsed by and often co-designed with their industries. These should form the centrepiece of a national upskilling and retraining effort to support displaced workers into new jobs and careers in new industries.
- Where a longer course of study is recommended for progression to higher level positions in these industries, government should ensure that the current ELQ rules do not present a barrier to this ambition.
- Allow a portion of funding from the apprenticeship levy to be spent by employers on these short courses for new employees, providing a fast-track entry into industry, including through internship models.

13. Invest public funds into a **blended learning transformation fund** to support SME providers to prepare for online and blended learning from 2020-21.

- Some SME providers already specialise in online or blended learning but others offer courses of a highly practical technique or performance-based nature for which face-to-face tuition has remained the gold standard. These providers do not have the resources or expertise in-house to deliver the scale of transformation required for 2020-21 without help.
- The transformation fund could facilitate the collective purchasing of equipment and expertise to support SMEs in enhancing online provision, as well as the provision of training modules for staff and students and the

development of good practice guidance for a blended approach to industry placements and practical learning.

14. Preserve the diversity of the sector with targeted support for the UK's wide range of **specialist institutions** including those which need to access public funding for the first time.

- The UK has many specialist institutions which are world class and industry leaders, but only a subset are in receipt of teaching or capital grants, and even fewer still are eligible for the institution-specific targeted allocation (ISTA) funding which was designed long before the opening up of the higher education sector.
- Some of these independent specialist institutions rely heavily upon charitable donations, which have dwindled as a result of the immediate impact of the pandemic. Others help to fund their higher education provision from lucrative short leisure and professional courses, most of which have had to be cancelled for this spring and summer season, leaving a major shortfall.
- Access to this funding will require a fast-track application for Approved (Fee Cap) to ensure that all small and specialist institutions can access the fund.

FOR NOW AND IN THE FUTURE

D. To protect the UK's hard-won position and reputation in the international education market

Education exports are critically important both to the higher education sector and the wider economy. Independent providers, including the UK's biggest international pathway specialists, report strong interest still from prospective international students in coming to the UK and a willingness to start learning online before progressing to on-campus delivery later in the year or in 2021. What they need before committing, however, is clarity on what rules to expect when the UK reopens, and confidence that they will be allowed to complete the course face to face when it is safe to do so.

Flexibility and openness are, with quality, key to the appeal of both the UK itself and our higher education sector. We can demonstrate these same strengths with a forward-looking new visa offer which positions the UK as the reliable destination of choice for those who remain ambitious for the advantages an international education confers in an uncertain world.

15. Boost the confidence of prospective international students in choosing the UK by confirming they can **study online or in person** throughout 2020-21 and **apply**

for a visa as soon as application centres reopen for arrival in the UK within 9 months.

- Prospective students want to be able to apply for their visa and have it granted before they commit to a UK course which starts online. As it may not be possible for some to study in person before January 2021 or later, they should be able to specify on their application a planned arrival date in the UK up to 9 months away, to be amended if circumstances change.
- The immigration rules should be amended to allow Tier 4 students to study online, in the UK or overseas, for the full 2020-21 academic year, which can then serve as a pilot for this to be a permanent change.
- This should be extended to all levels of study and ensure that foundation, pathway and pre-sessional programmes receive special consideration to prevent disruption to students who will join degree level study through these routes.

16. Maximise **flexibility for international students** during this immediate period up to 31 August 2020 by allowing them to switch between all immigration routes and by allowing providers with a track record to assess their English language ability for all courses. Allow CAS (Confirmations of Acceptance for Studies) which were issued during this time to be used for applications up until 31 December 2020 and start dates to be modified after use where they are affected by Covid-19.

- The closure of visa centres, and world-wide travel restrictions have created a backlog of applications that cannot be facilitated for September 2020 starts, as there simply is not the resource available. The evolution of Covid-19 is different in each country and countries like India, Malaysia will continue to have a delayed and unique experience. For the stability of the sector and to allow students to make responsible decisions, these measures must be extended now as delaying will cause additional damage.
- The continuing closure of English language testing centres and the inevitable backlog once reopened mean that exceptional arrangements are required to allow established providers to make their own assessment. Limiting this assessment to specific courses or students will not aid the backlog, and is a short-sighted response to what will be a long-term problem.
- Many of the CAS issued during this time are at risk of expiring unused due to the delays and uncertainty over long-term arrangements.



17. Ensure that no current international student is disadvantaged by Covid-19 by allowing **discretionary waiving of the time limit** for study below and above degree level and **waiving all fees** for any student extending their leave in order to repeat modules or the year.

- The interruption to their studies caused by the pandemic and nationwide lockdown will leave some international students in need of repeating a module or year of their course. The Home Office should ensure that such circumstances beyond their control are properly taken into account by officials.
- Appropriate guidance should be issued to support this discretionary approach to decision making, as well as to the waiving of any applicable fees, evidentiary requirements or time limits for affected students who request an extension to complete their course.

18. Promote the UK as the first choice for international education in the post-Covid world by piloting a new flexible **Blended Learning Visa** which will allow multiple entries and exits in response to evolving public health measures globally for the duration of the course.

- The UK can position itself ahead of the global competition by acting now to introduce a new visa designed for the new normal of blended learning and the evolving picture of public health measures and travel restrictions which are bound to be in place at different times in different countries.
- The Blended Learning Visa will need to incorporate the key privileges of the current Tier 4 visa, including part-time work and Graduate Route eligibility, in order to have a positive impact on the UK's competitiveness.

About IHE

Independent Higher Education (IHE) is the UK's representative body for independent providers of higher education, professional training and pathways. Our members are highly student-focused and include many small and specialist institutions which operate within a single industry or set of related disciplines. One of IHE's principal aims is to facilitate an SME model of higher education, enabling new approaches and innovation to flourish within a flexible regulatory environment.

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