Department
for Education

Strengthening oversight of partnership delivery in higher education

Impact assessment

January 2025

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This impact assessment has been produced by the Department for Education. While engagement with the Office for Students and Student Loans Company has informed the content, this is not a joint publication, and the views expressed in this impact assessment are those of the Department for Education only.

Summary of proposal

1. Following concerns raised by the National Audit Office (NAO)[1] and Public Accounts Committee (PAC)[2] regarding the value for money of higher education franchised provision for both students and taxpayers, this consultation proposes changes to the regulatory framework of higher education (HE). These proposals are designed to strengthen oversight of franchised provision in HE while continuing to support the innovative and specialised provision that franchising can bring to the sector. The aim of these proposals is to protect public money and ensure the quality of franchised provision for students.

2. This consultation proposes that for their courses to be designated for student finance, franchised providers with 300 franchised students or more should be registered with the Office for Students (OfS). Proposed exemptions to this requirement are set out later in the impact assessment and consultation document.

[1] National Audit Office, Investigation into student finance for study at franchised higher education providers - NAO report

[2] Public Accounts Committee, Student loans issued to those studying at franchised higher education providers - Committee of Public Accounts (parliament.uk)

Strategic case for proposed regulation

Background

3. Universities and other higher education providers are autonomous with a high degree of financial and academic independence. Higher education provision can be subcontracted by one higher education provider (the 'lead provider') to another (the 'delivery partner'). For the purposes of this document, we refer to this provision as "franchised provision".

4. Franchised provision has grown rapidly in recent years. Between 2018/19 and 2022/23, the number of students studying at a franchised provider more than doubled, from 50,430 to 135,850. By 2022/23 students at franchised providers represented 5.7% of all students in the higher education sector. 80,045 of students studying at a franchised provider were studying at a provider that was not registered with the OfS.

5. A 'franchised student' is defined as those who are registered with a 'lead provider', but where the majority (>50 per cent in the year) of their provision is taught by another provider under a subcontractual arrangement.

6. Providers creating the partnerships ('the lead providers') are predominantly higher education providers with an income of £200m or less. These providers account for 77% of franchised students. Higher education institutions with more than £200m in income account for 16% of franchised students. Some further education providers also subcontract out the delivery of their higher education provision.

7. Providers delivering the provision ('the delivery partners') are predominantly private companies (45%), or FE colleges, 6th form colleges, academies and schools (43%). The remainder are higher education providers and public sector bodies such as NHS Trusts and police authorities.

8. Evidence suggests that lead providers enter arrangements with delivery partners for a range of reasons. These can include seeking to increase access and participation in geographical areas underserved by current higher education providers. They may also wish to provide specialist education, to use innovative teaching methods or to develop additional income streams for their institution. A recent OfS insight brief on navigating financial challenges highlighted that some

universities and colleges have increasingly used franchising as a way of generating income to support their financial positions.[3]

9. When working well, franchised provision could be a valuable contribution to this government's mission of expanding educational opportunities. Franchised provision is predominantly utilised by mature students, with 50% aged 31 or older on entry in 2022/23. Franchised provision can allow flexibility for study and enable students to study closer to home. In 2022/23, 47% were local to the provider prior to study compared to 21% in the sector as a whole. Some franchised provision offers innovative and niche educational opportunities, supporting strategically important subjects.

Regulation of franchised provision

10. The Office for Students (OfS) is the independent regulator for higher education in England. The OfS regulatory framework sets conditions that higher education providers must meet to enter, and remain on, its register. Registration with the OfS is voluntary. However, lead providers must register with the OfS to be eligible for certain benefits, including degree awarding powers, and for their students to be eligible for publicly funded student loans.

11. The Education (Student Support) Regulations 2011[4] allow higher education providers that are registered with the OfS to subcontract (or franchise) delivery of courses to delivery partners. There is no set model for how franchising operates, meaning that the nature of each arrangement can differ from one provider to another.

12. The lead provider is accountable for the higher education provision. Lead providers are responsible for assuring the quality and standards of courses offered by their delivery partners and must ensure those courses are subject to appropriate and effective management and governance.

13. The lead provider retains responsibility for registering those students studying at their franchise partners. This allows those students to apply for student loan funding administered by the Student Loans Company (SLC).

14. The delivery partner is not required to register with the OfS, although they may choose to do so.

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[3] Navigating financial challenges in higher education - Office for Students

[4] 2011/1986, Regulation 5(1)(d)(i)

15. Tuition fees are paid to the lead provider, who pays the delivery partner in accordance with their contract. The lead provider typically retains a portion of the tuition fee. They are not required to report how much they retain. However, as highlighted in the NAO report, the OfS understand that some lead providers retained between 12.5% and 30% of the tuition fees they received.[5]

16. Providers registering with the OfS can register under the 'Approved' or 'Approved (fee cap)' category.[6] Under the 'Approved (fee cap)' category, providers can charge tuition fees up to the statutory fee limit and are eligible for additional grant funding. Under the 'Approved' category, there is no statutory fee limit, though there is a limit on the tuition fee loan that can be claimed by students.

17. Under a franchising arrangement, the relevant fee and loan limits are determined by the registration category of the lead provider, not the delivery partner. If a delivery partner chooses to apply for OfS registration, they could register under the 'Approved' or 'Approved (fee cap)' category and this would not affect the fee and loan limits applicable to courses they teach under franchising arrangements. Any higher education delivered by the delivery partner outside of a franchising arrangement would be subject to the fee and loan conditions applicable to their registration category.

18. Between 2018/19 and 2022/23, we have seen an increase in the number of delivery partners not registered with the OfS ('unregistered'), from 199 to 237. There has also been a shift away from registered to unregistered delivery partners: the number of registered delivery partners fell from 135 to 104 over the same period. The number of franchised students at unregistered delivery partners has also increased year-on-year, from 34,625 in 2018/19 to 80,045 in 2022/23. This represents 59% of all franchised students and 3.4% of all undergraduate and postgraduate students in the HE sector. Most unregistered delivery partners are private companies (55%) that are not regulated by other public bodies.

19. In recent years there have been increasing concerns about potential student finance fraud and abuse at franchised providers. In January 2024, the National Audit Office (NAO) published a report into student finance for study at franchised providers.[7] This found that the proportion of detected fraud cases at franchised providers decreased until the 2020/21 academic year but has since increased rapidly. In 2022/23, the value of detected fraud involving franchised providers

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[5] National Audit Office, [Investigation into student finance for study at franchised higher education providers - NAO report]

[6] [Benefits of registration - Office for Students]

[7] National Audit Office, [Investigation into student finance for study at franchised higher education providers - NAO report]

totalled £2.2 million. This was 53% of the total £4.1 million fraud identified by the SLC despite only 6.5% of SLC-funded students being at franchised partners.[8]

20. The NAO report raised concerns regarding the current regulatory framework for franchised providers. The government has committed to implement the majority of the NAO's recommendations.[9] This includes a recommendation that the government draws on evidence to determine the best way to address governance and regulatory weaknesses in the current regulatory framework for franchised provision. The NAO report further recommended that this "should include consideration of whether all franchised providers should register with the OfS". A subsequent review by the Government Internal Audit Agency (GIAA) and a report published by the Public Accounts Committee (PAC) in April 2024 echoed these findings.[10]

21. Data published by the OfS on student outcomes also shows that outcomes under franchised provision at some of the lead providers with the largest volume of franchising is sometimes considerably below that of their non-franchised provision.[11] This is likely due to several factors, including the location, the demographics and personal circumstances of students in franchised provision. We are taking quality of provision into consideration as we review options for reforming the regulation of franchised provision.

22. Government intervention is necessary to protect public money from fraud, misuse, and poor quality. As set out in the government's response to the PAC recommendations, published on 5 September 2024,[12] a number of steps have already been taken to address the recommendations made by the NAO and the PAC. The sector has also acted, and we welcome the recently published Universities UK (UUK) governance framework.[13] The government is now proposing to further strengthen protection of the public money invested in franchised higher education through the proposals set out in this consultation.

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[8] National Audit Office, Investigation into student finance for study at franchised higher education providers - NAO report

[9] Government responses to the Public Accounts Committee, Treasury Minutes September 2024 (publishing.service.gov.uk)

[10] Public Accounts Committee, Student loans issued to those studying at franchised higher education providers - Committee of Public Accounts (parliament.uk)

[11] Student outcomes: Data dashboard - Office for Students provides information on the outcomes of subcontracted students by lead provider. A pilot dashboard published in December 2024 provides information at delivery partner level for six lead providers: Subcontractual partnership student outcomes dashboard: Data dashboard - Office for Students

[12] Government responses to the Public Accounts Committee, Treasury Minutes September 2024 (publishing.service.gov.uk)

[13] Franchise governance framework (universitiesuk.ac.uk)

23. In economic terms, government intervention is necessary for two reasons:

24. First, to correct market failures that are caused by asymmetric information. At present, neither lead providers, students, or government are fully aware of the value for money that franchised provision delivers. Outcomes for students are typically only realised several years after their initial decision to invest in higher education, at which point it is either costly or too late for them to switch to another provider. Poor student outcomes do not currently serve as a signal to future students, as while student outcomes for all registered lead providers are published by the OfS, they are not published at a level that can be attributed to a specific delivery partner.[14] This means delivery partners can continue to rely on the reputation of the lead provider to recruit new students while making choices that increase profits at the expense of students' experiences and outcomes. Ultimately, this leads to the misallocation of public resources.

25. Second, to address regulatory failure whereby weaknesses in the current regulatory framework have led to sub-standard provision, with concerns around student outcomes and value for money for students and taxpayers. While some existing higher education provision is already within the OfS regulatory framework, much of the higher education provision delivered through franchising arrangements is only indirectly regulated via the lead provider. This gives the OfS limited powers to monitor and intervene in franchised provision. The regulatory framework has not kept up with the growth in franchised provision seen in recent years, which has created a gap for the expansion of provision that is not delivering value for money.

Proposed regulation

26. To ensure that the government has the necessary levers to prevent misuse of public money and act quickly in case of concerns, we are proposing that for their courses to be designated for student finance, delivery partners with 300 or more franchised students should be registered with the OfS. Proposed exemptions to this requirement are set out in the consultation and later in this impact assessment.

27. This approach will mean that providers with 300 or more franchised students will only have their courses designated for student finance if they meet the OfS conditions of registration. This will provide an additional level of regulatory

[14] In December 2024, the OfS released a pilot dashboard of student outcomes by delivery partner for size lead providers: [Subcontractual partnership student outcomes dashboard: Data dashboard - Office for Students](). They intend to expand this to cover all partnerships from 2025.

protection for franchised provision. Lead providers will remain accountable for courses delivered by their franchise partners, but those courses will also be subject to direct regulation by the OfS, enabling stronger management of risk.

28. We understand that the OfS is intending to consult shortly on measures to strengthen regulation of higher education and ensure that students' investment in higher education is protected from the risk of poor quality provision and misuse of public funding. We believe that collectively, our proposals will bring franchised providers under stronger scrutiny in a way that is proportionate to the risk.

29. Minimising regulatory burden on providers is a priority for this government and our proposal has considered this alongside the need to protect public money. For this reason, government is not currently proposing that franchised providers with fewer than 300 students will be required to register with the OfS for their courses to be designated for student finance. Lead providers will remain accountable for this provision, as they are for all franchised provision. However, this position will be reviewed if we see concerning evidence of poor quality or misuse of public money in these smaller providers.

Evidence on the scale and nature of franchised provision

30. The OfS have provided DfE with data on franchising arrangements covering academic years 2018/19 to 2022/23, which excludes apprenticeships. This is based on analysis of data from the Higher Education Statistics Agency (HESA) and Individualised Learner Record (ILR), which is submitted by lead providers. While we judge this to be of acceptable quality for the purpose of this analysis, we acknowledge that we could be missing information not declared by lead providers.

31. Table 1 shows the number of providers in franchising arrangements between 2018/19 and 2022/23, and Table 2 shows the number of franchised students at these providers. The number of unregistered providers increased from 199 to 237 over this period, while the number of registered partners fell. Unregistered partners accounted for 70% of franchised providers in 2022/23, and 59% of franchised students. None of these providers have since registered with the OfS.

Table 1: Number of providers in franchising arrangements, 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
Lead providers	104	109	111	114	96
Partner providers	334	348	353	354	341
of which unregistered	199	210	220	228	237
of which registered	135	138	133	126	104
% of franchised providers that are unregistered	60%	60%	62%	64%	70%

Source: DfE analysis of OfS data.

Table 2: Number of students in franchising arrangements, 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
All franchised students	50,430	58,350	84,980	108,590	135,850
of which at unregistered providers	34,625	39,185	59,945	75,645	80,045
of which at registered providers	16,125	19,530	25,295	33,165	56,095
% of franchised students that are at unregistered providers	68%	67%	70%	70%	59%

Source: DfE analysis of OfS data.

Which lead providers have franchising arrangements?

32. Of the 96 lead providers with franchising agreements in 2022/23, 52% had an income of £200m or less (Table 3).[15] These providers accounted for 77% of franchised students, while providers with more than £200m in income accounted for just 16%.

Table 3: Number of lead providers and franchised students by OfS financial typology, 2022/23

OfS financial typology	Number of lead providers	Percentage of lead providers	Number of franchised students	Percentage of franchised students
Majority Level 4/5	15	16%	4,875	4%
No Typology	1	1%	10	0%
QI less than £100m or unknown	19	20%	39,060	29%
QI £100m-£200m	31	32%	65,150	48%
QI over £200m and less than 70% of income	11	11%	3,320	2%
QI over £200m and over 70% of income	11	11%	18,680	14%
Specialist: creative	4	4%	4,370	3%
Specialist: other	4	4%	470	0%
Total	**96**	**100%**	**135,850**	**100%**

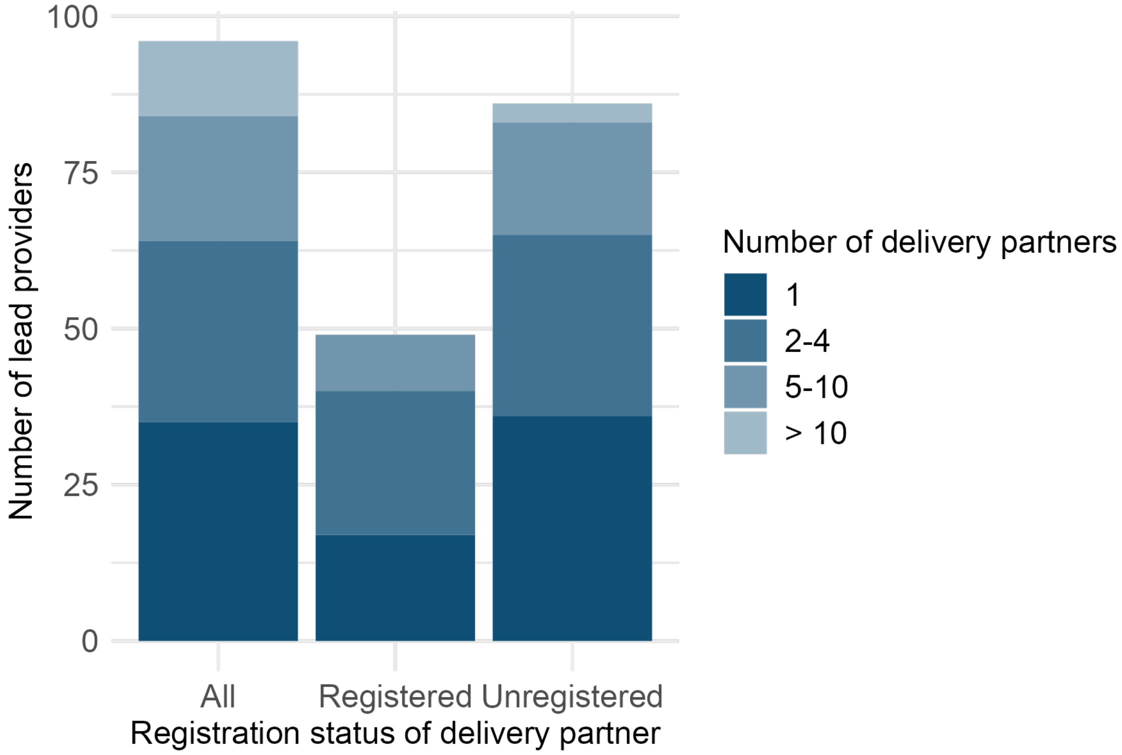
Source: DfE analysis of OfS data.

33. In 2022/23, most lead providers with franchising agreements had multiple delivery partners. 35 out of the 96 providers with franchising agreements had just 1 delivery partner (Figure 1), while 12 lead providers had more than 10 delivery partners. Of the 86 lead providers that had franchising agreements with

[15] Rows may not sum due to rounding. Each provider is recorded under just one OfS financial typology.

unregistered delivery partners, 50 had multiple unregistered delivery partners and 3 had more than 10.

Figure 1: Number of delivery partners each lead partner contracts with, 2022/23



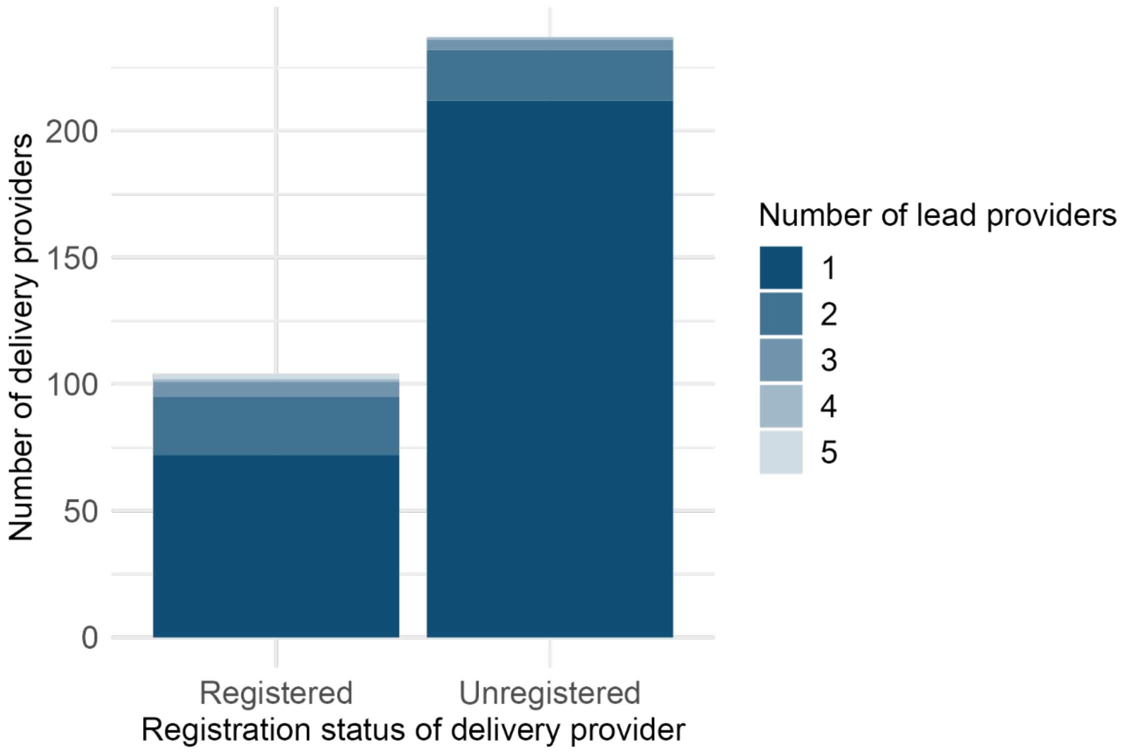
Source: DfE analysis of OfS data.

Who are the unregistered delivery partners?

34. In 2022/23, the majority (55%) of unregistered delivery partners were private companies. Other types of providers include Further Education Colleges, 6th Forms and Academies/Schools (34%), NHS Trusts (5%), police authorities (1%), and local authorities (1%). These other providers typically teach smaller numbers of students. Private companies accounted for 93% of franchised students at unregistered providers.

35. While most unregistered delivery partners are in franchising arrangements with just 1 lead provider, several have partnerships with more than one lead provider (Figure 2). Of the 237 unregistered delivery partners in 2022/23, 20 were in franchising arrangements with 2 lead providers, 4 were in franchising arrangements with 3 lead providers, and 1 was in franchising arrangements with 4 lead providers.

Figure 2: Number of lead providers each delivery partner is in a franchising arrangement with, 2022/23



Source: DfE analysis of OfS data.

36. A small number of unregistered delivery partners account for a significant proportion of franchised students. The largest 10 unregistered delivery partners in 2022/23 accounted for 58% of all franchised students at unregistered delivery partners. These providers are private companies mainly teaching business and management courses.

Who are the students?

37. Compared to the sector as a whole, franchised students are more likely to have no or unknown entry qualifications, and are more likely to be mature students (Table 4). They are also more likely to come from deprived areas and be local to the delivery provider prior to study. They are much less likely to be international students.

Table 4: Characteristics of franchised students compared to all students in the sector, 2022/23[16]

Student characteristic	Percentage of franchised students	Percentage of all students (UG & PG) in sector
None, unknown or ‘other’ entry qualifications (undergraduates only)	54%	11%
Aged 31 years and older on entry	50%	19%
White ethnicity	64%	68%
Residing in an area of high deprivation (IMD quintile 1 or 2)	62%	41%
UK-domiciled	92%	74%
Local to address prior to entry	47%	21%

Source: DfE analysis of OfS data.

38. A majority (62%) of students in franchised provision study business and management (Table 5).[17]

Table 5: Number of franchised students by subject, 2022/23

Broad subject grouping	Number of franchised students	Percentage of franchised students
Business and management	83,720	62%
Law and social sciences	12,300	9%
Design, and creative and performing arts	8,970	7%
Nursing, allied health and psychology	6,140	5%
Education and teaching	5,360	4%
Engineering, technology and computing	4,550	3%
Natural and built environment	4,240	3%
Medicine, dentistry and veterinary sciences	2,870	2%
Humanities and languages	2,370	2%
Natural and mathematical sciences	1,900	1%
Total	132,420	97%

Source: DfE analysis of OfS data.

[16] Percentages are calculated of the population where the characteristic is known.

[17] Table 5 excludes 3% of students for whom subject is unknown.

39. A majority (88%) of students in franchised provision are undergraduate students (Table 6). The largest group are students studying a first degree with an integrated foundation year, who account for 59% of all franchised students.

Table 6: Number of franchised students by course level, 2022/23

Course level	Number of franchised students	Percentage of franchised students
All undergraduate	**119,380**	**88%**
Level 4/5	12,115	9%
First degree with an integrated foundation year	79,710	59%
First degree without an integrated foundation year	23,880	18%
Other L6 qualification	90	0%
Undergraduate with postgraduate components	3,585	3%
All postgraduate	**14,350**	**11%**
Postgraduate taught masters	8,520	6%
Postgraduate research	545	0%
PGCE	915	1%
Other postgraduate	4,370	3%
Total	135,850	98%

Source: DfE analysis of OfS data.

40. Most (92%) students in franchised provision study full-time (Table 7).[18]

Table 7: Number of franchised students by study mode, 2022/23

	Number of franchised students	Percentage of franchised students
Part-time	11,850	9%
Full-time	124,310	92%
Total	135,850	100%

Source: DfE analysis of OfS data.

[18] Rows may not sum due to rounding.

SMART objectives for intervention

41. The primary policy objective is to protect public money. Success will be measured as preventing growth in fraud and seeing a sustained reduction in the number and value of detected fraud cases amongst franchised providers from the time the regulations are anticipated to come into force in April 2026. In measuring this, we will need to take into account the potential impact of improvements in controls that have been put in place to detect fraud, which could lead to an increase in the proportion of fraud that is detected.[19]

42. Another objective of the policy is to ensure that franchised provision delivers positive outcomes for students. The outcomes of franchised students are often – though not always – worse than students directly taught by the lead provider.[20] Under OfS' current regulatory framework, there are three measures of student outcomes used for regulation:

    a. Continuation: the proportion of entrants that were continuing in the study of a higher education qualification (or have gained a qualification) one year and 15 days after they started their course (two years and 15 days for part-time students).

    b. Completion: the proportion of entrants that gained a higher education qualification (or were continuing in the study of a qualification) four years and 15 days after they started their course (six years and 15 days for part-time students.

    c. Progression: the proportion of qualifiers that identify managerial or professional employment, further study or other positive outcomes among the activities they were undertaking 15 months after they left higher education.

43. As franchised providers are not currently required to register with the OfS, the OfS does not publish data on student outcomes for individual delivery partners. By requiring larger franchised providers to register, this information can be published and hold delivery providers directly accountable for student outcomes.

44. Our immediate delivery objective is to ensure that, from September 2027, all franchised providers with 300 or more franchised students are registered with the OfS or an appropriate regulatory body. This threshold excludes apprentices but

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[19] Government responses to the Public Accounts Committee, [Treasury Minutes September 2024]

[20] See Figure 11, [Investigation into student finance for study at franchised higher education providers - NAO report]

includes all other students – those attracting student finance, self-funded and international.

Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

45. Our preferred option for realising the policy objectives is to require delivery partners with 300 or more franchised students to be registered with the OfS for their courses to be designated for student finance, with some exemptions. This approach will mean that providers with 300 or more franchised students will only have their courses designated for student finance if they meet the OfS conditions of registration.

46. The way this would work in practice is each September in ‘the decision year’, the Department will determine whether a franchised provider’s courses should be designated as eligible for student finance for new students for the following academic year (‘the implementation year’). ‘New students’ means any student starting a course in the implementation year. This will be based on the number of students the provider had two academic years previously (‘the data year’). This will be the latest published data available at the time of the decision.

47. This means that in the first year, a decision made in September 2027 (‘the decision point’) will be based on student numbers in 2025/26 (‘the data year’) and will determine whether a franchise provider’s courses are designated for student finance for new students in 2028/29 (‘the implementation year’).

48. Providers below this threshold will continue to have their courses designated for student finance through the lead provider even if not registered. This will allow us to keep regulatory burdens proportionate and allow new and innovative providers to enter the sector, only requiring them to register when they are sufficiently established to scale up their provision. This threshold will be kept under review to allow government to amend it to respond to provider behaviours, giving sufficient notice for providers to prepare for any change.

49. The policy requiring larger franchised providers to register with the OfS would be implemented through amendments to secondary legislation. To ensure deliverability, we are proposing a threshold that would keep the number of registrations manageable for the OfS. However, we will not hesitate to lower the threshold if persistent risks are identified below it.

50. We believe that introducing the requirement for OfS registration is the right approach for most franchised providers, giving us the greatest possible assurance over the use of public money to mitigate risk. However, it is important that our action is proportionate and ensures that regulatory burdens are not duplicative. We know there will be instances where regulatory agencies already have sufficient scrutiny over the finances and quality of franchised providers. To minimise the

impact on those providers who are already subject to sufficient scrutiny, we believe there should be exemptions from the requirement to register with the OfS. We are proposing that these apply to state-funded schools, the statutory further education sector, NHS trusts, Police and Crime Commissioners and local authorities.

51. Requiring providers to register with the OfS, or be regulated by another appropriate regulatory body, will help us to achieve our objective of providing greater assurance of public money. The current system relies on delivery partners being regulated by the lead provider, which has proven to be ineffective in some cases. This indirect regulation makes it easier for problems with the delivery partner to go unnoticed where they are not registered. OfS registration will introduce direct regulatory oversight of delivery partners, meaning there will be greater transparency over the practices of delivery partners and greater power for the OfS to intervene. The OfS conditions of registration require registered providers to ensure there are arrangements in place to enable them to meet various public interest governance principles, including in relation to value for money and accountability. Registration conditions also contain a range of measures that ensure that public money is being used to provide quality provision, providing greater assurance over the use of those funds above and beyond the processes by which they are accounted for.

52. The student finance fraud identified in franchised provision has varied in nature, with some types more easily mitigated through OfS registration than others. Some instances of fraud relate to inaccurate attendance monitoring, meaning some students receive student finance despite not engaging with the course. As part of the conditions of registration, the OfS will monitor the management and governance of the delivery partner, which includes making sure the provider has controls to ensure accurate attendance monitoring. The OfS has the power to impose sanctions in cases where management and governance arrangements are inadequate.

53. By contrast, the OfS does not set requirements for providers regarding their recruitment practices. This means that OfS registration will be less effective in reducing instances of student finance fraud relating to students being accepted onto courses they do not meet the entry requirements for.

54. While OfS have the power to investigate, enforce action and sanction providers who breach the OfS conditions of registration, they do not have a formal role to prevent fraud. This is why the requirement to register is not being treated as a panacea. It is being approached as part of a package of measures that the DfE, OfS and SLC are taking to tackle the issue, as set out in the department’s

response to the PAC.[21] This includes a data sharing protocol and joint incident response plan, and the establishment of a shared formal reporting framework with targets for fraud prevention and reduction.

55. All providers have the right to apply to the OfS for registration should they meet the criteria to do so. However, we believe that where significant sums of public money are being loaned to students, this should be a requirement. An approach that requires larger providers to register will give us greater assurance over the majority of public money invested in franchising.

56. We understand that the OfS is intending to consult shortly on measures to strengthen regulation of higher education and ensure that students' investment in higher education is protected from the risk of poor quality provision and malpractice.

[21] Government responses to the Public Accounts Committee, Treasury Minutes September 2024

Summary of long-list and alternatives

57. We considered a range of options to address the concerns raised by the National Audit Office (NAO)[22] and Public Accounts Committee[23] regarding the value for money of franchised provision for both students and taxpayers. These have been assessed through a review of the available evidence and stakeholder engagement. The options were considered against the following critical success factors (CSFs):

    a. **Strategic fit and meets business needs:** the option would enable us to achieve our objectives of protecting public money and delivering positive outcomes for students.

    b. **Value for money**: the option delivers value for money in terms of ensuring sufficient protection of public money and quality of outcomes for students without imposing unnecessary burdens on providers and other bodies.

    c. **Proportionality**: The option does not impose a disproportionate burden on small providers and does not divert OfS resources away from providers that pose the greatest risk to students and taxpayers.

    d. **Potential achievability**: the organisations that would play a role in implementing the proposal (DfE, OfS and SLC) are able to respond to the changes and implement the proposal at pace.

58. **Option 1: 'Do nothing'**. We could continue with the current position. This would mean continuing to allow franchised provision to operate as it does now. Courses at delivery partners would be designated for student funding regardless of their OfS registration status.

59. This approach would not be appropriate. It does not address any of the substantive issues that have been raised in reports by the NAO, GIAA and PAC. The risk of misuse of public monies would continue to be intolerably high, and the OfS would still lack the necessary mechanisms to intervene where necessary.

60. **Option 2: Require all delivery partners above a certain size to be registered with the OfS or an appropriate regulatory body for courses for new**

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[22] National Audit Office, [Investigation into student finance for study at franchised higher education providers - NAO report]()

[23] Public Accounts Committee, [Student loans issued to those studying at franchised higher education providers - Committee of Public Accounts (parliament.uk)]()

franchised students to be designated for student finance. This is our preferred policy option and is covered in detail elsewhere in this assessment.

61. **Option 3: Increased monitoring of franchised provision through the existing regulatory framework**. This approach would require the OfS to increase its monitoring of franchised provision using its existing framework. This includes more proactive investigation of providers that have franchised agreements, the OfS providing greater clarity over their expectations of providers, better data collection and publication of that data and more. We could also ask the OfS to consider amending their regulatory framework to require lead providers to adhere to the OfS' expectations on franchising, with regulatory sanctions being applied where these were not met.

62. This approach would affect both lead and delivery partners of all sizes, though the regulatory burden would be on lead providers rather than delivery partners, as it is the lead provider that is directly regulated by the OfS under the current framework.

63. This approach is already partially under way, but even with this approach the OfS would remain limited in terms of the action they can take against unregistered providers. This weakens the deterrent that potential OfS intervention is supposed to provide to guard against bad practice. There would remain an ongoing risk that, without providers needing to be registered for their courses to attract public funds, they would continue to be able to do so and this would not give us the level of assurance over public funds that is required.

64. **Option 4: Publish guidance on what good franchising is**. This approach would require the OfS to draft guidance setting out their expectation of the sector, and provide examples on best practice regarding franchising, covering areas such as governance, monitoring standards, data collection, marketing to students and example documents to support providers. In September 2024, the OfS published an Insight Brief which covered some of these areas.[24]

65. Whilst the publication of guidance would set a clear expectation of behaviour, it does not provide the level of assurance that we would require over public money. We therefore consider that this does not go far enough in addressing the recommendations of the NAO and PAC.

[24] Subcontractual arrangements in higher education - Office for Students

66. The sector representative body Universities UK (UUK)[25] have developed their own framework to support better franchising in future, and we believe it is more appropriate that the sector takes the lead on this.

67. **Option 5: Prohibition of all franchising**. This would place a ban on the delivery of HE by all delivery partners, so that only the lead provider is able to deliver provision. This would have the greatest possible impact in preventing the misuse of public money. From implementation, there would be no mechanism where a provider could enter a partnership with a delivery partner to deliver provision on their behalf.

68. This approach was discarded for several reasons. First, franchised provision can be valuable by enabling providers to deliver innovative provision and can support increased access and participation for mature students, those from more deprived areas, and those who are less willing or able to relocate for study.

69. Restricting all franchising would have the most substantial impact on growth, minimising the risk to public funds but also impacting high quality provision being delivered through these arrangements. It would also have the greatest financial impact on providers, as it removes their capacity to offer this provision in any circumstances. This would, in turn, impact the lead provider, who is able to make a profit from the use of franchised providers.

70. This would also prohibit smaller delivery providers entering franchising arrangements to build the experience required to obtain degree awarding powers, which registered providers may apply for. These providers are most likely to meet the criteria of small, micro and medium sized businesses.

71. This approach would likely require primary legislation and thus would take longer to implement, delaying our ability to tackle the issues that have been highlighted.

72. **Option 6: Restriction of all franchised provision to only OfS registered providers**. This would restrict franchising so that providers were only permitted to deliver HE if they were registered with the OfS. Under this approach there would be no exemptions, meaning providers of all types and sizes would need to register. Registration is costly for providers, as our analysis below sets out.

73. Requiring all providers to register would be potentially prohibitive for smaller providers who lack the resources and incomes to be able to register. Providers

[25] Franchise governance framework (universitiesuk.ac.uk)

with fewer than 300 franchised students are more likely to meet the criteria of small, micro and medium sized businesses than providers above this threshold.

74. As this approach would not exempt providers that are already appropriately regulated, it may lead to double regulation, increasing the regulatory burden on those that are already subject to stringent regulation.

75. We do not believe that this option strikes the right balance between the policy intent, which is to protect public money, and the cost of tighter regulation.

76. It may have a negative impact on other government priorities such as the delivery of Level 4/5 education. Table 8 sets out our assessment of these options against the critical success factors, indicating which options are being carried forward to the shortlist. Options are rated **red** if they do not meet the critical success factor at all, **amber** if they meet it to some extent, and **green** if they meet the critical success factor.

Table 8: Assessment of long-listed options against critical success factors

	CSF: Strategic fit and meets business needs	CSF: Value for money	CSF: Proportionality	CSF: Potential achievability	Option carried forward to short list?
1) Do nothing	**Does not meet**	**Does not meet**	**Meets**	**Meets**	Yes - required
2) Require all delivery partners above a certain size to be registered with the OfS or an appropriate regulatory body for new franchised students to be eligible for student finance. Also, and separately, to strengthen oversight of lead providers.	**Meets**	**Meets**	**Meets**	**Meets**	Yes - **preferred option**
3) Increased monitoring of franchised provision through existing regulatory framework	**Partially meets**	**Partially meets**	**Meets**	**Meets**	Yes
4) Publish guidance on what good franchising is	**Partially meets**	**Partially meets**	**Meets**	**Meets**	Yes
5) Prohibition of all franchising	**Meets**	**Does not meet**	**Does not meet**	**Partially meets**	No
6) Restriction of all franchised provision to only registered providers	**Meets**	**Does not meet**	**Does not meet**	**Does not meet**	No

Description of shortlisted policy options carried forward

77. **Option 1 ('do nothing'):** We could continue with the current position. This approach was considered, as it requires no additional input. The introduction of franchising into the OfS criteria for assessment in 2023/24 and the work by UUK to establish a framework provide some assurance over the use of public money and allow greater intervention in this area. However, this does not provide the necessary levers to take swift action to protect public money when necessary. Many of the concerns raised in the NAO, GIAA and PAC reports would remain outstanding if this approach were pursued.

78. **Option 2 (preferred): Require all delivery partners with a certain number of students to be registered with the OfS or an appropriate regulatory body for courses for new franchised students to be designated for student finance.** This would require delivery providers whose franchised student population exceeds a defined threshold to be registered with the OfS or an appropriate regulatory body for their franchised courses to continue to attract student finance. Providers below this threshold would continue to have their courses designated for student finance through the lead provider even if not registered with the OfS.

79. ***The 'de minimis' threshold***

80. A 'de minimis' student threshold will assure government and taxpayers that the public money invested in student finance is being protected and that growth is controlled, whilst also continuing to support innovation and sustainable growth in the sector. If/when a provider is in position to scale up its provision to students that reach or exceed a student number threshold, then a provider would need to register with the OfS.

81. We have considered the regulatory burden to providers, and our current view is that a threshold of **299 franchised students** would be proportionate to the risk to public funding. The proposed threshold is a headcount measure. It calculates the number of students at franchised providers in the same way as the OfS Size and Shape dashboard. [26] The calculation excludes apprentices, the funding for which is overseen directly by the Education and Skills Funding Agency (ESFA). However, it includes all other franchised students – those attracting student finance, self-funded and international. While there is not the same risk to public

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[26] Size and shape of provision data dashboard: Data dashboard - Office for Students

money associated with self-funded and international students, ensuring quality and positive student outcomes is equally important for all students.

82. In 2022/23, this threshold would have captured 83% of franchised students at unregistered providers. Issues with the coverage of SLC data make it difficult to say with certainty how much student finance was received by students at these providers. However, the data we have for 2023/24 suggests that providers with 300 or more undergraduate franchised students accounted for 92% of undergraduate student finance relating to unregistered franchised provision. We have evidence that a majority of students sanctioned by the SLC in franchised arrangements are at unregistered providers with more than 300 franchised students. A threshold of 299 franchised students therefore aligns with our objective of protecting public money.

83. Setting a threshold is a proportional approach to risks to public money, which aligns with the approach currently set out in the OfS regulatory framework. This states that "*the OfS's regulatory approach will ensure…Proportionality and targeting: Provision that presents low risk to students will be subject to less regulatory burden, while less secure elements of provision will face greater regulatory scrutiny*."

84. Providers below the 299-student threshold are more likely to be classified as small, micro, and medium-sized businesses, and so our measures have some built-in protection for these businesses. In 2022/23, there were 39 unregistered delivery partners above the threshold, of which 35 would be in scope (i.e. not exempt based on the exemption categories set out below). Of these, 9 were micro-businesses, 12 were small, and 14 were medium-sized businesses. This is based on the number of employees reported in the annual accounts of those providers. However, we expect that the income generated by businesses with 300 franchised students or more would be sufficient to fund registration even if their employee base puts them in one of these categories.

85. We are mindful of the need to ensure that the OfS is able to focus its resources on the areas of greatest risk. By requiring the OfS to register franchise delivery partners, we do not want to divert resource away from other critical OfS priorities. Setting a threshold at the proposed level aims to address the vast majority of risk associated with franchising whilst keeping the number of registrations manageable for the OfS. However, we will not hesitate to lower the threshold if persistent risks are identified below it.

86. We have also considered what exemptions may be appropriate for providers that are already regulated by an appropriate regulatory body:

87. ***Exemption category 1: State-funded schools and the statutory further education sector***

88. State-funded schools and the statutory further education sector (Further Education Corporations, Sixth Form Colleges Corporations and Designated Institutions) are already subject to rigorous requirements regarding governance and the use of public funds. Regulatory agencies and the government have powers to intervene where misuse is identified and to recoup funds. The risk of misuse is low and the mechanisms to address any misuse are clear.

89. Further education colleges are regulated by the Department for Education through the Education and Skills Funding Agency (ESFA) and must adhere to the government spending rules set out in Managing Public Money guidance.[27] State-funded schools are regulated by Ofsted.

90. Of the 39 unregistered delivery partners with 300 franchised students or more in 2022/23, 3 (7.7%) were in the statutory further education sector, none were state-funded schools. They accounted for 1.6% of students at unregistered providers above the threshold.

91. ***Exemption category 2: Other public sector bodies including NHS Trusts, Police and Crime Commissioners and local authorities.***

92. There are other public bodies, such as NHS Trusts, Police and Crime Commissioners and local authorities, that are delivering valuable provision through franchised arrangements with lead providers that upskill public sector workers. Their higher education provision is an ancillary function of their core work and there is already clear direct government regulatory oversight to meet our objective to protect public money and directly intervene where fraud or abuse is found.

93. Of the 39 unregistered delivery partners with 300 or more franchised students in 2022/23, 1 (2.6%) was one of these public sector bodies. They accounted for less than 1% of students at unregistered providers above the threshold.

94. While option 2 is the preferred option at this stage, we will continue to monitor the level of risk in the franchising sector closely. In the future, we may consider whether further measures are needed to ensure that all franchising is not only good quality, but that it serves the valuable purposes we know it can.

95. **Option 3: Increased monitoring of franchised provision through existing framework.** This option is being pursued in addition to option (2) and does not involve changes to the current regulatory framework.

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[27] Managing public money - GOV.UK

96. As outlined in the long list, this approach is partially under way. The OfS have included franchised provision in their criteria for quality assessments in 2023/24, and there is already an investigation under way at one provider with a large volume of franchised provision.

97. Having reviewed this option in detail, it was deemed appropriate as part of a multi-faceted approach to protecting public money but was insufficient as a standalone option. The number and extent of OfS investigations is limited by their resources and other requirements. Whilst the OfS can act against lead providers where issues are identified, they cannot take regulatory action against providers that are not registered with it. This was an important component for a more robust approach to franchised provision in future.

98. **Option 4 (non-regulatory): Publish guidance on what good franchising is**. This option has been partly pursued already and does not involve changes to the current regulatory framework.

99. Whilst this approach would give the sector a clear steer on expectations, it would be insufficient as a stand-alone option. We consider that this does not go far enough in addressing the recommendations of the NAO and PAC.

100. We favour a sector-led approach to the development of guidance and welcome the recently published UUK governance framework.[28] We view this as complementary to the regulatory changes proposed in this impact assessment.

[28] Franchise governance framework (universitiesuk.ac.uk)

Analysis of policy options

101. In this appraisal we monetise costs and benefits for option 2 (preferred), relative to the 'do nothing' option. As options (3) and (4) are already being taken forward, these are part of the 'do nothing' option.

Do nothing option

102. Were the government not to intervene, franchised provision could continue to grow with a level of oversight that is not commensurate with the risk to public money. Franchised students may not receive the high-quality provision and outcomes that HE providers are expected to deliver.

103. Increased monitoring of franchised provision through option (3), and the publication of what good franchising looks like through option (4), should help to mitigate these risks. However, these measures are considered insufficient on their own for the reasons set out above.

Impact on providers

104. Both lead and delivery providers would continue to be able to enter franchising arrangements with limited regulatory checks on quality of provision and outcomes, meaning there are no checks on growth. This would enable providers to continue realising the benefits that franchised provision can deliver, such as reaching larger numbers of students, diversifying their income streams, and managing their teaching costs (which may be more expensive at the lead provider).

105. However, as the NAO report highlighted, we have seen multiple instances of fraud relating to franchised provision, and providers delivering higher education through franchising have come under closer scrutiny by DfE, the OfS, and the SLC. Such scrutiny could prove reputationally damaging to lead providers that are entering into subcontracting arrangements for large numbers of students.

Impact on students

106. Without checks on growth in franchised provision, there is likely to be increased access and choice of provision for students than there would otherwise be. This could be beneficial for students, particularly those who would struggle to access higher education in the absence of this provision.

107. However, continuing with the status quo carries risks for students. Continued growth could mean greater numbers of students taking on student loans for courses that are not in their best interest and do not deliver positive

student outcomes for their investment. The current lack of direct oversight of franchised provision means the OfS do not have the powers to intervene at unregistered delivery partners where there are concerns around governance, student protections, quality of provision and more.

Impact on government and other public bodies

108. There is a clear risk to public money in the absence of further government intervention. Franchised provision already accounts for a disproportionate amount of fraud identified by SLC. In the 2022/23 academic year, 53% of the £4.1m fraud identified related to franchised provision, despite these students accounting for just 6.5% of SLC-funded learners.[29]

109. The OfS regulates lead providers, with whom franchised students are registered. These providers remain responsible for quality of provision, which is therefore regulated. However, the OfS does not directly regulate unregistered delivery partners. This limits the regulatory action that can be taken against these providers, making it difficult to ensure that public money is adequately protected.

110. Implementing regulatory change does not come without cost to the government. However, maintaining the status quo also requires resources to resolve problems as they arise. By implementing this regulatory change, the intention is to make the system more robust, minimising the risk of issues arising in the first place.

Option 2 (preferred): Restricting student finance to delivery partners that are registered with the OfS or an appropriate regulatory body

Policy assumptions

111. To model the impact of requiring delivery partners to register with the OfS, we make the following policy assumptions:

a. **First year of Policy:** Under our proposal, the 2025/26 academic year would be the first 'data year', with providers that have 300 franchised students or more needing to register with the OfS by September 2027 for their courses to be designated for student finance for new students in 2028/29 (the first 'implementation year'). Providers will need to allow

[29] National Audit Office, Investigation into student finance for study at franchised higher education providers - NAO report

sufficient time for their applications to be processed, which in practice means that they will need to apply by 1 May 2026 if they wish to be eligible for student finance in 2028/29.[30] In our analysis, we treat academic year 2025/26 as the first year of the policy, analysing costs and benefits over a 10-year appraisal period.

b. **Student number thresholds:** We assume that, for now, only providers with 300 or more franchised students will need to register with the OfS (with the option for the threshold to be lowered over time should the landscape of franchised provision change). This excludes apprentices but includes all other students – those attracting student finance, self-funded and international.

c. **Exemptions:** We assume that the following types of provider are exempt: state-funded schools, the statutory further education sector, NHS Trusts, Police and Crime Commissioners and Local Authorities.

Behavioural responses

112. Unregistered providers who are above or close to the de minimis threshold of 299 franchised students could adapt their business plans in a few ways in response to the policy. There is considerable uncertainty over how providers will respond, and modelling this requires several assumptions (detailed below). We intend to gather further information on the impact behavioural responses could have through our consultation.

113. **Unregistered providers below the threshold** could choose to limit their growth to remain below the threshold. This would reduce the number of providers having to register each year and could limit growth in franchised provision. We assume that providers would only choose to do this if the cost of registering exceeds the profit loss from limiting growth. Given the uncertainty over the impact of limiting growth, we model the costs as if these providers had chosen to register. This means that we forecast the number of providers that would have exceeded the threshold in future years in the absence of the policy and model the costs as though all of these apply for registration, rather than limit themselves to 300 franchised students (see 'Number of providers affected'). Our estimate of the impact on these providers is likely to be an over-estimate for this reason.

114. **Unregistered providers above the threshold** could reduce the number of students they teach to fall below the threshold. This would lead to a reduction in

[30] Please see our consultation document for more details on the timeframes and appeals process.

the amount of franchised provision in the sector unless other providers expanded their provision to fill the gap. Again, we assume that providers would only choose this option if the cost of registering exceeds the profit loss from reducing the number of students taught (see ‘Number of providers affected’). By modelling costs as if these providers had chosen to register, our estimate of the total impact is likely to be an over-estimate.

115. **Providers above the threshold** could look to split their business into multiple legal entities for each of those to remain below 300.

116. **Providers who register** may change their business plans once they have access to the benefits OfS registration confers. While some providers would not have chosen to apply for registration in the absence of the policy, once registered providers will have access to additional benefits of registration including direct registration of their own students.

117. Providers may look to deliver provision through validation arrangements or seek degree-awarding powers (DAP). Under a validation agreement, students are registered with the delivery provider with the award being validated by a provider with DAP. This arrangement gives delivery providers much greater control over their provision.

118. Alternatively, providers who register may begin seeking their own DAP to enable them to deliver HE provision in their own name, with access to student finance and other benefits. This has the potential to make franchising less profitable for lead providers, while generating growth in provision at large delivery partners that are currently unregistered.

119. Providers would only need to register in the ‘Approved’ category to maintain their current franchising offer. However, some may choose to apply for the ‘Approved (fee cap)’ category instead. This would enable them to charge up to the upper fee limit for courses taught outside of franchising arrangements and receive additional grant funding and funding for research activities in their own right.

120. The impacts of providers adapting their business plans are highly uncertain and are considered to be indirect for the purpose of estimating the impact of the policy intervention on businesses. We do not attempt to quantify this.

121. **Lead providers** may be incentivised to increase the number of small unregistered delivery partners they subcontract with in order to teach the same number of students through delivery partners that are below the threshold. This is because they would seek to continue to be able to retain a proportion of the student tuition fees. This would work against the policy intention of ensuring that most franchised students are at delivery providers registered by the OfS. The OfS have already highlighted that there is increased risk associated with lead providers

having multiple franchising arrangements.[31] They already have the power to investigate lead providers where there are concerns surrounding their franchising activities. We are also making it clear that the de minimis threshold will be kept under review to allow government to amend it to respond to provider behaviours. In doing so we would consider the need to give sufficient notice for providers to prepare for any change. Our aim with this approach is to mitigate against this behavioural risk.

Number of providers affected

122. Table 9 shows the number of unregistered delivery partners that would be in scope of the proposed requirement to register, and the number of students at those providers. In 2022/23, there were 39 providers above the proposed threshold. Of these, 4 would qualify for an exemption based on their legal status (3 under exemption group1; 1 under exemption group 2), leaving 35 in scope. There were 65,140 franchised students at these providers – 81% of all franchised students at unregistered providers.

Table 9: Number of unregistered delivery partners and students in scope of registration requirement, 2022/23

	Number/Percentage
Number of unregistered partner providers	237
of which have 300 franchised students or more	39
of which exempt because of their legal status	4
Number of providers in scope of registration	**35**
Percentage of unregistered providers	**15%**
Number of franchised students at unregistered partner providers	80,045
of which at partner providers with 300 franchised students or more	66,540
of which at partner providers that would be exempt	1,400
Number of students at providers in scope of registration	**65,140**
Percentage of students at unregistered providers in scope of registration	**81%**

Source: DfE analysis of OfS data.

123. To fully assess the impact of the policy, we need to predict:

   a. How many providers are expected to be above the threshold in 2025/26, and of these:

[31] Subcontractual arrangements in higher education - Office for Students

i. How many are likely to be exempt on the basis of their legal status

ii. How many are expected to have registered between 2022/23 and 2025/26

iii. How many are expected to choose to apply for registration

iv. How many of those that apply are likely to register successfully

b. How many unregistered providers would have been expected to rise above the 299 threshold in each subsequent year of the appraisal period (2026/27 onwards) in the absence of the policy, and of these:

i. How many are likely to be exempt based on their legal status

ii. How many are expected to choose to apply for registration

iii. How many of those that apply are likely to register successfully

124. There is considerable uncertainty in making these predictions. While we attempt to account for this by predicting an upper and lower bound, it is difficult to test the plausibility of some of the underlying assumptions. Our **key assumptions** are set out in Table 10 and Table 11.

Table 10: Key assumptions used to model the number of unregistered delivery partners affected, first year of policy (2025/26)

Modelling input	Assumption used in modelling	Underlying basis for assumption
(a) Growth to 2025/26: Number of currently unregistered delivery partners with 300 students or more in 2025/26	Continues to grow by 1-4 providers each year until 2025/26	This is based on growth in the latest observable year (2021/22 to 2022/23) and on average over the latest 5 years (2018/19 to 2022/23).
(b) Registered by 2025/26: Number of currently unregistered delivery partners with 300 students or more that are expected to register by 2025/26	6 providers	3 of the unregistered delivery partners above the threshold in 2021/22 were registered by 2022/23 (1 academic year later). We assume same rate per year, so 6 will have registered by 2025/26.
(c) Exempt in 2025/26: Proportion of unregistered delivery partners with 300 students or more in 2025/26 that are expected to be exempt.	10% of providers	This is based on the proportion exempt in 2022/23 and previous years.
(d) Choose not to register in 2025/26: Proportion of unregistered delivery partners with 300 students or more in 2025/26 and not exempt that are expected to choose not to register because costs outweigh benefits.	10% of providers	This is derived from an assumption that providers with fewer than 310 (lower bound) or 360 (upper bound) students would not find it economically beneficial applying. These predictions are based on comparing the costs and benefits of registration over a 3-year period. We calculate the number of students above 300 that would be required for benefits to outweigh costs based on a tuition fee per student of £9,535 and a profit margin of 5-25% of tuition fees. We then calculate the percentage of providers above 300 in 2022/23 that had fewer than 310/360 students, which was 9-11%. Given the small range of these figures, we assume 10% for simplicity.
(e) Successful registration: Proportion of providers that apply who are expected to successfully register	50% of providers	Based on OfS analysis of the (historic) percentage of applications that are refused or withdrawn on first application, excluding the initial registration exercise that the OfS undertook to register established providers previously in receipt of public funding.

Table 11: Key assumptions used to model the number of unregistered delivery partners affected, subsequent years (2026/27 onwards)

Modelling input	Assumption used in modelling	Underlying basis for assumption
(f) Providers rising above threshold: Number of unregistered delivery partners that would have been expected to rise above 300 students in the absence of the regulatory change.	9-14 unregistered delivery partners	This is based on the number of unregistered providers rising above this threshold in the latest year (2022/23) and on average over the latest 5 years (2018/29 to 2022/23).
(g) Providers falling below threshold: Number of (registered) delivery partners that would have been expected to fall below 300 students in the absence of the regulatory change	Not modelled	The primary impact of the policy on providers is the requirement to register with the OfS. Once registered, providers may choose at some point to de-register if the benefits of ongoing registration are outweighed by the costs. Given the uncertainties around this response, to simplify our analysis, we assume that providers remain registered with the OfS and comply with the ongoing conditions of registration.
(h) Exempt among providers rising above threshold: Proportion of unregistered delivery partners rising above 300 students in each subsequent year that would be exempt from registration because of their legal status.	14% of providers rising above the threshold	This is based on the proportion of providers rising above the threshold in 2022/23 that were exempt, which was higher than the percentage of all providers above the threshold that were exempt (the 10% used for the first year of the policy in assumption (c)). This is reflecting growth in the number of providers with legal status that would make them exempt. This results in 8-12 providers rising above the threshold each year that are not exempt.
(i) Choose not to register among providers rising above threshold: Proportion of unregistered delivery partners rising above 300 students in each subsequent year and not exempt that would be expected to choose not to register.	21% of providers rising above the threshold	This is higher than the percentage was in the first year of the policy (d) as providers who have just exceeded the threshold tend to have fewer students. This is based on the proportion of providers rising above the threshold in 2022/23 that had fewer than 360 students, which was the same as the proportion with fewer than 310 students (see assumption (d)).

Modelling input	Assumption used in modelling	Underlying basis for assumption
(j) Successful registration: Proportion of providers that apply who are expected to successfully register	50% of providers	Based on OfS analysis of the (historic) percentage of applications that are refused or withdrawn on first application, excluding the initial registration exercise that the OfS undertook to register established providers previously in receipt of public funding.

125. Table 12 and Table 13 set out the number of providers that we predict will register from 2025/26 onwards. We expect that 32-39 will apply to register in the first year, with 6-10 applying in each subsequent year. Of those applying in 2025/26, we expect 16-19 to register successfully, with 3-5 of those applying in each subsequent year registering successfully. A detailed breakdown of how we arrive at these numbers based on the assumptions in Table 10 and Table 11 is set out in Annex A.

Table 12: Number of providers needing to register in 2025/26

	Number of providers expected to exceed threshold and not be exempt	Number of providers expected to choose to apply	Number of providers expected to be successful in registering
Lower bound	35	32	16
Central estimate	39	35	18
Upper bound	43	39	19

Source: DfE analysis of OfS data.

Table 13: Number of providers needing to register in each subsequent year (2025/26 to 2035/36)

	Number of providers expected to exceed threshold and not be exempt	Number of providers expected to choose to apply	Number of providers expected to be successful in registering
Lower bound	8	6	3
Central estimate	10	8	4
Upper bound	12	10	5

Source: DfE analysis of OfS data.

126. To calculate the total impact of the policy on providers, we assume that all providers who would have gone above the threshold in the absence of the policy apply for registration. We expect that providers only choose not to apply if the costs exceed the expected profits from teaching more students and benefits of OfS registration. Therefore, by attributing the costs of registration to these providers, we will be over-estimating the impact of the policy on these providers. We do not have good evidence on the profit losses these providers would face and so cannot quantify this directly.

127. Those that are unsuccessful in registering will incur some of the initial application cost as well as a profit loss associated with teaching fewer students in future years. How much of the initial application cost is incurred will depend on the point at which the application process concludes. Given the difficulty of predicting

this, we assume that all providers who begin the application process incur the full cost of application. Our initial costs will therefore be an over-estimate. While there is too much uncertainty to precisely quantify potential profit losses, we provide some illustrative examples.

128. To simplify our analysis, we assume that all providers register in the academic year in which they apply. In practice, most applications take between 1-2 years to process. This depends on the complexity of the case. Our simplifying assumption means that, in practice, some of the initial and ongoing costs of registration will be incurred in a different year to the one in which they are assigned. Our assumption means that our estimated business Net Present Value (NPV) and Equivalent Annual Net Direct Cost to Business (EANDCB) are likely to be slightly over-estimated.

129. Note that while some providers would have been expected to fall below the 299 threshold in the absence of the policy, we assume that once registered, all providers remain on the OfS register. While the ongoing costs – estimated below at around £50,800 per provider on average – are lower than the initial costs (£126,200 on average), they are still significant. This may lead to some providers de-registering if they are not realising sufficiently large benefits from being registered. This would reduce the estimated impact of the policy.

130. Familiarisation costs will be incurred not just by unregistered providers above the threshold, but also by lead providers, partner providers that are already registered, and unregistered partners below the threshold. Familiarisation costs represent a small proportion of the overall impact on providers. Therefore, we make the simplifying assumption that the number of providers in each of these groups remains at their 2022/23 levels, such that 96 lead providers,104 registered partner and 237 unregistered partner providers are affected. While the number operating in the franchising market may differ in 2025/26, the difference will have a negligible impact on our estimates.

Interaction with foundation year fee limits

131. We expect there to be some overlap between the providers affected by this policy and the providers affected by government plans to reduce the fee cap for classroom-based foundation years. As part of its response to the Higher education policy statement and reform consultation on 17 July 2023, the department announced that the tuition fee cap for classroom-based foundation years is to be

reduced from £9,250 (now £9,535)[32] to £5,760.[33] This would reduce the financial incentives to expand classroom-based foundation years, 84% of which were taught under a franchising arrangement in 2022/23. This would reduce the incentive for delivery partners to teach classroom-based foundation years, which may further reduce the income generated by lead providers through franchising.

132. The government intends to deliver these changes for new students starting courses from the beginning of the 2025/26 academic year, subject to Parliamentary approval of the necessary amending legislation. The implementation of the reduced fee cap will therefore coincide with the year in which unregistered delivery partners would be required to begin registering with the OfS under the proposal set out in this consultation. Both policies could have financial impacts on lead and delivery partners by reducing the profitability of foundation years.

133. In 2022/23, franchised students studying a classroom-based first degree with an integrated foundation year accounted for 57% of franchised students at unregistered delivery partners with 300 franchised students or more. Only the first course year for these students will be subject to the reduced fee cap. Nevertheless, this suggests that many franchised students could be generating less profit for lead and delivery partners once the fee cap reduction is introduced.

134. Table 14 shows the number of classroom-based foundation year students in franchised provision and the sector as a whole in 2022/23. Of the 39 providers (Table 9) with at least 300 franchised students (i.e. those who are directly affected by the proposed requirement to register), 16 taught classroom-based foundation year students, and these accounted for 47% of foundation year students in the sector.

[32] Changes to tuition fees: 2025 to 2026 academic year - GOV.UK

[33] Higher education policy statement and reform - GOV.UK (www.gov.uk)

Table 14: Number of 'first degree with integrated foundation year' students in franchised provision and sector as a whole

Provider group	Number of providers delivering classroom based foundation years	Number of classroom based foundation year students	Percentage of all classroom based foundation year students in sector
Registered delivery partners in franchising arrangements	17	14,400	35%
Unregistered delivery partners in franchising arrangements	20	19,680	48%
Unregistered delivery partners with < 300 students	4	390	1%
Unregistered delivery partners ≥ 300 students	16	19,290	47%
All delivery partners in franchising arrangements	37	37,330	92%
All providers in sector (registered students)	106	40,745	100%

Source: DfE analysis of OfS data.

135. The reduced incentive to deliver classroom-based foundation years means that, in the absence of our proposed policy intervention, it is possible that the number of students in franchised provision would have reduced anyway because of the reduction in fee limits. We do not account for this in the counterfactual of our analysis of the impact of requiring unregistered delivery partners to register with the OfS, as the extent to which it will reduce student numbers will depend on the behavioural responses of providers. If the impact of foundation year fee limits was accounted for in our baseline, we might expect our business cost estimates to be lower as the underlying growth in franchised provision could have been slowed down by the fee limits.

Regulatory scorecard for preferred option

136. The regulatory scorecard summarises the expected impacts of our proposals. Further detail is included in the sections that follow.

Part A: Overall and stakeholder impacts

Table 15: Overall impacts on total welfare

Category	Description of impact on total welfare	Directional rating
Description of overall expected impact	The measures are expected to deliver better value for money for students and taxpayers. They will do this by increasing the direct regulatory oversight by the OfS over delivery partners in franchising arrangements, enabling them to better monitor and intervene where issues with regulatory compliance are identified. While providers will incur costs associated with the requirement to regulate, we believe these will be outweighed by the benefits to students and the government's ability to protect public money.	**Positive** **Based on all impacts (incl. non-monetised)**
Monetised impacts	Given the difficulties with measuring and monetising the benefits of this measure to students and taxpayers, we are not in a position to monetise the overall impacts on total welfare.	**Uncertain** **Based on likely £NPSV**
Non-monetised impacts	The primary non-monetised benefit that is not covered below is the benefit to the taxpayer arising from the better protection of public money that this measure will help to bring about. We expect the requirement to register to enhance our ability to protect public money through two channels: 1. Enhanced oversight and scrutiny will disincentivise the misuse of public funds and make it easier to intervene where such cases are suspected. 2. The fact that registration would require providers to meet OfS initial and ongoing conditions should drive up quality and outcomes for franchised students, meaning the private and social returns to higher education should increase and a higher proportion of student loans are likely to be repaid in the long term. The magnitude of these impacts depends on the complex behavioural responses of providers and students. Our proposal should also improve the market for consumers by providing better quality regulation and assurance, giving students greater confidence in choosing franchised courses.	**Positive**
Any significant or adverse distributional impacts?	Distributional impacts on businesses and students are discussed in the 'expected impact on students' section below.	**Neutral**

Table 16: Expected impacts on businesses

Category	Description of expected impacts on businesses	Directional rating
Description of overall business impact	While providers will face regulatory costs because of this reform, we expect that there will also be some reputational benefits realised through increased oversight of franchised provision. There are two main groups of provider affected by the reform: **Lead providers** may be limited in the number of new franchised students they are able to recruit if they are subcontracting with large unregistered providers who choose not to, or are unable to, register with the OfS. There would be a financial loss of income associated with this. However, there are several ways lead providers could mitigate this, including by subcontracting with registered delivery partners or smaller unregistered delivery partners. Increased oversight should also reduce the reputational risk of franchising to the lead provider, which may encourage more providers to consider this as a method of delivery. **Unregistered providers who have, or plan to have, 300 franchised students or more** will face costs associated with meeting the initial and ongoing costs of registration with the OfS. For some, these costs will outweigh the benefits of registering, and they will be required to reduce the number of students they teach as a result or accept that their students will not be eligible for student finance. Some providers may fail to meet the initial conditions of registration, and face a profit loss associated with having to reduce their student numbers to below the threshold.	**Negative**

Category	Description of expected impacts on businesses	Directional rating

Monetised impacts	There is considerable uncertainty over the profit losses that could be incurred by providers that are unsuccessful in registering. For this reason, we do not include these costs in our business NPV and EANDCB estimates as the range would be so great as to not be meaningful. In the 'Potential profit losses' section below, we discuss the potential magnitude of the impact of these profit losses on our EANDCB estimates.
	
	Cost to business (2025/26 price year and base year):
	• **Business NPV (£m):**
	    ○ -27.1 (low)
	    ○ **-34.6 (central)**
	    ○ -42.1 (high)
	• Equivalent Annual Net Direct Cost to Business (EANDCB) (£m):
	    ○ 3.1 (low)
	    ○ **4.0 (central)**
	    ○ 4.9 (high)
	
	These costs include:
	• Familiarisation costs
	• Initial and ongoing costs of registration
	• Registration and subscription fees
		Negative
		
		Based on likely business £NPV

Non-monetised impacts	Because of the uncertainties over how delivery and lead partners may respond to the reform and the lack of data on how much profit is retained by lead provider, we are not able to monetise the financial impact on lead providers. We also cannot monetise the reputational benefits associated with direct regulatory oversight of delivery partners.	**Uncertain**
Any significant or adverse distributional impacts?	Yes Because we are proposing a de minimis threshold of 299 franchised students below which delivery partners will not be required to register, our proposal will primarily affect large delivery partners who are better able to shoulder the regulatory costs.	**Neutral**

Table 17: Expected impacts on students

Category	Description of expected impacts on students	Directional rating
Description of overall student impact	There is no direct monetary impact on students associated with this reform. There may be positive and negative indirect impacts on students. The number of places available to students in franchised provision may fall because of the reform, with potential implications for access and participation. However, students engaging in franchised provision should benefit from improved oversight of quality and outcomes because of delivery partners being directly regulated by the OfS.	**Positive**
Monetised impacts	There are no direct regulatory costs on students and we therefore do not calculate a household NPV or EANDCH. Though providers will face higher costs associated with registration, unlike in other markets, there is limited scope for providers to pass these on to consumers in the form of higher prices. This is because for many courses, fees are set at the fee cap applicable to the lead provider. However, some fees are not capped (e.g. for post-graduate courses and international students), so it is possible that some of the business cost is passed on in the form of higher prices.	**Neutral** **Based on likely household £NPV**
Non-monetised impacts	See 'Description of overall student impact'	**Positive**
Any significant or adverse distributional impacts?	Yes The characteristics of students in franchised provision differ from the characteristics of students in HE provision generally, therefore there are certain groups that are likely to be disproportionately affected by the positive and negative impacts of this reform. These are mature students (aged 31+), socioeconomically disadvantaged students, UK-domiciled students, students with no, unknown, or 'other' entry qualifications, and students who are less likely to relocate for study. While there may be some negative impact of the policy on students arising from a reduction in the number of places, we believe that this is likely to be outweighed by the positive impacts that the policy will deliver in terms of improved quality of provision.	**Positive**

Part B: Impacts on wider government priorities

Table 18: Impacts on wider government priorities

Category	Description of impacts on wider government priorities	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	**Level playing field:** The requirement for large delivery partners to register with the OfS to retain access to student finance will create a level playing field in the HE sector. Providers that are already regulated by the OfS will no longer have to compete against large providers which are currently attracting more students than they might if they were subject to the same conditions on transparency of information. Instead, they will complete within the same regulatory environment. Those currently operating outside of the OfS register will be forced to compete on quality, which should lead to better outcomes for students. **Reputational enhancement:** Strengthening the government's oversight of franchised provision may help to consolidate the HE sector's reputation for high quality provision, both in the UK and overseas. This could have multiple benefits. It could reassure students that studying at a UK higher education provider is a worthwhile investment. It could also encourage providers who are wary of engaging in franchising because of the reputational risks to consider this as a legitimate and well-regulated approach to delivering higher education, enabling them to widen access and participation and consolidate their financial position. **Limited impact on barriers to entry:** The new regulatory framework would not substantially increase barriers to entry, as new providers could still enter the HE sector through franchised provision and teach up to 299 franchised students without needing to register. They will only be required to register once they are sufficiently established. This means the regulatory framework will continue to allow new providers to test the viability of innovative delivery models before scaling them up.	**Supports**

Category	Description of impacts on wider government priorities	Directional rating
International Considerations: Does the measure support international trade and investment?	**International students**: International students make up a small proportion of students studying in franchised provision, at just 9% in 2022/23. These account for just 1.1% of international students in the HE sector as a whole. While international students are not eligible for student finance regardless of this proposal, they may still be affected if providers limit the number of franchised students they teach in response to the reform. On the other hand, international students should also benefit from greater regulatory oversight of franchised provision, which we expect to improve standards. Given that the number of students affected is such a small proportion of the total, we expect the overall impact on international students coming to the UK to be minimal.	**Neutral**
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	We do not believe that the regulatory change proposed will have a negative impact on natural capital and decarbonisation. If anything, the proposal would lead to a reduction in the natural resources used to provide higher education if providers were to respond to the policy by limiting their franchised provision.	**Neutral**

Impact on lead providers

137. Lead providers whose delivery partners register because of the proposed regulatory change will benefit from their delivery partners meeting the OfS initial conditions of registration and being directly regulated by the OfS. The OfS have highlighted the risk of reputational and wider damage to a lead provider, and the higher education sector in general, should issues arise in relation to their franchised provision.[34]

[34] Subcontractual arrangements in higher education - Office for Students

138. We expect that many unregistered delivery partners with 300 franchised students or more will register, in which case there will be no immediate financial impact on lead providers. In the longer term, it is possible that delivery partners who register with the OfS adapt their business plan to take advantage of the benefits of OfS registration, such as by seeking their own degree-awarding powers (DAPs) or seeking validation agreements rather than delivering through franchising arrangements. While this could have financial implications for the lead provider, we expect that lead providers will be able to mitigate against the potential impacts of these longer-term behavioural responses.

139. Some delivery partners with 300 franchised students or more may not register with the OfS, either through choice or because they do not meet the initial conditions of registration. In this case, lead providers will not be able to subcontract provision of any new students to these providers. We believe the overall impact of this on the sector will be small. Across the HE sector as a whole, there were 2,375,590 students in 2022/23, of which:

a. 5.7% were in franchised provision (at registered and unregistered delivery partners)

b. 3.4% were in franchised provision at unregistered delivery partners

c. 2.8% were in franchised provision at unregistered delivery partners with 300 franchised students or more.

140. Therefore, only a very small proportion (2.8%) of higher education provision is directly ‘at risk’ if these delivery partners do not register.

141. In 2022/23, only 36 lead providers subcontracted students to unregistered delivery partners with 300 franchised students or more. Most providers have a small proportion of their student population in franchised provision. Figure 4 shows the percentage of taught or registered students at each university that are subcontracted to unregistered delivery partners with at least 300 franchised students. This figure is anonymised and only includes lead providers that have university title and more than 1,000 taught or registered students. It shows that there are a small number of lead providers for whom the financial impact of delivery partners failing to register could be large, but only if the lead provider does nothing to mitigate this. The most exposed lead providers tend to be low tariff (i.e. the least selective) universities.

142. However, there are several actions lead providers could take to mitigate this risk. For example, they could:

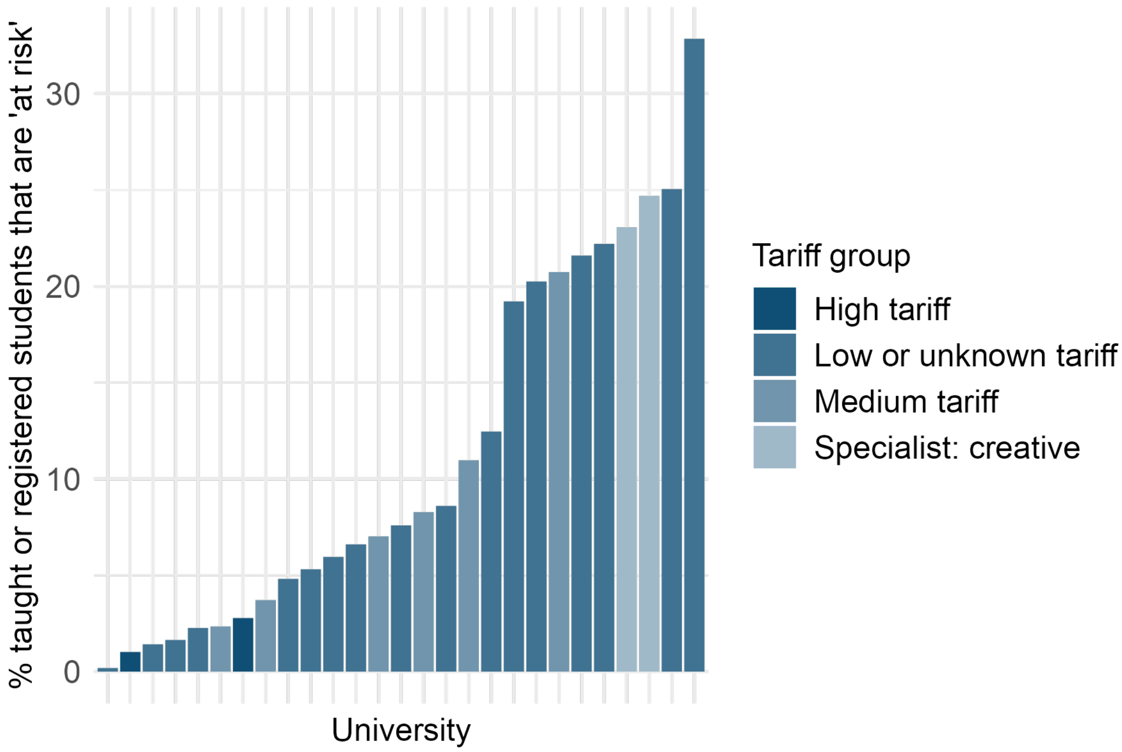
a. Expand their directly taught provision to make up for the shortfall in student numbers and funding

b. Teach students through registered or smaller unregistered delivery partners that the lead provider is already in a franchising arrangement with

c. Set up new partnerships with registered or smaller unregistered delivery partners

Figure 3: Percentage of students at each university (lead provider) that are subcontracted to unregistered delivery partners with 300 franchised students or more, by tariff group

This graph only includes universities with more than 1,000 taught or registered students. Tariff groupings are based on the OfS methodology.[35]



Source: DfE analysis of OfS data.

143. Aside from these impacts, the proposal could have positive implications for lead providers that are not currently engaged in franchising. By mitigating the risk of issues in franchised provision developing and persisting, the policy could incentivise further franchising in the sector if there are some lead providers who have been put off by a perceived lack of oversight and the associated reputational

[35] Provider typologies 2022: Methodology for grouping OfS-registered providers - Office for Students

risks. This would present an opportunity for some lead providers to expand, taking on more students and therefore increasing their tuition fee income streams.

Impact on registered delivery partners

144. Some unregistered providers above the proposed threshold may not to register with the OfS and instead exit the sector. It is possible that some registered or smaller providers will step in to meet this provision and thereby benefit from the policy by taking on more students and increase their income from tuition fees. The proposal will not impose any costs on delivery partners that are already registered with the OfS, beyond familiarisation costs associated with the regulatory change (monetised below).

Impact on unregistered delivery partners

145. Unregistered delivery partners that wish their courses to continue to be designated for student finance for new students on franchised courses they deliver will need to register with the OfS if they have 300 or more franchised students. This excludes apprentices but includes all other students – those attracting student finance, self-funded and international. The most significant cost to providers is complying with the initial and ongoing conditions of registration. We go through these individually in the following sections, setting out the impact on providers of each.

146. Our analysis is based on the conditions of registration at the time of writing. The OfS are also consulting on amending the initial conditions of registration around protecting the interests of all students (condition 'C') and good governance (condition 'E'), which could affect the costs estimated below. We will publish updated estimates alongside our consultation response reflecting any changes to the conditions of registration.

147. Throughout this section, our baseline assumption is that providers are fully compliant with the current regulatory framework. For example, we assume that delivery partners are compliant with the OfS conditions around ensuring quality of provision. This is because the lead provider (who is OfS registered) is already responsible for ensuring these conditions are met in relation to their registered students, which includes those subcontracted out to unregistered delivery partners. This baseline assumption is the standard approach to quantifying the additional impacts of any regulatory change relative to the current framework. We recognise, however, that these conditions are not always being met at present. Indeed, this is what our proposals aim to address. To meet these conditions, providers may therefore need to take action beyond what is set out in the subsequent sections.

148. It is possible that some providers are already voluntarily going beyond the expectations of the current regulatory framework. In our analysis, we assume that this is not the case and estimate the cost of compliance relative to the current regulatory framework. For providers going beyond this, the additional costs will be lower than those set out in the following sections.

149. We assume that delivery partners register under the Approved, rather than the Approved (fee cap) category. This is because they will not need to register as Approved (fee cap) to continue charging the fees currently charged for franchised courses, as these are determined by the registration category of the lead provider and this would not change. This assumption affects which conditions of registration apply, as some are only for providers in the Approved (fee cap) category.

150. In estimating the initial and ongoing costs of registration for delivery partners, we have used the approach and where appropriate the modelling assumptions used in the impact assessment which supported the introduction of the current regulatory framework under the Higher Education Research Act (2017),[36] as well as the impact assessment published when the OfS regulatory framework was introduced (2018).[37] Our estimates are therefore based on historic costings relating to the current registration conditions. The Department judge that their use here is acceptable in the absence of more recent evidence.

151. A summary of our expectations regarding the additional burden of each condition of registration is set out in Table 19.

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[36] Higher Education and Research Act - Impact Assessments - Impact Assessment (legislation.gov.uk)

[37] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk)

Table 19: Additional cost of complying with initial and ongoing conditions of registration (2025/26 prices)

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
A1: Access and participation plan	None	This only applies to providers registered under the Approved (fee cap) category, which delivery partners in franchising arrangements will not need to register under.	-	-
A2: Access and participation statement	Providers will need to begin producing, publishing and updating a statement on access and participation.	This applies to providers registered under the Approved category. Unregistered delivery partners are not currently expected to do this.	£ 2,030	£ 1,769
B1-5: Ensuring quality and standards of courses and assessments	None	Under the current regulatory framework, we would expect that partner providers already have measures in place to meet these conditions as part of their agreements with lead providers. In practice, some may not, in which cases there would be additional costs for the delivery partner. As these costs are associated with complying with the current regulatory framework rather than the additional requirements of this regulatory change, these are not included in our analysis.	-	-

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
B6: Participation in the Teaching Excellence Framework	None	Participation is only mandatory for providers with at least 500 registered undergraduate students (not including students taught through franchising arrangements). We would expect any provider meeting this threshold to be registered with the OfS already.	-	-
B7-8: Quality and standards assessment	Providers will need to cooperate and pay for a quality and standards assessment when they first apply to the OfS	This is an initial condition of registration that will be required when providers apply.	£ 32,501	-
C1: Consumer protection law	Providers will need to submit a short self-assessment to the OfS to demonstrate compliance, though they should already be complying with the law itself. They will need to review this on an ongoing basis.	This is an initial and ongoing condition of registration which unregistered delivery partners are not currently required to demonstrate compliance with to the OfS	£ 1,801	£ 542
C2: Student complaints	None	Under C2, providers are required to comply with the student complaints scheme and subscribe to the Office of the Independent Adjudicator for Higher Education. Unregistered delivery partners are already required to do this by virtue of delivering higher education under a franchising arrangement.	-	-

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
C3: Student protection plans	Providers will need to produce, publish and update a student protection plan setting out what actions they will take to minimise any impact on students' continuation of study should the provider discontinue the course.	Lead providers are already required to prepare a student protection plan which covers their franchised students. As registered providers in their own right, delivery partners will also be required to do this.	£ 14,917	£ 2,486
C4: Student protection direction	Providers must comply with any Student Protection Direction issues by the OfS in circumstances where the OfS considers there is a material risk that the provider will cease provision of higher education.	This is an ongoing condition of registration, however the additional action required of providers will only be invoked in the event of a Student Protection Direction being issued.		Unquantified
D: Financial sustainability	Providers must demonstrate financial sustainability, in part through submitting independently audited annual financial statements and financial forecasts that comply with the OfS Accounts Direction.	This is an initial and ongoing condition of registration which unregistered delivery partners are not currently required to comply with.	£67,969 (£11,205 - £225,232 depending on type of provider)	£28,878 (£11,205 - £76,841 depending on type of provider)
E1: Public interest governance	Some providers may need to amend their governance documents to ensure compliance with the public interest governance principles	This is an initial condition of registration which unregistered delivery partners are not currently required to comply with.	£ 1,801	-

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
E2: Management and governance	None.	Providers are already required to have effective management and governance arrangements in place. We expect that, under the current framework, delivery providers should demonstrate compliance with this condition as part of their agreement with the lead provider. While some may not, the additional costs this implies are associated with complying with the current regulatory framework, rather than the additional requirements of this regulatory change.	-	-
E3: Accountability	Provider will need to nominate an 'accountable officer' and comply with all conditions of registration and the OfS accounts direction	The additional costs associated with this are quantified under the respective conditions of registration.	-	-
E4: Notification of changes to register	Providers must notify the OfS of any information contained within the provider's entry in the register.	Changes that affect a provider's entry are minimal and infrequent.	-	Negligible
E5: Facilitating electoral registration	None.	Providers are already required to comply with the electoral registration duty.	-	-

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
F1: Transparency information	Providers are required to publish, and supply to the OfS where it has not already done so, information on levels of applications, offers and acceptances, completion and attainment rates.	Unregistered providers are already required to collect this information and supply it to the lead provider as part of the lead provider's data collection. Once registered, delivery partners will also need to submit and publish this information themselves.	-	£ 597
F2: Student transfer arrangements	Providers must provide to the OfS and publish information about its arrangements for a student to transfer	This is an ongoing condition of registration which unregistered delivery partners are not currently required to comply with.	£ 2,030	-
F3-4: Provision of information	Providers must supply various data collections to the OfS and Designated Data Body. They will need to undergo an induction process in order to do this.	As these data provision requirements mostly relate to students registered with the delivery partner (which franchised students or not), the additional action providers will be required to take is expected to be minimal.	£ 3,110	£ 201
G1: Mandatory fee limit	None	Delivery partners must already comply with the fee limits of the lead provider in respect of their franchised provision.	-	-
G2: Complying with terms and conditions of funding	None	Only providers in the Approved (fee cap) category are eligible for OfS/UKRI funding.	-	-

Condition of registration	Action required beyond what providers are already expected to do	Rationale	Estimated average initial cost of additional action required, per provider	Estimated average ongoing cost of additional action required, per provider
G3: Pay OfS registration and designated bodies' fees	Providers must pay an annual registration fee to the OfS and an annual subscription fee to the designated data body.	This is an ongoing condition of registration which unregistered delivery partners do not currently need to comply with.		£16,720
Total average cost per provider			**£ 126,158**	**£51,194**

152. The largest costs are associated with producing full, audited financial statements (initial and ongoing), funding and complying with the Quality and Standards assessment (initial only), and funding the annual OfS registration fee (ongoing).

153. The cost of producing full, audited financial statements is particularly large as 34% of unregistered private providers above the threshold currently only produce light touch accounts in line with the small companies regime of the Companies Act 2006.[38] The OfS accounts direction – which sets out what registered providers need to include in their annual financial statements – is much more comprehensive in comparison. Moreover, these companies are not currently required to have their accounts externally audited, a process which can cost in the tens of thousands.

154. While the costs associated with having financial statements audited are expected to come down over time, providers are initially required to provide 3 years of audited financial statements upon registration (or for as many years as the provider has existed, if fewer). This means many providers will need to fund the audit costs for 3 years of financial statements at once.

155. The amount paid in OfS registration fees by registered providers depends on the number of students registered with the provider (excluding franchised students, as these are not registered with the delivery provider). Providers qualifying as ‘micro-providers’ or ‘new providers’ are also eligible for a discount on these fees of up to 100%. We do not have data on the number of students directly registered with each partner provider, nor can we ascertain whether any discounts would apply. It is likely that unregistered delivery partners will have few, if any, directly registered students, as these students would not currently be eligible for student finance. We therefore assume that all providers will qualify for the lowest band of OfS registration fees, and do not consider discounts for micro-providers or new providers.

156. The quality and standards assessment is part of the initial registration process. The fee for this is fixed and currently stands at £28,463.[39]

157. In addition to these costs, providers (both lead and delivery) will need to familiarise themselves with the regulatory change. This will be a more involved

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[38] Companies House accounts guidance - GOV.UK (www.gov.uk)

[39] The cost in Table 19 is uprated to 2024/25 prices and includes resource costs associated with complying with the assessment. See section on ‘Quality and standards assessment’ for details.

process for delivery providers that are currently unregistered, as they will need to decide how to respond to the requirement to register. Delivery providers who apply for registration will also incur costs associated with compiling their applications. These are set out in the following sections.

158. The total monetisable cost to the sector associated with complying with the regulatory change is set out in Table 21. This is based on the number of providers set out in Table 20. This includes familiarisation costs incurred by lead and registered delivery partners.

Table 20: Number of providers included in cost calculations

Category	Low	Central	High
Lead providers, registered and unregistered delivery partners (included in familiarisation costs)		437	
Providers above threshold and not exempt (included in initial costs of registration), 2025/26	35	39	43
Providers above threshold and not exempt (included in initial costs of registration), each subsequent year	8	10	12
Providers registering successfully (included in ongoing costs), 2025/26	16	18	19
Providers registering successfully (included in ongoing costs), each subsequent year	3	4	5
Providers that choose not to apply (ongoing cost is upper bound of actual cost to these providers), 2025/26	4	4	4
Providers that choose not to apply (ongoing cost is upper bound of actual cost to these providers), each subsequent year	2	2	2

Source: DfE analysis of OfS data.

Table 21: Total monetisable cost to (private) providers

Cost category	Undiscounted (low)	Undiscounted (central)	Undiscounted (high)	Discounted (low)	Discounted (central)	Discounted (high)
Familiarisation costs	0.3	0.3	0.3	0.3	0.3	0.3
Applying for OfS registration	0.6	0.7	0.9	0.5	0.7	0.8
Quality and standards assessment	3.5	4.2	4.9	3.1	3.7	4.3
Producing, publishing and updating access and participation statement	0.8	1.0	1.1	0.7	0.8	0.9
Producing and updating student protection plan	1.7	2.1	2.4	1.5	1.8	2.2
Providing evidence on public interest governance	0.2	0.2	0.3	0.2	0.2	0.2
Providing evidence on and reviewing consumer law	0.4	0.5	0.5	0.3	0.4	0.4
Meeting financial sustainability conditions	13.9	19.4	24.9	11.8	16.6	21.3
Collating and publishing transparency information	0.2	0.2	0.3	0.2	0.2	0.2
Providing data to DDB	0.5	0.6	0.7	0.5	0.5	0.6
Preparing and publishing information on student transfer arrangements	0.2	0.3	0.3	0.2	0.2	0.3
DDB subscription fee	0.9	1.0	1.2	0.7	0.8	1.0
OfS registration fee	8.6	10.1	11.6	7.0	8.3	9.5
Business NPV	**-31.8**	**-40.6**	**-49.4**	**-27.1**	**-34.6**	**-42.1**
Equivalent Annual Net Direct Cost to Business (EANDCB)				**3.1**	**4.0**	**4.9**

Source: DfE analysis based on data and assumptions set out in this section.

Common costs used for multiple conditions

159. There are several conditions which require providers to either publish or submit short documents to the OfS:

- Condition A2: Access and Participation Statements
- Condition C1: Student Contracts
- Condition E1: Public Interest Governance
- Condition E3: Accountability
- Condition F2: Student Transfer Arrangements

160. These conditions all require different information, but involve similar processes (produce, review and senior management sign off for the document), and therefore should have a similar regulatory burden. For these, we follow the same approach and assumptions as used for the impact assessment accompanying the introduction to the OfS regulatory framework in 2018.[40] These were developed in conjunction with the OfS to ensure the assumptions were reasonable and a fair reflection of the costs faced by the average provider when registering with the OfS.

161. A breakdown of these common costs is shown in Table 22. Some of the conditions of registration listed above have additional costs associated with them. These are described in the relevant sections below.

Table 22: Common costs used for multiple conditions

Activity	Cost
Produce documents, mid-level HE staff (24 hours x £21.73)[41]	£522
Review documents, senior management (4 hours x £46.02)[42]	£184
Clearing documents, executive board time (2 hours x 10 staff members x £54.74)[43]	£1,095
Total cost per provider	**£1,801**

Source: DfE analysis based on data and assumptions set out in this section.

[40] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk), see Annex D

[41] Using the median gross hourly wage of other managers and proprietors. See Table 43 for details.

[42] Using the median gross hourly wage of a senior professional of educational establishment. See Table 43 for details.

[43] Using the median gross hourly wage of chief executives and senior officials. See Table 43 for details.

Familiarisation costs

162. We assume that all lead and partner providers will need to spend some time familiarising themselves with the proposed changes on the requirement to register. For lead providers and delivery providers that are already OfS-registered, the familiarisation costs are expected to be low. For unregistered delivery providers, the cost will be higher as providers will need to decide how to respond to the requirement to register.

163. For lead providers, delivery providers that are already OfS-registered, and unregistered delivery providers far below the de minimis threshold, we expect that they will familiarise themselves with the regulatory change. To quantify this, we follow the approach taken in the impact assessment accompanying the HE reform bill,[44] which used estimates of time spent reading and understanding the new regulations. These are obtained using a mid-point of technical text reading time (75 words per minute)[45] and an estimate of 2,500 words of the text needing to be understood.[46] We assume that this task would be undertaken by a director of the organisation, which would cost each provider £25 on average.[47] At this stage, there is some uncertainty over the amount of text that will need to be understood, and we will review our estimates when we publish our consultation response.

164. For lead providers, we expect there to be an additional cost associated with engaging with any unregistered delivery partners to seek assurance that they will comply with the proposed changes to regulation. We assume this takes an additional 1 hour of a director's time per unregistered delivery partner that the lead provider is in a franchising arrangement with. The average cost of this is estimated at £141.[48]

165. For unregistered delivery providers who are close to the de minimis threshold (we assume this includes all unregistered delivery partners with at least 200 students), the expectation is that a typical provider would establish a working group that would assess how to respond to the reforms – in particular whether to register with the OfS or not. Cost estimates are based on the impact assessment

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[44] Higher education policy statement and reform - government consultation response - impact assessments and analysis (publishing.service.gov.uk)

[45] Time to read from BEIS Business Impact Target (2017)

[46] Approximately equal to the skills bill word count for P3 Ch1 (2,622)

[47] Reading 2,500 words at 75 words per minute takes 0.55 hours in total. For director costs, we use the median gross hourly wage of senior professionals of education establishments of £46.02 (see Table 43 for full details). Multiplying this by 0.55 gives £25.

[48] Using the median gross hourly way of senior professionals of education establishments of £46.02 (see Table 43 for details), we multiply this by 1 hour and the average number of unregistered delivery partners each lead provider has, which is 3. This gives £141.

accompanying the introduction of the OfS conditions, which were developed working with the sector representative body for Alternative Providers, Independent HE.[49]

166. This decision-making process is expected to involve a working group of 6 directors taking time to familiarise and understand the options available to them and prepare an assessment for the providers' executive board (2 days). They would then present this assessment to the provider's executive board (6 members, 4 hours), which would consider their recommendations on how to update the provider's business plan in response to the reforms. We estimate that this would cost £5,732 per provider, on average.[50] This is an average and will not reflect the decision-making process and cost for all providers. Given the size of some unregistered providers, it is possible that the fewer individuals will be involved in the decision the cost therefore lower.

167. We assume that all unregistered providers with at least 200 students incur these costs in the first year of the policy. Table 23 summarises the total cost to the sector over the appraisal period.

Table 23: Total cost to sector – familiarisation costs

Familiarisation costs (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: DfE analysis based on data and assumptions set out in this section.

[49] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk). We adjust estimate of wage costs to align occupational categories with the remainder of this impact assessment.

[50] For director costs, we use the median gross hourly wage of senior professionals of education establishments of £46.02 (see Table 43 for details). Multiplying this by 16 hours (1 day) gives £4,418. For board members, we use median gross hourly wage of chief executives and senior officials of £54.74 (see Table 43 for details). Multiplying this by 6 members providing 4 hours each gives £1,314. Adding these staff costs together gives £5,732.

Access and participation plan

Condition A1: An 'Approved (fee cap)' provider intending to charge fees above the basic amount to qualifying persons on qualifying courses must:

1. Have in force an access and participation plan approved by the OfS in accordance with the Higher Education and Research Act 2017 (HERA)
2. Take all reasonable steps to comply with the provisions of the plan

Affected: unregistered providers intending to register as 'Approved (fee cap)'.

Type: initial and ongoing

168. To register in the 'Approved (fee cap)' category and be permitted to charge the higher fee limit, a provider must have an Access and Participation Plan approved by the OfS as an initial and ongoing registration condition. As delivery partners in franchising arrangements are expected to register under the Approved category, this is not a condition of registration that providers will be required to comply with as a result of the reform.

169. While partner providers may wish to register as 'Approved (fee cap)' rather than 'Approved', this will be entirely voluntary, and we expect that they will only do so if they perceive the benefits to outweigh the costs. We therefore do not quantify the cost of condition A1.

Access and participation statement

Condition A2: An 'Approved' provider or an 'Approved (fee cap)' provider intending to charge fees up to the basic amount to qualifying persons on qualifying courses must:

1. Publish an access and participation statement
2. Update and re-publish this statement on an annual basis

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)' and charge up to the basic amount.

Type: initial and ongoing

170. All 'Approved' and 'Approved (fee cap)' providers with the basic fee loan limit must publish an annual access and participation statement illustrating their commitment to improving access to HE for underrepresented groups. This initial and ongoing condition of registration is intended to be light-touch; the content of

statements is at the discretion of the providers and will not be approved by the OfS.

171. Unregistered partner providers registering as 'Approved', which we assume will account for all providers as registering as 'Approved (fee cap)' is not necessary for continuing their current delivery, will need to develop and publish an access and participation statement. Following the impact assessment accompanying the introduction of the OfS conditions of registration,[51] we assume this will take 3 days of mid-level staff time to write and 4 hours of senior staff time to review. Clearance is assumed to take a combined total of 20 hours of board member and senior management team time. The total estimated cost for each provider is £1,801.[52] This estimate is an average and is not necessarily representative of all providers.

172. Providers are required to update their published statements on an annual basis. We assume that each provider will undergo the same review and clearance procedures as their first submission, but that writing will take 50% less time (1.5 days). As such, the estimated average burden of updating an annual statement on an ongoing basis is £1,540 per provider.

173. Providers in scope of this condition must also publish an access and participation statement each year. For publication costs, we use the estimate derived for the impact assessment accompanying HERA, uprating this to 2024/25 prices (£229).[53]

174. Table 24 summarises the initial and ongoing cost to the sector of producing, updating and publishing an access and participation statement.

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[51] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk).

[52] See 'Common costs used for multiple conditions' for further details on how we arrive at this cost.

[53] Higher Education and Research Act - Impact Assessments - Impact Assessment (legislation.gov.uk), page 76. The cost of publication in 2017 was £180. This was based on costing information provided by DfE's publishing and IT team, and includes the cost of uploading and quality assuring the content.

Table 24: Total cost to sector - producing, publishing and updating access and participation statement

Cost of producing, publishing and updating access and participation statement (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Central	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
High	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2

Source: DfE analysis based on data and assumptions set out in this section.

Quality and standards

Condition B1: The provider must ensure that the students registered on each higher education course receive a high quality academic experience.

Condition B2: The provider must support all students, from admission through to completion, with the support that they need to succeed in and benefit from higher education.

Condition B3: The provider must deliver successful outcomes for all of its students.

Condition B4: The provider must ensure that students are assessed effectively that each assessment is valid and reliable, and that relevant awards are credible.

Condition B5: The provider must ensure awards granted to students reflect sector-recognised standards.

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: initial and ongoing

175. Under the current regulatory framework, we would expect that partner providers already have measures in place to meet these conditions as part of their agreements with lead providers. In practice, some may not, in which cases there would be additional costs for the delivery partner, or they would be unsuccessful in registering with the OfS. As these costs are associated with complying with the current regulatory framework rather than the additional requirements of this regulatory change, these are not included in our analysis.

Teaching Excellence and Student Outcomes Framework (TEF)

Condition B6: The provider must participate in the Teaching Excellence Framework (TEF).

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

176. The Teaching Excellence and Student Outcomes Framework (TEF) has two principle aims: firstly, to strengthen the incentives to offer high quality teaching; and secondly, to provide prospective students with more reliable, comparable and readily available information about where teaching excellence and the best student outcomes can be found, enabling them to make better decisions about where and what to study.

177. This ongoing condition only applies to 'Approved' and 'Approved (fee cap)' providers with more than 500 undergraduate HE students. The calculation of student headcount only considers students who are registered with the provider, rather than students registered with another provider but taught by the provider under a subcontractual arrangement.[54] This means that for an unregistered provider to qualify for mandatory participation in TEF, they would need to have at least 500 undergraduate students on higher education courses taught outside of franchising arrangements. We do not expect any unregistered providers to meet this threshold, as we would expect any provider with at least 500 registered undergraduate students to be registered with the OfS already. We therefore do not expect this condition to impose any additional burden on providers.

[54] Condition B6: Teaching Excellence Framework participation - Office for Students

Quality and standards assessment

Condition B7: The provider must:

1. Have credible plans that would enable the provider to comply with conditions B1, B2 and B4 from the date of registration; and
2. Have the capacity and resources necessary to deliver, in practice, those plans.

Condition B8: The provider must demonstrate that any standards to be set and/or applied in respect of any relevant awards granted to students are consistent with any applicable sector-recognised standards.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: initial

178. 'Approved' and 'Approved (fee cap)' providers must demonstrate that they have credible plans and capacity to meet conditions relating to quality and standards. This is a new (initial) condition which has been introduced since the OfS conditions of registration were first set.

179. To assess compliance with this initial condition, the OfS may conduct an assessment of quality to provide information inform its decision about whether the condition is satisfied. This involves the submission of specified information and will normally involve a visit to the provider and interviews with relevant staff and students.

180. The fee for a quality and standards assessment is currently £28,463.[55] This does not include the resource cost incurred to comply with the assessment, on which we have no specific information. To model the cost of complying with the assessment, we assume this involves the same resource as estimated by the OfS for a random sampling review (which did not become part of their monitoring process):[56]

   a. Prepare for visit (64 hours of mid-level staff time), costing £1,391[57]

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[55] How to register - Office for Students

[56] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk) – see page 52.

[57] Using the median gross hourly wage of other managers and proprietors of £21.73 (see Table 43 for details)

b. Review preparation (24 hours of senior management time), costing £1,105[58]

c. On-site visit (24 hours of senior management time), costing £1,105[59]

d. Sign off (8 hours of head of provider time), costing £438[60]

e. Total cost: £4,038.

181. Table 25 summarises the cost to the sector in each year of the appraisal period.

Table 25: Total cost to sector - Quality and Standards Assessment

Cost of quality and standards assessment (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	1.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Central	1.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
High	1.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

Source: DfE analysis based on data and assumptions set out in this section.

Guidance on consumer protection law

Condition C1: The provider must demonstrate that in developing and implementing its policies, procedures and terms and conditions, it has given due regard to relevant guidance about how to comply with consumer protection law

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: initial and ongoing

182. ‘Approved’ and ‘Approved (fee cap)’ providers must demonstrate they have considered and acted upon the Competition and Markets Authority guidance on consumer protection law. This covers the published guidance on how HE

[58] Using the median gross hourly wage of senior professionals of educational establishments of £46.02 (see Table 43 for details)

[59] Using the median gross hourly wage of senior professionals of educational establishments of £46.02 (see Table 43 for details)

[60] Using the median gross hourly wage chief executives and senior officials of £54.74 (see Table 43 for details)

providers can meet their legal obligations to comply with consumer protection law as it relates to students.[61] All providers of higher education should already be complying with consumer protection law and the costs of non-compliance are not measured here.

183. Delivery partners that register with the OfS will need to provide evidence to the OfS to demonstrate that they have considered and acted on this guidance. New registrants will have to submit a short self-assessment describing how, in developing its policies, procedures and terms and conditions, it has given due regard to relevant guidance. Following the approach set out in the impact assessment accompanying the introduction of the conditions,[62] we estimate that it will cost each provider £1,801 on average to produce the self-assessment.[63]

184. To model the cost of meeting the ongoing condition, we follow the impact assessment that accompanied the introduction of the conditions in assuming that a mid-level staff and senior manager will both spend 8 hours per year (16 hours in total),[64] reviewing their policies and procedures in place to comply with consumer protection law. Thus, providers will face an ongoing annual cost of £542 per year.[65] Table 26 summarises the estimated cost to the sector.

Table 26: Total cost to sector - providing evidence on and reviewing compliance with consumer law

Cost of providing evidence on and reviewing consumer law (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
High	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1

Source: DfE analysis based on data and assumptions set out in this section.

[61] More information on this can be found at Higher education: consumer law advice for providers - GOV.UK (www.gov.uk)

[62] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk)

[63] See 'Common costs used for multiple conditions' for a breakdown of this cost.

[64] This was the amount of time, and staff level, the OfS felt necessary to be compliant.

[65] For mid-level staff we use the median gross hourly wage of other managers and proprietors of £21.73 (see Table 43 for details). Multiplying this by 8 hours gives £174. For senior managers we use the median gross hourly wage of senior professionals of educational establishments of £46.02. Multiplying this by 8 hours gives £368. In total, this amounts to £542.

Student complaints

Condition C2: The provider must:

1. Cooperate with the requirements of the student complaints scheme run by the Office of the Independent Adjudicator for Higher Education, including the subscription requirements.
2. Make students aware of their ability to use the scheme

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

185. Providers must already be members of the scheme of the Office of the Independent Adjudicator for Higher Education under Section 11 of the Higher Education Act 2004.[66] This includes institutions that are not themselves on the OfS register but who provide higher education courses leading to the grant of an award by another member of the scheme. This condition therefore imposes no additional cost on unregistered partner providers that register with the OfS.

Student protection plans

Condition C3: The provider must:

1. Have in force and publish a student protection plan which has been approved by the OfS as appropriate for its assessment of the regulatory risk presented by the provider and for the risk to continuation of study of all students.
2. Take all reasonable steps to implement the provisions of the plan if the events set out in the plan take place.
3. Inform the OfS of events, except the closure of an individual course, that require the implementation of the provisions of the plan.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: initial and ongoing

[66] For more information on qualifying institutions, see Our Members - OIAHE

186. ‘Approved’ and ‘Approved (fee cap)’ providers must have in force a student protection plan which has been approved by the OfS, setting out what actions it will take to minimise any impact on students’ continuation of study should the provider discontinue the course, subject, discipline or exit the sector completely. Providers are required to take all reasonable steps to comply with the provisions of that plan.

187. The plans will be able to support continuity of study through adequate, appropriate and consistent protection for students. Key measures of whether a plan is effective will be whether it is transparent, clear, fair and publicised to students. These plans would need to be reviewed regularly to ensure that they remain fit for purpose.

188. Delivery partners that register with the OfS will incur costs associated with producing, updating the student protection plan, as well as initial familiarisation costs. Our estimates of these costs are taken from the impact assessment accompanying HERA, which was based on a DfE survey of alternative providers (AP)[67]. This put the cost of producing a student protection plan at £11,720 per provider, which we uprate to 2024/25 prices to give £14,917.[68]

189. Providers will be required to keep the plan up to date. There are several instances that could trigger an update to the protection plans, for example:

a. Change or update to the OfS guidance

b. Change in circumstances of the provider

c. Where providers choose to change/update their plan

190. For the impact assessment accompanying HERA, DfE analysed HESA and Alternative Provider financial data. It concluded that at the time, 9% of Higher Education Institutions (HEIs) and 43% of APs may undergo a significant change in

[67] Alternative providers are Higher Education providers who do not receive recurrent funding from Office for Students (previously HEFCE) or other public body and who are not further education colleges, see Definitions: Alternative Provider Student | HESA. This term is no longer widely used following HERA 2017.

[68] See pages 99- of Higher Education and Research Act: detailed impact assessments (legislation.gov.uk). A provider is assumed to undergo a significant change in financial position, if 1. Their annual operating surplus as a % of income has gone up or down by 10 percentage points; and 2. Their annual operating surplus as a % of income has moved between one of the following categories: (a) large surplus – more than 20% of income; (b) moderate surplus – 5-20% of income; (c) near-zero surplus – +/-5% of income; (d) moderate loss - -5-20% of income. This is in 2017 prices. We uprate to 2024/15 prices using the GDP deflator, which gives £14,917.

their financial situation over a three-year period.[69] We do not have financial data for providers that are not registered with the OfS and so cannot make a similar assessment for the providers in scope of this reform. However, we know that the financial environment for higher education providers is increasingly challenging with an increasing number of providers needing to change their business models to protect their financial sustainability.[70] We therefore take the higher estimate for APs and round it up to assume that 50% of providers will undergo a significant change. Providers may wish to re-write their student protection plan in the absence of such a change, but the OfS generally would not require them to do so.

191. As it is uncertain the extent to which providers would need to update their plan (as this will be a risk-based assessment) we have assumed that providers incur 100% of the one-off cost of introducing the plan (£14,917) when required to update their plan. This is likely to be an overestimate as this assumes the plan will need to be completely re-written which would only occur where there were very significant changes in provider circumstances.

192. Table 27 summarises the estimated cost to the sector. This does not include the one-off cost of implementing the plan if a provider were to exit the sector completely.

Table 27: Total cost to sector- producing and updating student protection plan

Cost of producing and updating student protection plan (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Central	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
High	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Source: DfE analysis based on data and assumptions set out in this section.

a) [69] See page 101 of Higher Education and Research Act: detailed impact assessments (legislation.gov.uk)

[70] Financial sustainability of higher education providers in England 2024

Student protection direction

Condition C4: The provider must comply with any Student Protection Direction in circumstances where the OfS reasonably considers that there is a material risk that the provider will, or will be required by the operation of law to, fully or substantially cease the provision of higher education in England.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

193. In circumstances where the OfS reasonably considers that there is a material risk that the provider will, or will be required by the operation of law to fully or substantially cease the provision of higher education, the provider must comply with any Student Protection Direction issued by the OfS. A Student Protection Direction is a direction requiring a provider to:[71]

a. Produce a special type of plan setting out Student Protection Measures for approval by the OfS and thereafter implementation by the provider

b. Instead or in addition to (a), put in place and/or implement any Student Protection Measures which are specified in writing by the OfS; and

c. Do (or refrain from doing) such other consequential, ancillary or incidental actions, as the OfS considers is reasonably necessary, for ensuring that a Market Exit Plan or Student Protection Measures are put in place and/or implemented in an effective and expedient manner.

194. This condition does not apply to Further Education Bodies.

195. We expect the issuance of a Student Protection Direction to be rare, and the requirements set out in such a direction will differ according to an individual provider's circumstances and any existing student protection arrangements it has in place.[72] As such, it is not possible to quantify the expected impacts of this condition at this stage.

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[71] For more information, see Condition C4: Student protection directions - Office for Students

[72] Student protection consultation outcomes (officeforstudents.org.uk) sets out the OfS response to a consultation on the introduction of condition C4, including the regulatory burden implications.

Financial sustainability

Condition D: The provider must:

1. Be financially viable
2. Be financially sustainable
3. Have the necessary financial resources to provide and fully deliver the higher education courses as it has advertised and as it has contracted to deliver them
4. Have the necessary financial resources to continue to comply with all conditions of its registration

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: initial and ongoing

196. 'Approved' and 'Approved (fee cap)' providers must demonstrate that they are financially sustainable, have the necessary resources to enable them to deliver higher education courses in full and as advertised and to comply with the conditions of registration. Providers will need to demonstrate this through the submission of audited financial statements and financial forecast information on an annual basis.

197. While all unregistered providers already produce annual financial statements under the Companies Act 2006, only some produce financial statements with a level of detail similar to that required by the OfS accounts direction,[73] and not all providers have their financial statements independently audited.

198. Based on DfE analysis of providers' annual accounts, we have identified that two thirds of providers with 300 or more franchised students that do not meet one of the exemption criteria produced externally audited annual accounts, though these did not necessarily contain all information that would be required by the OfS. Of those whose financial statements were not externally audited, most filed accounts under the small company regime of the Companies Act 2006.[74] This means their financial statements were more light touch than they would need to be for these organisations to comply with OfS condition D.

199. There are two sets of costs to consider in relation to producing comprehensive, externally audited financial accounts:

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[73] Regulatory advice 9: Accounts direction - Office for Students

[74] Two providers were charities that had their accounts "independently examined" but not audited.

a. Resource costs associated with collating and validating the information required

b. External auditing costs, i.e. fees payable to the external auditor

200. For resource costs, we estimate a wide range given the uncertainties over the amount of additional information required from each provider. We base these on universities' self-assessment of the resource burden of complying with condition D from the Moorhouse Consulting study of UUK members. It is likely that this over-estimates the additional cost for two reasons. First, some activities included in these self-assessments are activities that unregistered partner providers will already be undertaking as part of their business-as-usual activity. Second, unregistered providers – especially those not already producing audited financial accounts – will typically be smaller institutions than the UUK members surveyed.

201. To estimate the resource cost for **unregistered providers that are not already producing audited annual accounts** (33% of providers in scope of policy), we take the 25th percentile of resource costs associated with complying with condition D for each level of staff member from the Moorhouse Consulting study:[75]

a. 0.2 FTE at officer/coordinator level[76]

b. 0.1 FTE at manager/director level[77]

c. 0.05 FTE at executive level[78]

202. To estimate the resource cost for **unregistered providers already producing audited financial statements** (66% of providers in scope of policy), we assume that the additional cost of collating and validating additional information is 50% of the resource cost for those not producing audited financial statements already

203. For external auditing costs, we base our estimates on the costs reported by unregistered Further Education Colleges, of which there were 28 in 2021/22. These varied between £20,000 and £178,000, with a median of £54,000. The costs include the cost of auditing the financial statement, internal audit, and other services provided by the auditors such as taxation advice and compliance reviews. In their 2023 study of

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[75] These are approximations based on Figure 8 of Moorhouse-regulatory-burden-report.pdf (universitiesuk.ac.uk)

[76] We multiply this by the median annual salary of other managers and proprietors - £46,080.

[77] We multiply this by the median annual salary of senior professionals of education establishments - £79,947.

[78] We multiply this by the median annual salary of chief executives and senior officials - £103,972.

Universities UK (UUK) members, Moorhouse Consulting reported a similar range in audit costs with a maximum of £150,000.[79]

204. For many unregistered providers, we expect the external auditing costs to be lower than those faced by FECs and larger universities, as audit fees are often partially based on the amount of revenue a company generates and we would expect this to be lower at many unregistered providers than at FECs and universities. However, audit costs will likely be higher in the first year for two reasons. First, it takes time to audit information that has not been audited before, while subsequent audits are more a matter of updating what was done the previous year. Second, providers applying for OfS registration are required to submit full audited financial statements for the three most recent years, meaning some will need to pay for retrospective audits of additional financial statements.[80]

205. We only estimate external auditing costs for providers that are not currently having their accounts externally audited. For those who are, we assume that the only additional costs are the resource costs set out above.

206. To obtain an upper bound for external auditing costs, we assume:

a. Audit costs in the first year equal to the 90th percentile among FECs (£94,000) for the first financial statement to be audited.

b. Audit costs equal to the median FEC audit costs (£54,000) for each additional year of audit, including the additional two audits required at registration.

207. To obtain a lower bound for external auditing costs, we assume:

a. Audit costs in the first year equal to the median among FECs (£54,400) for the first financial statement to be audited

b. Audit costs equal to the 10th percentile among FECs (£27,100) for each additional year of audit, including the additional two audits required a registration.

208. We believe it is unlikely that these providers will face auditing costs up to the maximum reported given the smaller scale of these organisations.

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[79] Moorhouse-regulatory-burden-report.pdf (universitiesuk.ac.uk)

[80] Providers that have been in operation for less than three years must provide audited financial statements for as many of the last three years as they have been providing higher education. See Regulatory advice 3: Registration of English higher education providers with the OfS - Office for Students for further details.

209. Table 28 summarises the total cost to the sector.

Table 28: Total cost to sector - meeting financial sustainability condition

Additional cost of meeting financial sustainability condition (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	1.8	0.9	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.8
Central	2.7	1.2	1.4	1.6	1.7	1.9	2.0	2.2	2.3	2.5
High	3.6	1.6	1.8	2.0	2.2	2.4	2.6	2.7	2.9	3.1

Source: DfE analysis based on data and assumptions set out in this section.

Public interest governance

Condition E1: The provider's governing documents must uphold the public interest governance principles that are applicable to the provider.

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: initial and ongoing

210. Some partner providers registering with the OfS may need to amend their governance documents to ensure compliance with the public interest governance principles.[81] The OfS’ guidance is clear that providers can use a broad suite of documents to demonstrate compliance with the public interest governance principles and so it is expected that there will be significant variation between providers as to how many will need to amend or write polices to ensure the principles are fully reflected. Consequently, it is not possible to estimate the cost associated with updating ‘governing documents’.

211. During the initial registration process, partner providers applying for OfS registration will need to submit a self-assessment of how their governing documents uphold the public interest governance principles. The estimated cost of this per provider is £1,801.[82] Table 29 shows the cost to the sector in each year of the appraisal period.

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[81] See Annex B: Public interest governance principles - Office for Students for details of the public interest governance principles.

[82] See ‘Common costs used for multiple conditions’ for more details around how we arrived at this cost.

Table 29: Total cost to sector - providing evidence on public interest governance

Initial cost of evidencing public interest governance (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: DfE analysis based on data and assumptions set out in this section.

Management and governance

Condition E2: The provider must have in place adequate and effective management and governance arrangements to:

1. Operate in accordance with its governing documents.
2. Deliver, in practice, the public interest governance principles that are applicable to it.
3. Provide and fully deliver the higher education courses advertised.
4. Continue to comply with all conditions of its registration.

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: initial and ongoing

212. We expect that all partner providers entering into franchising agreements with OfS-registered lead providers will already be required to demonstrate compliance with these management and governance conditions as part of the contractual negotiation process. We therefore expect any additional cost to unregistered partner providers registering with the OfS to be negligible. The other costs of compliance with the ongoing conditions of registration are detailed elsewhere in this impact assessment and are not duplicated here.

Accountability

Condition E3: The governing body of a provider must:

1. Accept responsibility for the interactions between the provider and the OfS and its designated bodies
2. Ensure the provider's compliance with all its conditions of registration and with the OfS accounts direction
3. Nominate to the OfS a senior officer as the 'accountable officer' who has the responsibilities set out by the OfS for an accountable officer from time to time

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

213. The OfS publishes an accounts direction which sets out its requirements for the content and publication of a provider's audited financial statements.[83] This is revised from time to time. The cost of familiarising with the OfS accounts direction and producing annual accounts accordingly is estimated as part of condition D above (Financial sustainability).

214. The costs of complying with other conditions of registration are covered in the other sections of this impact assessment.

Notifications of changes to register

Condition E4: The governing body of the provider must notify the OfS of any change of which it becomes aware which affects the accuracy of the information contained in the provider's entry in the register.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

215. A provider's entry in the OfS register contains information on registration status, whether the registration convers other organisations, trading names, the tuition fee limits that apply, whether the provider has received a TEF rating, whether the provider has the power to award degrees and at what level, whether

[83] See the current accounts direction at Regulatory advice 9: Accounts direction - Office for Students

the provider has the right to use “university” in its name, whether the provider has an access and participation plan, and any specific ongoing conditions of registration that apply to the provider.

216. Changes to this information are infrequent and we expect the regulatory burden of reporting any change to the OfS to be negligible.

Facilitating electoral registration

Condition E5: The provider must comply with guidance published by the OfS to facilitate, in cooperation with electoral registration officer, the electoral registration of students.

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: ongoing

217. ‘Approved’ and ‘Approved (fee cap)’ providers are required to demonstrate how they are complying with the electoral registration duty set out in Regulation 23 of the Representation of the People (England and Wales). [84] This duty requires providers to comply with Electoral Registration Officers’ (EROs’) requests for data that EROs believe is required for the maintenance of complete and accurate local electoral registers. Providers should work with EROs in data sharing agreements, communication with students at relevant times and exposure to local candidates which can provide momentum to encourage students to register.[85]

218. All HE providers – regardless of OfS registration status – are already required to comply with the electoral registration duty. The OfS approach to monitoring compliance with this condition will impose minimal additional cost on providers. Their attention will be focused on providers where issues have been raised that suggest that the provider may not be cooperating effectively with EROs to facilitate electoral registration.[86] Where the OfS asks a provider to demonstrate compliance, it can do so by providing appropriate evidence that:

a. When required by an ERO under regulation 23 of the Representation of the People (England and Wales) Regulations 2001 to give information,

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[84] The Representation of the People (England and Wales) Regulations 2001 (legislation.gov.uk)

[85] This is required under section 13 of HERA (Higher Education and Research Act 2017 (legislation.gov.uk))

[86] Regulatory Advice 11Guidance for providers about facilitating electoral registration (officeforstudents.org.uk) sets out the requirements for providers and the approach the OfS takes on monitoring compliance.

the provider has complied with the requirement, considering its obligations under data protection legislation.

b. The provider has cooperated with the relevant ERO or EROs in such a way as to develop a good working partnership and can demonstrate how that operates and what steps it has taken to achieve this.

219. While there are additional steps that the OfS advises providers may wish to take to facilitate electoral registration, there are no specific activities or behaviours that the OfS expects or requires. We therefore expect that this condition will impose negligible additional burden on providers and do not quantify the cost here.

Transparency information

Condition F1: The provider must provide to the OfS, and publish, in the manner and form specified by the OfS, the transparency information set out in section 9 of HERA.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

220. Under the Transparency Information condition, 'Approved' and 'Approved (fee cap)' providers are required to publish, and supply to the OfS, information on levels of applications, offers and acceptances, completion and attainment rates broken down by gender, ethnicity and socio-economic status. This is an ongoing condition which providers first incur the year after they apply for OfS registration.

221. For students in franchising arrangements, this information is already collected and supplied to the lead provider as part of the lead provider's data collection. Providers will need to download information for these students from the OfS and publish it on their website to comply with condition F1. Unregistered partner providers registering with the OfS will also need to collect this information on HE students registered with that provider outside of a franchising agreement. We do not have data on the number of students registered and taught by unregistered partner providers, but we expect the numbers to be low. Such students would need to have their own source of funding, as they would not be able to access student finance. We believe it is unlikely that many partner providers have large numbers of such students, and therefore expect the cost of collecting information on registered and taught students to be negligible.

222. We assume that all unregistered partner providers that register with the OfS will need to familiarise themselves with the requirements and publish transparency information, even if this is just a statement confirming there are no students in

scope of the report. Estimates of the cost to providers are based broadly on the approach set out in the impact assessment accompanying HERA.[87]

223. For familiarisation costs, we assume it will take one senior HE professional a day to familiarise themselves with the information on what will be required. This amounts to £368 per provider.[88] This will be required each year from the year after the provider begins their registration.

224. For publication costs, we use the estimate derived for the impact assessment accompanying HERA, uprating this to 2024/25 prices (£229).[89]

225. Table 30 summarises the total cost to the sector arising from condition F1.

Table 30: Total cost to sector - collating and publishing transparency information

Cost of collating and publishing transparency information (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: DfE analysis based on data and assumptions set out in this section.

[87] Higher Education and Research Act - Impact Assessments - Impact Assessment (legislation.gov.uk), page 75. Costs have been uprated to 2024/25 prices.

[88] Using the median gross hourly wage of senior professionals of education establishments of £46.02 (see Table 43 for details), multiplying this by 8 hours gives £368.

[89] Higher Education and Research Act - Impact Assessments - Impact Assessment (legislation.gov.uk), page 76. The cost of publication in 2017 was £180. This was based on costing information provided by DfE's publishing and IT team, and includes the cost of uploading and quality assuring the content.

Student transfer arrangements

> **Condition F2:** The provider must provide to the OfS, and publish, information about its arrangements for a student to transfer.
>
> **Affected:** unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.
>
> **Type:** ongoing

226. 'Approved' and 'Approved (fee cap)' providers must provide to the OfS, and publish, information about the provider's arrangements for student transfers. This information covers the processes and procedures for occasions where students wish to, or find it necessary, to transfer from one course provider to another. This condition is designed to be light touch and avoids undermining the autonomy of providers.

227. Meeting this ongoing condition would require providers to prepare and publish a document outlining their student transfer arrangements. We estimate that the cost of producing such a document would be £1,801, on average.[90] For publication costs, we use the estimate derived for the impact assessment accompanying HERA, uprating this to 2024/25 prices (£229).[91] Totalling the provider an estimated cost of £2,030, on average. This will be incurred in the first year of joining the OfS and would be a one-off cost since providers would not need to update the document to meet the ongoing condition (and it is assumed they will rarely change these requirements). Table 31 summarises the total cost to the sector.

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[90] See 'Common costs used for multiple conditions' for details on how we arrived at this cost.

[91] Higher Education and Research Act - Impact Assessments - Impact Assessment (legislation.gov.uk), page 76. The cost of publication in 2017 was £180. This was based on costing information provided by DfE's publishing and IT team, and includes the cost of uploading and quality assuring the content.

Table 31: Total cost to sector - preparing and publishing information on student transfer arrangements

Cost of preparing and publishing information on student transfer arrangements (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: DfE analysis based on data and assumptions set out in this section.

Provision of information

Condition F3: For the purposes of assisting the OfS in performing any function, or exercising any power, conferred on the OfS under any legislation, the governing body of a provider must:

1. Provide the OfS, or a person nominated by the OfS, with such information as the OfS specifies at the time and in the manner and form specified.
2. Permit the OfS to verify, or arrange for the independent verification by a person nominated by the OfS of such information as the OfS specifies at the time and in the manner specified and must notify the OfS of the outcome of any independent verification at the time and in the manner and form specified.
3. Take such steps as the OfS reasonably requests to co-operate with any monitoring or investigation by the OfS, in particular, but not limited to, providing explanations or making available documents to the OfS or a person nominated by it or making available members of staff to meet with the OfS or a person nominated by it.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

Condition F4: For the purposes of the designated data body (DDB)'s duties under sections 64(1) and 65(1) of HERA, the provider must provide the DDB with such information as the DDB specifies at the time and in the manner and form specified by the DDB.

Affected: unregistered providers intending to register as 'Approved' or 'Approved (fee cap)'.

Type: ongoing

228. 'Approved' and 'Approved (fee cap)' providers must supply the information the OfS and DDB need to perform their functions. One function is monitoring and assuring individual providers to ensure the ongoing registration conditions are being met. Another is collecting data for wider monitoring purposes, horizon scanning and thematic reviews at a sector level.

229. Where students are taught through a franchising arrangement and the lead provider is an 'Approved' or 'Approved (fee cap)' provider (in England), the lead provider is already responsible for submitting data on these students to HESA.[92] To do so, delivery partners are already required to collect and submit the data to the lead provider. This means that the additional actions delivery providers will be required to take as a result of being registered in their own right are expected to be fairly minimal. For most, it will be a case of submitting a nil return to confirm they have no registered students of their own.

230. Jisc is currently The Designated Data Body. The following organisations are all required to collect and supply data to HESA (part of Jisc), the data collections vary depending on the type of provider: [93]

- England 'Approved (fee cap)' HE provider
- England 'Approved' HE provider
- Northern Ireland HE provider
- Scotland and Wales HE provider
- Further education colleges (FECs) in England and Scotland

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[92] See HESA Collections | HESA for an overview of the current requirements where courses involve franchising arrangements.

[93] Subscription model information | HESA

- Further education colleges in Northern Ireland
- Further education colleges in Wales and Welsh Alternative providers

231. The data collections that delivery partners will need to either collect additional information for, or submit a nil return, are:[94]

a. Provider profile:[95] information on the campuses of the provider and mapping details of academic departments to academic HESA cost centres.

b. Graduate Outcomes – contact details:[96] contact details for all graduates for inclusion in the Graduate Outcomes survey.

c. Aggregate offshore record:[97] headcount of students studying wholly outside the UK who are either registered with the reporting provider or who are studying for an award of the reporting provider. Information is collected on the location, provision and number of students.

d. Student:[98] individualised data about students active during the reference period, including the student's entry profile and personal characteristics, module and course level data, funding information and qualifications awarded.

e. Unistats:[99] data about full and part-time undergraduate courses which are open to entrants in the next academic year. Providers will need to submit information on HE courses that are not part of a franchising agreement with a lead provider (the lead provider will submit information on these courses).

232. All registered partners will need to familiarise themselves with what is required by the DDB when they first register. For familiarisation costs, we assume it will take one senior HE professional a day to familiarise themselves with the

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[94] Further Education Colleges – whether OfS-registered or not – are already required to supply data for the Unistats and Graduate Outcomes data collections. These providers would not be required to contribute to data collections (a), (c), or (d). However, FECs would be exempt from the requirement to register under the proposed reform.

[95] Provider Profile record 2023/24 - Introduction | HESA
[96] Graduate Outcomes Contact Details record 2022/23 | HESA
[97] Aggregate Offshore record 2023/24 - Introduction | HESA
[98] HESA Collections | HESA
[99] Unistats record 2022/23 | HESA

information on what will be required. This amounts to £368 per provider.[100] This will be required each year from the year after the provider begins their registration.

233. To support operational staff at a provider when they register with HESA (Jisc) they are required to complete six hours of induction training (costing £1000), The induction material covers all aspects of the requirements of submitting statutory data focusing on data protection and the data records applicable to that providers registration with the OfS. This training is open to as many staff as they would like to join. We assume that this is completed by 2 mid-level staff and the Accountable Officer (AO), who is usually the CEO, Principal, or Vice-Chancellor of the provider. The wage cost of this per provider is £589.[101] There is also free access to a suite of eLearning modules, which are specific to each collection; we expect this to take approximately 24 hours of CPD time (or three working days). We assume that the 2 mid-level staff complete this additional training, with a total wage cost of £1,043.[102]

234. The Accountable Officer (AO) of the provider is responsible for signing the subscription agreement and nominating Record Contacts. We expect this to take 2 hours of a chief executive or senior officials' time, costing £109.[103]

235. For data collection (a), we assume that it takes half a day for mid-level staff to prepare the required information, with a second mid-level staff member taking the same amount of time to quality assure the outputs. This results in a cost of £174 per provider.[104]

236. For data collections (b)-(d), registered delivery providers will only be responsible for submitting data on HE students taught outside of a franchising arrangement, as franchised students will be covered in the data collections prepared by the lead provider. Those without any directly registered HE students will not need to collect any additional data, but they will need to file a nil return with HESA (Jisc).

[100] Using the median gross hourly wage of senior professionals of education establishments of £46.02 (see Table 43 for details) we multiply this by 8 hours which gives £368.

[101] Using the median gross hourly wage of other managers of £21.73 (see Table 43 for details), multiplying this by 2 staff members and 6 hours each gives £261. Using the median gross hourly wage of chief executives and senior officials of £54.74, multiplying this by 1 staff member and 6 hours gives £328. The combined wage cost of induction training is £589 per provider.

[102] Using the median gross hourly wage of other managers of £21.73 (see Table 43 for details), multiplying this by 2 staff members and 24 hours each gives £1,043.

[103] Using the median gross hourly wage of chief executives and senior officials of £54.74 (see Table 43 for details), multiplying this by 1 staff member and 2 hours gives £109.

[104] For (a): using the median gross hourly wage of other managers of £21.73 (see Table 43 for details), multiplying this by 2 staff members and 4 hours each gives £174.

237. We do not have data on the number of students that are registered and taught (outside of franchising arrangements) at unregistered delivery partners. However, we expect the number of such students to be low, as these students do not currently have access to student finance. We therefore expect that most providers will only need to submit a nil return for (b)-(d). The nil return form is a single page to be signed by the Accountable Officer and is emailed to the Liaison team for approval. We assume it takes 0.5 hours of a CEO/senior official's time to prepare and submit all nil returns (in total), costing £27.[105]

238. For data collection (e), delivery partners will only need to submit information on courses open to entrants outside of franchising arrangements, as information on franchised courses will be submitted by the lead provider. As we expect there to be few students on HE courses outside of franchising arrangements, we assume that providers will only need to submit a nil return for this data collection, and this is factor into the cost of submitting nil returns for (b)-(d).

239. Table 32 summarises the total cost to the sector.

Table 32: Total cost to sector - providing data to DDB

Cost of providing data to DDB (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Central	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
High	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: DfE analysis based on data and assumptions set out in this section.

Mandatory fee limit

Condition G1: A provider in the 'Approved (fee cap)' category must charge qualifying persons on qualifying courses fees that do not exceed the relevant fee limit determined by the provider's quality rating and its access and participation plan.

Affected: unregistered providers intending to register as 'Approved (fee cap)'.

Type: ongoing

[105] Using the median gross hourly wage of chief executives and senior officials of £54.74 (see Table 43 for details), multiplying this by 1 staff member and 0.5 hours gives £27.

240. This condition ensures that an ‘Approved (fee cap)’ provider does not exceed its prescribed tuition fee limits. Delivery providers are already subject to the fee limits of the lead provider in respect of their franchised provision as fees are set where the student is registered (lead provider). This is not a new requirement and has no additional impact on providers.

Complying with terms and conditions of funding

Condition G2: The provider must comply with any terms and conditions attached to financial support received from the OfS and UK Research and Innovation (UKRI) under sections 41(1) and/or 94(2) of HERA. A breach of such terms and conditions will be a breach of this condition of registration.

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: ongoing

241. Only providers in the Approved (fee cap) category are eligible for OfS/UKRI funding. There is no additional cost to providers of meeting this condition for registration purposes.

Pay OfS registration and designated bodies’ fees

Condition G3: The provider must pay:

1. Its annual registration fee and other OfS fees in accordance with regulations made by the Secretary of State
2. The fees charged by the designated bodies

Affected: unregistered providers intending to register as ‘Approved’ or ‘Approved (fee cap)’.

Type: ongoing

242. ‘Approved’ and ‘Approved (fee cap)’ providers must pay an annual registration fee to the OfS. They are also required to pay an annual subscription fee to the Designated Data Body (Jisc).

<u>OfS registration fee</u>

243. The annual OfS registration fee is based on the number (full-time equivalent) of higher education students registered with the provider.[106] Note that students taught under franchising arrangements are registered with the lead provider, not the partner provider. This means that the OfS registration fee payable by delivery providers will depend on the number of students taught outside of franchising arrangements.

244. Micro-providers are entitled to a 100% discount on the initial and annual registration fee. To qualify as a micro-provider a provider must have 300 or fewer FTE students and qualify as a 'micro-entity' under section 384A of the Companies Act 2006.[107] Of the 227 providers delivering franchised provision in 2021/22 that were unregistered as of April 2024, only 10 filed accounts with Companies House as a micro-entity. The number of providers that we expect to be eligible for a 100% discount is therefore very small.

245. New providers are also entitled to discounts of 25-100%. To qualify, a new provider must have 1,000 or fewer FTE students and meet all the following criteria:

a. It was not eligible for funding under section 65 of the Further and Higher Education Act 1992 at any time on or after 1 August 2014

b. It has not provided higher education courses which were designated for the purposes of section 22 of the Teaching and Higher Education Act 1998 by or under regulations under that section at any time on or after 1 August 2014

c. It has not previously been a registered higher education provider.

246. We do not have data on the number of HE FTE students registered at partner providers. However, we expect the number of such students to be low, as these students do not currently have access to student finance. We therefore assume that all unregistered providers would qualify for the lowest fee band (A). In practice, some may be in a higher fee band, and we would expect some to qualify as a micro-entity or "new provider".

247. Table 33 summarises the cost of annual OfS registration fees to the sector.

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[106] For details, see Payment of annual OfS registration fees Technical guidance for registered providers (officeforstudents.org.uk), Annex A.

[107] Payment of annual OfS registration fees Technical guidance for registered providers (officeforstudents.org.uk). To qualify as a micro-entity a provider must meet at least two of the following basic conditions: (i) its turnover must be not more than £632,000; (ii) the balance sheet total must be not more than £316,000; the average number of employees must be no more than 10.

Table 33: Total cost to sector - annual OfS registration fee

Cost of annual OfS registration fee (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.0	0.5	0.6	0.7	0.8	1.0	1.1	1.2	1.3	1.4
Central	0.0	0.6	0.7	0.8	1.0	1.1	1.3	1.4	1.5	1.7
High	0.0	0.6	0.8	0.9	1.1	1.3	1.5	1.6	1.8	2.0

Source: DfE analysis based on data and assumptions set out in this section.

Subscription fee to Designated Data Body (Jisc)

248. Annual subscription fees to the DDB are comprised of two components:[108]

a. A per-provider fee, which depends on the registration category of the provider

b. A per-student fee

249. The per-provider fee for 'Approved' providers – which we assume unregistered delivery providers will register as – is currently £2,500. Further Education Colleges pay a reduced fee of £1,000, and 'Approved (fee cap)' providers pay £3,500. The required induction fee is an additional one-off payment of £1,000 (covered in the "Provision of information" section).

250. The per-student fee is £2.02 and is paid by the provider where the student is registered. Therefore, the lead provider is responsible for paying the per-student fee for franchised students. Franchised delivery partners will only need to pay the per-student fee in respect of any students that they directly register (outside of franchising arrangements and this policy).

251. We do not have data on the number of students registered at franchised delivery partners that are not currently registered with the OfS. As discussed above, we expect the number of such students to be low and therefore any per-student fee charged to be negligible. We therefore assume that delivery partners registering with the OfS will only need to pay the per-provider fee.

252. Table 34 summarises the cost of the DDB subscription fee to the sector.

[108] How we calculate your Subscription fee | HESA

Table 34: Total cost to sector - annual DDB subscription fee

Cost of annual DDB subscription fee (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Central	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
High	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2

Source: DfE analysis based on data and assumptions set out in this section.

Registration application costs

253. Providers will have to familiarise themselves with the registration process and submit an application that meets the initial conditions of registration. The cost of meeting the initial conditions have already been estimated in the previous sections of this impact assessment.

254. The latest OfS registration guidance is published in Regulatory advice 3: Registration of English higher education providers with the OfS.[109] We base our estimates of the cost of applying on OfS estimates presented in the impact assessment accompanying the introduction of the OfS conditions.[110] Since the registration involves collecting existing evidence, it should not place significant new demands on providers. We conclude that it should take no longer than 48 hours for senior HE professionals to familiarise themselves with the registration process and oversee a team of junior workers to prepare the application.[111] Given these assumptions, we estimate a senior staff cost of £2,209 per provider.[112]

255. Providers will need to collate existing evidence to send to the OfS. Following the impact assessment published when the OfS regulatory framework was introduced,[113] we assume the application will need to be signed off at board level before being submitted. We assume it would take 120 staff hours of junior

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[109] Regulatory advice 3: Registration of English higher education providers with the OfS - Office for Students

[110] See page 46 of Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk)

[111] The new guidance is 98 pages – 31 pages longer than the registration guidance at the time the previous impact assessment was published. We have therefore revised the time taken to familiarise with the guidance upward from 40 to 48 hours.

[112] Using the median gross hourly wage of senior professionals of education establishments of £46.02 (see Table 43 for details), multiplying this by 48 hours gives £2,209.

[113] Securing student success: Regulatory framework for higher education in England - impact assessment (publishing.service.gov.uk)

staff time to collate the evidence and submit the application form.[114] We also assume an executive board will spend 24 hours discussing and signing off the application (this is 6 staff members for 4 hours). In total, submitting an application form is estimated to cost £5,685 for each partner provider to register (this includes senior staff time).[115] This estimate is an average and is not necessarily representative of all providers.

256. Table 35 shows the cost to the sector in each year of the appraisal period.

Table 35: Total cost to sector - applying for OfS registration

Cost of applying for OfS registration (£m)	25/26	26/27	27/28	28/29	29/30	30/31	32/33	33/34	34/35	35/36
Low	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
High	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: DfE analysis based on data and assumptions set out in this section.

Monitoring costs

257. All providers on the OfS register are monitored using lead indicators, reportable events and other intelligence such as complaints. These will be used to identify early, and close to real-time warnings that a provider risks not meeting each of its ongoing conditions of registration. Regulatory decisions will not normally be taken solely on the basis of these indicators, but they will identify areas for the OfS to assess further.

258. Because the OfS takes a risk-based approach to monitoring, we are not able to predict which providers are likely to face more intensive monitoring in future or what this will involve. For this reason, we cannot quantify the cost of this future activity. Providers who fully comply with the conditions of registration are unlikely to face interventions that are overly burdensome for the provider.

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[114] Since the OfS was introduced, the OfS have taken steps to simplify the application process and clarify the requirements. It is possible that this has reduced the time taken to apply, though we do not currently have evidence on this.

[115] Using the median gross hourly wage of administrative occupations of £18.02 (see Table 43 for details), the total cost for junior staff is calculated by multiplying this by 120 hours to give £2,162. For executive board time we use the median gross hourly wage of chief executives and senior officials of £54.74 (see Table 43 for details). Multiplying this by 6 staff members working 4 hours each gives £1,314.

Potential profit losses for delivery partners that do not meet OfS conditions

259. Some unregistered partner providers may be unable to register by failing to meet the OfS conditions of registration. These providers will still be able to offer franchised provision for students (with access to student finance) up to the threshold but would experience an income loss because of not being able to attract students above this number. While this comes at a cost to these providers, we believe it is in the interest of taxpayers and students to limit public funding going to provision at providers who do not meet the OfS registration conditions.

260. Quantifying potential profit losses is challenging for several reasons. Data the OfS hold shows, excluding the initial registration exercise that the OfS undertook to register established providers previously in receipt of public funding, to date approximately 50% of applications are refused or withdrawn upon first application. However, it is difficult to know which providers are likely to register successfully. The scale of provision at providers with at least 300 franchised students varies, with some teaching fewer than 400 students and some teaching over 5,000. The potential profit losses to these providers would vary significantly.

261. Second, we do not have evidence on the profit margins of these delivery partners. In franchising arrangements, tuition fees are paid to the lead provider. They retain a proportion, passing the remainder to the delivery partner in accordance with their contract. We do not know how much of this is retained as profit once a delivery partner has covered the costs of provision, and this is likely to vary across providers. To calculate potential profit losses, it is the marginal profit on students more than the de minimis threshold that we would ideally like to estimate. Though we assume a broad range for the purpose of calculating which providers choose not to register (Table 10), this is far too broad to give meaningful estimates of profit losses for large providers that are unable to register.

262. Third, delivery partners may be able to mitigate the potential profit losses by switching to other types of provision for which they can charge higher course fees. They may also shift their recruitment efforts to focus on self-funded students, or students whose fees are paid by their employer.

263. Given these uncertainties, we cannot quantify a plausible range for the total cost of potential profit losses. To illustrate the possibilities, we consider two scenarios:

a. A provider with 5,000 students is unsuccessful in registering. All students are full-time first degree students paying £9,535 in tuition fees per year. Their marginal profit on students above 300 is 10%. We assume that by not registering, the provider continues teaching 300 students per year. In this scenario, the discount profit loss to the provider over the 10-year appraisal period would be £105m, adding £12.1m to the EANDCB from this provider alone.

b. A provider with 500 students is unsuccessful in registering. All students are full-time first degree students paying £9,535 in tuition fees per year. Their marginal profit on students above 300 is 5%. In this scenario, the discounted profit loss to the provider over the 10-year appraisal period would be £2.2m, adding £0.25m to the EANDCB from this provider alone.

Impact on government and other public bodies

Department for Education

264. To operate this policy, the Department will need to develop and maintain a list of all delivery partners whose courses are designated for student finance that they deliver on behalf of an OfS-registered provider.

265. This list will need to be updated annually when data on student numbers become available for the most recent academic year. The Department will then need to communicate any changes in this list to lead and delivery providers, and to the Student Loans Company who will need to update their systems accordingly.

266. In the first two years of the proposed policy, in cases where the Department decides that a course delivered by an unregistered delivery partner should not be designated for student finance the following year, those franchised providers will be able to appeal the decision. The Department will need to develop and issue guidance in the first year (2025/26), and to resource an appeal function in the first two years of the policy.

267. Table 36 sets out the estimated cost to DfE of operating these functions.[116] The total discounted cost over the appraisal period is estimated to be £85,600.

[116] Costs are based on the median salaries of DfE staff, published in Statistical bulletin - Civil Service Statistics: 2024 - GOV.UK, Table 43 (see Figure 11.2). We account for a non-wage labour-cost uplift of 18% (Schools policy appraisal handbook (publishing.service.gov.uk)

Table 36: Cost to DfE of operating policy

Description	Input	Assumption	Description	Cost
Constructing list, communicating decisions, drafting appeals guidance	Analyst	Grade 7 x 0.2 FTE x 6 weeks Senior Executive Officer x 0.2 FTE x 6 weeks	Analyse student numbers data and OfS register	£ 2,641
Constructing list, communicating decisions, drafting appeals guidance	Policy	Grade 6 x 0.2 FTE x 6 weeks Grade 7 x 0.3 FTE x 6 weeks Senior Executive Officer x 0.3 FTE x 6 weeks	Updating and list of approved providers and communicating initial decisions	£ 5,527
Constructing list, communicating decisions, drafting appeals guidance	*Policy (first year only)*	*Grade 6 x 0.2 FTE x 2 weeks* *Grade 7 x 0.3 FTE x 2 weeks* *Senior Executive Officer x 0.3 FTE x 2 weeks*	*Developing appeals guidance, engagement with providers*	*£ 1,842*
Constructing list, communicating decisions, drafting appeals guidance	Senior oversight	Deputy Director x 0.1 FTE x 3 weeks	Senior oversight and sign-off of decisions	£ 553
Appeal window (first two years only)	Analyst	Grade 7 x 0.1 FTE x 4 weeks Senior Executive Officer x 0.1 FTE x 4 weeks	Validation of data submitted as part of appeal	£ 880
Appeal window (first two years only)	Policy	Grade 6 x 0.2 FTE x 4 weeks Grade 7 x 0.2 FTE x 4 weeks Senior Executive Officer x 0.2 FTE x 4 weeks	Processing claims and liaising with providers	£ 2,804
Appeal window (first two years only)	Senior oversight	Deputy Director x 0.1 FTE x 4 weeks	Senior oversight and sign-off of appeal decisions	£ 738
Total year 1 cost (2025/26)				£ 14,986
Total year 2 cost (2026/27)	Year 2 (2026/27)			£ 3,143
Total cost per subsequent year (2027/28 onward)				£ 8,721
Net present value over appraisal period				**£ 85,606**

Source: DfE analysis based on data and assumptions set out in this section.

Exchequer

268. The proposal should have a positive impact on the Exchequer through two channels:

269. First, direct regulatory oversight of delivery partners should reduce the amount of student finance fraud occurring in franchised provision. Detected fraud amounted to £2.16m in 2022/23.[117]

270. Second, by reducing the amount of low-quality provision and monitoring quality at providers that register with the OfS, this should lead to better employment and earnings outcomes for students. This, in turn, should result in a return to taxpayers in terms of higher student loan repayments.

Office for Students

271. The main impact on the OfS will be registering providers that are currently unregistered who expect to have 300 students or more within the appraisal period. We expect the volume of applications to be greatest in 2025/26 and 2026/27, when all delivery partners with more than 300 franchised students will need to register for new students to be eligible for student finance from 2028/29. We expect this to lead to 32-39 applications in addition to the number that would be expected to apply in the absence of this regulatory change. In each subsequent year, we expect 6-10 additional applications from providers who grow their franchised provision.

272. The OfS will need to recruit and train additional members of staff to process these applications. Once registered, the OfS will need to monitor these providers to assess compliance with the ongoing conditions of registration.

273. While the quality and standards assessment is paid for by the provider applying for registration, all other costs of processing applications are currently funded by the OfS from the annual registration fee charged to registered providers. The cost of processing an application varies depending on the complexity of the case, which is difficult to predict. For unsuccessful applications, the cost to the OfS will depend on how far the application progressed.

274. The OfS estimated the cost of registering 30 delivery partners, lower than the 32-39 we expect could apply to register in 2025/26. Therefore, the costs are potentially under-estimated. The estimates do not account for additional applications beyond the first year of the policy. It is not possible to scale the costs provided to accommodate a higher number of applications in the time scales

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[117] Investigation into student finance for study at franchised higher education providers

planned. We will work with the OfS to understand the cost and resource of processing these additional applications and update our analysis post-consultation if needed.

275. The assumptions underpinning the OfS cost estimates are:

- DfE's consultation will complete in Summer 2025, with relevant providers submitting applications by December 2025 at the latest, with a view to registration decisions being made by September 2027
- Funding will be available from April 2025 to resource the registration function required
- Data held by the OfS show that, excluding the initial registration exercise that the OfS undertook to register established providers previously in receipt of public funding, to date approximately 50% of applications are refused or withdrawn upon first application.

276. The estimated total cost to the OfS of processing applications for 30 delivery partners over the time period set out above is £7.4m in nominal terms (Table 37). The discounted cost after accounting for inflation is £7.1m. These are the additional costs to the OfS after accounting for the quality and standards assessment, which is paid for by the applicant.

Table 37: Cost to OfS of processing applications for 30 delivery partners (£000s)

Cost type	25/26	26/27	27/28	Total
Governance, oversight and decision making	947	1,224	278	2,449
Mobilisation	284	-	-	284
Assessment (Registration, Quality, Access and Participation Plan, Management and Governance)	1,484	2,724	480	4,688
Total nominal cost	2,715	3,948	758	7,421
Total real cost	2,715	3,871	729	7,314
Total real, discounted cost	**2,715**	**3,740**	**680**	**7,135**

Source: DfE analysis of OfS data.

277. The regulation will also result in an increased number of registered providers for the OfS to regulate on an ongoing basis. These regulatory costs are funded by providers themselves through the annual registration fee. This is accounted for in the 'Impact on unregistered delivery partners' section of this impact assessment.

278. Once larger delivery partners are registered, the OfS will have greater ability to monitor and investigate any issues at these providers. This may lead to savings in the

longer term if the OfS is able to intervene to resolve issues at an early stage, rather than dealing with them through lead providers at a later stage.

Student Loans Company

279. To operate this policy, the SLC will need to work with the DfE each year to update the list of providers at which students are eligible to receive student finance. We are working with the SLC to understand the resource costs involved and will be able to provide more information on this alongside our consultation response.

280. In the longer term, SLC may see an increase in the number of providers registering courses for student finance as, once registered, delivery partners will be able to introduce courses outside of franchising arrangements. Given the uncertainties around the behavioural responses of providers, we consider this to be an indirect effect and do not quantify it here.

Jisc (HESA)

281. Jisc (HESA), as the designated data body, will need to process applications from new members of the OfS register and process data supplied by these providers. Registered providers pay an annual fee to HESA which covers this cost. There is therefore no direct cost to Jisc to account for.

Overall cost to government and public bodies

282. Table 38 sets out the total estimated cost to government and other public bodies.

Table 38: Total estimated cost to government and other public bodies (£m)

Organisation	Total cost (undiscounted)	Total cost (discounted)
Department for Education	0.10	0.09
Office for Students	7.31	7.14
Student Loans Company	Unknown at this stage	Unknown at this stage
Total	**7.42**	**7.24**

Source: DfE analysis based on data and assumptions set out in this section.

Impact on students

283. The policy is likely to have both positive and negative impacts on student outcomes:

284. **Access to HE**: This may be reduced because of some unregistered delivery partners not registering with the OfS by decreasing the amount of franchised provision they deliver to remain below the threshold. It is possible that

this will be offset by an increase in franchising arrangements with registered providers, or by lead providers choosing to expand their own direct provision. For providers that fail to meet the initial conditions of registration, it is likely that the students that would have otherwise taken these courses would not have benefited much from them. This may have a positive effect on student outcomes as more franchised students may be studying at OfS registered providers where their provision will be under greater scrutiny.

285. **Choice of courses:** If access to HE is reduced because of the proposed reform, it is possible that students may face a decline in the choice of courses available. For some students, this may make it more difficult to find a course that meets their needs. As outlined above, it is possible that this is offset by an increase in provision delivered by other providers. The impact on student outcomes is less known as students may make better decisions on which HE course to study leading to better outcomes. However, if there is less flexibility for courses serving franchised students, this could lead to non-continuation.

286. **Quality of provision:** This is likely to increase because of direct regulatory oversight of franchised provision by the OfS. This will give the OfS power to intervene where there are concerns that providers are not meeting quality expectations. Providers not meeting minimum quality expectations will either fail to meet the conditions of registration or will be compelled to improve through regulatory intervention. Closer scrutiny of regulatory provision will incentivise providers to invest in staff, facilities, and other factors that contribute to quality. By monitoring and publishing student outcome measures, students will also be better informed about the quality of franchised courses before they apply. Taking all of this into account, this should have a positive impact on student outcomes.

287. **Labour market outcomes:** Progression into graduate employment is one of the student outcomes monitored by the OfS under condition B3. Direct regulatory oversight of delivery partners will make it easier for the OfS to monitor and intervene in cases where those providers are not delivering good labour market outcomes for students. We would expect the labour market outcomes of franchised students to improve over time because of this. This will lead to an improvement in the returns to higher education for students.

288. **Value for money of investment in HE:** For the reasons set out above, we expect this reform to lead to an improvement in the value for money of investment in HE for students. Direct regulatory oversight will help to ensure quality of provision and drive out providers that are not delivering good outcomes for students. The conditions requiring transparency of information on student outcomes will ensure that students are better informed about their expected outcomes at the point at which they apply. This will enable them to make a more informed judgement about whether the course represents value for money. The

OfS will also be able to better monitor and intervene in cases where providers are suspected of engaging in unscrupulous recruitment practices in which students are misinformed about the value for money of their investment. Again, we expect this should have a positive impact on student outcomes.

Monitoring and evaluation of preferred option

289. Subject to the consultation, if we proceed with the proposals we will review this regulatory change 5 years after the legislation comes into force in April 2026, i.e. early 2031. By this time, there will be two academic years in which franchised courses' eligibility for student finance would have been affected by the requirement to register (2028/29 and 2029/30). This will allow DfE to assess the initial impact on provider registration, on instances of student finance sanctions and fraud, and (in a more limited way) on student outcomes.

290. To monitor and evaluate the impact of this policy, DfE will gather and analyse evidence to answer the following questions:

291. **Has there been an increase in the number of delivery partners registering with the OfS over and above the number expected based on recent trends?** For this, we will measure the number of providers added to the OfS register, which is published in real time,[118] who deliver higher education on behalf of another provider. We will compare this to the number of delivery partners registering with the OfS in previous years. The outcome of this will depend on providers' ability to meet the initial and ongoing conditions of registration.

292. **Has there been a sustained fall in the number of franchised students at delivery partners that are not registered with the OfS?** This will be answered based on analysis of OfS data, which is collected and shared with DfE annually. We will measure the number of franchised students at registered and unregistered delivery partners and compare this to previous years. The outcome of this will depend on how providers respond to the policy. Even if some providers choose not to, or are unable to, register, the number of franchised students at unregistered delivery partners should still fall, as these providers will only be able to accept up to 300 franchised students.

293. **Has there been an increase or decrease in the number of franchised students (including at registered providers) sharing protected and other student characteristics?** This will help us to understand any impacts on access and participation. This will be answered based on analysis of OfS data which is collected and shared with DfE annually.

294. **Has there been a sustained reduction in the sanctions relating to student finance, and of student finance fraud?** SLC are already collecting this data and DfE will work with SLC and OfS to monitor cases and compare the number of students to sanctioned to previous years, putting this in the context of

[118] The OfS Register - Office for Students

changes to the number of students and providers in franchising arrangements. In measuring this, we will need to take into account the potential impact of improvements in controls that have been put in place to detect fraud, which could lead to an increase in the proportion of fraud that is detected.[119]

295. **Has there been a reduction in reports of concerns relating to the misuse of public money in franchised provision?** DfE, OfS and SLC are actively monitoring cases.

296. **Have student outcomes for franchised students improved?** For this, we will use data on students' continuation, completion, and progression rates, which are published annually by the OfS. Once delivery partners are registered with the OfS, we will be able to monitor student outcomes at the level of the individual delivery partner. Because there is a lag of up to 4 years (or more, for part-time students) until some student outcomes can be observed, we will only be able to look at continuation rates at the time of our post-implementation review. We will be able to assess impacts on completion and progression in the years that follow. We will assess whether there has been a change in franchised student's continuation, completion and progression rates over time; whether there has been a change in student outcomes among providers that register with the OfS; and whether there have been changes in the gap in student outcomes between registered and unregistered delivery partners. We will also look at whether any change in outcomes varies with student characteristics.

297. **Have lead providers adapted their approach to and use of franchising arrangements?** DfE will engage with providers in the sector to understand how their plans have changed in response to the policy.

[119] Government responses to the Public Accounts Committee, Treasury Minutes September 2024

Minimising administrative and compliance costs for preferred option

298. The OfS has a commitment to minimising regulatory burden, while still making sure students are protected.[120] To be an effective regulator, the OfS recognise the need to make sure that their requirements are proportionate, that they operate efficiently and effectively and that their work reflects the principles of best regulatory practice. The OfS has taken actions over time to minimise regulatory burden where this has been considered excessive.[121]

299. Demonstrating compliance with the initial and ongoing conditions of registration does – by necessity – impose compliance costs on providers, which small providers will be less well equipped to resource. We believe these providers currently pose a (relatively) lower risk in terms of misuse of public funding. By definition, the risk increases with the number of students in receipt of student finance. We also have evidence that a majority of students sanctioned by the SLC in franchised arrangements are at unregistered providers with more than 300 franchised students. We therefore do not currently believe it is proportionate to require all delivery partners to register, though we will keep this position under review. This is why our preferred policy proposal includes a de minimis threshold, below which providers will not be required to register. As well as ensuring the regulatory burden is proportionate, this also helps to ensure that OfS resources are focused on regulating provision that poses the greatest risk to misusing public money and student outcomes.

[120] Reducing regulatory burden - Office for Students

[121] How we have minimised unnecessary burden - Office for Students

Annex A – Provider growth model

Tables 39-41 set out the derivation of our provider number forecast based on the assumptions described in Tables 10 and 11.

Table 39: Number of providers exceeding the threshold, latest data (2022/23)

	22/23
Number of unregistered partner providers	237
Number of unregistered partner providers with 300 or more students	39
Number of unregistered providers with 300 or more students that are not exempt because of their legal status	35

Source: DfE analysis of OfS data.

Table 40: Number of providers predicted to exceed threshold, apply and register, first year of policy (2025/26)

Calculation step	Estimate type	23/24	24/25	25/26
Net number of unregistered providers with 300 students or more	Low (continues to grow by 1 provider each year)	40	41	42
Net number of unregistered providers with 300 students or more	High (continues to grow by 4 providers each year)	43	47	51
Number of unregistered providers, after allowing for registration (assuming 3 register each year)	Low (extending low scenario from above)	37	38	39
Number of unregistered providers, after allowing for registration (assuming 3 register each year)	High (extending high scenario from above)	40	44	48
Number of unregistered providers who would not be exempt (assuming 10% exempt)	Low (extending low scenario from above)	33	34	35
Number of unregistered providers who would not be exempt (assuming 10% exempt)	High (extending high scenario from above)	36	40	43
Number of unregistered providers that would choose to register in 2025/26 (assume 10% choose not to apply)	Low (extending low scenario from above)			32
Number of unregistered providers that would choose to register in 2025/26 (assume 10% choose not to apply)	High (extending high scenario from above)			39
Number of unregistered providers that would successfully register (assuming 50% successful)	Low (extending low scenario from above)			**16**
Number of unregistered providers that would successfully register (assuming 50% successful)	High (extending high scenario from above)			**19**

Source: DfE analysis based on OfS data and assumptions set out in Table 10.

Table 41: Number of providers predicted to exceed threshold, apply and register, subsequent years (2026/27 onward)

Calculation step	Estimate type	26/27	27/28	28/29	29/30	31/32	32/33	33/34	34/35	35/36
Number of unregistered providers that would have risen above threshold	Low (9 providers per year)	9	9	9	9	9	9	9	9	9
Number of unregistered providers that would have risen above threshold	High (14 providers per year)	14	14	14	14	14	14	14	14	14
Number of unregistered providers who would not be exempt (assuming 14% exempt)	Low (extending low scenario from above)	8	8	8	8	8	8	8	8	8
Number of unregistered providers who would not be exempt (assuming 14% exempt)	High (extending high scenario from above)	12	12	12	12	12	12	12	12	12
Number of unregistered providers that would choose to register (assume 21% choose not to apply)	Low (extending low scenario from above)	6	6	6	6	6	6	6	6	6
Number of unregistered providers that would choose to register (assume 21% choose not to apply)	High (extending high scenario from above)	10	10	10	10	10	10	10	10	10
Number of unregistered providers that would successfully register (assuming 50% successful)	Low (extending low scenario from above)	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Number of unregistered providers that would successfully register (assuming 50% successful)	High (extending high scenario from above)	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**

Source: DfE analysis based on OfS data and assumptions set out in Table 11.

Annex B – Wage cost assumptions

Table 42: Wage cost assumptions

Wage cost	**Source**	**Value** (inflation adjusted using GDP deflator, with uplift)
Median gross hourly wage of chief executives and senior officials	ASHE data shows that the median hourly wage for a chief executive and senior official is £42.77 – Occupation (1111) – ASHE: Table 14.5a (2023) (Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics (ons.gov.uk)). All ASHE data is uprated to 2024-25 prices using GDP deflator estimates published March 2024. This means a 2024-25 hourly wage of £46.39. We then account for non-wage labour costs using an 18% uplift (Schools policy appraisal handbook (publishing.service.gov.uk)) to get £54.74.	£54.74
Median gross hourly wage of senior professionals of education establishments	ASHE data shows that the median hourly wage for a senior professional of educational establishment is £32.53 – Occupation (2317) – ASHE: Table 14.5a (2020) (Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics (ons.gov.uk)). All ASHE data is uprated to 2024-25 prices using GDP deflator estimates published March 2024. This means a 2024-25 hourly wage of £39.00. We then account for non-wage labour costs using an 18% uplift (Schools policy appraisal handbook (publishing.service.gov.uk)) to get £46.02.	£46.02

Wage cost	**Source**	**Value** (inflation adjusted using GDP deflator, with uplift)
Median gross hourly wage of other managers and proprietors	ASHE data show that the median hourly wage for other managers and proprietors is £17.15 – Occupation (12) – ASHE: Table 14.5a (2023) (Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics (ons.gov.uk)). All ASHE data is uprated to 2024-25 prices using GDP deflator estimates published March 2024. This means a 2024-25 hourly wage of £18.42. We then account for non-wage labour costs using an 18% uplift (Schools policy appraisal handbook (publishing.service.gov.uk)), to get £21.73.	£21.73
Median gross hourly wage of administrative occupations	ASHE data shows that the median hourly wage for administrative occupations is £14.22 – Occupation (41) – ASHE: Table 14.5a (2023) (Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics (ons.gov.uk)). All ASHE data is uprated to 2024-25 prices using GDP deflator estimates published March 2024. This means a 2024-25 hourly wage of £15.27. We then account for non-wage labour costs using an 18% uplift (Schools policy appraisal handbook (publishing.service.gov.uk)), to get £18.02.	£18.02
Median gross hourly wage of administrative occupations: finance	ASHE data show that the median hourly wage for administrative occupations: finance is £14.34 – occupation (412) – ASHE: Table 14.5a (2023) (Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics (ons.gov.uk)). All ASHE data is uprated to 2024-25 prices using GDP deflator estimates published March 2024. This means a 2024-25 hourly wage of £15.40. We then account for non-wage labour costs using an 18% uplift (Schools policy appraisal handbook (publishing.service.gov.uk)), to get £18.17.	£18.17

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