Department for Education

Lifelong Loan Entitlement: Consultation response

Updated Impact Assessment

March 2023

Contents

Title: Lifelong Loan Entitlement (LLE) Updated Impact Assessment (government response)	Impact Assessment (IA)
IA No: N/A	**Date: 7 March 2023**
RPC Reference No: N/A	**Stage: Development/Options**
Lead department or agency: Department for Education	**Source of intervention:** Domestic
Other departments or agencies: N/A	**Type of measure:** Other
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Summary: Intervention and Options

RPC Opinion: N/A

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value £ - 6.4m	**Business Net Present Value** £-6.4m	**Net cost to business per year** £0.7m	**Business Impact Target Status** Qualifying provision

***To note**: the Net Present Social Value (NPSV) figure is only based on those costs associated with LLE which have been possible to quantify at this stage, but <u>does not yet take into account the expected benefits (e.g. to learners) and some additional drivers of costs</u>. Given the significant private returns from Further and Higher Education, we expect a positive NPSV once the expected benefits are fully quantified. We plan to publish a further analytical note later this year, with new analysis and evidence, to provide a fuller assessment of the potential, costs, benefits and value for money of LLE.*

What is the problem under consideration? Why is government action or intervention necessary?

Creating flexible access to courses will help adult learners to upskill or retrain alongside work, family and personal commitments, as their circumstances and the economy change. There are market failures which are hampering the expansion of flexible learning. Access to finance is a particular problem as the current finance system does not allow for individuals to study flexibly at level 6 as it does not provide loan funding for learners wishing to study short courses or modules. Government intervention through changes to the student finance system and non-financial measures is needed to bring about greater flexible learning as without action, the private market is likely to lead to lower levels of flexible provision and take-up of short courses and modules.

What are the policy objectives of the action or intervention and the intended effects?

Through the Lifelong Loan Entitlement (LLE), the government is seeking to facilitate learners studying flexibly. This new loan entitlement means people will be able to space out their studies and learn at a pace that is right for them, including choosing to build up their qualifications over time, within both further and higher education institutions. It will create a more streamlined funding system, to make it easier for students to navigate the options available, and to have the opportunity to step in and out of learning throughout their lifetime.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1 – Preferred – Introduce the means to provide a Lifelong Loan Entitlement by amending primary legislation. The expectation is that the LLE will provide individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their lifetime. The LLE seeks to have a transformative effect on our funding system, so it is just as easy to get a loan for flexible, modular study at levels 4 to 6 as it currently is for a full-time university degree.

Will the policy be reviewed? It will be reviewed.

Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: The Rt Hon Robert Halfon MP, Minister for Skills, Apprenticeships and Higher Education Date: 07.03.2023

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2025	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -7.6	**High:** -5.4	**Best Estimate:** -6.4

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	4.6		0.1	5.4
High	4.9		0.3	7.6
Best Estimate	4.7		0.2	6.4

Description and scale of key monetised costs by 'main affected groups'

We have considered the direct cost to providers and employers. These are expected to include regulatory burdens faced by employers and providers in the form of familiarisation costs. We have estimated general and detailed familiarisation costs to providers and employers of LLE of around £4.7m in the first year and £0.1m for the second year onwards, and ongoing costs to employers associated with the student finance and PAYE system of around £0.12m per year.

Other key non-monetised costs by 'main affected groups'

The main non-monetised costs are 1) those to providers associated with tuition fee income lost due to students switching from 3-year degrees to shorter courses, at the same or different provider, and 2) those to the Exchequer associated with increased loan outlay. The Exchequer is also expected to incur costs associated with the implementation and regulation of the LLE, for example through any required changes to SLC operations.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Not monetised		Not monetised	Not monetised
High	Not monetised		Not monetised	Not monetised
Best Estimate	Not monetised		Not monetised	Not monetised

Description and scale of key monetised benefits by 'main affected groups'

The expected benefits of the LLE have not been monetised at this stage.

Other key non-monetised benefits by 'main affected groups'

The benefits associated with the LLE are likely to accrue primarily to learners, employers and the taxpayer. Learners will benefit from greater choice and flexibility, with the increased provision of short course and modular provision enabling them to make better learning choices. Post-18 education can considerably improve labour market outcomes for learners, however the scale of this will depend on the type and amount of study pursued through the LLE. Employers stand to benefit from any productivity gains associated with a more skilled workforce, whilst the LLE could potentially result in a fall in total loan outlay if learners choose to undertake lower credit courses on average.

Key assumptions/sensitivities/risks	**Discount rate**	3.5%

Whilst the government response to the consultation gives more certainty about the policy design, it is still uncertain how learners and providers could respond to the LLE, there are significant uncertainties concerning the impact analysis.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0.7	**Benefits:** 0	**Net:** 0.7	3.7

Coverage

The Lifelong Loan Entitlement (LLE) is a flagship measure in the Skills and Post 16 Education Act 2022. An impact assessment setting out the evidence base on the case for change and expected costs and benefits was first published along the LLE consultation in February 2022.

This updated impact assessment reflects subsequent policy decisions made since the consultation concluded and takes into account further additions and improvements in the evidence base. It is being published alongside the consultation response which sets out the specific proposals which the government will be taking forward.

Introduction – the Current Student Finance Landscape

The Lifelong Loan Entitlement (LLE) is a complex policy involving many inter-related components. To introduce and contextualise the problem, the policy solution and the analysis set out in this impact assessment, it is first useful to understand the current student finance landscape. This is outlined below.

Currently, learners can access funding at levels 4-6 through the HE student finance (HESF) or the Advanced Learner Loan (ALL) funding systems. However, the availability of finance for tuition fees and maintenance varies by the type of qualification and mode of study. This can both restrict and distort choice.

Prospective undergraduate HE students can access the HESF system where they are studying for the purpose of completing a designated HE qualification, of at least a year in length and at least 25% intensity. This allows for funding for the following types of qualifications:

a. First degree, for example BA, BSc or BEd
b. Foundation Degree
c. Certificate of Higher Education
d. Diploma of Higher Education (DipHE)
e. Higher National Certificate (HNC)
f. Higher National Diploma (HND)
g. Initial Teacher Training course
h. Integrated master's degree
i. Pre-registration postgraduate healthcare course

Generally, undergraduate tuition fee and maintenance loans are only available for the first HE qualification and selected postgraduate courses (such as PGCEs). Following the removal of the 'equivalent or lower qualification' (ELQ) restrictions for all STEM part-time degree courses, students on these courses who already hold a degree are now able to access support through student loans. There are also some ELQ exemptions for full-time students of certain subjects such as medicine and dentistry.

In total, for full-time undergraduate study in 2022/23, tuition fee loans of up to £9,250 and maintenance loans of up to £12,667 will be available[1]. Students who started to attend part-time level 6 courses from 1 August 2018 onwards can access full-time equivalent maintenance loans.

The current funding system provides limited incentives for undergraduate HE provision outside of a standard full-time 3-year degree. Currently HESF loans are restricted to courses of at least a year in duration. This means that there are limited options available for adults who, for example, want to study only sections of a degree or at less than 25% intensity because not all of a degree may be relevant to the skills they want to acquire or because of the need to balance their studies with work.

Foundation degrees, HNCs, HNDs, DipHEs and Certificates of Higher Education are all qualifications at level 4 or 5. As above, learners studying these qualifications can be eligible for

[1] Student finance for undergraduates: New full-time students - GOV.UK (www.gov.uk)

funding through the HESF system. Unlike level 6 qualifications, such as degrees, this does not generally extend to eligibility for maintenance loans when studying part-time.

Prospective students studying other, technical and vocational level 4, 5 or 6 qualifications can access student finance for fees through Advanced Learner Loans (ALLs). We currently provide these loans for designated further education (FE) qualifications at advanced and higher levels; up to four ALLs can be taken out in total by a student with limited restrictions on what type or level of course they have taken previously, and at a minimum loan amount of £300 per course. Qualifications can be funded regardless of 'intensity', with monthly payments made up to three years. In order to be approved for ALL, level 4 to 6 qualifications must be Ofqual regulated (and offered by an Ofqual recognised awarding organisation). Qualifications need to meet a set of criteria and also be approved by DfE. Qualifications must be a minimum of 150 guided learning hours (GLH) and support clear routes into and through skilled employment in a specific occupational area and/or progression to higher level skills. There is the facility to approve, by exception, qualifications which are a minimum of 45 GLH, where the qualification relates to an occupation listed in an occupational map published by the Institute for Apprenticeships and Technical Education (IfATE) and is either a specific requirement for a particular occupation, supports upskilling within an established profession, or meets a specific higher-level skills gap in a named profession. Currently the DfE operates a monthly approval window for awarding organisations to submit qualifications for ALL approval.

Problem Under Consideration

Weak or negative returns for some HE learners

On average, degree level qualifications have significant employment and earnings benefits. Both employment rates and high skilled employment rates are higher for graduates than non-graduates, and the median salaried working age graduate earned around £10,000 more than their non-graduate counterpart in 2021. Even amongst young graduates (21-30), median salaries were £4,500 higher for graduates than non-graduates in 2020.[2]

However not all graduates see the benefits from higher education. The Institute for Fiscal Studies (IFS) have estimated that whilst the average net lifetime earnings return[3] to undergraduate degrees is around £100,000, approximately 15% of women and 25% of men are expected to not benefit financially from attending higher education.[4]

There are options other than undergraduate degrees for post-18 study, which can provide positive earnings impacts. Research by the Centre for Vocational Education Research (CVER) estimated that at age 30, after adjusting for observable differences[5], average earnings for women with a level 5 qualification are expected to be around £2,700 higher than for similar women with a level 6 qualification. Similarly, men with level 4 qualifications are expected to earn around £5,100 more at age 30 than similar counterparts with level 6 qualifications.[6]

Where graduates are not seeing the returns which might be expected from level 6 study, combining study and work, studying at levels 4 and 5 or studying modules of a degree, may offer better value for money for the taxpayer and the learner, if the equivalent outcomes could be obtained at lower cost.

Despite this, there are relatively few learners studying at levels 4-5, as many HE participants proceed directly from studying at Level 3 (usually A Levels) to studying Level 6 (usually undergraduate degree). This can be seen in the Figure 1 overleaf[7], and in Figure 2.

[2] Graduate labour market statistics, Calendar Year 2021 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

[3] Net lifetime return is the sum of the increase (or decrease) in earnings associated with attending university at each age, plus the value of maintenance loans received and minus the value of any student loan repayments and taxes paid, all discounted. No impact on benefit receipt is included.

[4] Institute for Fiscal Studies (2020) The impact of undergraduate degrees on lifetime earnings (publishing.service.gov.uk) The mean net lifetime return is £130k for men and £100k for women.

[5] Factors include prior attainment, background characteristics and previous paid employment

[6] Post-18 education – who is taking the different routes and how much do they earn? (lse.ac.uk)

[7] Higher Level Learners in England, Academic Year 2020/21 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

Figure 1: Entrants to Office for Students (OfS)-recognised higher level study by level of course aim and level of highest qualification on entry. English-domiciled entrants at English providers. Academic year 2020/21

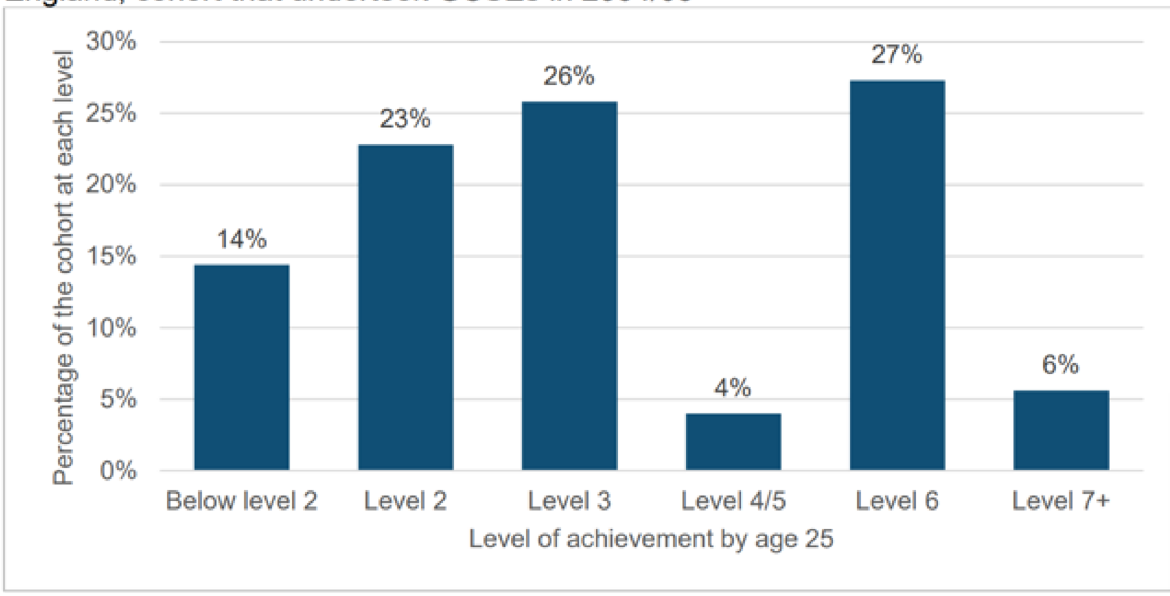
Level of course aim	Highest qualification level on entry					Grand Total
	Level 3	Level 4	Level 5	Level 6	Level 7	
Level 4	9,225	615	455	950	605	16,055
Level 5	23,120	3,380	1,490	2,160	635	38,425
Level 6	321,855	12,860	27,395	15,620	3,770	435,695
Level 7	19,265	1,600	4,595	138,490	30,595	201,320
Level 8	40	10	60	2,655	10,550	13,545
Grand Total	373,500	18,465	33,995	159,870	46,155	705,045

Source: Higher Level Learners [Higher-level learners in England: 2020 to 2021 - GOV.UK (www.gov.uk)]

Note: Grand total include all learners at a given level of course aim. They include all learners from level 1-8 plus those no prior qualifications and those which are categorised as other unknown.

Figure 2: Highest level of achievement by age 25[8]

England, cohort that undertook GCSEs in 2004/05



Source: Longitudinal Education Outcomes Study.

1. Age is based on academic age, which is age at the start of the academic year, 31 August.

[8] Post-16 education: highest level of achievement by age 25 (publishing.service.gov.uk)

Mismatched supply and demand for more flexible learning

There are currently significant skills gaps in sectors which utilise higher technical skills such as construction, manufacturing and other skilled trades[9]. There is growing employer demand for the skills that higher technical education provides[10]. Investing in these skills at both a local and a national level and reskilling the workforce to meet future employer needs are critical to improving the UK's productivity and international competitiveness.

Research suggests that there is demand for more flexible and modular learning. A joint study conducted by Universities UK (UUK) and CBI that consisted of research with learners, as well as reviewing the flexible learning opportunities offered by HE providers concluded that there was a strong case for a modular or credit based system for undergraduate provision in the longer-term.[11] UUK polling in 2020 on modular study[12] indicated that 82% of prospective students who were either unemployed, at risk of unemployment or needed to learn a new skill would be keen to study individual modules of a university degree. Earning whilst learning and maintaining work-life balance were perceived to be the top benefits for modular learning. The poll also found that engineering, where there are known skills shortages, was the second most popular choice for modular study. The government's proposed approach, which also aligns with the recommendations of The Review of Post-18 Education and Funding[13], looks to take an incremental approach towards this.

The House of Lords Economics Affairs Committee report 'Treating Students Fairly: The Economics of Post-School Education' also highlighted the importance of better supporting flexible learning for reskilling and upskilling economic needs, including the need for funding of individual modules and for a better credit recognition system.[14]

Barriers to adult learning

Latest survey evidence shows that nearly 70% of respondents who have not pursued any learning for at least three years encountered a particular barrier to doing so. Amongst respondents who are currently learning or have recently done so, around two thirds indicated that they had experienced at least one challenge while learning[15].

The existing literature distinguishes between three broad categories of barriers experienced by people wishing to take up new learning opportunities: situational, dispositional, and institutional[16].

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[9] Skilled Trades includes (but is not limited to): carpenters, electricians, plasterers, mechanics, butchers, chefs, farmers according to UK Skills Mismatch 2030, available at: Workplace Training and Development Commission Report.pdf (britishchambers.org.uk)

[10] Workplace Training and Development Commission Report.pdf (britishchambers.org.uk); Employer skills survey 2019 - GOV.UK (www.gov.uk)

[11] ERIC - ED592521 - Flexible Learning: The Current State of Play in UK Higher Education, Universities UK, 2018-Oct

[12] Majority of adult learners would upskill at university if given the chance (universitiesuk.ac.uk) Universities UK, Modular Finance Study – October 2020 - Savanta

[13] Post-18 review of education and funding: independent panel report - GOV.UK (www.gov.uk)

[14] Treating Students Fairly: The Economics of Post-School Education (parliament.uk)

[15] Adult Participation in Learning Survey 2022 - Learning and Work Institute

[16] Adult Participation in Learning Survey 2022 - Learning and Work Institute; Barriers to learning for disadvantaged groups (publishing.service.gov.uk); (Adult) education, education, education - Social Market Foundation. (smf.co.uk)

Situational barriers relate to an adult's personal and financial circumstances such as financial constraints or work, family, and caring responsibilities. Dispositional barriers relate to an adult's personal attitudes and perceptions towards learning and can include a lack of self-confidence in returning to study or scepticism about the benefits of doing so. Institutional barriers typically relate to problems with the wider learning environment such as under-provision of appropriate flexible courses by education providers.

Under the current student funding system, the type and level of support offered by government for level 4-6 study may differ depending on the course, provider, mode of study, previous study, and age of the learner. This can serve to distort learner and provider behaviour and decisions about what to study and offer, and impend a move to the type of flexible, personalised study track envisioned by the LLE.

A particular gap in the design of the current student finance system is that it does not allow for individuals to study sufficiently flexibly at level 4-6 as it does not fund individual modules and does not allow people to easily study flexibly between levels, for example by studying at level 4 then topping up with level 5 a few years later.

This lack of flexibility reduces individuals' ability to train, retrain and upskill. There are a substantial number of individuals within the population who have considered part-time and/or mature study but have not been able to take this up. A survey by UUK found around 24% of the population had considered part-time higher education in the last 10 years but had not enrolled. The main reasons cited for this were financial concerns (tuition fee costs were cited by 44% of respondents, living costs by 42%) and that study would not fit in with their personal life or employment situation (35%).

DfE research[17] similarly found that around 13% of the population has considered studying for a new qualification, at level 3-6, in the last 5 years, but did not start study, and that potential learners found the student finance system complex to understand and that information, especially for mature students, was difficult to find. Of the level 3-6 group considering study in the last 5 years, 32% considered studying at level 4 and 5, and 35% at level 6.

Rationale for Intervention

The government is providing a range of other opportunities, as set out in the Skill for Jobs White Paper[18], which are now being implemented with the passage of the Skills and Post-16 Education Act 2022. However, as shown by the above evidence, adults wishing to undertake higher levels of study or training flexibly over their lifetime may experience a wide range of different and potentially significant barriers to learning. These barriers are making it difficult for adults to train, retrain, or upskill later in their working life and help explain why the number of mature students studying part-time has been declining in recent years[19]. Moreover, many people complete a degree or equivalent qualification which will neither equip them for sustained employment, nor

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Insight 9 May 2021 Improving opportunity and choice for mature students (officeforstudents.org.uk); Post-18 choice of part-time study - GOV.UK (www.gov.uk) Lost learners (universitiesuk.ac.uk)

[17] Post 18 Choice of Part-Time Study (publishing.service.gov.uk)

[18] Skills for Jobs: Lifelong Learning for Opportunity and Growth (publishing.service.gov.uk)

[19] Insight 9 May 2021 Improving opportunity and choice for mature students (officeforstudents.org.uk)

offer positive financial returns. There is a need to better address employer demands for skills at levels 4 to 6.

The barriers to learning faced by adults can be traced to the existence of the following market failures in higher education:

Imperfect or asymmetric information

Learners may be unable to accurately assess the quality of higher-level courses and the returns they may achieve[20]. They may also have poor access to, or lack confidence using, high quality, independent and reliable information about the different education options and flexible learning pathways available to them. Learners may also lack perfect knowledge about the student finance system[21]. This can lead to adults making ill-informed decisions about further learning, choosing courses or pathways which are not best suited to their particular needs, ability or career aspirations or in some cases not taking up learning opportunities at all, even if they are beneficial.

Poor access to student finance for flexible learning

As mentioned above, a weakness of the current student finance system is that it is not designed in a way that meets the needs of all adults wishing to pursue higher levels of learning on a flexible basis. Presently, the system is heavily skewed towards the provision of fee and maintenance support for learners wishing to pursue full-time three-year undergraduate degree courses. While there is some student finance available for part-time study, learners can only apply if their course intensity is at least 25%. The system does not presently allow people to study individual short courses or modules and does not allow people to easily study flexibly between levels. These rigidities and gaps in the student finance system can act as a significant financial barrier for prospective flexible learners. It can also distort the incentives to choose particular levels or modes of learning meaning that some learners are at greater risk of making poor decisions about their learning needs, choosing options and pathways for which they are not best suited.

Incomplete markets

Employment patterns are changing fast with shorter job cycles and longer working lives requiring many people to reskill and upskill[22]. However, educational providers are not offering sufficient levels of appropriate provision which meets the specific needs and requirements of adult learners, especially those that wish to learn flexibly over their lifetime. This mismatch between supply and demand for flexible learning opportunities can hinder career and wage progression and reduces individuals' ability to respond to changes in the labour market to help address employer skills shortages. As noted above, there is clear evidence of demand for more flexible, part-time higher education and retraining.

The existence of these market failures mean that the current post-18 education and student finance system may not be delivering for all learners who wish to pursue high levels of learning flexibly over the course of their lifetime. In consequence, some adults are continuing to be excluded from available higher level learning opportunities or at risk of making poorly informed

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[20] An effective regulatory framework for higher education: A policy paper (publishing.service.gov.uk)

[21] Attitudes towards the student finance system - GOV.UK (www.gov.uk)

[22] CBI/Employer Skill Survey (2019) employer-and-lifelong-learning-report.pdf (cbi.org.uk)

choices based on the information and finance they have available to them which results in them not achieving the full potential benefits that can be gained from further study, training or upskilling. The individual and societal costs associated with these market failure problems are expected to increase in time as demand for more flexible learning continues to grow.

For this reason, government action is imperative. The existing HESF system is a public service funded by HMG and run by the Student Loan Company (SLC) on behalf of the Department for Education (DfE). It is underpinned by primary legislation. To amend this existing system to include more flexible forms of learning requires government action.

Policy Objective

In 2019, the Independent Panel chaired by Philip Augar reported to the Review of Post-18 Education and Funding with a series of recommendations relating, in part, to the future of higher education. This included a proposal for the introduction of a lifelong loan entitlement. In September 2020, the government announced to introduce a Lifelong Loan Entitlement (LLE) from 2025.[23]

The government expects LLE to bring about a major transformation in post-18 education by giving people the opportunity to train, retrain, and upskill throughout their lives to respond to changing skills needs and employment patterns. The policy intent is to deliver a comprehensive funding system at levels 4-6 education, providing equal access and support for learners regardless of where learning takes place or which higher level qualification they choose. This new system should enable learners to do level 4 to 6 courses in further or higher education settings, in full or on a modular basis.

By providing an entitlement to the equivalent of four years' worth of funding for level 4 to 6 education to use over their working life, the introduction of the LLE aims to enable a truly flexible and more streamlined education system, offering people a real choice in how and when they study to acquire new life-changing skills. It aims to make it easier for learners to navigate the options available to study and train part-time and critically at their own pace throughout their life. The LLE aims to support levelling up by giving people everywhere equal access to opportunities to progress into academic or technical education.

To achieve this objective, the UK Government has passed the Skills and Post-16 Education Act 2022, which makes the following changes to primary legislation:

- The ability to set a lifetime limit to the entitlement, equivalent to four years' worth of funding for level 4 to 6 education.
- Introducing a new term in student finance legislation to describe smaller periods of study which are derived from a full course: a module.
- Ensuring that the Secretary of State can provide loans for module-sized study on a stand-alone basis, facilitating more modular study.

[23] Skills for jobs: lifelong learning for opportunity and growth White paper (published in January 2021).

These changes to primary legislation will support but are not sufficient on their own to bring about the transformation the government would like to see in adult, tertiary learning. Accordingly, specific success indicators are not attached to these powers, but will be laid out at later stages of the programme's development.

Under the LLE, we expect a significant impact across HE and FE, for both providers and learners. We further expect an increase in uptake for technical provision, modular study, and part-time study. This could lead to changes in the make-up of providers as well as their business models. Longer-term, we believe that increased levels of technical education and flexibility in retraining will lead to a broad uplift in high-skilled employment and productivity.

Further policy objectives

Further specific policy objectives and corresponding measures of success can be broken down into the following categories:

Learners

- Learners are aware of the choices available to them, the best option for them, including the benefits of flexible learning over their lifetime.
- Learners should be able to study academic or vocational higher education courses, either in full qualifications or in short modules which add up to a coherent whole, at the point in life that suits them, and which gives them the skills they need for meaningful employment.
- Learners enjoy a similar experience, both in terms of access to funding and high-quality higher-level provision, regardless of the provider they study at or which qualification (level 4-6) they choose.
- Individuals build up qualifications over time, and will be able to stack, top-up or transfer their previous higher-level credits in order to do this.

Providers

- More high-quality higher technical qualifications and HE modular courses available to learners at HE providers and FE providers.

Funding

- A simpler, easier to navigate finance system that boosts participation in lifelong learning, and supports people to train, retrain and upskill in both higher technical and academic education.
- A system that provides good value to learners and taxpayers.

Employers

- Reduced skills shortages/skills mismatches for local and national employers.
- Employers will understand and value modular and flexible learning provision.

Taxpayers

- The choice of better value routes and the impact of these on productivity and in turn loan repayments and tax revenues should improve value for money.

Description of Options Considered

Option 0 – Do Nothing

Under this option the existing legislative and funding architecture is retained and access to funding for tuition and maintenance remains subject to different regulatory frameworks.

This would mean that:

- The potential for more increased flexible and modular provision is limited and, as a result, further growth in part-time and higher technical education is likely stifled.
- Learners continue to be incentivised by the current student finance system to pursue three-year level 6 degrees which may not be best aligned to their needs or that of the economy.
- Learners, employers and taxpayers are unable to achieve their best possible outcomes.

Overall, this would not deliver the desired changes to flexibility and accessibility of higher and further education.

Option 1 – Preferred – Introduce the means to provide a Lifelong Loan Entitlement by amending primary and secondary legislation.

The government will introduce the LLE from 2025 to provide a streamlined funding system for HE and FE provision across levels 4-6. It will enable people to train, retrain, and upskill to meet the needs of the economy and advance their careers. The LLE will provide eligible learners with an entitlement equivalent to four years of higher education study (£37k in today's fees) which they will be able to use for full courses and certain higher technical modules across FE and HE providers. In addition, loans for living costs and targeted grants will be available in respect of all designated courses under the LLE, including part-time courses, subject to need.

The Skills and Post-16 Education Act 2022 has already modified the existing regulation-making powers in the Teaching and Higher Education Act (THEA) 1998 so as to:

- make specific provision for funding of modules of higher education and further education courses, and the setting of an overall limit to funding that learners can access over their lifetime,
- make clear that maximum amounts for funding can be set other than in relation to an academic year.

The 2022 Act has also amended the definition of "higher education course" in the Higher Education Research Act (HERA) 2017 to include a module of a course of any description mentioned in Schedule 6 to the Education Act 1988, whether or not undertaken as part of such a course. This is to make clear that the higher education regulatory regime provided for under Part 1 of HERA applies to modules of courses.

Further primary legislation is however needed, and the UK government has brought forward a Lifelong Learning (Higher Education Fee Limits) Bill. This legislation will create a fee limit system for LLE courses which ensures tuition fees for modules and short courses, as well as lengthier courses, can be limited in a fair and proportionate manner. The intended effect is that learners will not be disincentivised from accessing the types of short course and modular provision that may allow them to upskill and reskill quickly alongside their personal commitments.

To introduce the LLE from 2025, a suite of secondary legislation will need to be laid in Parliament by summer 2024.

To deliver the LLE, the government response to the LLE consultation provides the policy intent and position on the following areas:

1. Eligibility for funding
2. Courses in scope
3. Modular provision
4. Supporting quality
5. Maintenance and targeted grants
6. Fee Limits
7. Credit Transfer
8. Repayment
9. Personal Account
10. Alternative Student Finance

Detailed descriptions on each of these areas can be found in the consultation response and are summarised in the analysis of impacts below.

Monetised and Non-Monetised Costs and Benefits

At this stage, we have carried out a largely high-level, qualitative assessment of the potential costs and benefits of introducing the proposed package of LLE measures. A fully developed quantitative assessment of expected impacts is not yet possible because of the following two sources of uncertainty:

- Behavioural uncertainty – work is still ongoing to determine robustly and accurately the likely response of providers and learners to all the different elements of LLE and the impact on provision, choice, and take-up; and
- Policy uncertainty – Whilst the government response to the consultation gives more certainty about the policy design, some further decisions still need to be made, particularly around the necessary system changes.

In accordance with the Better Regulation Framework, more detailed assessments of impacts, including quantification of expected costs and benefits of the different aspects of LLE policy, will be published in due course at the point when the government lays the necessary secondary legislation to fully implement LLE.

Summary Analysis of Impacts for LLE Overall

The overall impact of this policy will depend significantly on the behavioural response of learners and providers to the proposed changes to the student finance system and other non-financial measures related to the LLE. Broadly, it is expected that these could include:

- An increase in demand for short courses and modules at technical level 4-5 from individuals that previously would have stopped study at level 3.
- An increase in demand for shorter courses and modules at technical level 4-5 from employed individuals looking to upskill or retrain.
- A shift away from 3-year Level 6 undergraduate degrees towards level 4 and 5 qualifications or modular study.

Each of these potential responses is likely to generate different sized costs and benefits to learners, providers, employers, and the Exchequer. The overall net effect will ultimately depend on the individual and cumulative impact of these behavioural effects and the interaction with policies and proposals set out in the Higher Education reform consultation.

Impact on Learners

The overall impact on learners is likely to be positive. Learners will benefit from a more flexible student finance system, allowing them to apply for fee and maintenance loans for all courses under the LLE, including part-time and modular courses. This is likely to benefit learners who are currently facing financial barriers to access level 4 to 6 education, and those who may have other work and life commitments which prevent them studying full-time.

As well as improved access to higher-learning opportunities, learners will also benefit more generally from the increased choice facilitated by the LLE and the opportunity to utilise student finance for more flexible study, particularly at level 6. This will enable them to make better decisions about the type of course or pathway that best suits their particular requirements, interests, and ability.

Learners taking up post-18 education opportunities due to LLE are likely to benefit, on average, from improved earnings and employment outcomes and prospects. As noted above, there is strong evidence to suggest post-18 education offers considerable labour market value to learners with IFS research showing that graduates can expect to benefit by around £100,000 in earnings on average over their lifetime compared with non-graduates, even after accounting for the costs of study.[24] Graduates are also around three times more likely to be in high-skilled employment than those without a degree.[25]

As mentioned above, CVER research conducted in 2020[26] show that some learners can achieve higher earning returns by studying level 4 or 5 qualifications rather than level 6. The same research also shows learners studying at level 4 or 5 can also achieve increased earning returns than those studying level 3 qualifications in the range of £2.9k - £9.0k on average per annum after controlling for observable characteristics. Even after taking into account the short-term costs that the learner is likely to incur in tuition fees and living expenses by choosing to progress from studying a level 3 qualification to studying a level 4 or 5 qualification, the estimated additional earnings accrued over the course of the learner's working life is expected to significantly outweigh the upfront costs associated with undertaking the qualification[27].

Therefore, if the LLE provides an access route into post-18 education for individuals looking to train, retrain, or upskill, it is likely, on average, to facilitate improved earnings and employment outcomes for learners. However, the benefit to the individual learner will depend significantly on the type and amount of study pursued through the LLE as well as learners' counterfactual labour market outcomes (i.e., what would have occurred without additional learning).

Impact on providers

Providers are also likely to benefit from improved flexibility compared to the current system. The LLE will create new opportunities for providers to offer more flexible educational pathways for learners and, associated with that, potentially develop new business models. Providers will have more freedom in deciding the size of their courses and which courses they deliver depending on learner numbers and labour market needs. Current funding models do not allow for this to easily take place, as funding is often based on student completion rates for the prior academic year.

The introduction of the LLE will likely have an impact on the amount of tuition fee income that providers receive from their teaching. Tuition fees can represent a significant proportion of a

[24] The impact of undergraduate degrees on lifetime earnings (publishing.service.gov.uk)
[25] Graduate labour market statistics, Calendar Year 2021 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)
[26] cverbrf013.pdf (lse.ac.uk)
[27] As an illustrative example, if we conservatively focused on the lowest earnings premium found in the CVER report (£2.9k per annum) and assumed total costs to be £20k, then after approximately 7 years the learner's accumulated earnings premiums would surpass these costs and they would begin to reap benefits for year 8 and beyond. This means the decision to study a level 4 or 5 qualification likely delivers good value for money for the learner in comparison to studying a level 3 qualification.

higher education provider's income where domestic fees are capped at £9,250 per year and students traditionally undertake 3-year first degrees.

The overall financial impact on providers, particular regarding the tuition fee income they receive from teaching provision is unclear as it will depend on the behavioural response of learners to the LLE. It is possible that a switch from full-time courses to shortened and flexible learning may reduce the amount of tuition fee income providers receive. However, this effect may be offset by increased tuition fee income resulting from increasing demand and take-up of short courses and modules. Although the tuition fee income from new learners would likely be more modest given the shorter duration of courses, if relative numbers are large enough it could result in a net benefit to HE and FE providers on average[28].

A key purpose of the LLE is to increase the number of student finance options available to learners, providing them with support to undertake more flexible routes through further and higher education. Whilst this is likely to benefit learners through enhanced learner choice, some of the potential redistribution of learners across educational pathways may represent a further cost to some providers as a result of losing prospective learners (and therefore future tuition fee income) to other education providers more focused on offering more flexible provision. The potential loss of tuition income - which should be viewed as a consequence of market competition and disruption rather than a direct consequence of legislative change – is more likely to be greater for HE providers than FE providers. This is because tuition fees across further education providers are generally lower and course lengths are generally shorter than in higher education[29].

Alongside, potential impacts on tuition fee income, it is expected that providers will face some administrative and familiarisation costs associated with the introduction of the LLE. Where providers would need to spend time familiarising themselves with the LLE including modular study, standardised transcripts, personalised accounts and other elements of the new loans system and understand how this would impact their systems and processes, this would represent a regulatory burden and an opportunity cost to staff (in terms of time diverted away from core activities such as teaching).

Additional costs might also exist if the LLE leads to a significant increase in the number of learners undertaking, and obtaining qualifications in, modular courses that are not currently catered for. In this case, providers would potentially need to consider factors such as how best to award qualifications and how to ensure they receive sufficient labour market recognition. It is still unclear to what extent the proposed standardised transcript will deliver this – we expect it will take time to build awareness of the modular offer and related benefits.

[28] For example, if an institution sees a reduction of 100 students paying £9,250 for three years (£27,750 per student, £2,775,000 total), they could require 1,200 learners enrolled on individual 30-credit modules over that same 3-year time period to generate the same fee income (and noting that this does not take into account any difference in cost to the provider of offering modular study versus a longer course). FE providers may also see an additional benefit from the development of pathway routes (i.e. increased uptake of Level 4 and 5 in FE providers before progressing to Level 6 in HE providers).

[29] Based on analysis of SLC fee level data for 2016/17 [Higher Education Tuition Fee Prices (publishing.service.gov.uk)]

Impact on the Economy

Employers will benefit from any increased productivity associated with a more skilled workforce. Whilst this will depend significantly on the specific courses or modules studied, there is strong evidence to suggest that educational level is a significant determinant of productivity, particularly for older workers.[30]

With the expected increase in participation in learning, it is likely that more people will be equipped with the skills needed on the labour market. Consequently, skills shortages and unemployment may decrease as the labour force becomes more flexible. This is also likely to have a positive impact on productivity and growth as workers train, retrain, and upskill, and therefore become more productive.

The overall impact on the UK economy is likely to be positive but will again depend on the behavioural response of learners and providers. Employers will likely incur some additional costs as a result of introducing LLE if they are required to spend time familiarising themselves with the reforms and potentially need to put in place mechanisms to account for a greater number of employees having income-contingent loans. This is the only direct cost to business and further analysis on the estimated burden is presented later in this impact assessment in the 'direct costs and benefits to business' section.

Impact on the Exchequer

The primary cost to the Exchequer will be the additional loan (fee and maintenance) outlay that results from the growth in new learners who are now more incentivised to pursue level 4 to 6 education and take out student support when they would not have done so before. These new learners are likely to comprise both individuals currently employed and wanting to retrain or upskill in their roles, as well as those that previously would not have continued in education beyond level 3.

As with provider costs, it is difficult to accurately estimate the expected additional cost to government at this stage given the significant uncertainty around the potential number of new learners, the average number of credits undertaken and their likelihood of repayment, all of which will influence the additional total student outlay on LLE learners.

Additional outlay could be significant if many new learners use their entire loan entitlement – the equivalent of four years of post-18 education – to study flexibly over the course of their careers. Alternatively, it could be minimal if the number of new learners is small or if each learner only uses a small proportion of their entitlement.

Indeed, it is possible that total loan outlay could fall as a result of introducing the LLE. This could be the case if the number of new learners encouraged to upskill or retrain is relatively small and there is a significant number of individuals that 'switch' from 3-year degrees to standalone modular

[30] UK productivity and skills in an international context (publishing.service.gov.uk)

study. In this case, the gain to government will be the loan outlay (net of repayments) saved from an overall decrease in the total number of credits studied by learners.[31]

Over time, however, we would expect the Exchequer to recoup some of these additional costs, especially if people taking up new learning opportunities go onto achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer.

Finally, the Exchequer will also incur delivery costs associated with the implementation and regulation of the LLE. For example, ongoing costs associated with SLC systems.

Detailed Analysis of Impacts for Specific LLE Measures

Measure 1: Eligibility for funding

The government will:

- Replace existing entitlements for HESF and ALL funding with a fixed entitlement worth the equivalent of four years of HESF.
- Provide an entitlement to the equivalent of four years of post-18 education funding, for all new eligible learners and up to the age of 60.
- Make available a residual entitlement for returning learners, calculated to account for prior government-funded learning.
- Introduce a robust compelling personal reasons (CPR) mechanism.

Impact on learners

The overall impact on learners is likely to be positive.

This fixed entitlement will replace the course-based entitlement for previous systems. Previously, dependent on prior study, learners may have been able to access an additional year's entitlement in connection to each course (*e.g.,* for repeating a year of study at will). The LLE replaces this with a more flexible overall entitlement, as well as a robust CPR mechanism and additional entitlement for priority subjects.

This means that under the LLE, learners will have access to four years of post-18 education funding, which they would be able to use for current ELQs and modular study, as well as currently eligible courses. As such, the LLE will benefit most students by greatly increasing the choice of

[31] Even if the number of new learners in the system is relatively large, we might expect a significant proportion of outlay to be repaid given the proportional costs of modular study and the labour market benefits associated with additional education. The RAB charge – the proportion of loan outlay that is expected to not be repaid – is 44% on Plan 2 full-time Higher Education loans, 33% on Plan 2 part-time Higher Education loans and 55% on Advanced Learner Loans. Student loan forecasts for England, Financial Year 2021-22 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk). Whilst it is not possible to estimate the equivalent figure for new learners entering the system as a result of the LLE, a smaller loan for a given level of earnings will likely reduce the RAB charge (increase the repayment proportion).

subjects and types of study they can get tuition fee loans to fund, enabling to make choices about the types of courses and learning which better suits their particular needs, ability and interests.

The LLE's residual entitlement for returning learners is likely to benefit all learners but graduates in particular. Learners will have significantly more flexibility in how they use their remaining entitlement following an initial qualification given the removal of ELQ restrictions. The LLE reforms will also allow people to better understand their remaining entitlement enabling them to make more informed decisions about courses and learning based on cost of study and affordability. In turn, we may expect to see more people return to learning, using their residual entitlement to retrain or upskill. Those who do are likely to achieve better employment and earning prospects as the re-training or upskilling they receive makes them more productive and employable in the labour market.

However, by capping the LLE eligibility to those aged 60 and below, the LLE will have a negative impact on those aged 60 and above who would have been eligible under the HESF or ALL systems. We are expecting this to affect a very small number of people – in AY 2020/21 there were less than 3,500 level 4 to 6 fee loan recipients aged 60[32] or over, which is less than 0.5% of the AY 2020/21 level 4 to 6 student population.

Impact on providers

The impact on providers is likely to be mostly positive.

Providers should benefit from the increased take-up of level 4 to 6 study, in the form of increased tuition fee income. However, providers may also face some administration and familiarisation costs as their staff acquaint themselves with the new rules on eligibility and entitlement (see the later section on direct costs to business for more detailed analysis). Overall, these costs are likely to be outweighed by the above benefits.

Impact on the Economy

The availability of a residual entitlement, and the change to a fixed 4-year funding entitlement are likely to incentivise people to train, retrain, and upskill.

This will also give more opportunities for people who are seeking employment, or a career change. In turn, we can expect the labour force to be more flexible and productive leading to a more resilient and productive labour market, with positive impacts on employment and economic growth.

Impact on the Exchequer

It is likely that more students will want to engage with learning, and in turn take out fee and maintenance loans and targeted grants to cover the expected cost of study. This would increase the upfront costs to the Exchequer in the form of additional total student support outlay.

[32] Where age and funding source are known

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if people taking up new learning opportunities go on to achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer.

Measure 2: Courses in scope

The government will:

- Fund all courses formerly funded through HESF.
- Fund courses formerly funded through ALLs at levels 4 to 6 where there is clear evidence of learner demand and employer endorsement.
- Cease ALL funding for new learners on courses at levels 4 to 6 from 1st August 2025 onwards.
- Remove the restrictions on ELQ study that currently exist.
- Make available additional entitlement for a limited number of priority subjects.

<u>Impact on learners</u>

The impact on learners is likely to be positive.

Research shows that a lack of knowledge or understanding about the student finance system can act as a barrier to participation, especially for those from disadvantaged backgrounds[33]. Accordingly, by making student finance clearer to learners, with far fewer course-specific eligibility rules to understand, participation in learning and retraining may increase, though the exact level of impact is difficult to forecast and is dependent on the success of any relevant communication strategies alongside Information, Advice and Guidance (IAG).

These measures are also likely to reduce the financial barriers to retraining. As such, it is likely to benefit people from disadvantaged backgrounds as they are less likely to be able to afford retraining without access to student finance. While it is possible that fees for some ALLs and level 4, 5 and 6 courses that will be funded through the LLE may increase as they move to a credit-basis, this risk would be mitigated by new fee limit measures and controls of maximum loan levels.

Removing the restrictions on ELQ study is likely to benefit all students who seek to retrain or reskill, giving their greater access and choice to a greater range of courses which better suit their particular needs. Mature students are expected to benefit as a result, especially at critical junctures in their working life, whether it is a career change, period of unemployment, or simply lacking good opportunities. We can expect people studying at equivalent or lower levels to achieve, on average, better employment prospects, at least in the longer term.

Courses currently funded through ALLs will only be taken forward under the LLE if there is clear evidence of learner demand and employer endorsement. We expect this is likely to mean that only ALLs courses of better quality, and with better outcomes will be taken forward, and as such

[33] Impact of the student finance system on participation, experience and outcomes of disadvantaged young people (publishing.service.gov.uk)

we can expect this to strengthen the quality of courses overall. Consequently, students are likely to benefit from increased quality of provision, and therefore improved learning outcomes.

Impact on providers

The impact on providers is likely to be positive.

Providers are likely to face relative increases in demand, especially from mature students and returning learners. The extent of this increase in demand remains highly uncertain. The bulk of the expected increase in demand is likely to be in level 4 and 5 qualifications, as most people would have studied at Level 6 before, and therefore have only one year of equivalent funding remaining to use from their entitlement. As such, providers offering courses currently funded by ALLs with clear learner and employer endorsement, and those offering other shorter level 4 and 5 courses are likely to benefit the most from this change.

The overall impact on provider income will however depend on the behavioural response of learners and providers themselves. Unlike other elements of the LLE, we are not expecting large adaptation costs for providers.

Impact on the Economy

The impact on the economy is likely to be positive.

The relaxation of ELQ rules will provide more opportunities and options for people to train, retrain, and upskill. This will also provide more opportunities for people who are seeking employment, or a career change. In turn, we can expect the labour force to be more productive and flexible leading to a more resilient and responsive labour market, with positive impacts on employment and economic growth.

Impact on the Exchequer

It is likely that more people will want to engage with learning, and in turn take out fee and maintenance loans and targeted grants to cover the expected cost of study. This would increase the upfront costs to the Exchequer in the form of additional total student support outlay.

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if those taking up new learning opportunities go onto achieve better employment, earnings outcomes, and prospects which result in increased income revenues to the Exchequer.

Measure 3: Modules

The government will:

- Take a phased approach to providing funding for modules. In September 2025, modular funding will be provided for:
  - modules of Higher Technical Qualifications; and
  - some technical qualifications at levels 4 and 5 currently funded through ALLs with evidence of learner demand and employer endorsement.

- Require that LLE funded modules are part of a designated full course ("parent course"), have a single qualification level, meet the 30-credit minimum funding size, have a credit value, and come with a standardised transcript on completion.

Impact on learners

The impact on learners is likely to be positive.

Providing funding for modular study will particularly benefit students with financial pressures or work and family commitments by lowering the cost of study and giving learners more options to study flexibly.

As modules will be stackable towards a qualification, learners will be able to design their own qualifications by studying what is best for them. Learners can also more easily train, retrain or upskill as they will be able to study at their own pace. As such, they are likely to be better equipped to progress into better jobs, advance in their career, and respond to the changing needs of the labour market.

The initial focus on modules of technical level 4 and 5 qualifications is likely to benefit a proportion of students, as the evidence shows that some people may see better earning returns at level 4 and 5 than at Level 6[34]. New learners taking on modular courses at level 4 and 5 are also likely to be more employable given the lack of people qualified in higher technical skills[35], with businesses reporting skills shortages at level 4 and 5[36].

There is a risk that a modular approach to study could lead to negative impacts for some learners. Some learners may use too much of their entitlement on short courses at level 4 or 5 and therefore inadvertently end up unable to sign up for a full Level 6 qualification. As such, because some students may not make the perfect choices, they could be negatively impacted. This may be mitigated by robust Information, Advice and Guidance (e.g. verbal and written support from providers) to help facilitate a more streamlined user journey, or the design of the Personal Account to help learners navigate the new modular system.

Impact on providers

The impact on providers is slightly more ambiguous than it is for learners.

Providers are likely to be positively impacted overall, especially if they experience an increase in learner demand for short courses and modules which leads to higher tuition fee income.

However, providers will incur some costs adapting their provision to allow modular delivery. There may be costs related to making appropriate adjustments to their processes and systems to support short course and modular provision. This is likely to include some running costs, for example, producing standardised transcripts, though we expect this to be minimal as most providers already issue certificates for modules of courses.

[34] cverbrf013.pdf (lse.ac.uk)
[35] Employer Skills Survey 2019: Skills Needs (publishing.service.gov.uk)
[36] The Economic Case for Flexible Learning - UALL

Impact on the Economy

The impact on the economy is likely to be positive.

Modular study will make it simpler to study flexibly enabling more people to train, retrain and upskill. With the initial focus on levels 4 and 5, the supply of people with higher technical qualifications is likely to increase, meaning that employers will be more able to fill any skills shortages that they may have. More generally, the workforce will become more productive and flexible leading to a more resilient and responsive labour market, with positive impacts on employment and economic growth.

Impact on the Exchequer

It is likely that more people will want to engage with modular learning, and in turn take fee and maintenance loans and targeted grants to cover the expected cost of study. This would increase the upfront costs to the Exchequer in the form of additional total student support outlay. However, this could be partly mitigated by the decrease in loan outlay due to learners switching from full-time 3-year degrees towards (cheaper) modular study.

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if people taking up new learning opportunities go onto achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer. The returns to the Exchequer could be increased by taking a phased approach to funding modular study and initially targeting higher technical qualifications with good returns.

Measure 4: Supporting quality.

The government will:

- Unify the existing regulatory systems to adopt a single regulatory approach for providers from 2025. This will see the Office for Students (OfS) broadening their existing scope to regulate providers currently offering ALL courses under a new initial third registration category based on existing criteria, moving to ongoing conditions from 2027. This is aimed to ensure consistent oversight and regulation of providers with a simplified regulatory system whilst improving efficiency, and minimising overlap.
- We have asked the OfS to introduce a third registration category to suit the needs of providers who are not currently on the OfS register and have typically offered ALL provision, the details of which OfS will consult on shortly. We will continue to analyse the impacts as the policy develops.

Impact on learners

Learners at providers offering ALL provision that choose to register with the OfS will benefit from the same level of protection as students studying at other higher and further education providers on the OfS register.

Impact on providers

It is expected that providers currently offering ALLs that choose to register with the OfS will incur one-off and recurring familiarisation and compliance costs associated with the relevant initial and ongoing conditions for the new registration category[37].

The additional burdens placed on these providers will be minimised by ensuring that regulators work collaboratively and share existing evidence and information to significantly reduce requests upon providers for 2025 registration.

New ALL providers choosing to join the OfS register will be supported through a two-year transition period between AY2025-2027 to allow sufficient time for providers to prepare for any changes before any ongoing conditions apply from 2027.

It is possible that some ALL providers may choose not to enter the OfS regulated part of the HE sector or even exit the sector entirely. The department and the OfS will therefore be taking steps to mitigate this risk by engaging and consulting the sector fully before deciding on conditions and other requirements. This will enable both Government and the OfS to further understand the potential impacts of any decisions relating to costs.

There are also potential benefits for providers arising from a reduction in duplicative data collection and regulatory requirements across regulators and a simplified regulatory system which would reduce administrative burden for these providers.

Impact on the Economy

This may have a positive impact on the economy if the interests of learners at providers choosing to register in this third OfS category are better protected, resulting them in achieving better employment and earning outcomes.

Impact on the Exchequer

This may have a positive impact on the Exchequer if learners at providers choosing to register in this third OfS category go on to repay more of their loans because their employment and earning outcomes have improved as a result.

Measure 5: Maintenance and targeted grants

The government will:

- Provide access to loans for living costs and targeted grants for all designated courses and modules. As per the current system, distance learning courses will continue to be out of scope for maintenance support, but the government's intention is that the existing exemptions will roll over.
- Continue to use information that providers and learners already provide to determine the maintenance calculation for courses and modules.

[37] More information and analysis on the potential costs of complying with the OfS regulatory framework can be found at Securing student success: Regulatory framework for higher education in England - impact assessment (ioe.ac.uk)

Impact on learners

The impact on learners is likely to be positive.

Measures to provide loan and targeted grant funding for modules will help lower the financial barriers to study that learners may encounter, making flexible learning more affordable. Learner groups that are debt averse are more likely to benefit because they have work, family or other financial commitments which mean they are more likely to be deterred from learning if they deem the cost too high, even if the learning would be beneficial and in their best interests[38].

Learners who are more likely to be debt averse and therefore likely to be benefit from measures that improve the affordability of flexible learning include female learners, older learners[39], learners with a declared disability (who may face higher costs of study because of the additional support they need), learners from a Black, Asian or Ethnic minority group and learners from lower socio-economic backgrounds[40].

Accordingly, by removing the financial barriers, to access, this is likely to lead to increased demand for these types of courses. New learners enrolling in courses because of this reform are likely to achieve better employment and earning prospects as the training, retraining, or upskilling they receive makes them more productive and employable in the labour market.

Furthermore, by making studying more affordable to those who currently could not afford the cost of living, and to people with additional costs (such as those associated with caring responsibilities, or disabilities), the LLE is likely improve the parity of opportunities, which may reduce inequalities.

Impact on providers

The impact on providers is likely to be positive.

Providers are likely to benefit from increased demand for part-time courses, modules and current ALL funded courses that will be designated under the LLE. This would lead to increased fee income but is highly dependent on the behavioural response from learners.

Providers may also face some indirect costs to hire new staff to support those learners who may need additional support or adapt their facilities to host more learners with disabilities. The benefits from increased demand are however likely to outweigh these costs.

Impact on the Economy

The impact on the economy is likely to be positive.

More people are likely to train, retrain and upskill. As such, it is likely that the workforce will become more productive and flexible leading to a more resilient and responsive labour market, with positive impacts on employment and economic growth.

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[38] There is an extensive literature on debt aversion. A more detailed explanation of debt aversion and list of references [Higher education student finance 2022 to 2023 - equality analysis (publishing.service.gov.uk)]

[39] UCPD, LLE Mature Learners Research Pack, May 2022

[40] Pollard, [DfE Research Report: Impact of the student finance system on participation, experience and outcomes of disadvantaged young people], May 2019

This maintenance and targeted grant offer will constitute a change mainly for part-time level 4 and 5, and modular study. In that regard, it is likely to increase the number of people with higher technical skills in the labour market, alleviating skills shortages in critical sectors of the economy.

As mature learners are more debt averse - and the fact we see more demand for flexible learning and levels 4 to 5 (e.g. part-time) - the availability of grant products on a more flexible basis could represent a particularly strong incentive for mature non-graduates to enter the system. This would see greater numbers achieve higher qualifications and therefore increase the count of skilled workers within the labour market.

Impact on the Exchequer

It is likely that more learners will want to engage with modular learning, and in turn take fee and maintenance loans and targeted grants to cover the expected cost of study. This would increase the upfront costs to the Exchequer in the form of additional total student support outlay.

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if people taking up new learning opportunities go onto achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer.

Measure 6: Fee Limits

The government is introducing legislation through the Lifelong Learning (Higher Education Fee Limits) Bill for new powers to set fee limits on the basis of credit. The ability to alternatively set fee limits on a per-year basis will be retained.

The impact assessment for this measure has already been published separately in support of the Lifelong Learning (Higher Education Fee Limits) Bill and be found at: Higher education (fee limits) bill: policy impact assessment (parliament.uk). We are including it again here for completeness as it forms part of the overall package of LLE measures.

Impact on learners

The impact on learners is likely to be positive.

The fees for short courses and modules will be capped at a level which is fair and proportionate compared to the cost of studying a multi-year course.

The proportionate cost of study for some short courses and modules is likely to make higher education study more accessible than it would otherwise be for those groups of people who are unable to study full-time or longer-term because of work, family or personal commitments. Since they are, in the main, likely to be mature learners who are more sensitive to the cost of study and therefore debt averse, having appropriate fee limits for short courses and modules is likely to encourage greater take-up of these types of study among this demographic.

New learners enrolling on short courses and modules can expect to achieve better employment and earning prospects than those who do not undertake learning, as the training, retraining or upskilling they receive makes them more productive in the workplace.

Impact on providers

The overall impact is likely to be ambiguous because of various opposing effects.

The introduction of fee limits for short courses and modules could increase tuition fee revenue if fee limits combined with the availability of a tuition loan bring about increased learner demand. In 2020, two thirds of prospective learners surveyed said that if the government introduced loans to study individual modules, they would be more likely to undertake university study. The LLE offers opportunities for providers to target this demographic of learners who are open to more flexible study options. These opportunities could result in increased revenue for providers who create provision that successfully targets and expands into this market.

However, as set out in the LLE impact assessment published in February 2022, there is also the possibility that some providers could receive less tuition fee income per learner if some types of learners that are currently studying longer courses instead choose to study in a modular fashion, rather than making a larger financial commitment towards a full course. This could result in providers having less financial certainty if they have relatively fewer learners committing to undertake courses over multiple years.

The overall impact on provider income will depend on the behavioural response from learners and providers themselves, and the design of the broader LLE loan offer. To gain a better understanding of the potential behavioural response of providers and learners, the DfE and OfS is carrying out a HE Short Course Trial which will test demand for short course learning and provide us with new evidence and insights into how providers can adapt their provision and stimulate demand for flexible learning.

The shift to a credit-based fee limits system will mean that providers will incur time and staff costs familiarising themselves with the new system. As some aspects of the broader LLE policy are still in development, it is not yet possible to accurately estimate these familiarisation costs. These are explored and quantified in the section below on the direct costs to business.

However, the new fee limits system has been designed to align as far as possible with the current one to minimise any changes in fee limit amounts for full courses, meaning there should be minimal to no change in fee limit amounts for currently fee-capped courses unless the rates themselves are changed.

If there is a significant increase in learners taking up modules and a decrease in learners enrolling on full degree courses, providers could see an increase in the administrative costs associated with onboarding new learners. These costs however should be considered voluntary as there is no regulatory requirement placed on providers to offer greater provision of short courses and modules.

Enrolling a higher quantity of learners on a wider range of short courses and modules could also increase administrative burdens on providers (such as course registration and provision of resources), when compared to enrolling a smaller quantity of learners on longer periods of study. These costs however should be considered voluntary as there is no regulatory requirement placed on providers to offer greater provision of short and modular courses.

Impact on the Economy

The impact on the economy is likely to be positive but will depend on the behavioural response of learners and providers.

If the introduction of a new fee limits system leads to increased demand and take-up of short courses and modules, more people are expected to train, retrain and upskill using modular study. In addition, modular study makes it simpler to study flexibly. As such, it is likely that the workforce will become more productive and flexible. We can expect that this will lead to a more resilient and productive labour market, with positive impacts on employment, innovation and growth.

Impact on the Exchequer

The overall impact on the Exchequer is unclear and will depend on the behavioural response of learners and providers and the broader LLE policy design.

If the introduction of a new fee limits system leads to increased demand and take-up of short courses and modules, total upfront tuition fee and maintenance outlay could increase. This is however largely dependent on behavioural impacts.

Measure 7: Credit Transfer

- The government will not impose credit transfer arrangements, but instead will seek to facilitate credit transfer through other methods including through introducing the requirement for providers to provide a standardised transcript on the completion of modules, and through IAG and Personal Account functionalities.

Impact on learners

The overall impact on learners is likely to be positive, although they may be limited as credit transfer arrangements will not be imposed.

The introduction of these measures should make it easier and less costly for the learner to accumulate and transfer credits in a way which meets their particular learning needs. Learners will be able to benefit from greater choice and flexibility in terms of the range of possible short courses and modules which they can access both across providers and geographically, enabling them to make better decisions about which ones best suit them. As well as leading to higher retention and completion rates, it will also mean learners are more empowered to complete their own bespoke qualification which they need to improve their career prospects and life chances.

These measures may also make flexible higher-level learning more attractive and accessible with some learners now choosing to take up short-courses and modules, who previously may have been discouraged from doing so because of the costs and barriers of transferring and accumulating credits is now lower[41].

[41] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/595633/Credit_transfer_in_Higher_Education.pdf

Impact on providers

The impact on providers is likely to be mixed.

Providers are likely to face adaptation and familiarisation costs as they introduce standardised transcripts. They are also likely to experience increased staffing costs as they prioritise resource or hire staff to work on the standardised transcripts. If credit transfer becomes much more common, there is also the possibility that some providers could receive less tuition fee income per learner if some types of learners that are currently studying longer courses instead choose to study in a modular fashion, rather than making a larger financial commitment towards a full course. This could result in providers having less financial certainty if they have relatively fewer learners committing to undertake courses over multiple years.

However, providers also stand to benefit from the removal of barriers to credit transfer. Modular transcripts will make it easier for providers to assess prior learning in order to make informed decisions about when a learner has met entry requirements. This will reduce administrative burden on providers that surround this process and make it easier to ensure learners stand a high chance of success on courses they're recruited onto. The features within the Personal Account will also benefit providers who choose to offer credit transfer options, since learners will be able to better locate courses with these features. This could lead to an increase in learners at providers who have transparent and accessible credit transfer policies.

Impact on the Economy

The impact on the economy is uncertain and will depend on the behavioural change from learners, providers, and employers.

If learners, providers, and employers positively engage with credit transfer, it is likely to increase flexible learning, and the outcomes of modular study. This could have positive impacts on the economy and employers in the form of reduced unemployment and reduced skills shortages. Overall, this may also lead to a more resilient, productive and responsive labour market, with positive impacts on employment and economic growth. However, the degree of impact will depend on the behaviours of learners, providers, and employers.

Impact on the Exchequer

It is likely that more learners will want to engage with flexible learning, and in turn take fee and maintenance loans and targeted grants to cover the expected cost of study. This would increase the upfront costs to the Exchequer in the form of additional total student support outlay.

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if people taking up new learning opportunities go onto achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer.

Measure 8: Repayment and write-offs

The government will:

- Ensure that the repayment terms and conditions for LLE-funded courses and modules taken outside of a full course will be repaid under Plan 5 terms and conditions. Loans taken out prior to the LLE will be repaid under the terms and conditions they were taken out under.
- Ensure that cancellation of loans for modules will be treated in the same way as loans for full courses and qualifications.

Changes from the current repayment system are likely to be minimal. As such, impacts on learners, providers, the economy, and the Exchequer are likely to be very limited.

An assessment of the impacts on learners and the Exchequer of introducing Plan 5 terms and conditions can be found at: [Higher education policy statement & reform consultation equality analysis (publishing.service.gov.uk)]

Measure 9: Personal Account

- The government will provide a Personal Account to support learners in their application for loan funding, to help them understand how they are spending their entitlement and to inform their learning choice.

Impact on learners

The impact on learners is likely to be positive.

The Personal Account is likely to simplify the learners' application for loan funding. This is likely to reduce the time needed to understand what is available to them, and to apply for their loan.

The Personal Account will also enable learners to make more informed decisions about their learning needs and how to best spend their entitlement by giving them access to clear and more transparent Information, Advice and Guidance (IAG)[42] about the range of options and pathways available and how much of their loan entitlement balance remains. By making better decisions about their learning needs, they are more likely, in turn, to achieve better labour market outcomes in the form of earnings and employment prospects.

Impact on providers

The impact on providers is likely to be positive.

By informing learners' choices, the Personal Account is likely to make providers' provision more visible to learners. As such, the Personal Account is likely to both promote courses with outcomes, and also help learners find courses in the subject they want and for which they are suited. In turn, learner participation is likely to increase, and providers are likely to be better rewarded for providing high-quality courses that lead to good outcomes.

[42] Fulfilling-its-potential-April-2022.pdf (smf.co.uk) Attitudes towards the student finance system - GOV.UK (www.gov.uk)

Impact on the Economy

The impact on the economy is likely to be positive.

Learners are likely to make better study choices. This may lead to an increase in the number of learners studying subjects where there are skills gaps in the labour market. This is likely to have a positive impact on skills shortages, and on employment overall.

Impact on the Exchequer

We can expect the Personal Account to increase study participation as a result of learners having better information about the benefits of learning and the opportunities available to them. This would increase the costs to the Exchequer in the form of additional total student support outlay.

Over time, however, we would expect the Exchequer to recoup some of this additional cost, especially if people taking up new learning opportunities go onto achieve better employment and earning outcomes and prospects which result in increased income revenues to the Exchequer.

Alternative Student Finance

The government understands the concerns held by some Muslim learners and their families about student finance. It wants all learners with the potential to benefit from a higher education to be able to do so.

The government remains committed to delivering an Alternative Student Finance (ASF) product, but this will not be delivered at the LLE launch in 2025. The Government is procuring advice from experts in Islamic finance and will be working with the Student Loans Company (SLC) to better understand timescales for delivery of an ASF product under the LLE. Our aim is that learners will be able to access ASF as soon as possible after 2025. An update on ASF will be provided by late 2023.

The government will continue to undertake significant engagement ahead of implementation of the LLE to ensure that solutions are evidence-based and directly address the barriers faced by a diverse cohort of learners.

An analysis of impacts of introducing ASF was included in the impact assessment published alongside the Higher Education and Research Bill in 2017 which can be found at: HE Bill Impact Assessment summary and economic narrative (publishing.service.gov.uk)

Direct Costs and Benefits to Business

It is expected that the costs and benefits to business associated with the LLE will be to providers and employers.

As outlined in the above section, the primary costs to providers are likely to be in the form of potential reductions in tuition fee income due to learners switching to short courses and modules at either the same or different provider. Providers will also likely incur costs associated with changes to course delivery such as the development of new short courses and modular programmes. Some providers may benefit financially if a significant number of new learners are encouraged to take up level 4 to 6 provision or if modularisation reduces teaching costs.

However, these potential costs and benefits are considered indirect given that they will incur as a result of the behavioural response of providers and learners to the introduction of LLE rather than necessarily because of compliance with the changes in legislation. Providers and employers will, however, still likely face some direct costs due to the LLE such as familiarisation costs.

The analysis below provides **highly illustrative** estimates of what these costs could be based on simplistic modelling assumptions (e.g. we do not take into account the possibility that costs will vary across provider type and size). This is because costs will vary significantly from one provider to another due to size, organisational structure, proportion and amount of provision impacted by the LLE). We also do not consider all the potential implementation costs to providers e.g. (IT and marketing). As LLE policy continues to develop, we will refine and improve these estimates.

One-off costs to providers

General familiarisation of LLE as a whole

It is assumed that providers will incur staff costs familiarising themselves with the changes brought about by the implementation of the LLE. This will notably include costs related to familiarisation with the overarching principles and objectives of the LLE. At this point, estimating these costs is likely to be highly speculative. Therefore, we have decided to not quantify the general familiarisation costs to providers.

Detailed familiarisation of individual LLE measures

It is assumed that providers will face some more detailed familiarisation costs related to specific elements of the LLE. In particular, providers are likely to face additional familiarisation costs related to the fee limits and credit transfer measures.

For the fee limits, modules and credit transfer reforms, providers are likely to face staffing/administrative costs as they (non-exhaustive list):

- Review and set the cost of their individual modules, making sure these conform with the new regulations;
- Redesign their courses to enable suitable stacking under credit transfer;
- Replace their internal student management systems to allow for admitting students to a single module, or facilitate multiple start dates throughout the year;

- Set up their student management systems to provide standardised transcripts on completion of a module.

Assuming, **for illustrative purposes,** it would take on average two days for five manager, director or senior-level officials[43] to familiarise themselves with the new fee limits and credit transfer regulations as described above, regardless of the provider's type and size, then this would imply an estimated cost of around £515 per provider. In total, assuming all and only providers on the OfS register[44] would be impacted, this would suggest familiarisation costs of around £211,000 across the sector.

Number of OfS registered providers	Time required (Hours)	Cost per hour (£)	Total cost (£)
410	16	£32.2	211,000

For simplicity, and to avoid speculative assumptions, we assume no ongoing costs to providers, recognising this may serve to underestimate the total costs to providers.

One-off costs to employers

The impact assessment published alongside the LLE consultation[45] (February 2022) sets out estimates of the potential LLE familiarisation and implementation costs to employers. This analysis has been updated below with the latest wage cost estimates.

Previous HMRC analysis[46] has estimated the burden on employers of the one-off familiarisation – general and detailed – and the ongoing tasks associated with a significant change to the student finance system.

Following the same methodological approach and modelling assumptions as previously mentioned, it is assumed that five minutes of general familiarisation will be required by all businesses operating a PAYE loans system, with detailed familiarisation (15 minutes) only required by those businesses employing individuals with a new type of loan facilitated by the introduction of the LLE (for example, when employees take a loan for modular study, which was not available previously).

General familiarisation

In 2015, HMRC estimated that general familiarisation would be required for 1.4 million businesses in the first year. This compares with 2.45 million VAT and/or PAYE businesses in the UK in the

[43] The total labour cost of a manager, director or senior official in 2025/26 is estimated to be £32.20 per hour. This uplifts the average gross hourly wage of a professional occupations (£25.2 in July-Sept 2022) by the ratio of non-wage to wage labour costs in the private sector (0.165) and adjusts for inflation using the GDP deflator. Workings based on ONS earnings data and GDP deflators published by HM Treasury EARN06: Gross weekly earnings by occupation - Office for National Statistics (ons.gov.uk) Index of Labour Costs per Hour, non-seasonally adjusted - Office for National Statistics (ons.gov.uk); GDP deflators at market prices, and money GDP December 2022 (Quarterly National Accounts) - GOV.UK (www.gov.uk)

[44] Guide to the OfS Register - Office for Students

[45] Lifelong loan entitlement - impact assessment (publishing.service.gov.uk)

[46] ukia_20160194_en.pdf (legislation.gov.uk)

same year[47]. Assuming the same proportion[48] using March 2022 data on the total number of businesses[49], general familiarisation would be required for 1.58 million businesses. VAT and/or PAYE businesses have grown by around 1% on average in the three years prior to the Covid pandemic. Assuming this growth rate continues between 2021/22 until 2025/26, it is estimated that around 1.63 million businesses could be required to undertake general familiarisation when the LLE is introduced in 2025 with around an additional 30,000 new businesses entering the market and growing annually (assuming again the estimated 1% growth rate in new businesses continues).

Assuming that general familiarisation will be undertaken by a manager, director or senior-level official[50], the cost is estimated to be around £4.37m[51] in the first year of the policy and around £80,000[52] annually (increasing over time with business number growth).

Detailed familiarisation

It is assumed that 15 minutes of detailed familiarisation will be required by all businesses employing at least one individual paying back a new loan facilitated by the introduction of the LLE. However, unlike for general familiarisation, this will depend significantly on the number of individuals that take out new loans not currently available as part of the student finance system, which is highly dependent on behavioural responses from learners and providers.

Assuming that detailed familiarisation will be undertaken by a manager, director or senior-level official, the estimated cost could be £8.05[53] per required employer. The table overleaf illustrates the potential total cost of detailed familiarisation depending on the number of employers affected per year, where it has been assumed that the LLE will result in an increase in the number of initial entrants to higher education per year[54].

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[47] UK business; activity, size and location - Office for National Statistics (ons.gov.uk)

[48] Calculation: 1.40m / 2.45m = 0.57

[49] There were 2.768m VAT and/or PAYE businesses in the UK in March 2022. UK business; activity, size and location - Office for National Statistics (ons.gov.uk)

[50] The total labour cost of a manager, director or senior official in 2025/26 is £32.20 per hour. This uplifts the average gross hourly wage of a manager, director or senior official in (£25.20) by the ratio of non-wage to wage labour costs in the private sector (0.165) and adjusts for inflation using the GDP deflator. EARN06: Gross weekly earnings by occupation - Office for National Statistics (ons.gov.uk); Index of Labour Costs per Hour, non-seasonally adjusted - Office for National Statistics (ons.gov.uk); GDP deflators at market prices, and money GDP December 2022 (Quarterly National Accounts) - GOV.UK (www.gov.uk)

[51] Equal to 1.65m businesses multiplied by 5 minutes at £32.20 per hour.

[52] Equal to 30k businesses multiplied by 5 minutes at £32.20 per hour.

[53] Equal to 15 minutes at £32.20 per hour.

[54] This also assumes that each new learner will obtain employment with a different employer. Where some businesses may employ multiple additional learners, this will overestimate the cost of detailed familiarisation.

Assumed increase in initial entrants to HE due to the LLE[55]	No. of businesses dealing with new loans for the first time each year	Cost per hour (£)	Required time per employer. (Hours)	Total cost (£)
1%	4,000	32.2	0.25	32,000
5%	19,000	32.2	0.25	153,000
10%	38,000	32.2	0.25	306,000

Ongoing costs to employers

It is assumed that employers will be required to undertake six ongoing tasks per new employee making loan repayments due to this policy[56]. These tasks are assumed to be the same as those required for the current student finance system and include determining whether a new employee needs to repay a loan; recording details in payroll software; deducting payments from salary; reporting deductions to HMRC; acting on a stop notice; and end of year requirements including reporting payments on P60 and making final adjustments to Full Payments Submission (FPS). The assumed frequency and time associated with each task is outlined the below table:

Task	Frequency (per year)	Time (minutes)
Determining whether a new employee needs to repay a loan	1	0.5
Recording details in payroll software	1	2
Deducting payments from salary	12	1
Reporting deduction to HMRC	1	2
Acting on a stop notice	1	2
End of year requirements: reporting payments on P60 and making final adjustments to FPS	1	3
Total		**21.5**

It is estimated that across the identified tasks an employer will need to spend 21.5 minutes per new employee required to make repayments per year. This is relatively low due to the large majority of businesses already being familiar with the current student finance and loan repayment systems and the associated tasks. It is assumed that these tasks will be undertaken by a wages

[55] There were 382,740 initial entrants to HE (aged 60 and under) in 2018/19. This assumes each new entrant will take out a loan, which is likely to overestimate the cost of detailed familiarisation. Participation measures in higher education, Academic Year 2018/19 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

[56] ukia_20160194_en.pdf (legislation.gov.uk)

clerk at a cost of £17.57 per hour[57], representing an overall ongoing cost of £6.29 per required employee per year[58]. However, as with detailed familiarisation costs, ongoing costs will depend on the number of individuals that take out new loans as a result of the LLE.

The below table illustrates the potential ongoing cost per year depending on the take-up of new loans:

No. of new learners per year due to the LLE[59]	**Cost per Hour (£)**	**Required time per employer (Hours)**	**Total cost (£)**
4,000	17.57	0.36	25,000
19,000	17.57	0.36	120,000
38,000	17.57	0.36	240,000

Total direct cost to business

In a hypothetical central scenario where the number of new HE entrants is assumed to increase by 19,000 (5%) per year due to the LLE, it is estimated that the total annual direct cost to business will be £4.86m in the first year and £0.2m in each year thereafter.

Cost type	**Annual cost in first year**	**Annual cost in year two onwards**
One-off	£ 4,737,000	£ 80,000
General familiarisation	£ 4,373,000	£ 80,000
Detailed familiarisation	£ 364,000	£ -
Ongoing	£ 120,000	£ 120,000
Total	£ 4,857,000	£ 201,000

However, it should be noted that this is an illustrative example and not a robust estimate given the uncertainty around how the LLE will affect the number of new entrants each year.

[57] This uplifts the average gross hourly wage of an administrative and secretarial role in 2020/21 (£13.75) by the ratio of non-wage to wage labour costs in the private sector (0.165) and adjusts for inflation using the GDP deflator. EARN06: Gross weekly earnings by occupation - Office for National Statistics (ons.gov.uk) Index of Labour Costs per Hour, non-seasonally adjusted - Office for National Statistics (ons.gov.uk); GDP deflators at market prices, and money GDP December 2022 (Quarterly National Accounts) - GOV.UK (www.gov.uk)

[58] This multiplies the cost per hour by 35.8% (the proportion represented by 21.5 minutes).

[59] Consistent with the assumptions for detailed familiarisation, these figures represent a 1%, 5% and 10% increase in the number of initial entrants to HE per year as a result of the LLE.

Sensitivity analysis

Sensitivity around the number of businesses affected.

The above analysis assumes a hypothetical central scenario of 19,000 new learners per year due to the LLE. The following table shows how the total cost to business varies by uptake:

No. of new learners per year due to the LLE	Annual cost in first year	Annual cost in year two onwards
4,000 (a 1% increase in initial entrants)	£ 4,641,000	£ 106,000
19,000 (a 5% increase in initial entrants)	£ 4,857,000	£ 201,000
38,000 (a 10% increase in initial entrants)	£ 5,130,000	£ 321,000

Sensitivity around the number of businesses required to undertake general familiarisation.

The above analysis assumes a central estimate of 1.63m businesses required to undertake general familiarisation in the first year and 30k in year two onwards due to the LLE. The following table shows how the total cost to businesses varies by in the event that these figures are higher or lower than estimated:

Businesses required to undertake general familiarisation (first year)	Businesses required to undertake general familiarisation (year two onwards)	Annual cost in first year	Annual cost in year two onwards
1,467,000	27,000	£ 4,371,000	£ 181,000
1,630,000	30,000	£ 4,857,000	£ 201,000
1,793,000	33,000	£ 5,343,000	£ 221,000
1,956,000	36,000	£ 5,828,000	£ 241,000

In the event that general familiarisation is required for 20% more businesses than has been estimated, the total cost to employers would increase by around £0.9m in the first year and around £0.08m in each thereafter.

Impact on Small and Micro Businesses

The introduction of the LLE is expected to have impacts across HE and FE providers. Whilst it is possible that any tuition fee income loss or administrative costs associated with the policy could have a disproportionate effect on small and micro providers, these represent a relatively small proportion of the HE sector as a whole.

- In 2019/20, of the 165 English providers for which Higher Education Statistics Authority (HESA) data was available: 110 (67%) were large (250 or more employees);
- 32 (19%) were medium (50 or more employees); and
- 23 (14%) were small (fewer than 50 employees).

A much larger number of FE providers (530 in total[60]) have fewer than 50 employees and are therefore considered small businesses. However, less than 7% of HE enrolments in 19/20 were in FE providers[61] [62], with these usually offering a mix of FE and HE provision. We therefore expect the policy to have minimal impact on small FE providers.

Equalities Impacts

The government is publishing an equality analysis alongside the government response which can be found here**.**

Monitoring and Evaluation

The DfE is committed to evidence-based policy making and will evaluate and monitor the impact of these reforms against their stated aims and the expectations set out within this impact assessment and future impact assessments.

DfE will work closely with the Student Loans Company, monitoring metrics about the kind and rate of uptake for new student finance products. DfE will also work closely with sector representatives and regulatory bodies to receive feedback on the shifts in provision. This will be through a combination of:

a. Analysing data from the new OfS register and the data collected by HESA to understand the effect of these reforms in increasing competition and diversity within the sector.

b. Using the student record and Universities and Colleges Admissions Service (UCAS) application data to evaluate the impact of the reforms, including the transparency duty placed on providers, to widen participation in Higher Education.

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[60] See 'small and micro business assessment' section in Skills and Post-16 Education Act 2022 impact assessment (publishing.service.gov.uk)

[61] Who's studying in HE? | HESA

[62] 59 % of part-time students are aged 30 and over compared with 20% of full-time students (UK domiciled HE student enrolments in 2019/20). Who's studying in HE? | HESA

c. Using survey data and qualitative research in combination with administrative datasets, to understand any changes to learner outcomes and perceptions of value for money; and employer views on the value of different qualifications.

d. Continuing use of the Teaching Excellence Framework (TEF) award to monitor continuation in delivery of quality educational provision.

e. Continuing use of the OfS's annual performance and framework report, aiming to ensure the sector delivers on the needs of students.

f. Keeping in line with the Better Regulation Framework, undertaking a Post-Implementation Review.

Department for Education

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