

Removing home fee status and access to Student Finance England for EU, other EEA, and Swiss nationals

Lead department	Department for Education
Summary of proposal	To remove eligibility for home fee status and access to financial support and advanced learner loans from Student Finance England for EU, other EEA, and Swiss nationals (except Irish citizens) not covered by the Withdrawal Agreements, and also for children of Turkish workers arriving after the end of the transition period for EU exit.
Submission type	Impact assessment (IA) – 2/12/2020
Legislation type	Secondary legislation
Implementation date	January 2021
Policy stage	Final
RPC reference	RPC-DfE-5036(1)
Opinion type	Formal
Date of issue	22 December 2020

RPC opinion

Rating ¹	RPC opinion
Fit for purpose	Overall, the RPC considers the IA to be fit for purpose for the final stage of policymaking. However, the IA should include a detailed monitoring and evaluation plan and a more thorough analysis of the policy's wider impacts.

Business impact target assessment

	Department assessment	RPC validated
Classification	Not provided	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	-£140 million	-£140 million <i>(2019 prices, 2020 pv)</i>
Business impact target (BIT) score (if qualifying)	-£690.7 million	-£700 million
Business net present value	-£800 million	-£800 million
Overall net present value (NPV)	-£2,600 million	-£2,600 million

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). The RPC rating is fit for purpose or not fit for purpose.

RPC summary

Category	Quality	RPC comments
EANDCB	Green	We believe the EANDCB analysis is fit for purpose. We agree that the loss of tuition fee income associated with the reduction in EU student numbers from removing access to financial support and student loans should not be included in the EANDCB, because financial assistance is excluded from the definition of a regulatory provision.
Small and micro business assessment (SaMBA)	Green	We consider the SaMBA to be fit for purpose. The Department has identified only one SMB further education institution in scope, which is unlikely to be affected by the measure.
Rationale and options	Satisfactory	The IA presents a clear rationale for intervention. It could be improved by describing any other options the Department considered and explaining why they were dismissed.
Cost-benefit analysis	Satisfactory	The Department acknowledges the significant uncertainties affecting the cost-benefit analysis and undertakes a sensitivity analysis on low and high scenarios. The IA would be improved by including a breakeven analysis, setting out a scenario which would result in the benefits of the policy equalling the costs (that is, demonstrating the scale of benefits needed to achieve a neutral NSVP).
Wider impacts	Weak	The IA describes some of the policy's wider impacts. However, it would benefit from identifying and analysing other impacts on society, e.g., the impacts on diversity, the impact of reduced student migration on the environment.
Monitoring and evaluation plan	Weak	Although the IA states that the Department does not intend to review the policy, it does plan to monitor the number of students, the impact on tuition fee income and the impacts on the wider economy. The IA does not provide details on what evidence will be collected, or what analysis will be undertaken. Also, it does not indicate actions the Department may undertake based on that evidence and analysis. The IA should clarify the purposes of collecting that evidence and provide a detailed monitoring and evaluation plan.

EANDCB

The RPC has rated the EANDCB as **green**.

Direct and indirect impacts on business

The IA estimates that higher education institutions (HEIs) and further education colleges (FECs) will experience an aggregate cost of £800 million plus familiarisation costs as a result of this policy, arising from removing the home fee cap (£3,100 million direct benefit) and removing EU students' access to student loans (£3,900 million indirect cost). The RPC notes that these costs relate only to EU students, and do not include the number of EEA, Swiss and Turkish students that may be impacted by this measure. The IA states that "*there were 6,820 other EEA- and Switzerland-domiciled at English HE providers in 2018/19*" and that it is not possible to tell how many of these students were eligible for home fee status and student loans. The IA states that this number is likely to be small because EEA and Swiss students are only eligible for student finance and home fee status if they are a (or a family member of a) migrant or frontier worker.

The IA monetises costs to HEIs and FECs, resulting from removing the home fee cap. The EANDCB is estimated to be -£140 million. The benefits are based on an anticipated increase in tuition fee income from institutions being able to charge EU/EEA/Swiss students coming to the UK to study higher international tuition fees. The EANDCB also includes transition costs which are made up of familiarisation costs and what the IA refers to as set-up costs. The RPC believes these costs are actually transition or implementation costs, because they relate to changes to institutions' existing business arrangements.

HEIs and FECs are also expected to lose tuition fee income associated with the reduction in EU/EEA/Swiss student numbers from removing access to student loans. The RPC agrees that the IA has correctly excluded that cost from the EANDCB. Student loans constitute financial assistance, which is excluded from the definition of a regulatory provision under the Better Regulation Framework².

Counterfactual

The IA explains that the baseline projections for first-year post-implementation EU/EEA/Swiss student enrolments are based on trend data from the Higher Education Statistics Agency (HESA) between the academic years 2000/01 and 2017/18. The Home Office also used this baseline projection to appraise the points-based immigration system. It was adopted to avoid the projection being distorted by the events of recent years (e.g., the Covid-19 pandemic). The IA would be improved by including a dedicated section describing the counterfactual.

² As stated in the Better Regulation Framework
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872342/better-regulation-guidance.pdf

Missing impacts

The IA states that the children of Turkish migrant workers who arrive after the transition period for EU exit will also be impacted by this policy but does not identify the impacts on them or the number of individuals that might be impacted. It does not attempt to quantify the costs and benefits relating to changes in Turkish student numbers. If the Department believes it is proportionate not to undertake this analysis, the IA should explain why it believes that to be the case.

SaMBA

The RPC has rated the SaMBA as **green**.

The IA provides evidence that only one HEI is a medium-sized business, and only one FEC is a small business. The Department has provided additional evidence to the RPC demonstrating that the small FEC is unlikely to be affected by this measure as it received no income from EU sources in the last accounting period.

The SaMBA discusses the impact on other small providers, including Alternative Providers (APs), that are not captured by the data sources used. The IA suggests that these providers may not be affected by the policy as it is unclear how many of them have an international focus. The SaMBA includes a commitment to monitoring and evaluating impacts on these SMBs but does not provide any details on how this will be done, other than to say that it “*could involve improving data collection*”.

Generally, the SaMBA should also consider whether it is possible to exempt SMBs and if not, whether it is possible to mitigate the impact of the measure on them. Given the likely small number of SMBs affected the RPC considers the IA’s approach to be proportionate in this case.

The SaMBA could also be improved by including a fuller discussion on the potential impacts on SMBs from reduced living expenditure by EU/EEA/Swiss students.

Rationale and options

The RPC considers the IA’s analysis of rationale and options to be **satisfactory**.

The IA presents a clear rationale for intervention and for the proposed policy option in relation to removing EU, EEA and Swiss nationals’ access to financial support and student loans. However, it does not explain the rationale for removing access for children of Turkish workers arriving after the end of the transition period or analyse the impacts on those students. If the impacts on them are the same as the impacts on EU, EEA and Swiss national students, the IA should state that (or describe any differences).

Aside from the Government’s preferred option, the IA considers only one other option, the “do-nothing” option. The IA would benefit from a discussion of other options which the Department considered and dismissed.

Cost-benefit analysis

The RPC considers the cost-benefit analysis to be **satisfactory**.

Scope

The IA states that the “*analysis focuses on the number of EU students, as there is a lack of data to predict the impact on other EEA and Swiss students*”. The IA should include further detail on how this missing data could affect the outcome of the analysis, and should also make it clear whether or not the children of Turkish migrant workers are included in the student numbers that inform the cost-benefit analysis.

The IA also states that “*In academic year 2018/19 around 112,000 EU students were enrolled at HEIs in England, which is 6% of total student population*” and “*In 2018/19, tuition fees from EU students at English HEIs accounted for £1.2bn of income, which is 3% of total income.*” The IA should explain why this figure is not 6% of HEIs’ total income, if EU/EEA/Swiss/Turkish students are paying the same fees as UK students.

NPV

The most immediate impact of the removal of the home fee cap and access to student loans is a reduction in tuition fee income HEIs and FECs. The significant negative NPV for this policy suggests that society also currently benefits from the public funds used to provide loans for EU students.

Sensitivity analysis

The Department acknowledges the significant uncertainties in the IA’s cost-benefit analysis and undertakes a sensitivity analysis of high and low scenarios. As the more optimistic scenario still returns a negative NPV, the IA would be improved by presenting a break-even figure (analysing a scenario that would result in the benefits of the policy equalling the costs). This analysis would show the percentage of EU/EEA/Swiss students that would still have to come to the UK to study for the NPV to become neutral or positive (or how many additional international students HEIs and FECs would have to attract to replace them).

The RPC commends the Department for considering how HEIs and FECs might respond to the policy by adjusting their recruitment practices to target more international students. The IA’s cost-benefit analysis could feature this anticipated behavioural response more prominently, rather than just including it in the *risks and sensitivities* section.

Presentation of the evidence

The IA could benefit from presenting evidence more clearly. The IA’s narrative is unclear in some areas, such as the evidence presented on student numbers. The IA would be improved by including a section clearly focused on the aggregate number of students affected, broken down by type of institution.

Wider impacts

The RPC considers the assessment of wider impacts to be **weak**.

Home Office Points System

The Home Office has measured the impact of the new student immigration route on EU student volumes and its associated costs and benefits. The Home Office and the Department developed the model underpinning its analysis jointly. For this IA, the Department uses this model to measure the impacts of removing home fee status and access to student finance in England. The impacts published in the Home Office's analysis are UK-wide and not directly comparable with the numbers in this IA, which are for England only.

Wider economy

The IA describes the policy's potential impacts on the wider economy. The labour market could be affected by the reduced number of workers with skills and qualifications in STEM subjects entering the workforce, if fewer EU/EEA/Swiss students remain in the UK after completing their education. The IA notes that transport systems and housing could also be affected by reduced demand if in the number of international students coming to the UK to study decreases. The IA could provide further evidence on the possible transport impacts and would also be improved by estimating the impact on landlords and the availability of housing.

International trade

The IA states that there is little evidence on the impact of student migration on trade but draws on research findings which show a positive relationship between trade and immigration in general.

Environment

The IA notes the policy may result in a reduction in local congestion but could go further to consider the impact of reduced student migration on the environment.

Impact on university student bodies and faculties

The IA could be improved by discussing the impact the measure may have on the diversity of the composition of the student populations at HEIs and FECs, and the consequent impacts that may in turn have on academic activities and university life generally and on wider educational and economic outcomes. It would also benefit from considering whether the measure may have an indirect impact on the ability of HEIs and FECs to attract teaching professionals and postgraduates involved in delivering teaching from other countries.

The IA assumes that HEIs and FECs may not be able to replace all of the EU/EEA/Swiss students who might be deterred by the measure with other international students, hence the anticipated reduction in international tuition income of £800 million. That could in turn result in HEIs and FECs not being able to continue to offer some courses.

Devolved Administrations

The IA could state what approach the Devolved Administrations intend to take and consider whether there are likely to be any impacts if they take a different approach from England.

Monitoring and evaluation plan

The RPC considers the monitoring and evaluation plan to be **weak**.

Although the IA states that the Department does not intend to review the policy, it does plan to monitor the number of students, the impact on tuition fee income and the impacts on the wider economy. The IA does not provide details on how the Department will collect this evidence, what analysis it will undertake and whether it will publish the analysis. Also, it does not indicate what actions it may undertake based on that evidence and analysis. The IA should provide a detailed monitoring and evaluation plan and clarify the purposes of collecting that evidence.

Given the limited data and evidence available for the SaMBA, this section should also detail how more data on SMBs will be collected and how the impact on SMBs will be reviewed.

For further information, please contact regulatoryenquiries@rpc.gov.uk.