Department for Education

Higher education student finance for the 2024 to 2025 academic year

Equality Impact Assessment

January 2024

Introduction

Under the Equality Act 2010, the Department for Education (DfE), as a public authority, is legally obliged to give due regard to equality issues when making policy decisions – the public sector equality duty, also called the general equality duty.

One means of meeting this requirement is to carry out an Equality Analysis which helps us understand the potential impact of new policy proposals and regulations on people from different groups in society and whether some are likely to be affected more than others.

DfE as a public authority, must in the exercise of its functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard to the need to:

- Remove or minimise disadvantages suffered by persons with protected characteristics;
- Take steps to meet the needs of persons who share a relevant protected characteristic; and
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons it disproportionately low.

The general equality duty covers the following protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

To date we are yet to find evidence to suggest that the characteristics of gender reassignment, pregnancy and maternity and sexual orientation have an impact of the likelihood of a student to receive certain student support products beyond the assumption that pregnant females or mothers would be more likely to receive or go on to receive certain targeted grants designed to support those with dependants or childcare. There is also no robust data collected on religion or belief at undergraduate level and so there are limitations in assessing the effect of policy changes for 2024/25 on different religious groups.

As disadvantage in education is still apparent in connection to family income and economic status we will also consider the impact on individuals from lower income groups. We will use the terms protected and disadvantaged groups as well as protected characteristics. Protected groups are a reference to people with protected characteristics, and disadvantaged groups refer to low income groups with low participation rates more widely.

Any queries or comments about this Equality Analysis should be addressed to: Linda Brennan, Department for Education, Great Smith Street, London, SW1P 3BT, linda.brennan@education.gov.uk

Summary

A number of policy proposals considered in this equality analysis concern changes to student finance arrangements for the 2024/25 academic year with maximum loans and grants for living and other costs and postgraduate loans uplifted by 2.5%.

- Increases in grants that act as a contribution towards the cost of living for students starting full-time undergraduate courses before 1 September 2016 by 2.5%;
- Increases in dependants' grants for full-time undergraduate courses by 2.5%;
- Increases in loans for living costs for undergraduate courses by 2.5%;
- Increases in disabled students allowance for full-time and part-time undergraduate and postgraduate courses by 2.5%; and
- Increases in loans for students starting postgraduate master's degree courses and doctoral degree courses in 2024/25 by 2.5%;

Our overall assessment is that these proposed changes will have a negative impact for students with and without protected characteristics. This is because a 15.5% increase would be required to maintain the value of loans and grants for living and other costs in real terms using the 2020/21 academic year as a baseline, as measured by CPI[1], due to the recent spike in inflation. Therefore a 2.5%[2] increase in maximum support for 2024/25 may not restore the erosion in purchasing power since 2020/21 and is unlikely to prevent a further erosion in purchasing power by the start of the 2024/25 academic year.

The Government recognises the additional cost-of-living pressures that have arisen this year and that are impacting students. We have already made £276 million of student premium and mental health funding available for the

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[1] Consumer Prices Index

[2] Forecast RPIX for the first quarter of 2025 set out in table 1.7 of the Supplementary Economy Tables published by the Office for Budget Responsibility as part of their Economic and Fiscal Outlook on 22 November 2023 alongside the Autumn Statement https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/

2023/24 academic year to support successful outcomes for students including disadvantaged students.

We are now making a further £10 million of one-off support available to support student mental health and hardship funding. This funding will complement the help universities are providing through their own bursary, scholarship and hardship support schemes.

Loans for living costs for new full-time students and continuing full-time students starting their courses on or after 1 August 2016

- Maximum loans for living costs for new full-time undergraduate students and eligible continuing full-time undergraduate students starting their courses on or after 1 August 2016 will be increased by 2.5% in 2024/25.

- For students living away from home and studying outside London, the maximum loan for living costs for 2024/25 will be £10,227. The equivalent loan rate for students living away from home and studying in London will be £13,348, for those living in the parental home during their studies, £8,610 and for those studying overseas as part of their UK course, £11,713.

Loans for living costs for new full-time students and continuing full-time students starting their courses on or after 1 August 2016 who are entitled to certain benefits

- Maximum loans for living costs for new full-time undergraduate students and eligible continuing full-time undergraduate students starting their courses on or after 1 August 2016 and who are eligible for benefits will be increased by 2.5% in 2024/25.
- For undergraduate students who are entitled to benefits who are living away from home and studying outside London, the maximum loan for living costs for 2024/25 will be £11,658. The equivalent loan rate for students who qualify for benefits and who are living away from home and studying in London will be £14,557; for those living in the parental

home during their studies, £10,158; and for those studying overseas as part of their UK course, £13,038.

Loans for living costs for new full-time students and continuing full-time students starting their courses on or after 1 August 2016 who are aged 60 or over at the start of their course

- The maximum loan for living costs in 2024/25 for new full-time undergraduate students and eligible continuing full-time undergraduate students starting their courses on or after 1 August 2016 who are aged 60 or over on the first day of the first academic year of their course, will be increased by 2.5% to £4,327.

Maintenance Grants and Special Support Grants for full-time students who started their courses before 1 August 2016

- The maximum maintenance grant and special support grant for eligible continuing full-time undergraduate students who started their courses on or after 1 September 2012 but before 1 August 2016, will be increased by 2.5% in 2024/25 to £4,224.

Loans for living costs for full-time students who started their courses before 1 August 2016

- Maximum loans for living costs for eligible undergraduate students, who started their course on or after 1 September 2012 but before 1 August 2016, will be increased by 2.5% in 2024/25.
- For students who are living away from home and studying outside London, the maximum loan for living costs will be £7,332. The equivalent loan rate for students living away from home and studying in London will be £10,230; for those living in the parental home during their studies, £5,831; and for those studying overseas as part of their UK course, £8,710.

Long Courses Loans

- Maximum long courses (living costs) loans for new and continuing undergraduate students who are attending full-time courses that are longer than 30 weeks and 3 days during the academic year will be increased by 2.5% in 2024/25. The maximum long courses loan will be £110 a week for students who are living away from home and studying outside London. The equivalent loan rate for students living away from home and studying in London will be £141 a week; for those living in the parental home during their studies, £73 a week; and for those studying overseas as part of their UK course, £152 a week.

Dependants' Grants

- Maximum amounts for dependants' grants (adult dependants' grant, childcare grant and parents' learning allowance) will be increased by 2.5% in 2024/25 for all new and continuing full-time undergraduate students.
- The maximum adult dependants' grant (ADG) payable in 2024/25 will be increased to £3,438. The maximum childcare grant (CCG) payable in 2024/25, which covers 85% of actual childcare costs up to a specified limit, will be increased to £193.62 per week for one child and £331.95 per week for two or more children. The maximum parents' learning allowance (PLA) payable in 2024/25 will be increased to £1,963.

Disabled Students' Allowance

- The maximum disabled students' allowance (DSA) will be increased by 2.5% to £26,948 for new and continuing full-time and part-time undergraduate students in 2024/25.

Part-time loans for living costs

- The maximum loan for living costs in 2024/25 for new part-time undergraduate students starting degree level courses on or after 1 August 2018 will be £10,227 for students living away from home and studying outside London. The equivalent loan rate for students living away from home and studying in London will be £13,348; for those living in the parental home during their studies £8,610; and for those studying overseas as part of their UK course, £11,713. The amount of loan a part-time student qualifies for will, in addition to household income, depend on the intensity of study on the course when compared to a full-time course.

Maximum loans for new students starting Postgraduate Courses in 2024/25

- Maximum loans for new students starting postgraduate master's degree courses in 2024/25 will increase by 2.5% to £12,471.
- Maximum loans for new students starting postgraduate doctoral degree courses in 2024/25 will be increased by 2.5% to £29,390.

Disabled Students' Allowance for Postgraduate Students

- The maximum disabled students' allowance will be increased by 2.5% to £26,948 for new and continuing full-time and part-time postgraduate students in 2024/25.

The rationale for student finance

Higher education represents a significant investment in both terms of time and money. While the costs of study, in the form of tuition fees and living expenses, are incurred up front, the benefits, in the form of higher lifetime earnings and improved health and well-being, do not materialise until later after the student has graduated.

Government intervention is needed because a private sector led credit market for student finance would not work: students would not be able to borrow, partially or fully, the money they need to cover the costs they incur during study and repay the lender once they have graduated and started earning an income.

As a result, the supply of higher education student finance which private lenders made available would be less than student demand. This in large part because students are unlikely to have collateral which they can offer lenders as security (human capital not being a physical asset) or sufficient liquidity to service loan repayments. Moreover, lenders do not have perfect information about the credit worthiness of students and their ability to repay the loan (which will be based on the student's employment and earnings outcomes after they graduate).[3]

In response, private capital markets lenders may seek to limit their exposure to the risk of non-repayment by student borrowers by either rationing the amount of credit they offer to students or charge even higher risk premia to cover the higher risk of lending (exacerbating even further the adverse selection problem).

[3] An overview of the different reasons for government intervention in the context of higher education student finance from the IfS can be found here

As a result, finance would represent a barrier to participation. Only those students who would be able to fund the upfront costs of their studies through private means (e.g. personal savings or income or commercial borrowing) would be able to participate in higher education.

The case for annually uprating student support

Sustained increases in prices and the cost of living reduce the real value of money, in terms of the quantity of goods and services that a given amount of money will buy. The most widely used measure of inflation, the Consumer Price Index (CPI), was 4.0% in the twelve months to December 2023, although there was significant variation across the different categories of expenditure (see Table 1 below).

The student support package – the amount of support a student can receive from the Government towards living costs – is determined annually. For 2024/25, the package will be increased by the rate of forecast inflation of 2.5%, the forecast RPIX[4] [5] figure for the first quarter of the 2025 calendar year which was published by the OBR as part of its macro-economic forecasts in November 2023.

Historically, increasing the maximum level of student support available across these different streams of funding in line with forecast inflation aims to ensure that students do not suffer a real reduction in their income.

However, due to the recent spike in inflation, the latest OBR figures for RPIX published in November 2023, show an outturn figure for the first quarter of 2023 of 12.7% (compared to the 2.3% forecast figure used for increases to support in 2022/23) and a 5.2% forecast figure for the first quarter of 2024 (compared to the 2.8% forecast figure used for increasing support in 2023/24). This means that increases in maximum loans and grants for 2022/23 and 2023/24 have not maintained their value in real terms.

A 21.6% uplift in 2024/25 would be required to maintain the value of maximum loans and grants for living and other costs in real terms as measured by RPIX using 2020/21 as the baseline and a 15.5% uplift would be required as measured by CPI.[6]

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[4] RPIX – Retail Price Index excluding mortgage interest.

[5] Forecast and Outturn RPIX inflation figures are set out in table 1.7 of the Supplementary Economy Tables published by the Office for Budget Responsibility as part of their Economic and Fiscal Outlook on 22 November 2023 alongside the Autumn Statement.

[6] Forecast and Outturn RPIX and CPI inflation figures are set out in table 1.7 of the Supplementary Economy Tables published by the Office for Budget Responsibility as part of their Economic and Fiscal Outlook on 22 November 2023 alongside the Autumn Statement

The Institute for Fiscal Studies (IFS) highlighted in its November 2022 report that because recent inflation is much higher than the OBR RPIX forecasts used as a basis for increasing loans for living costs, the value of loans has been reduced by more than £1,000 in real terms compared to 2020/21.[7]

A 2.5% increase to grants and loans for 2024/25 may lead to a further erosion of students' purchasing power and will not provide any catch up of the real terms losses already seen by students in the 2023/24 academic year due to high inflation. In 2022/23, half of students felt they had financial difficulties, with 35% saying these were minor and 15% saying they were major.[8] 25% of students had taken on new debt in response to the rising cost of living, including those who borrowed more or used more credit than usual; of these, 66% reported they did so because their student loan was not enough to support their living costs. [9] When asked to compare their financial situation with this time last year, half (51%) of students reported that their income had decreased a little or a lot. Only 21% of students reported that their income had increased in the same period.

As a result, many students, including from groups who share protected characteristics and from disadvantaged groups, will not be able to make the same spending decisions as they did previously with regards accommodation, travel, food, entertainment and course related items such as books and equipment, the costs of which will have been rising over time.

[7] Cost-of-living crisis to hit students harder than expected | Institute for Fiscal Studies (ifs.org.uk)

[8] Cost of living and higher education students, England Cost of living and higher education students, England - Office for National Statistics

[9] Cost of living and higher education students, England Cost of living and higher education students, England - Office for National Statistics

Table 1: CPI rate of inflation[10] and by category of expenditure

	% change over 12 months (to December 2023)
CPI (Overall index)	**4.0**
01 Food and non-alcoholic beverages	8.0
02 Alcohol and tobacco	12.9
03 Clothing and footwear	6.4
04 Housing and household services[11]	-3.4
05 Furniture and household goods	2.5
06 Health	7.3
07 Transport	-1.1
08 Communication	8.5
09 Recreation and culture	5.7
10 Education	4.5
11 Restaurants and hotels	7.0
12 Miscellaneous goods and services	4.3

The protected characteristics of student support recipients

Table 2 below shows the protected characteristics profile of student support recipients for each product type. By comparing the profile of each product type against that of the undergraduate full-time loan for living costs claimant population, it is possible to determine the extent to which protected groups in each of the different product claimant populations are under, over or proportionately represented, and therefore the groups more or less likely to be affected by the proposed changes to loans, grants and allowances in 2023/24.

We use the undergraduate full-time loan for living costs student population as the basis for comparing the profile of protected characteristics of different product groups. This is because it has the largest number of claimants (tuition fees loans notwithstanding) which means it is more likely to representative of the whole student population. Provisional figures for academic year 2022/23,

[10] Consumer price inflation: December 2023 published by the Office for National Statistics. Table 3

[11] Includes water, gas, electricity and other fuels.

the number of English domiciled undergraduate full-time students receiving a loan for living costs (maintenance loan) was 1,147,700[12].

This analysis focuses on age, sex and disability. Ethnicity is not included because there are significant limitations on ethnicity data as reported by the SLC as students are not required to declare their ethnicity. This would mitigate the risk of a legal challenge on the basis that race was not properly considered.

Age

SLC data in table 2 below shows the percentage of young and mature students (defined as being 21 years of age or over at the start of their course) awarded different types of student support. The data shows that mature students are:

- Substantially over-represented in the part-time loan for living costs claimant population. This is likely to reflect the fact that mature students are more likely than younger students to study part-time because of their personal circumstances (e.g. family, work or financial commitments).
- Substantially over-represented in the postgraduate masters and doctoral loans populations, reflecting the fact that students are typically over the age of 21 when enrolling on these more advanced levels of study.
- Substantially over-represented in the maintenance and special support grant claimant populations and in the dependants related grant populations i.e. Adult Dependants' Grant (ADG), Childcare Grant (CCG) and Parents' Learning Allowance (PLA). Maintenance and special support grants have been discontinued for new students from 2016/17 and only very few students are still receiving them.
- Substantially over-represented in the postgraduate and part-time undergraduate DSA claimant population. They are also over-represented in the full-time undergraduate DSA population (more specifically, the non-medical helper and travel elements).

[12] Table 2 Student support for higher education in England 2023

Sex

Table 2 below shows that there is less variation in the male/female profile across the different product claimant population compared to other protected characteristics. The key observations to note are:

- Female students are substantially over-represented in the population of childcare grant and parents' learning allowance claimant population while males are over-represented in the adult dependants' grant population.
- Male students are over-represented in the maintenance and special support grant claimant population. Maintenance and special support grants have been discontinued for new students from 2016/17 and only very few students are still receiving them.
- Female students are over-represented in the part-time loan for living costs claimant population. This is likely to reflect the fact that female students are more likely than male students to study part-time because of their personal circumstances (e.g. family commitments).
- Female students are over-represented in the full and part-time undergraduate DSA claimant population as well as the postgraduate DSA population.

Disability

SLC does not require a student to declare whether or not they have a disability, so students applying for DSA has been used as a proxy. However, we would expect this to be a sub-set of the total number of students with a disability because not all students with a disability need additional support funded by DSA on top of any reasonable adjustments provided by their institution. The data shows that:

a) DSA recipients are over-represented in the part-time loan for living costs population and also in the ADG, PLA and travel grant populations.

b) DSA recipients are substantially over-represented in the full-time maintenance and special support grant population.

Table 2: Protected characteristics profile of 2022/23 England domiciled borrowers by product

Mode of Study	Product Group	Number of Borrowers	Disability Status		Sex		Age	
			Receiving DSA	Not Receiving DSA	Male	Female	Under 21	21+
Undergraduate	Full Time Maintenance Loans	1,147,710	5.9%	94.1%	41.9%	58.1%	55.9%	44.1%
	Full Time Tuition Fee Loans	1,172,210	5.9%	94.1%	42.1%	57.9%	58.2%	41.8%
	Full Time Maintenance and Special Support Grants	355	36.4%	63.6%	52.4%	47.6%	1.6%	98.4%
	Full Time Disabled Students Allowance (DSA)	70,305	100.0%	0.0%	28.6%	71.4%	32.9%	67.1%
	Non Medical Helper	43,015	100.0%	0.0%	27.3%	72.7%	47.1%	52.9%
	Equipment DSA	33,185	100.0%	0.0%	28.6%	71.4%	55.9%	44.1%
	General DSA	49,650	100.0%	0.0%	28.1%	71.9%	54.3%	45.7%
	Travel DSA	5,455	100.0%	0.0%	26.9%	73.1%	33.4%	66.6%
	Other Targeted Support Awards	90,645	100.0%	0.0%	26.8%	73.2%	51.5%	48.5%
	Adult Dependants Grant	18,905	11.7%	88.3%	58.9%	41.1%	0.2%	99.8%
	Parental Learners Allowance	82,965	14.6%	85.4%	24.9%	75.1%	0.9%	99.1%
	Childcare Grant	38,745	8.8%	91.2%	16.1%	83.9%	0.3%	99.7%
	Travel Grant	1,145	19.1%	80.9%	35.8%	64.2%	51.2%	48.8%
	Part Time Tuition Fee Loans	84,360	3.7%	96.3%	31.9%	68.1%	6.8%	93.2%
	Part Time Maintenance Loans	8,280	13.6%	86.4%	31.6%	68.4%	3.8%	96.2%
	Part Time Grants - Course Grant							
	Part Time Grants - Tuition Fee Grant							
	Part Time Disabled Students Allowance (DSA)	4,470	100.0%	0.0%	25.7%	74.3%	3.2%	96.8%
	Non Medical Helper	2,675	100.0%	0.0%	23.8%	76.2%	4.5%	95.5%
	Equipment DSA	2,330	100.0%	0.0%	25.6%	74.4%	6.3%	93.7%
	General DSA	3,160	100.0%	0.0%	25.0%	75.0%	7.0%	93.0%
	Travel DSA	160	100.0%	0.0%	22.2%	77.8%	6.3%	93.7%
Postgraduate	Post Graduate Masters Loans	76,290			35.9%	64.1%	0.2%	99.8%
	Post Graduate Doctoral Loans	9,275			43.7%	56.3%	0.0%	100.0%
	Post Graduate DSA	7,240	100.0%	0.0%	26.2%	73.8%	0.0%	100.0%
	Non Medical Helper							
	Equipment DSA							
	General DSA							
	Travel DSA							

Notes: Figures are for loans, grants and allowances paid by Funding Body England for the 2022/23 academic year as at 31st August 2023. Only England-domiciled borrowers are included (EU-domiciled students are excluded). Age is defined as at start of academic year 2022/23 (1st Sept 2022). Figures are for enrolled borrowers not just entrants.

Figures for part-time ADG and CCG claimants not reported as disclosive. Postgraduate DSA is only one product, unlike undergraduate DSA which is split into four products in the figures above, hence why only one postgraduate figure is reported.

Number of borrowers rounded to the nearest 5, grey cells = not available. Disaggregated figures do not always add up because of missing data.

Analysis of Proposed Changes

A 2.5% increase to grants and loans for 2024/25 will not provide any catch up of the real terms losses already seen by students in the 2023/24 academic year due to high inflation and could lead to a further erosion of students' purchasing power depending on future inflation. More than 9 in 10 (92%) higher education students reported that their cost of living in 2022/23 had increased compared with last year.[13]

It is anticipated that a 2.5% uplift in undergraduate loans for living costs as well as the postgraduate masters and doctoral loans will adversely impact all students.

Specific groups of students are adversely affected by the changes due to them being overrepresented in the loan borrowing population, and in the population receiving specific loan and grants products.

Female borrowers form a larger proportion of loan borrowers and grant recipients across all products (except for the full-time maintenance and special support grant and ADG) and would be negatively impacted by a 2.5% increase in loans for living costs. Loans of the same value will be increased by 2.5% irrespective of borrower's sex or other protected characteristics.

The higher proportion of female borrowers reflects the higher proportion (57% in 2021/22)[14] of English-domiciled female undergraduate students compared to the general population (51% in 2021)[15]. As the grant recipients are more likely to be female[16] and most (95%) grant recipients also receive loans for living cost support[17], the female borrowers will be more adversely affected by decrease in real-term loss of value for both grants and loans.

More widely, females are more likely to have participated in HE than males (the HE entry percentage by age 25 for females in academic year 2021/22

[13] Cost of living and higher education students, England - Office for National Statistics

[14] Figure 5 – HE student enrolments by personal characteristics all countries of study, all years of study, all undergraduate, all modes of study, England domiciled https://www.hesa.ac.uk/data-and-analysis/sb265/figure-5

[15] Population and household estimates, England and Wales - Office for National Statistics (ons.gov.uk)

[16] Table 2 - Protected characteristics profile of 2021/22 England domiciled borrowers by product, Student Loan Company

[17] 95% of English-domiciled full-time undergraduate students receiving support grant in AY 2021/22 also received a maintenance loan, DfE analysis of Student Loans Company data

was 54.1%, compared to 43.3% for males[18]) so the effect is greater for this group as a whole.

Mature students (above 21 years old) will be negatively impacted by a 2.5% increase in the loans for living costs for part-time undergraduate study and postgraduate loans. The higher proportion of older loan borrowers reflects higher proportion of these students in the population of part-time and post-graduate students. As the students receiving support grants tend to be older than the full-time maintenance loan borrowers, and most grant recipients also receive loans for living cost support, they would be more adversely affected by the real-term loss in value of both grants and loans.

Low-income groups of students would be adversely affected by the real term decrease in the value of the loan. In 2021/22, 62% of English-domiciled students relied on loans or grants as their main source of funding for living costs[19] and 41% of those receiving loans for living costs in 2021/22 had household income low enough to qualify for the full-loan amount[20]. English domiciled 18-year-olds from the most disadvantaged areas are 74% more likely to go to university in 2023 than in 2010.[21]

Students from minority ethnic backgrounds will be negatively impacted by a 2.5% increase in loans for living costs as they are over-represented across students in higher education. The proportion of Black and Asian English domiciled full-time undergraduate students in AY 2021/22 was 10% and 16%[22] respectively which is higher than the general population[23]. Black pupils have seen the greatest increase in the proportion entering HE by age 19 – from 44.1% in 2009/10 to 63.5% in 2021/22.[24]

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[18] [Participation measures in higher education statistics, 21/22]

[19] Page 54, [Student Academic Experience Survey 2022 | Advance HE (advance-he.ac.uk)]

[20] The household residual income threshold for full maintenance loan for full-time undergraduate students in £25,000. Data on proportion of students receiving maximum loan amounts are provided by the Students Loans Company.

[21] [mailto:https//www.ucas.com/data-and-analysis/undergraduate-statistics-and-reports/ucas-undergraduate-end-cycle-data-resources-2023 UCAS End of Cycle Report 2023]

[22] Figure 5 – HE student enrolments by personal characteristics, English domicile, all countries of study, all years, all undergraduate, full-time https://www.hesa.ac.uk/data-and-analysis/sb265/figure-5

[23] [Ethnic group, England and Wales - Office for National Statistics (ons.gov.uk)]

[24] [Widening participation in higher education, Academic Year 2020/21]

The impact of policy changes on higher education participation

As noted above, student finance exists to ensure that cost of study and affordability do not represent a barrier to participation in higher education.

Debt Aversion

Some protected groups may be debt averse which may lead them to making poorer decisions about higher education, including choosing not to participate, even when it is in likely to benefit them in the long run.

Research in 2015 showed that young people's attitudes to taking out student loan debt were more favourable in 2015 than in 2002, despite the increase in costs over the period. Also, that debt aversion was now similar among middle class students and lower-class students. However lower-class students were still more likely than students from other social classes to be deterred from planning to enter HE because of fear of debt.[25] This report does not however follow up those students on their actual behaviour subsequent to the research.

Some recent research shows that young people from working class backgrounds were less likely to agree that taking up student loans to go to university is a good investment compared with those from professional and managerial groups (43% vs 55%).[26] Some groups are more likely to report that decisions are affected by the cost of HE, for example decisions around where to study, at which institution and whether to study locally. [27]

This will reflect in large part their personal circumstances (e.g. family or financial commitments) which will influence their perceptions of the costs, risks and benefits of investing in higher education.

Findings from a recent cohort study showed that young people who plan to live at home whilst studying in HE are disproportionately more likely to be those from families facing financial challenges. Young people from families which reported using a food bank in the past year were much more likely to plan on living at home (31% vs 19% for those that did not use a food bank.

[25] Callender, C. and Mason, G. (2017) Does student loan debt deter higher education participation: new evidence from England

[26] The Class of 2023: Opportunities and University Plans | COSMO (cosmostudy.uk)

[27] Student income and expenditure survey 2014 to 2015 - GOV.UK (www.gov.uk)

The same was true for those from families which are behind with their housing payments (33% vs 17%).[28]

While an increase in loan funding by 2.5% would increase student debt (in nominal terms only), equivalent increases in grant funding would not (since it does not need to be repaid). However, the income contingent nature of loan repayments means that the longer-term impact would only be felt by high/middle earning borrowers who go on to repay all or nearly all of their student loan. Any outstanding loan balance is cancelled at the end of the students' loan term.

The 2023 entry rates into higher education decreased for all English-domiciled 18-year-olds from all ethnic groups.[29] The entry rate for English domiciled 18-year-olds from the most disadvantaged areas (POLAR4 Q1) in 2023 was 23.5%, 1.8 percentage points above 2019 – the last year when comparable exams took place. It is uncertain how these recent trends will be affected by the recent large spike in inflation.

However, three in ten (30%) pupils and learners in years 12 and 13 in 2022 said that their plans for education or training had changed because of the rising cost of living.[30] This was consistent across different groups (ethnicity, sex, whether receiving Free School Meals) of pupils and learners. The most common themes that emerged related to looking at other options instead of university, for example apprenticeships, employment or taking a gap year, as well as not being able to afford university.

We do not have evidence that a 2.5% increase in maximum undergraduate loans for living costs, maintenance grants for full-time pre-August 2016 starters, full-time dependants grants and full-time, part-time and postgraduate disabled students' allowance will significantly alter participation decisions or have a differential impact across protected groups.

Further, there is little evidence that the 2012 reforms which saw a significant increase in HE fees and associated debt levels, have had a significant impact in deterring participation in higher education amongst disadvantaged groups of students. In addition, the experience of introducing loans for undergraduate students suggests students are increasingly accepting of debt when it represents an investment in their education.

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[28] The Class of 2023: Opportunities and University Plans | COSMO (cosmostudy.uk)

[29] UCAS End of Cycle Report 2023

[30] Parent, pupil and learner panel omnibus surveys for 2021 to 2022

As with undergraduate support, a 2.5% increase in the maximum amount of loan available for postgraduate master's degree courses and postgraduate doctoral degree courses for 2024/25 would likely have a relatively small impact on debt-averse groups.

Box 1: Debt aversion

Debt (or loan) aversion relates to the unwillingness of a person to borrow because of the financial costs associated with taking out a loan as well as the psychological effects such as anxiety and distress.[31] [32] This can lead to people choosing not to borrow even though it would very likely improve their personal circumstances in the long run.

In the context of higher education, debt aversion relates to the reluctance of students to take out loans to cover the cost of their studies even when investment in their human capital will deliver positive long-term returns in terms of better employment and earnings prospects.[33]

This may be driven by a mix of sociological and cultural factors. For example, students may come from families with negative attitudes towards debt that have been influenced by past experience of over-indebtedness and its consequences. Similarly, students and their families may have religious values or beliefs which discourages or does not allow borrowing, especially if the loans attract interest.

The literature on debt aversion in higher education has evolved over time, reflecting changes in the student finance system and the increasing shift in the cost of study away from the taxpayer to the student. Evidence on student attitudes to risk reveal that students have become more comfortable taking on debt to fund their studies.[34]

[31] Baum, S. and Schwartz, S. (2013) *Student aid, student behaviour and educational attainment*

[32] Callender, C. and Mason, G. (2017) *Does student loan debt deter higher education participation: new evidence from England*

[33] Callender and Mason (2017) found that in 2015, 74% of respondents stated that student loans to fund a university education represented a good investment. This compared with 52% when the same question was asked students in 2002. Much of the increase was attributed to more positive responses from female students.

[34] Callender, C. and Mason, G. (2017) *Does student loan debt deter higher education participation: new evidence from England*

Impact of a 2.5% increase to maximum DSA for 2024/25 on undergraduate and postgraduate DSA recipients.

As a general point, it is rare for students to take up the maximum, or close to the maximum, of the DSA. This is because DSA funding is awarded on the basis of need (i.e. it is awarded for specific disability-related support needs recommended by a needs assessor and approved by SLC). The vast majority of students currently use only a small proportion of the maximum DSA and so we forecast that they will see no change as a result of a 2.5% increase to the maximum DSA for 2024/25.

Our modelling indicates that it is extremely rare for any student to take up the maximum, or close to the maximum DSA. The very small numbers involved in this sub-group mean that it is not possible to consider whether students with particular protected characteristics are more likely to be negatively affected than others by freezing the maximum DSA.

Other proposed changes to higher education student finance for 2024/25

Treatment of children granted indefinite leave to remain (ILR) where their parent has been granted ILR as a bereaved partner or victim of domestic abuse.

In general, students are eligible for higher education student support, fee caps, home fee status and advanced learner loans for further education courses if they are settled and have been ordinarily (meaning lawfully) resident in the United Kingdom (UK) for 3 years before the start of their course. The rationale behind the 3-year ordinary residence requirement is that the substantial outlay of public funds should be spent on those who have demonstrated an intention to remain in the UK on a lawful and long-term basis.

Exceptions have been made to the 3-year ordinary residence requirement for persons who are granted ILR on the basis of domestic abuse or bereavement in recognition of the fact that a person may have difficulty renewing their leave due to controlling, coercive and threatening behaviour, or as a result of bereavement (making it less likely that these individuals will be able to meet the normal ordinary (lawful) residence requirements in the regulations). These exceptions were introduced to align with the Home Office (HO) Immigration Rules (the rules) which make provision for spouses and partners of settled persons to get ILR as a result of domestic abuse or bereavement.

We have become aware that the HO may grant children ILR where the parent has been granted ILR for reasons of domestic abuse or bereavement. These children are more likely than other groups of settled persons to have become settled at a time when they did not have an existing grant of leave.

Any break in ordinary residence is likely to be attributable to bereavement or domestic abuse (even if not the direct victim), rather than any culpable failure on their own part to comply with the requirements of immigration law. They are, therefore, in an almost identical position to their parent but are currently being treated less favourably for student finance purposes.

For the 2024/25 academic year, new and continuing students who are starting an academic year of an undergraduate course who are children granted ILR by the HO where their parent has been granted ILR as a victim of domestic abuse or as a bereaved partner, will be treated for student support purposes in the same way as their parent. This means that they will not be subject to the 3-year ordinary residence requirement but will instead need to be ordinarily resident in England on the course start date to qualify for support.

Corresponding changes will apply to this group of students who are undertaking a Postgraduate Master's or Doctoral Degree course so that they qualify for postgraduate master's loans and postgraduate doctoral degree loans respectively. These changes will also apply to students applying for loans for HE short courses loans and advanced learner loans for Further Education courses.

Students who are starting an academic year of a course who are children granted ILR by the HO where their parent was granted ILR as a victim of domestic abuse or bereaved partner will also qualify for home fee status if they have been ordinarily resident in the United Kingdom on the day on which the course starts. In addition, this group of students will be 'qualifying persons' for the purposes of tuition fee limits.

These changes will apply in respect of an academic year starting on or after 1 August 2024.

Analysis

The limited evidence available means that a detailed and specific analysis of the potential equality impacts has not been possible. However, we conclude that the creation of the new eligibility category for student support is a positive change, which will have a positive impact on a small number of individuals.

Treatment of British Citizens of Chagossian descent.

Following the removal of Chagossians from the British Indian Ocean Territory (BIOT) in the 1960s and 1970s, the Government introduced the British Overseas Territories Act 2002 which conferred British citizenship on Chagossians born on the BIOT and their children in recognition of their unique status. The Nationality and Borders Act 2022 extended this so that all direct descendants of people born on BIOT could apply to become British Overseas Territories Citizens and British citizens.

The majority of students of Chagossian descent granted British citizenship under the arrangements introduced in 2022 currently do not qualify for student support as they are unable to meet the 3-year ordinary residence requirement. For 2024/25, new students and some continuing students who are starting an academic year of an undergraduate course will qualify for tuition fee loans in line with existing policy for persons settled in the British Overseas Territories. This group of students will be treated as having been ordinarily resident in the BIOTs for the 3 year period where they have not been ordinarily resident in the UK and Islands.

Corresponding changes will apply to this group of students who are undertaking a Postgraduate Master's or Doctoral Degree course so that they qualify for postgraduate master's loans and postgraduate doctoral degree loans respectively. These changes will also apply to students applying for loans for HE short courses loans and advanced learner loans for Further Education courses.

Students of Chagossian descent who are British Citizens who are starting an academic year of a course will qualify for home fee status as they should be treated as having been ordinarily resident in the BIOT for any part of the 3 year period when they have not been ordinarily resident in the UK and Islands. This group of students will also be 'qualifying persons' for the purposes of tuition fee limits.

These changes will apply to new full-time and part-time students starting courses on or after 1 August 2024 and full-time and part-time students who started their courses on or after 1 August 2022 who are continuing their courses on or after 1 August 2024.

Analysis

We do not have data on all of the protected characteristics of the prospective Chagossian descendants resettling in the UK. However, we can make a reasonable assumption that the descendants of those born on the BIOT are predominantly of African-Creole origin and will be positively impacted by this policy change.

Addition of settled status to the categories of in-year qualifying 'events'.

Students with settled status (other than those granted settled status under the EU settlement scheme) are currently required to hold that status on the first day of the first academic year of the course if they are to access student finance and home fee status. If this is not the case, they are ineligible for support or automatic home fee status for the duration of their course, even if they acquire settled status during their period of study. Certain other immigration categories are treated as 'in year qualifying events' ('events') in the Student Support Regulations, which allows the student to become eligible for support after they have acquired that status, even if they are part-way through their studies.

For 2024/25, settled status is included as an 'in year qualifying event' in the Student Support Regulations. This means that undergraduate students who were unable to meet the requirement to hold settled status on the first day of the first academic year of the course, but later acquire settled status, can pick up student support for the rest of their course.

Corresponding changes will apply to students undertaking a Postgraduate Master's or Doctoral Degree course so that they qualify for postgraduate master's loans and postgraduate doctoral degree loans respectively. These changes will also apply to students applying for loans for HE short courses loans and advanced learner loans for Further Education courses.

In addition, students gaining settled status part way through the course will qualify for home fee status and become a qualifying person for any associated fee limits in the years following the acquisition of this status.

These changes will apply in respect of an academic year starting on or after 1 August 2024.

Analysis

We do not have data on the relevant protected characteristics of those who will acquire settled status other than a gender split which indicates equal numbers and clearly all will be overseas nationals, many of whom will be of different ethnic origins. However, as this policy change provides earlier access to financial support for those who acquire settled status, we conclude that this measure has a positive impact on any individuals falling into that category who have relevant protected characteristics.

Treatment of persons granted Indefinite Leave to Enter (ILE) as a victim of domestic violence or domestic abuse and their children granted ILE

The Home Office (HO) are making changes to their Immigration Rules to grant Indefinite Leave to Enter (ILE) to those persons who are overseas where they have been the victim of transnational marriage abandonment (TMA). This is a form of domestic abuse whereby the abusive party abandons their partner overseas and their permission to stay in the UK expires and/or they are left without access to their passport or immigration documents, preventing their return to the UK. Up to now, there has only been a route for settlement for victims of domestic violence or abuse from within the UK.

For 2024/25, the Student Support Regulations are amended to ensure that students granted ILE as a victim of TMA and their children granted ILE are treated for student support purposes in the same way as students granted Indefinite Leave to Remain (ILR) as a victim of domestic violence or abuse and their children. This means that they will not be subject to the 3-year ordinary residence requirement but will instead need only to be ordinarily resident in England on the course start date.

The Student Support Regulations are also amended so that ILE as a victim of TMA is included as an 'in year qualifying event'. This means that students who were not granted ILE as a victim of TMA on the course start date, but later acquired this status, can pick up student support for the rest of their course.

Corresponding changes will apply to students undertaking a Postgraduate Master's Degree or Doctoral Degree course so that they qualify for postgraduate master's loans and postgraduate doctoral degree loans respectively. These changes will also apply to students applying for loans for HE short courses loans and advanced learner loans for Further Education courses.

In addition, students who have been granted ILE as a victim of TMA and their children granted ILE will qualify for home fee status and become a 'qualifying person' for the purposes of tuition fee limits.

These changes will apply in respect of an academic year starting on or after 1 August 2024.

Analysis

The limited evidence available means that a detailed and specific analysis of the potential equality impacts has not been possible. However, we conclude that for DVILE, this change will have a positive impact on a small number of individuals from the protected groups of sex, disability and race. This is because the majority of victims of domestic violence are women. Additionally, evidence shows that persons with a disability and those from mixed ethnic backgrounds are more likely to be victims of domestic abuse. On the data available we have been unable to assess the other protected characteristics covered by the Equality duty.

Family Test Analysis

Our Family Test Analysis indicates that in general a 2.5% increase to loans and grants for living costs for 2024/25 would not have a particular impact on families. The increase in debt resulting from a 2.5% increase in maximum loans would be in nominal terms only meaning that students with family commitments will be no worse or better off as a result. Moreover, the income contingent nature of loan repayments means that the longer-term impact will only be felt by those students with family commitments who go on to earn more than the relevant repayment threshold for their loan type after they graduate. Repayment thresholds are set at £25,000 per year (repayable from April 2026) for undergraduate Plan 5 student loan borrowers starting new courses from the 2023/24 academic year onwards, £27,295 per year for undergraduate Plan 2 loans and £21,000 per year for postgraduate master's degree and doctoral degree loans (Plan 3).We don't have evidence that the 2.5% uprating to loans and grants will have a differential impact on families, however students with dependants may be more vulnerable to financial risk. A 2.5% increase for 2024/25 to maximum dependants' grants (ADG, CCG and PLA) and disabled students' allowances would not have a significant enough impact on financial resources to influence family formation.

Changes to eligibility criteria for 2024/25 will increase the number of people who are likely to be eligible for student support to undertake higher education courses and may assist access where specific grants are available for those students who are parents and for those with childcare and adult dependent responsibilities.

Department for Education

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