

Higher Education Tuition fee and loan limits for students eligible for home fee status in England, academic year 2025/26

Lead department	Department for Education
Summary of proposal	The proposal would increase the maximum tuition fee (and loan) limits by forecast inflation (3.1%) for the academic year 2025/26. This will mean that the maximum tuition fee cap for full-time courses would rise from £9,250 to £9,535.
Submission type	Impact assessment - 4 November 2024
Legislation type	Secondary legislation
Implementation date	2025
RPC reference	RPC-DfE-24015-IA(1)
Date of issue	9 December 2024

RPC opinion

Rating	RPC opinion
Fit for purpose	The IA provides sufficient evidence and analysis to support the rationale for intervention and considers a reasonable range of options. The IA provides a good quantification of the impact of the preferred option on business, individuals and the Exchequer. The Department justifies the preferred way forward sufficiently, although the comparative assessment would benefit from illustrative monetisation of alternative options.

Urgent measure statement

The department has used the Better Regulation Framework's 'urgent measures' process for this provision. Where the Government decide that legislation is required urgently and there is insufficient time ahead of seeking collective agreement for a preferred regulatory option, and the necessary options assessment (OA) to be submitted to the RPC for independent scrutiny in accordance with the framework, departments are, instead, required to submit an impact assessment (IA) for scrutiny as early as possible after obtaining collective agreement. The IA should contain evidence, which should have been set out in the OA, on the rationale, identification of options and the justification for preferred way forward. The RPC then offers an opinion that includes an overall fitness-for-purpose (red/green) rating, informed by the individual red/green ratings for those three categories.

RPC summary

Category	Quality ¹	RPC comments
Rationale for intervention	Green	The IA has provided sufficient evidence and analysis to demonstrate the case for the proposal in pursuit of the stated policy objectives. The IA would benefit from discussing the extent to which the proposal would meet these objectives and what other steps may be necessary.
Identification of options (including SaMBA)	Green	The IA considers a reasonable range of options but would benefit from indicative quantification of some of the non-preferred options. On impacts on small and microbusinesses, the IA notes that the proposal is deregulatory and beneficial to business.
Justification for preferred way forward	Green	The IA justifies its preferred option against alternatives in a structured way, but the comparative assessment would benefit from illustrative quantification. The IA provides a good quantification of the impact of the preferred option on business, individuals and government.
Regulatory Scorecard	Satisfactory	The IA provides fair directional ratings across the categories of overall welfare, business and household impacts. The scorecard includes the estimates of benefit to business and costs to individuals.
Monitoring and evaluation plan	Satisfactory	The IA provides useful detail on the data and evidence sources that will be used to help assess the impact of the proposal against the objectives. The IA would benefit from discussing further how it will address other factors influencing achievement of the policy objectives.

Summary of proposal

The proposal would increase the maximum tuition fee (and loan) limits for new and continuing students with Home Fee Status at Higher Education (HE) providers registered with the Office for Students (OfS) by forecast inflation (3.1%) for the academic year 2025/26. This will mean that the maximum tuition fee cap for full-time courses would rise from £9,250 to £9,535.

The Department estimates that this will increase UK tuition fee income for HE providers by around £325 million in the academic year 2025/26. The IA estimates that around £200 million of the cost would fall on students, with the remainder

¹ The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

incurred by government/taxpayers based on an increase in the value of loan write-offs and interest subsidies.

Rationale for intervention

The IA explains that tuition fee caps have been fixed in nominal terms at £9,250 since 2017/18. The IA shows how the real value of the cap has fallen by around a third. Rising student numbers have only partly offset this, with an estimated fall of around 25 per cent in overall income since 2015/16. The IA also discusses increased cost pressures on the HE sector.

The IA has provided sufficient evidence and analysis to demonstrate the case for the proposal in pursuit of the stated policy objectives. However, the proposal itself appears to be a modest one in terms of meeting the policy objectives of supporting the financial sustainability of the HE sector and the quality of HE provision. The IA acknowledges that tuition fee income accounts for only 28 per cent of all income for HE providers in England and notes that around 40 per cent of providers were expecting to be in deficit in 2023/24. The IA would, therefore, benefit from discussing the extent to which the proposal would meet these objectives and what other steps (such as increased direct public funding and/or regular inflationary adjustments to tuition fee caps) may be necessary to fully achieve policy objectives, either alongside the proposal or in the future.

The IA would benefit from discussing what assumptions impact assessments relating to the introduction of tuition fee caps and subsequent increases made about future increases in the cap.

Identification of options (inc. SaMBA)

In addition to the do nothing and preferred option, the IA 'long-lists' three further options: removing the price cap, increasing the cap by more than inflation and additional grant funding. Given the relatively modest intervention in the preferred option (bearing similarity to a 'do minimum' option), the 'more ambitious' (in HMT Green Book terms) nature of these options appears to be appropriate. The IA's consideration of options would benefit from addressing:

- An option of increasing tuition fees fully or partly in line with historical inflation since they were last raised in 2017/18.
- An option of perpetually fixing tuition fees to inflation, as a way of ensuring funding and setting expectations on students about the future within the horizon of their degrees.
- The possibility of an option of increased grant funding (option 4) in combination with a relaxation of the fee cap.
- Discussing possible variants of inflation adjustment under the preferred option, for example a historical rather than a forecast adjustment. The IA could also explain why RPIX in 2026Q1 is considered to be appropriate measure of inflation for the 2025/26 academic year.

- Why RPIX is preferred to a consumer price index (CPI) measure, given that sector regulators have moved to using CPI or CPIH and that the Office for National Statistics has been critical of RPI as a measure of general inflation.²

On impacts on small and microbusinesses, the IA notes that the proposal is deregulatory and beneficial to business. The IA provides the distribution of HE providers by number of employees, identifying the proportion of micro, small and medium-sized businesses. The proposal would most directly benefit Approved (fee cap) providers, which tend to be larger organisations (they include most universities). The IA would benefit from discussing whether this might indirectly negatively affect the relative position of small HE providers.

Justification for preferred way forward

The evidence and analysis required to justify making an inflation adjustment to a long-standing policy is normally limited. The IA downselects from the options referred to above based upon a 'red/amber/green' assessment. This is fairly crude but proportionate in this case. The IA's justification of the preferred option would benefit from strengthening, for example by:

Recognising that options 2 and 3 (and potentially 4) would seem to score more highly than the preferred option on the first two criteria (although all are coded 'green').

Carrying forward alternative options onto the short-list and providing proportionate, broad order, illustrative quantification (and including them in the 'summary: analysis and evidence table' on page 30). For example, extra grant funding and above inflation rises are rated red on affordability to the taxpayer, but the IA could have quantified a sliding scale on affordability rather than a 'cliff-edge' red/green rating.

The IA would also benefit from a more detailed assessment of how the options impact on student access, using evidence to support how fees affect participation for different groups.

As noted above, the IA monetises the benefit to business and cost to individuals or households and the government/taxpayer. The modelling and assumptions for the calculations are set out in annex A to the IA.

Regulatory Scorecard

The IA provides fair directional ratings across the categories of overall welfare, business and household impacts. The scorecard includes the estimates of benefit to business and costs to individuals. There is a reasonable discussion of non-monetised and distributional impacts, although the latter could discuss the effects of the fee increase on different student socio-economic groups in more detail. The IA would also benefit from considering further the long-term impact of rising student

² [Shortcomings of the Retail Prices Index as a measure of inflation - Office for National Statistics](#)

debt, particularly likely write-offs. Part B of the scorecard would benefit from a proportionate discussion of any possible competition and innovation impacts.

Monitoring and evaluation

The IA provides a reasonable M&E plan, setting out the objectives of the proposal and, most usefully, providing detail on the data and evidence sources that will be used to help assess the impact of the proposal against the objectives. The IA would benefit from discussing further how it will address other factors influencing achievement of the policy objectives, given the apparent limited increase in HE income from the proposal relative to the scale of the financial challenges facing the sector.

Regulatory Policy Committee

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A committee member did not participate in the scrutiny of this case to avoid a potential conflict of interest.