Department for Education

Lifelong Loan Entitlement: Impact Assessment

February 2022

Contents

Title: Lifelong Loan Entitlement Impact Assessment **RPC Reference No:** N/a **Lead department or agency:** Department for Education **Other departments or agencies:** N/a	Impact Assessment (IA) **Date:** 24/02/22 **Stage:** Development/Options **Source of intervention:** Domestic **Type of measure:** Other **Contact for enquiries:** LLE.CONSULTATION@education.gov.uk

Summary: Intervention and Options

RPC Opinion: Green

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
£-5.1m	£5.1m	£0.6m	Qualifying provision

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

The current student finance system does not currently allow for individuals to study flexibly at level 4-6 – it does not fund individual modules of studies and does not allow people to easily study flexibly between levels. Creating more flexible access to courses will help adult learners train, upskill or retrain alongside work, family and personal commitments, and as both their circumstances and the economy change.

The government is providing a range of other opportunities. Some of these are set out in the Skills for Jobs white paper, and we will look to build on those in light of the challenges that the country faces.
The existing HE student finance system is a public service funded by HMG and run by the Student Loans Company on behalf of the DfE. It is underpinned by primary legislation and secondary regulations. To flex this existing system requires government action.

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 more 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. We want 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?

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:** N/a	**Non-traded:** N/a		

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 Nadhim Zahawi MP, Secretary of State for Education Date: 24.02.22

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -10.0	**High:** -3.4	**Best Estimate:** -5.1

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0		0.4	3.4
High	0		1.5	10.0
Best Estimate	0		0.5	5.1

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

Only the direct costs to business have been monetised in this impact assessment. These are expected to be the regulatory burden on employers of administrating new loans, including: general familiarisation for all businesses operating a PAYE loans system (£3.86m in the first year and 0.07m thereafter); detailed familiarisation for businesses employing individuals with a new type of loan facilitated by the introduction of the LLE (£0.13m per year); and ongoing costs associated with new provision (£0.11m per year).

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

Additional costs associated with this programme are likely to fall primarily on providers, their third party suppliers and government. The possible redistribution across education pathways that the LLE may encourage could represent a significant cost to providers in the form of reduced tuition fee income, particularly if there is a shift away from 3 year degrees towards modular study. Government will incur costs associated 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. 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 students choose to undertake lower credit courses on average.

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

Given the current unknowns regarding the design of the policy, as well as 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: 0.6	**Benefits:** 0	**Net:** 0.6	2.9

Coverage

The LLE analysis in this Impact Assessment is the same as the analysis included in measure 1 of the Skills and Post-16 Education Bill Impact Assessment, that received a green rating from the RPC.

This Impact Assessment will be updated as development of the LLE progresses to reflect any policy decisions made following the consultation and further design work.

Lifelong Loan Entitlement Impact Assessment

Problem under consideration and rationale for intervention

As we Build Back Better from the coronavirus pandemic, improving the skills of people across the country will be critical to our future success. Many learners need more flexible access to courses, helping them train, upskill or retrain alongside work, family and personal commitments, and as both their circumstances and the economy change. We also need a flexible and responsive skills system that can pivot to changing employers' needs.

The introduction of a Lifelong Loan Entitlement (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 will 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 will support levelling up by giving people everywhere equal access to opportunities to progress into academic or technical education.

There are currently significant skills gaps in sectors which utilise higher technical skills such as construction, manufacturing and other skilled trades[1]. There is growing employer demand for the skills that higher technical education provides.[2][3] Investing in these skills at both a local and a national level is critical to improving our productivity, and international competitiveness and re-skilling the workforce to meet future employer needs.

Research suggests that there is demand for more flexible and modular learning. For example, 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.[4] UUK polling in 2020 on modular study[5] indicated that 82% of prospective students polled 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. Our proposed approach, which also aligns with the recommendations of The Review of Post-18 Education and Funding[6], 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

[1] Skilled Trades includes (but is not limited to): carpenters, electricians, plasterers, mechanics, butchers, chefs, farmers according to UK Skills Mismatch 2030, available at: https://industrialstrategycouncil.org/sites/default/files/UK%20Skills%20Mismatch%202030%20-%20Research%20Paper.pdf
[2] Workplace Training and Development Commission Report.pdf (britishchambers.org.uk).
[3] Employer Skills Survey 2019 (DfE 2020).
[4] Universities UK/ CBI – The economic case for flexible learning
[5] Polling carried out for UUK by Savanta ComRes, 1,591 English adults aged 18-60 interested in future university study were interviewed between 28 August and 15 September 2020. Available at https://www.universitiesuk.ac.uk/news/Pages/Majority-of-adult-learners-would-upskill-at-university-if-given-the-chance.aspx
[6] Post-18 review of education and funding: independent panel report https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805127/Review_of_post_18_education_and_funding.pdf

flexible learning for reskilling and upskilling economic needs, including the need for funding of individual modules and for a better credit recognition system.[7]

Under the LLE we expect a significant impact across HE and FE, for both provider and learners. We further expect an increase in uptake for both 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. Long-term we believe that increased levels of technical education and flexibility in retraining will lead to a broad lift in high-skilled employment and productivity.

Evidence of the problem

In 2020 around a third of working age individuals had a degree or equivalent qualifications,[8] and under current entry patterns it is estimated that over half of 17-year-olds will have entered Higher Education by the time they are 30.[9]

There have been significant increases in the number of graduates in the past decade or more (5.7 million more working age individuals with at least degree or equivalent qualifications in 2019 than in 2004[10]), and we are seeing increasing proportion of age 18 initial entry to full-time first degrees at higher education providers.[11] 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 £9,500 more than their non-graduate counterpart in 2020. Even amongst young graduates (21-30), median salaries were £6,500 higher for graduates than non-graduates in 2020.[12]

However not all graduates see these benefits. Institute for Fiscal Studies (IFS) research estimated that whilst the average net lifetime earnings return[13] 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.[14]

At the other end of the scale, the top 10% of women with the highest returns are expected to gain more than £350,000 on average, and for men the top 10% are expected to gain more than £700,000 on average.

Similarly, on average, government benefits from undergraduate degrees. Whilst financing undergraduate degrees appears expensive for the taxpayer, on average this expense is more than counterbalanced by increased tax revenues on top of the proportion of student loans repaid. However, this effect is mainly driven by the highest-earning graduates. The IFS

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[7] House of Lords Economic Affairs Committee: Treating Students Fairly: The Economics of Post-School Education https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/139/139.pdf

[8] NOMIS, Annual Population Survey, annual population survey - Nomis - Official Labour Market Statistics (nomisweb.co.uk)

[9] Participation measures in higher education, Academic Year 2019/20 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

[10] NOMIS, Annual Population Survey, annual population survey - Nomis - Official Labour Market Statistics (nomisweb.co.uk)

[11] Participation measures in higher education, Academic Year 2019/20 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

[12] Graduate labour market statistics 2020, https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets/2020

[13] 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.

[14] IFS, The impact of undergraduate degrees on lifetime earnings, February 2020, Annex C, 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.

estimated that, even after tax and National Insurance payments are considered, nearly half of students receive a net government subsidy for their degrees.[15]

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[16], 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.[17]

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 student, if the equivalent outcomes could be obtained at lower cost. Despite this, there are relatively few learners studying at levels 4-5, as seen in the below figure[18].

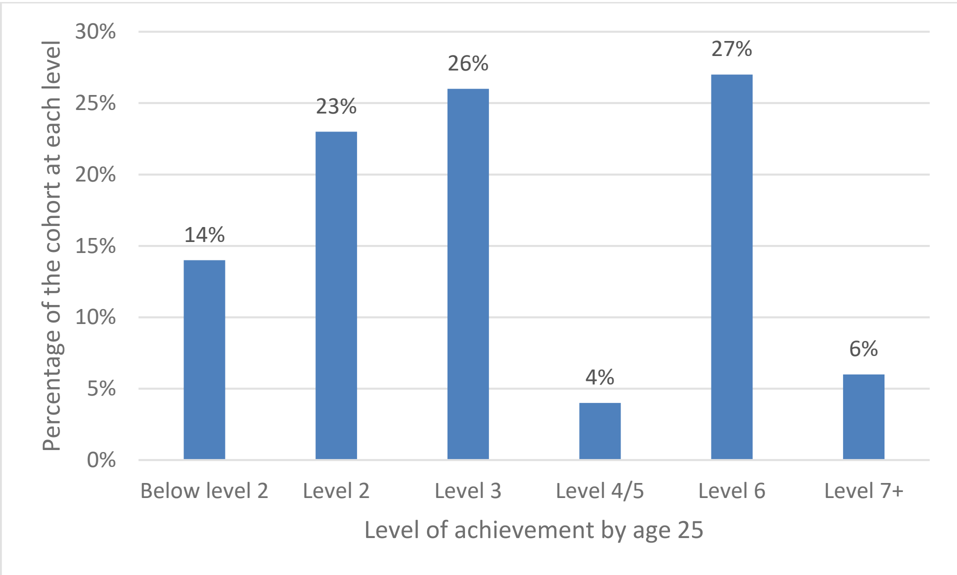

Figure 1: Highest qualification level achieved by age 25[19]

However, under the current system, the type and level of support offered by government for level 4-6 study may differ depending on course, provider, mode of study, previous study, and age.[20] This is distorting student and provider choices of what to study and offer, and impending a move to the type of flexible, personalised study track envisioned by a LLE.

The current student finance system does not currently allow for individuals to study sufficiently flexibly at level 4-6 – it does not fund individual modules of studies 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. 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 for this were

[15] IFS, The impact of undergraduate degrees on lifetime earnings, February 2020, The impact of undergraduate degrees on lifetime earnings (publishing.service.gov.uk)
[16] prior attainment, background characteristics and previous paid employment
[17] CVER, September 2020, Post-18 Education: Who is Taking Different Routes and How Much do they Earn? cverbrf013.pdf (lse.ac.uk)
[18] Source: DfE (2018), Post-16 education: highest level of achievement by age 25. Data refers to cohort that undertook GCSEs in England in 2004/05. Age is based on academic age, which is age at the start of the academic year (August 31)
[19] This chart tracks a cohort that undertook GCSEs in 2004/05 up to 2014/15
[20] Student finance: Eligibility - GOV.UK (www.gov.uk)

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%). Higher education student statistics[21] show that the number of entrants to part-time study at English HE providers actually increased by 18% from 2019/20 to 2020/21. DfE research[22] 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.

This lack of flexibility reduces individuals' ability to train, retrain and reskill. 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. Financial barriers, the ability to fit study around personal commitments or employment[23], availability of information relevant to personal circumstances and the complexity of the student finance system often create barriers to study.

Why must government act?

The Government is providing a range of other opportunities, as set out in the Skill for Jobs White Paper[24], but given the challenges that the country faces we need to build on these.

Government action is imperative. The existing higher education student finance system is a public service funded by HMG and run by the Student Loan Company 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

Government wants to make it easier for adults and young people to study more flexibly - allowing them to space out their studies, transfer credits between providers, and take up more part-time or modular study. The government also wants to encourage learners to undertake technical qualifications and to broaden options beyond the default option of a full-time three-year university degree.

To enable this, the government aims to create a more streamlined funding system which makes it easier for students to navigate the options available, and to have the opportunity to step in and out of learning throughout their lifetime. As such, a key LLE policy objective is to fund smaller periods of study such as modules within a degree programme, as well as full qualifications.

In order to achieve this objective a number of changes are required to primary legislation:

- We want to provide for an entitlement to the equivalent of four years' worth of funding for L4-6 education to use over their lifetime. Legislation will give powers to set a lifetime limit.
- A new term will be introduced to describe smaller periods of study: a module.
- We need to give express provision for the Secretary of State to provide funding for loans for module-sized study, either as parts of courses or stand alone, allowing more modular study.

The proposed changes in the Skills and Post-16 Education Bill will support but are not sufficient to bring about the transformation the government would like to see in adult, tertiary learning. We

[21] Higher Education Student Statistics: UK, 2020/21
[22] Post 18 Choice of Part-time Study, May 2019, Post 18 Choice of Part-Time Study (publishing.service.gov.uk).
[23] Universities UK, 2018, Lost Learners, Lost learners (universitiesuk.ac.uk)
[24] Skills for jobs: lifelong learning for opportunity and growth - GOV.UK (www.gov.uk)

therefore do not attach specific success indicators to the powers, but will at later stages of the programme's development lay out specific indicators of success. These are expected to cover:

a. Government wants to see a transformative change through the LLE to give 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 the learning takes place or which higher level qualification they choose. This new system should enable individuals to do level 4-6 courses in further or higher education settings, in full or on a modular basis.

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

Further policy objectives

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

- Providers collaborate more closely to facilitate credit recognition and transfer.
- 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.

Measures of success

Learners

- The number of learners successfully engaging with level 4 and 5 study after leaving school/college.
- Employment outcomes for those who complete qualifications using the LLE, including what occupation, sector and pay they have.
- Take up of modular learning options.
- Experience of users engaging with the portal.

Providers

- The number of institutions offering high-quality higher-level provision, HE modular courses and recognising prior higher level learning and work experience as part of a qualification.
- The price of modules/courses offered by providers.
- Availability of provision in areas in demand of education representation in line with levelling up agenda.

Funding

- The long-term cost of HE, either through students taking better value learning routes or from higher repayment proportions and taxes due to better long-term labour market outcomes.

Employers

- Local and national employers views on skills shortages/mismatches as reported in the National Employer Skills Survey.
- Whether employers recognise the value of modular study tested through employer skills survey.

Description of options considered

Option 0 – Do Nothing

With this option the existing regulatory and funding framework is retained and access to funding for tuition and maintenance remains differential by regulatory system.

This would mean that:

a. The potential for more increased flexible and modular provision is limited and, as a result, part-time and higher technical education is likely stifled.
b. Learners continue to be incentivised by the current student finance system to pursue three-year level 6 degree which may not be best aligned to their needs or that of the economy.
c. Students, 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.

Overview of the current student finance system

Currently, students can access funding at levels 4-6 through the HE student finance or the Advanced Learner Loan funding systems. However, the availability of finance for tuition fees and maintenance varies by the type of qualification and mode of study. This both restricts and distorts choice.

Prospective undergraduate HE students can access the HE student finance 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). However, we previously removed the 'equivalent or lower qualification' (ELQ) restrictions for all STEM part-time degree courses. Students on these courses who already hold a degree can 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 2020/21, tuition fee loans of up to £9,250 and maintenance loans of up to £12,010 are available. Students who started to attend part-time level 6 courses from 1 August 2018 onwards can access full-time equivalent maintenance loans.

This funding system provides limited incentives for undergraduate HE provision outside of a standard full-time 3 year degree. Currently HE student finance loans are restricted to courses of at least a year in duration. The HE Short Course trial will allow certain HE courses of less than a year to be funded through a tuition fee loan from September 2022. 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 funding through the higher education student finance 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 or 5 qualifications can access student finance for fees through Advanced Learner Loans (ALLs). We currently provide these loans for designated FE courses 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. Courses can be funded at any 'intensity' with monthly payments made up to three years. In order to be approved for ALL, qualifications must be Ofqual regulated (or QAA in case of Access to HE Diplomas), and 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. For qualifications at level 4 and above, a lower size threshold of 45 GLH may be considered where the qualification relates to an occupational listed in an occupational map published by the

Institute for Apprenticeships and Technical Education 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.

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.

The proposed legislation modifies 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.

It also amends 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.

In order to introduce the LLE from 2025, a suite of secondary legislation will need to be laid in Parliament by summer 2024. Following the outcome of this consultation on LLE design principles, we will continue to engage and consult on further details on the LLE implementation and technical aspects of policy in the run up to introduction from 2025.

Monetised and non-monetised costs and benefits of each option

This impact assessment does not attempt to monetise all the costs and benefits associated with the introduction of the Lifelong Loan Entitlement. Whilst the policy will aim to provide learners with the student finance options required to pursue more flexible level 4-6 provision, there is currently very limited evidence to suggest the exact extent by which demand for this provision, or for alternative options, might be affected. There is also considerable uncertainty around how providers might respond to this significant change in the student loans system and the educational pathways that this incentivises.

Given these current evidence gaps, this section instead provides a qualitative summary of the potential costs and benefits associated with the LLE. A more thorough assessment of the impacts will be conducted following a consultation on the policy and in light of any more detailed decisions about its design.

Potential behavioural responses to the introduction of LLE

The overall impact of this policy will depend significantly on the response that students and providers have to the increase in student finance options available to study more flexibly. Broadly, it is expected that these could include:

a. An increase in demand for further education courses or shorter higher education courses from individuals that previously would have stopped study at level 3.
b. An increase in demand for further education courses or shorter higher education courses from employed individuals looking to upskill or retrain.
c. A shift away from 3-year undergraduate degrees towards level 4 and 5 qualifications or standalone modular study.

Each of these potential responses is likely to generate different costs and benefits to students, providers, employers and government. The net effect will ultimately depend on the interactions between these learner pathways and the policies and proposals set out in the Higher Education reform consultation.

Costs

The potential costs associated with the introduction of the LLE are likely to fall primarily on providers and government. The LLE will create new opportunities for providers to offer more flexible learning pathways for students and, associated with that, potentially develop new business models. However, the extent to which providers take advantage of these new opportunities will be voluntary rather than a regulatory condition or burden.

Costs to providers

A key purpose of the LLE is to increase the number of student finance options available to learners, providing students with support to undertake more flexible routes through further and higher education. Whilst this is likely to benefit learners through enhanced student choice, the potential redistribution across educational pathways may represent a significant cost to providers, particularly in the HE sector. However, this is a consequence of market competition and disruption rather than a direct consequence of legislative change.

Tuition fees represent a significant proportion of provider income for higher education providers – where domestic fees are capped at £9,250 per year and students traditionally undertake 3 year first degrees – at nearly 54% (see below chart[25]).

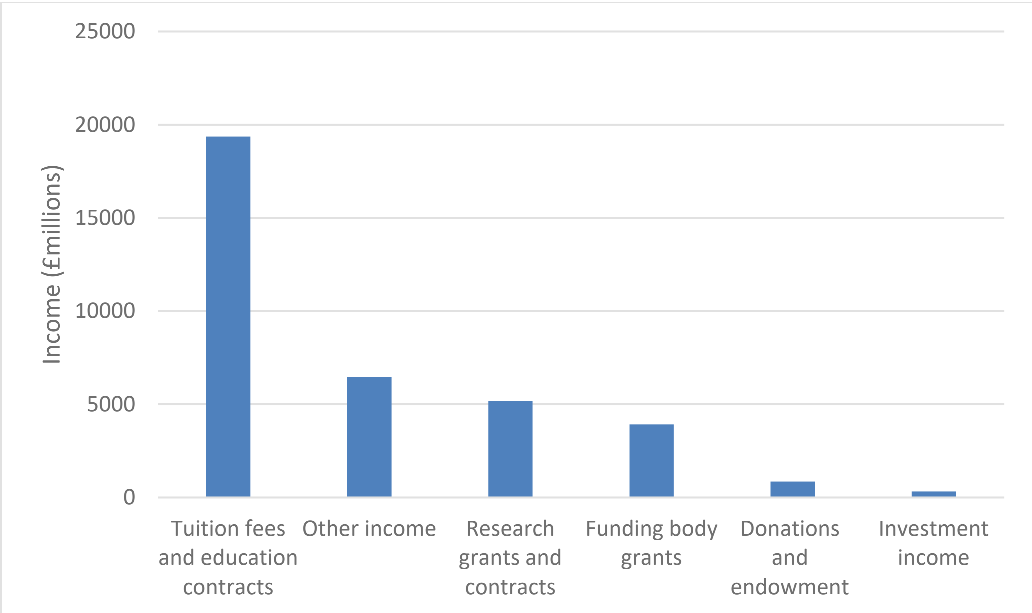

Figure 2: Sources of income for higher education providers in 2019/20

[25] Source: https://www.hesa.ac.uk/data-and-analysis/finances/income

Whilst it is not possible at this stage of policy development to accurately estimate the number of learners that will be reached by the LLE, it is likely that one source of potential demand will be from individuals that otherwise would have studied 3-year undergraduate degrees. For providers, this 'switching' will represent a cost in the form of reduced tuition fee income if learners choose to undertake a smaller number of credits than they would have in the absence of the LLE.

The overall impact of this on providers however is highly uncertain; as well as being dependent on the number of individuals that 'switch' to lower credit courses, it is also driven by the average number of credits undertaken and the associated fees – which are currently unknown. However, the below table provides an illustration of the potential per-student loss in tuition fee income to higher education providers by comparing a given number of credits to the counterfactual of a 3-year degree (360 credits):

1. Assumed number of credits per student	2. Per-student provider income[26]	3. Per-student provider income from 3-year degree	4. Per-student cost to providers (3-2)
30 (equivalent to one module)	£2,310	£27,750	£25,440
60	£4,630	£27,750	£23,120
90	£6,940	£27,750	£20,810
120 (equivalent to one academic year)	£9,250	£27,750	£18,500

Whilst the potential redistribution of learners across educational routes is also likely to represent a cost to further education providers – for example if standalone higher education modular courses offer competition to further education – the size of any lost revenues is expected to be much smaller given that tuition fees across further education providers are generally lower and course lengths are generally shorter than in higher education[27].

A further cost to providers is the potential administrative burden associated with a significant change to the student finance system and a potential shift towards standalone modular study. Where providers would need to spend time familiarising themselves with the new loans system, this would represent a regulatory burden and an opportunity cost to staff.

There might also exist additional costs 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.

Costs to employers

Employers will incur costs as a result of this policy 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 considered

[26] This assumes fees for standalone modular courses are proportionate to the number of credits studied. For example, the cost of a 30-credit course is 25% of the maximum cost of an academic year (£9,250).

[27] The mean tuition fee at a further education college with an access agreement was £7,170 in 2016/17. Across further education colleges without an access agreement it was £5,800.
Source:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/909415/Higher_Education_Tuition_Fee_Prices.pdf

to be the only direct cost to business, with an estimate of the burden provided in the ‘direct costs and benefits to business’ section.

Costs to government

The primary cost to government will be additional loan outlay associated with new learners entering the system at level 4-6 that previously would not have been able to obtain student finance. This is 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. However, as with the provider costs, it is difficult to accurately estimate the cost to government at this stage given the uncertainty around the number of new learners, the average number of credits undertaken and their likelihood of repayment.

Additional outlay could be significant if a large number of 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.

Government will also incur costs associated with the implementation and regulation of the LLE. For example, if SLC systems require redesigning or if there are ongoing running costs as a result of the programme.

Benefits

There are likely to be benefits associated with the introduction of this policy to learners, providers, employers and government.

Benefits to students

There is strong evidence to suggest post-18 education offers considerable labour market value to students. 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.[28] Graduates are also around three times more likely to be in high-skilled employment than those without a degree.[29] To the extent that the LLE provides an access route into post-18 education for individuals looking to upskill or retrain, it is likely to facilitate improved earnings and employment outcomes for learners.

However, the per-student benefit will depend significantly on the type and amount of study pursued through the LLE as well as learners’ counterfactual labour market outcomes. Whilst we currently have limited information to suggest what these might be, we intend to gather evidence as the policy develops.

In addition to the labour market value associated with post-18 education, 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.

Benefits to providers

Whilst the previous section highlighted the potential loss of tuition fee income for providers in the event that learners choose to study standalone modular courses instead of 3-year undergraduate degrees, it is possible that this could be at least offset by the number of new

[28] Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869263/The_impact_of_undergraduate_degrees_on_lifetime_earnings_research_report_ifs_dfe.pdf
[29] Source: https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets

learners entering the system compared with if the LLE was not introduced. Although the tuition fee income gains 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. 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).

Benefits to employers

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]

Benefits to government

Government may also benefit from the introduction of the LLE in the event that total loan outlay falls as a result of this policy. 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 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.

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.[31]

Direct costs and benefits to business

It is expected that the costs and benefits to business as a result of this policy will be to providers and employers.

As outlined in the above section, the primary costs to providers are likely to be reduced tuition fee income from learners choosing to study fewer credits and any costs associated with changes to course delivery such as development of new modular programmes. Some providers may benefit if a significant number of new learners are encouraged to take up level 4-6 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 incentivised provider and learner behaviour rather than because of any specific burden imposed by the changes to legislation. The only direct cost to business as a result of this policy will be the regulatory burden on employers of administrating new loans.

Previous HMRC analysis[32] 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.

One-off costs

[30] Source: https://izajole.springeropen.com/articles/10.1186/s40172-017-0061-4
[31] The RAB charge – the proportion of loan outlay that is expected to not be repaid – is 53% on plan 2 full-time Higher Education loans, 45% on plan 2 part-time Higher Education loans and 69% on Advanced Learner Loans.
Source: https://explore-education-statistics.service.gov.uk/find-statistics/student-loan-forecasts-for-england/2019-20
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 reduce the RAB charge (increase the repayment proportion).
[32] Source: https://www.legislation.gov.uk/ukia/2016/194/pdfs/ukia_20160194_en.pdf. See annex.

It is assumed that 5 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, a loan to undertake previously unavailable standalone modular courses).

General familiarisation

In 2015, HMRC estimated that general familiarisation would be required for 1.40 million businesses in the first year. This compares with 2.45 million VAT and/or PAYE businesses in the UK in the same year[33]. Assuming the same proportion[34] using 2020 data, general familiarisation would be required for 1.57 million businesses. VAT and/or PAYE businesses have grown in number at 1% on average over the previous three years – assuming this continues until 2025/26, when the LLE is expected to be introduced, 1.65 million businesses will be required to undertake general familiarisation. From 2025/26 onwards, this figure is estimated to be an additional 30k per year – equal to the number of new businesses entering the market (at 1% growth).

Assuming that general familiarisation will be undertaken by a manager, director or senior official[35], the cost will be £3.86m[36] in the first year of the policy and £70k[37] in each subsequent year.

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 currently unknown.

Assuming that detailed familiarisation will be undertaken by a manager, director or senior official, the estimated cost will be £7.00[38] per required employer. The below table 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[39].

Assumed increase in initial entrants to HE	Number of businesses dealing with new loans for the first time each year	Cost per hour (£)	Required time per employer (hours)	Total cost (£)

[33] Source: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2020
[34] Calculation: 1.40 / 2.45 = 0.57
[35] The total labour cost of a manager, director or senior official in 2025/26 is £28.01 per hour. This uplifts the average gross hourly wage of a manager, director or senior official in (£23.00) by the ratio of non-wage to wage labour costs in the private sector (0.165) and adjusts for inflation using the GDP deflator.
Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/grossweeklyearningsbyoccupationearn06
Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/indexoflabourcostsperhourilchnonseasonallyadjusted
[36] Equal to 1.65m businesses multiplied by 5 minutes at £28.01 per hour.
[37] Equal to 30k businesses multiplied by 5 minutes at £28.01 per hour.
[38] Equal to 15 minutes at £28.01 per hour.
[39] 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.

as a result of the LLE[40]				
1%	4,000	28.01	0.25	27,000
5%	19,000	28.01	0.25	134,000
10%	38,000	28.01	0.25	268,000

Ongoing costs

It is assumed that employers will be required to undertake six ongoing tasks per new employee making loan repayments as a result of this policy. 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 on FPS. The assumed frequency and time associated with each task is outlined the below table:

Task	**Frequency (per year)**	**Time (minutes)**
Determining whether 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

[40] 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. Source: https://explore-education-statistics.service.gov.uk/find-statistics/participation-measures-in-higher-education/2018-19

by a wages clerk at cost of £15.46 per hour[41], representing an overall ongoing cost of £5.54 per required employee per year[42]. 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:

Number of new learners per year as a result of the LLE[43]	Cost per hour (£)	Required time per employer (hours)	Total cost (£)
4,000	15.46	0.36	21,000
19,000	15.46	0.36	106,000
38,000	15.46	0.36	212,000

Total direct cost to business

In the central scenario where the number of new learners increases by 19,000 (5%) per year as a result of the LLE, it is estimated that the total annual direct cost to business will be £4.10m in the first year and £0.31 in each year thereafter.

Cost type	Annual cost in first year	Annual cost in year two onwards
One-off (a+b)	£3.99m	£0.20m
a. General familiarisation	*£3.86m*	*£0.07m*
b. Detailed familiarisation	*£0.13m*	*£0.13m*
Ongoing	£0.11m	£0.11m
Total	**£4.10m**	**£0.31m**

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 learners each year. We intend to update this as the policy develops and more is known about the desired aims of the programme.

Sensitivity analysis

[41] This uplifts the average gross hourly wage of an administrative an secretarial role in 2020/21 (£12.70) by the ratio of non-wage to wage labour costs in the private sector (0.165) and adjusts for inflation using the GDP deflator.
Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/grossweeklyearningsbyoccupationearn06
Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/indexoflabourcostsperhourilchnonseasonallyadjusted

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

[43] 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 around the number of businesses affected

The above analysis assumes a central scenario of 19,000 new learners per year as a result of the LLE. The following table shows how the total cost to business varies by take-up:

Number of new learners per year as a result of the LLE	Annual cost in first year	Annual cost in year two onwards
4,000 (a 1% increase in initial entrants)	£3.90m	£0.12m
19,000 (a 5% increase in initial entrants)	£4.10m	£0.31m
38,000 (a 10% increase in initial entrants)	£4.34m	£0.55m

Sensitivity around the number of businesses required to undertake general familiarisation

The above analysis assumes a central estimate of 1.65m businesses required to undertake general familiarisation in the first year and 30k in year two onwards as a result of the LLE. The following table shows how the total cost to business 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
1.49m (10% lower)	0.03m (10% lower)	£3.71m	£0.30m
1.65m (central estimate)	0.03m (central estimate)	£4.10m	£0.31m
1.82m (10% higher)	0.03m (10% higher)	£4.48m	£0.32m
1.98m (20% higher)	0.04m (20% higher)	£4.87m	£0.32m

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 £0.77m in the first year and around £0.02m in each thereafter.

Impact on small and micro businesses

The introduction of the LLE will have impacts across HE and FE providers. Whilst it is possible that any reduction in fee income 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 HESA data[44] 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[45]) 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[46], with these usually offering a mix of FE and HE provision. It is also not expected that the introduction of an LLE would expand the types of level 4 and 5 courses eligible for fee loan funding beyond those currently available. We therefore expect the policy to have minimal impact on small FE providers.

Equalities and wider impacts

These equalities and wider impacts of the LLE will be kept actively under review as the policy is developed, including in response to the consultation, and as we move towards detailed implementation from 2025.

In the meantime, the impact assessments which accompanied the Skills and Post-16 Education Bill and the equality analysis being published alongside the HE reform consultation gives more information on the characteristics of students studying at Level 4 to 6. At this point in time, it is expected that the LLE programme will primarily appeal to: individuals looking to retrain (a cohort likely to be similar to those that currently study part-time); individuals most likely to study low-returning undergraduate degrees; and individuals most likely to stop education because of poor options available beyond level 3.

Individuals looking to retrain

Part-time students in higher education are around three times more likely than full-time students to be aged 30 and over[47]. We expect this policy to have a positive impact on this cohort through increasing the options available for flexible study.

Across other protected groups, the differences between full-time and part-time students are small. We therefore expect there to be no significant equalities impacts.

Individuals likely to study low-returning undergraduate degrees

Research by the IFS on behalf of the DfE has explored the earnings returns to undergraduate degrees. It finds that around 20% of students do not benefit financially from higher education over their lifetime[48]. For these individuals, the LLE – and the more modular approach to studying that it encourages – could offer an important option for improving outcomes in the labour market, both because of their lower cost compared to 3-year degrees and their value to employers.

Returns are likely to be lower for women than men, so we would expect this policy to have a positive impact on this group. However, the impact is likely to be minimal across other protected groups, with those from lower socio-economic backgrounds and ethnic minority groups more likely to study higher-returning subjects[49].

Individuals most likely to stop education at level 3

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[45] See 'small and micro business assessment' section in the Skills and Post-16 Education Bill impact assessment: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987474/Skills_and_Post16_Education_Bill_-_Impact_Assessment.pdf

[46] Source: https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he

[47] 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). Source: https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he

[48] Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869263/The_impact_of_undergraduate_degrees_on_lifetime_earnings_research_report_ifs_dfe.pdf

[49] Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/973239/The_returns_to_undergraduate_degrees_by_socio-economic_group_and_ethnicity.pdf

Over half (53%) of those who reached the end of 16 to 18 study in 2017/18 did not continue in education[50] with one possible reason for this being a lack of flexible post-18 study options. The LLE could positively impact these individuals if it encourages continuation in education by offering an alternative to currently available post-18 routes.

Across groups, the positive impact is likely to be largest for disadvantaged students who are 9 percentage points less likely than non-disadvantaged students to have a sustained education destination after 16 to 18 study.

Alternative Student Finance

The Government has been carefully considering the development of a new student finance product compatible with Islamic finance principles as it considered the Post-18 Review of Education and Funding: Independent Panel' report (the Augar Report) [51]. The HE Reform consultation document explains the Government's decision to consider if and how Alternative Student Finance could be delivered as we take forward our plans to introduce the Lifelong Loan Entitlement.

The Government wants to help ensure HE remains accessible to all those with the desire and ability to benefit from it and the LLE consultation has invited views on barriers to the participation for the Entitlement, which could include previous consideration of an alternative student finance product for students whose faith has resulted in concerns about traditional loans. The equality aspects are considered in Annex A.

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 product/s. 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 the Higher Education Statistics Authority to understand the effect of these reforms in increasing competition and diversity within the sector.
b. Using the student record and UCAS application data to evaluate the impact of the reforms, including the transparency duty placed on providers, to widen participation in Higher Education.
c. Using survey data, in combination with administrative datasets, to understand any changes to learner outcomes and perceptions of value for money;
d. Continuing use of the TEF award to monitor continuation in delivery of quality educational provision.
e. Using of the OfS' annual performance and framework report, aiming to ensure the sector delivers on the needs of students.
f. In line with the Better Regulation Framework, undertaking a post-implementation review.

[50] Source: https://explore-education-statistics.service.gov.uk/find-statistics/16-18-destination-measures/2018-19
[51] Post-18 review of education and funding: independent panel report, Department for Education, May 2019.

Annex A – Alternative Student Finance

The Government has been considering the development of a new student finance product compatible with Islamic finance principle carefully as it considered the report of the Post-18 Review of Education and Funding: Independent Panel' report (the Augar Report). The HE Reform consultation has now announced the Government's decision to consider if and how Alternative Student Finance could be delivered as we take forward our plans for the new LLE.

HESA data[52] shows that around 12% of the total undergraduate student population in England in the 2020/21 academic year were known to identify as Muslim. In the same year, 148,615 undergraduates in England across all modes of study and all years identified as Muslim, an increase of 17,950 on the previous year. More widely an ONS [53] assessment of religion in England and Wales in 2019 shows that the second largest religious group were Muslims making up 5.7 per cent of the population.

DfE's analysis of HESA's 'Student' and 'Alternative Student' records for 2019/20 academic year (where religion is known) shows that Muslim students were just as likely as other religious groups to have their tuition fees funded by the Student Loans Company (SLC) through the tuition fee loan facility. Around 87% of Muslim students funded their studies this way which is the same as Christian and higher than Buddhist (85%), Hindu (82%) and Jewish (76%) students.

Muslim students also chose not to fund their studies through loans from the SLC in similar proportions to other religious groups at 12%. For Christian students this is 11%, for Buddhist, Hindu, and Jewish students it is higher at 14%, 17% and 23% respectively. This analysis is from a sample size of nearly 1 million students where religion was known in which Muslim students made up 12% of the student population.

While that remains the case, we are considering if and how a Sharia compliant student finance solution could be delivered as part of the LLE, as we have identified the following potential impacts of an absence of a sharia-complaint loan product:

i. **Low income:** The absence of a Sharia compliant student loan product could have a negative impact on people from low-income households. Evidence shows that Muslim families are over-represented in lower economic households.[54] ONS analysis of the 2011 census which breaks down economic activity by religion[55] also shows that Muslims were one of the groups with the lowest levels of economic activity. It is therefore reasonable to assume that the introduction of ASF would have a greater positive impact on students from lower income backgrounds to support access to HE than on the general student population.

ii. **Sex:** We do not have data that shows that the absence of an ASF product has a discriminatory effect by sex. However, the targeted student finance grants that are most likely to benefit female students, i.e., those for childcare support and caring responsibilities, are available to all students *eligible* for student loans, whether or not a loan is taken out, and these grants do not bear interest. The absence of a

[52] https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he

[53] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/populationestimatesbyethnicgroupandreligionenglandandwales/2019#religion-in-england-and-wales

[54] GOV.UK income distribution & ethnicity facts & figures and ISER (2016) Labour market disadvantage of ethnic minority British graduates

[55] https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/religion/articles/fullstorywhatdoesthecensustellusaboutreligionin2011/2013-05-16#religion-by-economic-activity

Sharia compliant student loan product is not, therefore, a barrier to accessing these grants providing the student is able to enter HE.

iii. **Ethnicity:** The absence of a Sharia compliant student loan product will principally have a negative impact on Muslims, and could therefore potentially lead to a less diverse student population. The 2011 census show that 68% of Asians are Muslim so it reasonable to assume that a proportion of students of Asian ethnicity will continue to be deterred from accessing HE.

iv. **Disability:** We do not hold sufficient data to assess the impact of lack of a Sharia compliant student loan product on students with a disability. However, Disabled Student's Allowance (DSA) is available to all students *eligible* for student loans, whether or not a loan is taken out, and DSA does not bear interest. The absence of ASF is not, therefore, a barrier to accessing this support providing the student is able to enter HE.

v. **Religion:** The lack of a Sharia compliant student loan product will have a negative impact on some prospective students of Islamic faith. While we know that a number of students are being prevented from undertaking HE due to the lack of a Sharia-compliant funding mechanism, it is not possible to provide a quantitative estimate of the numbers affected, but a survey conducted by Muslim Census has suggested that around 4,000 potential Muslim students per year may be in this position.