



Department
for Education

Lifelong Learning (Higher Education Fee Limits) Bill

Policy Impact Assessment

February 2023

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Overview

In February 2022, the Department for Education published an impact assessment alongside its consultation on proposals to introduce a Lifelong Loan Entitlement (LLE) aimed at enabling a more flexible and streamlined post-18 education system¹.

The impact assessment set out the evidence base underpinning the case for government intervention and analysis on the expected impacts of potential policy options on different groups, as well as on equality.

This policy impact assessment adds to this original analysis by considering the potential impacts of LLE fee limits – specifically, the introduction of fee limits set according to the number of credits a piece of learning contains, and the ability to set fee limits on higher education short courses and modules in an appropriate way, as well as for full and part-time degree level courses. Where appropriate, the analysis considers the wider implications of introducing loan funding for these courses.

What is the problem under consideration? Why is government intervention needed?

Our skills system has been very efficient at producing graduates but there are still improvements we can make to ensure people get the high-quality technical skills that employers want. Added to this, the current student finance system does not incentivise or offer a clear route for an adult to study flexibly over their lifetime.

While there is survey evidence to show there is demand for more modular and flexible courses², separate polling shows that financial concerns around the affordability of tuition fee and living costs have been cited by potential part-time learners as a key reason for not enrolling on such courses³. This is particularly acute for mature learners who tend to be more debt averse meaning that they are more likely to be deterred from participating in HE if the cost of study is considered to be too high⁴.

Through the Skills and Post-16 Education Act 2022, the Government introduced explicit provision for student finance to be provided for modules of higher education courses, in addition to full courses.

¹ [Lifelong loan entitlement - impact assessment \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

² [Majority of adult learners would upskill at university if given the chance \(universitiesuk.ac.uk\)](https://universitiesuk.ac.uk)

³ [uuk-lost-learners.pdf](#)

⁴ [The-Lost-Part-Timers-Final.pdf \(suttontrust.com\)](#)

Further action is still needed to address gaps with the existing fee limit system which, if unaddressed, could continue to act as barrier to participation in level 4-6 study for those wishing to pursue modular or flexible learning.

Specifically, the current fee limits system, where fee limits are determined per-academic year, cannot be applied appropriately to the short courses and modules that the LLE aims to encourage. Without action, these types of courses would be subject to per-academic year fee limits or none at all, which could result in tuition fees that are disproportionately high compared to longer periods of study. This could strongly disincentivise students from undertaking short courses and modules, as providers would be able to charge a disproportionate amount for a standalone module when compared to its contribution to the full course of which it forms part. This would prevent many learners from accessing short courses and modules flexibly and being able to upskill or reskill alongside their existing personal commitments.

Government intervention is therefore needed to design a method of calculating fee limits which proportionately reflecting the amount of learning involved in a course or module.

In this way, the intention is to incentivise participation in modules and short courses, including by those groups with certain protected characteristics or from disadvantaged backgrounds who are more likely to be debt averse⁵.

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

The policy objective of the intervention is to create a fee limit system which ensures that, for higher education providers in the Approved (fee cap) category of the Office for Students' register, tuition fees for provision under the LLE can be limited in a fair and proportionate manner. This is so learners will not be disincentivised from accessing the types of short course and modular provision that may allow them to upskill and reskill quickly alongside their personal commitments.

By designing a fee limits regime which is suitable for all types of study including short courses and modules as well as multi-year courses, the intended effect is to make higher education study more accessible for those groups of people who wish to study flexibly.

⁵ [Does student loan debt deter Higher Education participation?](#)

What policy options have been considered, including any alternatives to regulation?

Option 0 – Do nothing

The current system remains in place whereby courses at Approved (fee cap) registered providers are subject to fee limits per academic year. This would mean fee limits (if any) for modules and courses shorter than one academic year would be disproportionately high.

Option 1 – A system of credit-based fee limits, with allowance for per-year fee limits where appropriate (expected to be on an exceptional basis)

A system which introduces a new credit-based fee limit, whereby the number of credits in a course or module is multiplied by a limit-per-credit, up to a maximum per course type.

This will provide the ability to set fee limits on both courses and specific components of courses, including those which providers do not allocate credit towards. All courses and modules subject to fee limits under the LLE will use a form of this calculation, apart from exceptional instances to be determined individually.

Option 2 – A dual system where per-year fee limits apply to courses, and per-credit fee limits apply to modules

Whilst this option appears to be deliverable, it would not enable all courses within the LLE to be fee capped. This is because a per-year fee limit system does not enable proportionate fee limits to be set on courses that are shorter than a year.

Option 3 – A dual system for periods of study longer than a year, and periods of study shorter than a year

This dual approach would use per-year fee limits for all periods of study longer than a year, and per-credit fee limits for all modules and short courses. However, it would not enable proportionate fee limits to be set on courses that contained partial years of study – for example, an 18-month course.

Option 1 is the preferred option. The advantage to this system is that there is an already established credit framework in operation within the sector under which providers already allocate a largely standardised number of credits to different types of courses. Our proposal would be to build on these sector recognised standards and frameworks.

Option 1 will establish a new system where courses and modules under the LLE will be fee-capped according to the amount of learning they offer, rather than the number of years they involve. This ensures that students will not be disincentivised from undertaking short courses and modules, and that it will not be disproportionately costly for a student to undertake a qualification module-by-module, rather than enrolling on the full course.

Rationale and evidence to justify the level of analysis used in the impact assessment rating

The impact assessment published in February 2022 set out the economic case for the LLE as a whole and the expected impacts on different groups⁶. This impact assessment considers an additional element of the LLE – namely the introduction of a new fee limits system based on credit.

A full and detailed quantitative assessment of impacts on learners, providers, employers, the Exchequer and the wider economy and society is currently not possible because of two key sources of uncertainty:

- Broader LLE policy – The fee limits policy has interdependencies with the broader LLE policy design, key aspects of which are due to be published in the LLE consultation response. The LLE consultation was launched on 24 February 2022 and sought views on the ambition, scope, and coverage of the LLE. On 6 May 2022, the Government concluded its consultation on the LLE. The Government will continue to work closely with representatives from across the education sector, as well as key delivery bodies to scope and design the necessary system changes. The Government is carefully considering the contributions to the consultation and will publish its response in due course.
- Behavioural uncertainty – it is too early to confidently predict the likely response of providers and learners to the introduction of LLE fee limits and the impact on provision, choice, and take-up.

The aforementioned behavioural uncertainties and interdependencies between different aspects of LLE policy make it difficult to identify and accurately quantify the expected impacts which can be directly attributed to the introduction of LLE fee limits. We have therefore taken a proportionate, high-level approach to analysing LLE fee limits in principle, and as an isolated policy change.

⁶ [Lifelong loan entitlement - impact assessment \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

This impact assessment on fee limits is situated and further contextualised within a wider impact assessment covering LLE policy as a whole which will be published alongside the consultation response. This wider impact assessment includes estimates of familiarisation costs of the different aspects of LLE including fee limits.

In accordance with the Better Regulation Framework, full and detailed assessments of impacts, including quantification of expected costs and benefits of LLE policy in its entirety, will be published when the government lays the necessary secondary legislation to fully implement LLE.

An enactment IA will also be published after the fee limits Bill receives Royal Assent. This will contain an updated analysis of expected impacts taking into account amendments agreed during the Parliamentary legislative process and any new evidence that has been come available in the meantime.

Summary and preferred option with description of implementation plan

The preferred policy option is option 1, which is to introduce a credit-based system for all modules and courses under the LLE. This would create proportionality between the fee limits for courses and modules, whereby fees are paid dependent on the number of credits undertaken. The intention is that the number of credits contained in a module of a course when studied on its own must be no more than the number of credits in its full course equivalent.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

Option 0 – Do nothing

Under this option, students choosing to undertake flexible study may find themselves facing disproportionately higher fees for some short courses and modules compared to what they would be charged for the same amount of learning within a multi-year course. This would mean that barriers to participation would continue to exist for students who would like to pursue higher education but are unable to study for a full-time degree due to work, family or personal commitments.

Option 1 (Preferred option) – The implementation of a credit-based fee limits system for the majority of courses and modules

Impact on students

Under this option, the fees for short courses and modules would be capped at a level which is fair and proportionate compared to the cost of studying a multi-year course.

The proportionate cost of study for some short courses and modules is likely to make higher education study more accessible for those groups of people who are unable to study full-time or longer-term because of work, family or personal commitments.

Since they are, in the main, likely to be mature learners who are more sensitive to the cost of study and therefore debt averse⁷, having appropriate fee limits for short courses and modules is likely to encourage greater take-up of these types of study.

New learners enrolling on short courses and modules can expect to achieve better employment and earning prospects as the training, re-training or upskilling they receive makes them more productive in the workplace.

Impact on providers

The overall impact is likely to be ambiguous because of various opposing effects. The introduction of fee limits for short courses and modules could increase tuition fee revenue if fee limits combined with the availability of a tuition loan bring about increased student demand. In 2020, two thirds of prospective students surveyed said that if the government introduced loans to study individual modules, they would be more likely to undertake university study.⁸ The LLE offers opportunities for providers to target this demographic of learners who are open to more flexible study options. These opportunities could result in increased revenue for providers who create provision that successfully targets and expands into this market.

⁷ Students who are female, Black and from other ethnic minority groups are also likely to be debt averse. However, they are not judged to be over-represented in part-time study. This is discussed further in the Equality and wider impacts section below.

⁸ [Majority of adult learners would upskill at university if given the chance \(universitiesuk.ac.uk\)](https://www.universitiesuk.ac.uk/majority-of-adult-learners-would-upskill-at-university-if-given-the-chance)

However, as set out in the LLE impact assessment published in February 2022, there is also the possibility that some providers could receive less tuition fee income per student if some types of learners that are currently studying longer courses instead choose to study in a modular fashion, rather than making a larger financial commitment towards a full course⁹. This could result in providers having less financial certainty if they have relatively fewer students committing to undertake courses over multiple years.

The overall impact on provider income will depend on the behavioural response from students and providers themselves, and the design of the broader LLE loan offer. To gain a better understanding of the potential behavioural response of providers and students, the Department for Education and Office for Students is carrying out a HE Short Course Trial

The shift to a credit-based fee limits system will mean that providers will incur time and staff costs familiarising themselves with the new system.

As some aspects of the broader LLE policy are still in development, it is not yet possible to accurately estimate these familiarisation costs.

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

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

Impact on Exchequer

Option 2 and 3 – A dual system where per-year fee limits apply to courses, and per-credit fee limits apply to modules or a dual system for periods of study longer than a year, and periods of study shorter than a year.

A dual fee limit system would be more complex than the preferred option placing greater administrative burdens on providers compared to the preferred option. The increased complexity of the fee limits would also mean that providers would likely face comparatively higher familiarisation costs.

⁹ [Lifelong loan entitlement - impact assessment \(publishing.service.gov.uk\)](#), p.15

The expected benefits to learners would also be lower than under the preferred option. Under a dual system, proportionate fee limits would still not apply to some courses meaning that the range and choice of short and modular courses subject to fee limits may be comparatively less than under Option 1.

This could have the effect of constraining greater take-up of flexible learning opportunities even though demand may exist.

Direct costs and benefits to business calculations

Providers would likely incur costs associated with familiarising themselves with the new fee limits regulations. As some aspects of the broader LLE policy are still in development, it is not yet possible to accurately estimate these familiarisation costs. However, these are not expected to be significant as the new system has been deliberately designed to align with the current one to minimise any changes in fee limits for full courses.

If there is a significant increase in students taking up modules and a decrease in students enrolling on full degree courses, providers could see an increase in the administrative costs associated with onboarding new students.

These costs however should be considered voluntary as there is no regulatory requirement placed on providers to offer greater provision of short courses and modules.

Impact on small and micro businesses

The new fee limits regulations would apply to all providers registered with the OfS as Approved (fee cap) providers, including those which would be classified as small sized in terms of income and staff and student numbers.

As of 6th September 2022, there were 344 Approved (fee cap) providers on the OfS register comprising large universities, smaller specialist HE providers and Further Education Colleges (FECs).

The key direct costs on small providers will be the time and costs staff will incur familiarising themselves with the new fee limits regulations. As noted above, it is not yet possible to accurately estimate these costs.

Key risks and assumptions

The changes to fee limits are not being made in isolation but are part of a broader policy implementation, aspects of which are still to be decided. It is not possible to assess quantitatively the expected costs and benefits on different groups of fee limits alone, since much of the impact will arise from the interaction between fee limits and other aspects of the LLE system.

The expected impacts will be driven in large part by the behavioural response of students and providers which, at this point in time, is difficult to predict because of the dependencies between fee limits and the LLE system as a whole.

Equalities and wider impacts

The impact assessment published in February 2022 in support of the LLE consultation¹⁰ set out the personal characteristics of students studying at Level 4-6. It noted that LLE could have a positive equality impact on mature students as they are more likely to study part-time¹¹.

The introduction of fee limits will mean that short and modular courses, some of which will now also be eligible for loan funding, will appeal to those learners who may have previously been discouraged from enrolling on these courses because they judged the cost of studying flexibly – both in terms of tuition fees and living costs – to be disproportionately high.

Learners who will particularly benefit from the introduction of fee limits (in conjunction with loan funding) for short and module courses will be people who tend to be debt averse meaning they are more likely to be discouraged from participating in HE if they deem the overall cost of study to be too high.

Research shows that students who are debt averse are typically part-time students¹² and more likely to be female, older, from ethnic backgrounds or lower socio-economic groups¹³.

Monitoring and Evaluation

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

¹⁰ [Lifelong loan entitlement - impact assessment \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

¹¹ Part-time students in higher education are around three times more likely than full-time students to be aged 30 and over 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>

¹² [The-Lost-Part-Timers-Final.pdf \(suttontrust.com\)](https://www.suttontrust.com)

¹³ See for example Gayardon, A. et al. (2019) The determinants of student loan take-up <https://link.springer.com/content/pdf/10.1007%2Fs10734-019-00381-9.pdf>

and Callender and Mason (2017) Does student loan debt deter higher education participation: new evidence from England

www.llakes.ac.uk/wp-content/uploads/2021/03/RP-58.-Callender-and-Mason.pdf

The expected impacts of the introduction of fee limits will be captured alongside broader plans to carry out evaluation for LLE as a whole. The Higher Education Short Course trial is the first step in monitoring and evaluating modular provision.



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