

<b>Title:</b> Reforms to funding and financial support for nursing, midwifery and AHP Bursary students (SR 2015) <b>IA No:</b> DH2004 <b>Lead department or agency:</b> DH  <b>Other departments or agencies:</b> BIS, HEE, NHS BSA.	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 07/04/2016			
	<b>Stage:</b> Consultation			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary legislation			
<b>Contact for enquiries:</b> SRbursariestoloans@dh.gsi.gov.uk				
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> Not Applicable	

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£10m	£0m	£0m	N/A	N/A

**What is the problem under consideration? Why is government intervention necessary?**

The current system of financial support for nursing, midwifery and allied health professional (AHP) students is not considered to be sustainable. Currently, people studying for a degree in nursing, midwifery and the AHPs receive Bursaries to cover tuition and living costs. These Bursaries are paid from general taxation and are not recoverable from the student after they graduate. The number of students trained can therefore be constrained by the Government's finances. Whilst planning is carried out to try to ensure resources are allocated to areas of greatest need, funding limits constrain the number of places which can lead to an undersupply of NHS staff, and more reliance on expensive agency workers and/or overseas staff.

**What are the policy objectives and the intended effects?**

The reform of the healthcare student financing system will reduce the burdens on the taxpayer, and enable Higher Education Institutions (HEIs) to provide places on nursing, midwifery and AHP courses to meet expressed demand from potential students. It should reduce the risks that the number of student places offered is constrained by financial issues. The reforms should improve the supply of qualified healthcare graduates and thus reduce the health system's reliance on agency and overseas staff. We will undertake careful monitoring and evaluation to ensure that the policy objectives are met.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

Option 1: Counterfactual (do nothing).  
 Option 2: All new nursing, midwifery, and AHP students to receive financial support and funding through the standard student support system for both living costs and tuition from 2017.

Option 2 is preferred as it meets the objectives set out above.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 12/2020					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> No	<b>&lt; 20</b> No	<b>Small</b> No	<b>Medium</b> No	<b>Large</b> No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> n/a	<b>Non-traded:</b> 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: Ben Gummer MP**

**Date: 7 April 2016**

# Summary: Analysis & Evidence

# Policy Option 2

**Description:** Reforms to funding and financial support for nursing, midwifery and AHP Bursary students

## FULL ECONOMIC ASSESSMENT

Price Base Year 1617	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £10m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£1m	£1,863m	£15,403m

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

The costs of reform are set out in Table 7. The total NPV Cost of £15,403m over ten years mainly comes from the taxpayer funding additional loans for tuition and living cost support. For students, the main costs come through the loss of funding, for tuition and living costs, received through the NHS Bursary. Anticipated loan repayment costs are shown for the full lifetime of the loan, presented in the first year the loan is issued. The main monetised costs apply to i) new students who are no longer eligible to receive Bursaries from 2017, and will repay their loans upon graduation and once earning over £21,000, and ii) the taxpayer where loans are not repaid.

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

No non-monetised costs have been identified.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		£1,864m	£15,412m

### Description and scale of key monetised benefits by 'main affected groups'

The benefits of reform are set out in Table 7. The total NPV benefit of £15,412m over ten years comes from a saving to the taxpayer of no longer paying Bursaries to new students, payments of loans, grants and allowances to students whilst studying, and funding to HEIs. There are also administrative savings from no longer having a separate student finance system administered by the NHS Business Services Authority (BSA).

### Other key non-monetised benefits by 'main affected groups'

Enabling students to fund their courses through loans removes the constraint on course numbers which should encourage HEIs to offer more nursing, midwifery and AHP courses. The precise impact is difficult to estimate with certainty, and has not been included in the monetised benefits. However, it has been estimated that some 10,000 more places in total might be made available by the end of this parliament. Further benefits from more directly linking study and costs include increasing the motivation of students to study and for Institutions to provide excellent courses.

### Key assumptions/sensitivities/risks

### Discount rate

3.5%

It is assumed that spending would continue at current levels in the absence of policy change. Behavioural change is uncertain, but evidence from previous student funding reforms suggests that while there may be some uncertainty over applications in the very short term, in the longer term, overall student numbers may increase.

**This Impact Assessment (IA) covers reforms to the NHS Bursary funding for new nursing, midwifery and allied health professional (AHP) students announced as part of the Spending Review on 25th November 2015.**

This IA quantifies, as far as possible, based on the available evidence and ahead of the consultation exercise, the potential costs and benefits of the new policy compared to a counterfactual of the existing funding system.

Comments on the analysis in this Impact Assessment are welcome (and should be addressed to SRbursariestoloans@dh.gsi.gov.uk), particularly in areas where the evidence is limited or where it has not been possible to quantify costs and benefits. The Government will take note of comments and any additional evidence received to inform the Final Impact Assessment that will be published alongside the Government's response to the consultation.

**Problem under consideration**

The current system of student support for nursing, midwifery and AHP students relies on Government funded training places and bursary support for students as they study. This system does not generally allow for building in a margin of error by funding more places on courses than current funding allows. Given both the time it takes to train students, (three years on average), and the inherent difficulty of forecasting demand in the longer term, a restriction in numbers can have significant longer term consequences with the supply of staff not matching demand.

Taxpayer funding has also historically led to restrictions in funding levels – both in terms of the amount of support offered to individual students and the payments per student to the HEIs.

The aim of training new students is to ensure there are sufficient numbers of highly skilled staff in the health system serving patients in England. However, graduates who presently might make use of this funding may not necessarily go on to work in and care for patients in England. These graduates may use their qualifications in the private health sector, or work abroad, or in unrelated fields. In these cases the taxpayer investment is not fully realised.

For all other undergraduate programmes, student financing is provided through student loans. It is not clear why nursing, midwifery and AHP students should be treated differently. In fact, nearly two-thirds of current nursing, midwifery and AHP students supplement their NHS Bursary funding with a top up loan from the Student Loans Company (SLC). Indeed, maintaining a different system of support for these groups could be considered to increase confusion and costs of administration and may also be perceived as being unfair, given that their total support for living costs is significantly lower than for other students.

**Rationale for intervention**

Government intervention in higher education is required to address the underlying market failures which would result in financial burden to the NHS and restrictions on the opportunities available to potential students and NHS workers.

Evidence shows that students are uncertain about their potential future earnings. They generally tend to over-estimate the costs of a degree and under-estimate both the amount of financial support available while studying and the benefits to them in the future of being a graduate (BIS, 2011). This is true for healthcare students as well as general students (Navigator, 2009).

Without sufficient supply of healthcare graduates, the health and care system costs may rise, and/or the benefits from the health and care system may be limited.

**Policy objective**

By reforming the student finances for new nurses, midwives and AHP students from 1<sup>st</sup> August 2017, the Government expects to be able to address the considerable issues with the current system.

Option 2 should provide:

- a more consistent set of training numbers each year, not subject to year on year variation caused by spending budget changes;
- reduced exchequer costs with students funding their training through the standard student support system, paying back only when they are graduates and their earnings are sufficient;
- increased student numbers and consequently more qualified staff available to work in the NHS;
- reduced student attrition and increased commitment to employment in the health system; and
- better courses that are more responsive to student needs.

### **Description of options considered (including do nothing)**

- Option 1 is to continue to pay NHS Bursaries to all nursing, midwifery and AHP students from 2017 onwards.
- Option 2 is to provide funding and financial support for new nursing, midwifery and AHP students through the standard student support system from 2017.

### **OPTION 1: DO NOTHING**

Currently the entry route to professional registration as a nurse, midwife or AHP is via a three year undergraduate degree. The following AHPs and other groups are currently eligible for an NHS Bursary (subject to residency and course eligibility criteria):

- Dietetics, Occupational Therapy, Physiotherapy, Podiatry, Speech and Language Therapy, Diagnostic Radiotherapy, Therapeutic Radiotherapy, Orthoptics, Orthotics/Prosthetics, Operating Department Practitioner, Dental Hygienist, and Dental Therapist.

Full details of the NHS Bursary scheme are published and updated annually<sup>1</sup>. The NHS Bursary is a non-repayable grant which covers tuition, living costs and extra allowances. Examples of extra allowances are Childcare, Adult Dependant's Allowance, Disabled Students Allowance, Parents' Learning Allowance and Placement Travel expenses and accommodation.

The funding of these courses is therefore currently different to that of the vast majority of other undergraduate degrees where students fund the cost themselves via an upfront loan from the SLC which they repay after graduation once they are earning above a certain threshold (currently £21,000). The SLC is a non-profit making government-owned organisation set up in 1989.

The NHS Bursary is administered on DH's behalf by the NHS BSA. Payments for tuition are made by Health Education England (HEE) which is an Arm's Length Body (ALB) of DH. All of the funding for the NHS Bursary is currently from HEE's budget, elements of which are transferred to the BSA.

Bursaries are currently paid to around 58,000 nursing and midwifery and 19,000 AHP students i.e. 77,000 students in total. In addition, almost two-thirds of these students currently top up their NHS Bursary funding with a Reduced Rate Maintenance Loan (RRML) from the SLC.

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<sup>1</sup> <https://www.gov.uk/nhs-bursaries/overview>

The Bursary provides the following payments per student per year (2016/17 rates):

- Payment of tuition fees at Bench Mark Price (BMP<sup>2</sup>) (Table 1).
- £1,000 non means tested grant.
- Means tested maintenance grant at rates dependent on place of residence and household income (Table 2).
- Students may be considered to be dependent (in which case parental income is counted as household income) or independent (in which case their own and any partner/spouse's resources are counted as household income).
- The headline rates quoted are for 30 week courses, but most healthcare courses are longer than this, with significant variation by course and institution.
- Payments for extra weeks of study beyond 30 weeks are shown in Table 3.
- Extra allowances are available for Childcare, Parents' Learning, Adult Dependants, Disabled Students, Maternity/Pregnancy/Paternity and Placement Travel and accommodation (Table 4).

**Table 1 BMP rates for nursing, midwifery and AHP undergraduate tuition payments (2016/17)**

	National	With London Weighting	Average
Nursing degree	£8,315	£8,980	£8,481
Midwifery degree	£9,561	£10,326	£9,752
<b><i>Nursing &amp; Midwifery</i></b>	<b>£8,458</b>	<b>£9,135</b>	<b>£8,628</b>
Dieticians	£10,095	£10,903	£10,297
Occupational Therapy	£8,778	£9,480	£8,954
Operating Dept. Practitioners	£8,311	£8,976	£8,477
Orthoptists	£10,094	£10,902	£10,296
Orthotists/Prosthetist	£10,519	£11,361	£10,729
Physiotherapy	£8,778	£9,480	£8,954
Podiatry/Chiropody	£10,095	£10,903	£10,297
Radiography-diagnostic	£10,518	£11,359	£10,728
Radiography-therapeutic	£10,518	£11,360	£10,729
Speech & Lang. Therapists	£10,095	£10,903	£10,297
<b><i>AHP</i></b>	<b>£9,390</b>	<b>£10,141</b>	<b>£9,577</b>

NB. Assumes 25% London weighting (source cost collection)

Dental Therapists and Dental Hygienists tuition is not paid at BMP. These are small numbers of students.

**Table 2 NHS Bursary for living costs (means-tested) rates for standard 30 week courses (2016/17)**

<b>NHS Bursary for living costs (means-tested)</b>	<b>2016/17 maximum rate per year</b>
Living away from home (London)	£3,191
Living away from home (outside London)	£2,643
Living in parental home (London and outside London)	£2,207
Means-testing threshold	£24,279 or under get 100% of the above rate

NB all students receive the £1,000 non means-tested grant in addition to the above.

In the latest available data, (2014/15 academic year) 45% of nursing, midwifery and AHP students in receipt of an NHS Bursary received the maximum amounts.

<sup>2</sup> Bench Mark Price is a nationally agreed tariff rate for payment of tuition fees for these students. It varies by profession and place of residence (outside London/London) – see Table 1 for 2016/17 rates.

**Table 3 NHS Bursary extra weeks rates for courses longer than 30 weeks (2016/17)**

<b>NHS Bursary extra weeks allowance</b>	<b>2016/17 maximum rate per additional week</b>
Living away from home (London)	£108
Living away from home (outside London)	£84
Living in parental home (London and outside London)	£56

NB Courses lasting longer than 45 weeks are paid as if the course is 52 weeks long. These payments form part of the NHS Bursary and are also means-tested.

**Table 4 NHS Bursary extra allowances rates (2016/17)**

<b>NHS Bursary extra allowances</b>	<b>2016/17 maximum rate</b>
*Parents' Learning Allowance (PLA)	£1,204 per year
*Dependant's Allowance (spouse or first child)	£2,448 per year
*Dependant's Allowance (each subsequent dependent child)	£549 per year
*Childcare grant (85% of actual expenditure during term time and holidays)	£128.78 per week for first child and £191.45 per week for two or more children
Disabled student i) allowance specialist equipment	£5,214 for the duration of the course
ii) Non-medical helper allowance	£20,725 per year
iii) General disabled student allowance	£1,741 per year
iv) Travel allowance	Reimbursement of actual costs incurred
Maternity/Paternity/Adoption award	Normal bursary award for up to 45 weeks (4 weeks in the case of paternity)
Travel expenses while on clinical placement	Reimbursement of excess fares over and above normal commute from place of residence to university, plus temporary accommodation costs

NB All of the above are non-repayable grants. Those marked \* are means-tested.

The rates of living cost support provided by the NHS Bursary (Tables 2 and 3) are below the amount of cash in hand that other undergraduate students receive under the standard student support system. Therefore, an optional top up is available to nursing, midwifery and AHP students in the form of the RRML. Current rates for this are shown in Table 5. This is not means-tested. These are flat rates dependent on place of residence.

**Table 5 BIS RRML rates (2016/17)**

<b>BIS RRML</b>	<b>2016/17 maximum rate per year</b>
Living away from home (London)	£3,263
Living away from home (outside London)	£2,324
Living in parental home (London and outside London)	£1,744

DH transfer funding for the RRML to the Department for Business, Innovation & Skills (BIS) with the loans issued by the SLC. This part of the current healthcare student funding is repayable. The terms are the standard student support repayment terms (9% of earnings over £21,000 from the April following graduation). Two-thirds of students in receipt of Bursaries claim the RRML. Students who take up the full entitlement to RRML in all three years of their degree would graduate with between £5,000 and £10,000 of student loan borrowing, depending on place of residence.

### **Total cost to the Taxpayer/Government**

The total Government investment in education and training for an individual nursing, midwifery and AHP student for the three year course is in the region of £60,000. This is funded almost entirely from general taxation (vast majority from DH and HEE budgets with a small element via BIS for the RRML).

HEE estimated expenditure in 2015/16 financial year on NHS Bursary for nursing, midwifery and AHP students is<sup>3</sup>:

Maintenance and Allowances: £392 million

Tuition at BMP: £652 million and

RRML: £79 million

TOTAL: £1,123 million.

In addition, the administration costs of the scheme are: £3m per year for NHS BSA. HEE are unable to separately identify the costs of NHS Bursary administration for nursing, midwifery and AHP students.

### **Other elements of healthcare degree funding which are outside the scope of this policy change**

In addition, nursing, midwifery and AHP students are required to complete 2,300 hours of clinical placements during their degree in order to obtain professional registration. HEE fund clinical placements at a nationally agreed tariff of £3,175 per Full Time Equivalent (FTE) student per year multiplied by the Market Forces Factor (MFF)<sup>4</sup>. This tariff is paid to placement providers to cover direct costs of providing the student placements including: supervision, administration and infrastructure.

### **Numbers of Students over Time**

Student numbers fluctuate as a result of annual funding decisions on how many first year places to commission. Nursing places have varied between approx. 16,000 and 23,000 places per year over the past 20 years, with lows in the early part of this decade but year on year increases since 2013/14.

However, the demand for healthcare professionals from the health and social care system can change during the time students are at university, resulting in too few graduates being available. The lack of flexibility in training numbers increases the risk of supply shortages. For example, in recent years there have been a higher number of nurses from overseas coming to work in England and increased agency costs to cover vacancies where it is not possible to fill permanent posts.

### **OPTION 2: PROVISION OF FUNDING AND FINANCIAL SUPPORT THROUGH THE STANDARD STUDENT SUPPORT SYSTEM FOR NEW NURSING, MIDWIFERY AND ALLIED HEALTH PROFESSION STUDENTS FROM 1<sup>st</sup> AUGUST 2017**

This option for reform is to replace the current system of bursaries for all new nursing, midwifery and AHP students with the standard student support system that applies to almost all other students in England<sup>5</sup> from 1<sup>st</sup> August 2017.

#### **Rates of support:**

Compared to the level of financial support that is available under the current NHS Bursary rates, the standard student support system generally provides higher levels of support while a student is at university assuming that the individual takes up their full entitlement of the funds they are eligible for. This will provide financial benefits both to students and to HEIs.

In certain circumstances, some students may receive a higher level of allowances under the NHS Bursary Scheme than under the standard student support scheme. An example is where students have child dependants, but where they do not take up the full allowances they are entitled to for support with childcare.

A comparison of the standard student support system and NHS Bursary rates is set out in Table 6.

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<sup>3</sup> Source: HEE budget estimates covering 77,000 nursing, midwifery and AHP students currently receiving NHS Bursary.

<sup>4</sup> The Market Forces Factor (MFF) is an estimate of unavoidable cost differences between healthcare providers, based on their geographical location. It is used to adjust resource allocations in the NHS in proportion to these cost differences, so that patients are neither advantaged nor disadvantaged by the relative level of unavoidable costs in different parts of the country.

<sup>5</sup> Students studying for Social Work degrees which lead to professional registration are eligible to apply for a Social Work Bursary. There will be a separate consultation exercise later in 2016 on options for reforming the current Social Work Bursary.

**Table 6: Comparison of BIS standard student support system and NHS Bursary rates 2016/17**

<b>Living cost component</b>	<b>BIS standard student support system</b>	<b>NHS Bursary</b>
Basic grant	n/a	£1,000
*Living away from home (London)	<b>£10,702</b>	£3,191
*Living away from home (outside London)	<b>£8,200</b>	£2,643
*Living in parental home (London and outside London)	<b>£6,904</b>	£2,207
Means-testing threshold	£25,000 and under get 100% of the above rate	£24,279 and under get 100% of the above rate
<b>Extra weeks (above 30 weeks)</b>		
*Living away from home (London)	<b>£113 per week</b>	£108 per week
*Living away from home (outside London)	<b>£88 per week</b>	£84 per week
*Living in parental home(London and outside London)	<b>£57 per week</b>	£56 per week
<b>RRML</b>		
*Living away from home (London)	<b>n/a</b>	<b>£3,263</b>
*Living away from home (outside London)	<b>n/a</b>	<b>£2,324</b>
*Living in parental home(London and outside London)	<b>n/a</b>	<b>£1,744</b>
<b>Extra allowances (non-repayable grants)</b>		
*Parents' Learning Allowance (PLA)	£1,573	£1,204
*Dependant's Allowance	£2,757 (partner only)	£2,448 (partner or first child)
*Dependant's Allowance (each subsequent dependent child)	n/a	£549
*Childcare grant (85% of actual expenditure during term time and holidays)	£155.24 per week for first child and £266.15 per week for two or more children	£128.78 per week for first child and £191.45 per week for two or more children
Disabled student i) allowance specialist equipment	£5,212 for duration of course	£5,214 for the duration of the course
ii) Non-medical helper allowance	£20,725	£20,725
iii) General disabled student allowance	£1,741	£1,741
iv) Travel allowance	Reimbursement of actual costs incurred	Reimbursement of actual costs incurred
Maternity/Paternity/Adoption award	No equivalent	Normal bursary award for up to 45 weeks (4 weeks in the case of paternity)
Travel expenses while on clinical placement	£303 excess to be paid by students before claiming	Reimbursement of excess fares over and above normal commute from place of residence to university. Also payment of temporary accommodation costs if student relocates for purposes of placement

Items marked \* are means tested. Items in bold are repayable loans.

All amounts are the maximum amount available per year, unless otherwise stated.

Childcare payments are per week and DSA specialist equipment allowance is for the duration of the course.

## Student loan repayment terms:

Student loans are very different to commercial loans. Unlike standard commercial loans, repayments of student loans are contingent on income and not the amount borrowed. Those with low or no earnings make no repayments. Students with higher loan borrowing will take longer to repay, but they do not pay more in each month. Student loan borrowing is not considered as part of credit references. Finally, any remaining loan is written off 30 years after the student first becomes eligible to repay. See below.

Student loan repayments are calculated as follows<sup>6</sup>:

- Repayments start from the April following graduation and are income-contingent. The income threshold for making repayment has been held at £21,000 until April 2021.
- Repayments are made at 9% of total earnings above £21,000 for a period of 30 years, at which point any outstanding loan is written off by the Government.
- Interest is added to student loans from the time they are taken out to the April following graduation at Retail Price Index (RPI) plus 3%.
- Once loan repayments have started, interest is added to the loan at the following rates (dependent on income):
  - £21,000 and under = RPI.
  - £21,000-£41,000 sliding scale from RPI to RPI +3%<sup>7</sup>.
  - £41,000 and over = RPI + 3%.
- It is also possible for students to make voluntary overpayments in order to bring down the total borrowed and reduce the time taken to repay the loan.
- For borrowers who are employed in the UK, repayments are made automatically via the Pay As You Earn (PAYE) system i.e. are deducted from pay in the same way as tax and National Insurance (NI). Borrowers who are self-employed, or have other sources of taxable income make loan repayments through the Self-Assessment tax process. Borrowers working overseas make due repayments directly to the Student Loans Company.

## Monetised and non-monetised costs and benefits of option 2 (including administrative burden)

The quantifiable costs and benefits of reform can be attributed to taxpayers, students, graduates, and Higher Education Institutions.

	<b>COSTS</b>	<b>BENEFITS</b>
<b>Taxpayer</b>	Loan provision (including non-repayment), and grants  Administration costs (mainly to SLC)	Reduction in costs associated with payment and administration of NHS Bursaries
<b>Students</b>	Removal of Bursaries	Access to more living cost support payments while studying
<b>Graduates</b>	Repayment of income contingent loan	More graduates with qualifications for higher skilled employment and higher earnings and commitment to career in NHS
<b>HEIs</b>	Removal of Bursary Payments for tuition	Increased income from tuition fee loans and HEFCE teaching grant

**For taxpayers**, the key benefit of the change is the reduction in expenditure from no longer paying Bursaries. In the absence of this reform, it is assumed that these costs would continue in future years, uprated by prices.

<sup>6</sup> <http://www.gov.uk/repaying-your-student-loan/what-you-pay>

<sup>7</sup> For every additional £1,000 earned over and above £21,000, the interest rate increases by 0.15%

Taxpayers will also benefit from a more sustainable supply and greater numbers of qualified healthcare professionals, although this impact is difficult to assess with certainty and so has not been monetised.

The key costs for taxpayers are the new upfront cash costs of loan provision, and writing off outstanding student loan borrowing after 30 years. Other key costs are additional grants paid under the BIS standard student support system for childcare and disabled students, and costs associated with the administration of this system.

**For students**, the key benefit of the change is receipt of the new living cost support while studying, plus any (non-repayable) grants and allowances paid for childcare etc. (In anticipation of student number growth, additional funding for non-repayable allowances on the new system has been allocated.) The key economic cost is the removal of the Bursary for tuition and living costs. The student benefits from the system of loans, grants and allowances (which is typically 25% more than the living support provided by the current system), therefore there is a net gain to the student while they are studying. The student also benefits from the tuition fee payment. Potential students who would otherwise not have been able to access a place to study nursing, midwifery or AHP also benefit substantially, but this Impact Assessment has not monetised this potential impact.

**For graduates**, the key cost of the change will be making loan repayments for any years beyond the years that they would have been making repayments for their RRML. The rate of repayment section later in this document provides more detail on the methodology for calculating these, including key assumptions, sensitivities and risks.

**For Higher Education Institutions**, the tuition fee payments, plus teaching grant will on average be higher than the current tuition payments at BMP (Table 1), thus generating additional revenue. (In anticipation of student number growth, £80 million has been allocated for teaching grant in steady state). There will be transitional costs of changing the systems of support. There might be additional administrative savings by having more students on one system of finance but these have not been monetised.

**Table 7: Option 2 summary of main costs and benefits (£ millions, rounded to the nearest £1 million).**

	Financial Year	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	NPV
<b>COSTS</b>												
Taxpayer	Allowances Grant (#)	0	15	36	55	62	62	62	62	62	62	<b>394</b>
	RAB on Living cost and Tuition fee Loans (#)	0	76	203	317	364	364	364	364	364	364	<b>2,302</b>
	HEFCE Teaching Grant (#)	0	17	40	61	68	68	68	68	68	68	<b>437</b>
	Loan admin (#)	1	1	1	1	1	1	1	1	1	1	<b>9</b>
Student	Loss of Bursary (Living cost & allowances) (*)	0	101	242	369	409	409	409	409	409	409	<b>2,622</b>
	Tuition Fees for Self-Funding Students	0	13	39	62	72	72	72	72	72	72	<b>453</b>
Graduate	Loan repayments (Living cost & Tuition 1-RAB) (#)	0	155	413	645	740	740	740	740	740	740	<b>4,673</b>
HEI	Loss of Bursary (Tuition) (*)	0	133	386	614	722	722	722	722	722	722	<b>4,513</b>
<b>TOTAL Costs</b>		<b>1</b>	<b>495</b>	<b>1,270</b>	<b>1,916</b>	<b>2,126</b>	<b>2,053</b>	<b>1,984</b>	<b>1,917</b>	<b>1,852</b>	<b>1,789</b>	<b>15,403</b>
<b>BENEFITS</b>												
Taxpayer	Removal of Bursary (Living cost & Allowances) (*)	0	101	241	368	409	409	409	409	409	409	<b>2,620</b>
	Removal of Bursary (Tuition) (*)	0	133	386	614	722	722	722	722	722	722	<b>4,513</b>
	Bursary admin savings (*)	0	1	2	3	3	3	3	3	3	3	<b>20</b>
Student	Receipt of loan and grant (#)	0	127	304	463	514	514	514	514	514	514	<b>3,296</b>
HEI	Tuition fee (#)	0	134	387	616	724	724	724	724	724	724	<b>4,526</b>
	HEFCE Teaching grant (#)	0	17	40	61	68	68	68	68	68	68	<b>437</b>
<b>TOTAL Benefits</b>		<b>0</b>	<b>494</b>	<b>1,271</b>	<b>1,917</b>	<b>2,127</b>	<b>2,055</b>	<b>1,985</b>	<b>1,918</b>	<b>1,853</b>	<b>1,791</b>	<b>15,412</b>
<b>NET CHANGE</b>		<b>-1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>10</b>

All values in the table above are estimates which have been produced for the purposes of this Impact Assessment. Note that actual allocations and budgets may differ from the figures presented above due to different assumptions and purposes of the analysis.

All amounts are in £ million, rounded to the nearest £1million. Totals may not sum due to rounding.

Figures are presented in real terms in constant prices (2016/17 base year).

Figures in bold have been converted to Net Present Value (NPV).

Items marked \* are paid from DH, HEE or BSA budgets.

Items marked # are paid from BIS (or SLC).

### **Description of monetised costs and benefits key assumptions:**

This section explains in more detail the definitions, assumptions and methodology relating to Table 7 above.

### **COSTS**

- Allowances Grant is an estimate of non-repayable grants for childcare, adult dependants, parent learning, travel and disabled students for nursing, midwifery and AHP students once transferred to the BIS scheme. These are based on 2016/17 rates and 2015/16 student intake with current attrition rates (10%) continuing. This takes into account the characteristics of the current NHS Bursary recipients and their likelihood of requiring these additional grants given their circumstances.
- The Resource Accounting and Budgeting (RAB) on Loan Outlay is an estimate of the additional<sup>8</sup> living cost support and tuition outlaid that is anticipated will not be repaid within the 30 year life of the loan. This is expressed in NPV terms, in the year the loan is issued.

<sup>8</sup> Throughout the estimated costs and savings of the loans elements are presented additional to the current RRML.

- Teaching Grant is the estimated cost of the HEFCE Teaching grant for these courses, plus an additional amount for access agreement tax. (In nominal terms this rises to an amount of £80 million in steady state.)
- Loan Administration is an estimate of both the initial set up costs in 2016/17 and the ongoing running costs for 2017/18 onwards of adding new nursing, midwifery and AHP students onto the existing standard SLC systems.
- Removal of Bursaries assumes this change is applied to new entrants only, from 1<sup>st</sup> August 2017 and is phased in reaching steady state in 2020/21. This assumes student numbers at 2015/16 intake levels and that current (10%) attrition levels continue. Amounts are based on 2015/16 HEE expenditure and cover living cost support and allowances payments.<sup>9</sup>
- It is assumed that around 10% of students will choose to self-fund the costs of tuition and not utilise the standard support system. This is based on behaviour of current students with regard to uptake of tuition fee loans. Tuition Fees is the cost to these students.
- Anticipated Loan Repayments are an estimate of the proportion of the additional living cost support and tuition fee loan outlay and interest that will be repaid by graduates over the full lifetime of the loan. This amount is presented in Table 7 in the first year that the loan is issued. This estimate takes into account the characteristics of the graduate population and assumes 90% loan take up rate. More detail on assumptions, methodology and risks of the future forecast of loan repayments is covered in the risks and assumptions section of this document.
- Removal of Bursary (Tuition) refers to the amounts paid for tuition on behalf of nursing, midwifery and AHP students directly to the HEIs at BMP rates. Amounts are based on 2016/17 BMP tuition payment rates. This value increases over time as all new starters move onto the standard support scheme.
- Total costs are the sum of the items listed in this section and are in NPV format, as are the ten year total columns.

## BENEFITS

- Removal of eligibility for Bursaries for new students (“Removal of bursaries”), assumes that the policy is phased in, applying to new students from 1<sup>st</sup> August 2017 onwards and reaching steady state in 2020/21. This is the saving to the taxpayer equivalent to the cost to the student of the removal of Bursary and covers living cost support and allowances payments, but not tuition as the latter is paid directly to the HEI on the student’s behalf.
- Removal of Bursary (Tuition) is the saving due to phasing out this payment to HEIs via the NHS Bursary as explained above.
- Bursary Administration is an estimate of the saving on NHS Bursary administration by BSA.
- Receipt of living cost loan and allowances refers to additional payments received by the student while studying in the form of living cost support and extra allowances (grants).
- Tuition fees is an estimate of income to HEIs assuming 2016/17 tuition fee levels, and constant student numbers at 2015/16 intake levels with current (10%) attrition rates.
- Teaching grant is the estimated income to HEIs from the teaching grant. This is the direct equivalent to the amount in the cost section above.
- Total benefits are the sum of the items listed in this section and are in NPV format, as are the ten year total columns.

<sup>9</sup> It is assumed that the 2017/18 intake of part time students will continue to access the living cost support and allowances elements of the NHS Bursary only for the full duration of their course.

- Net change is the difference between total costs and total benefits. This is also in NPV format.
- The net benefit to the taxpayer is over £600 million per year in steady state, after accounting for future loan write-offs.
- The net benefit to the HEI is £70 million per year in steady state.

### **Non-monetised impacts**

In addition to the monetised costs and benefits set out above, this reform may have further impacts which cannot be fully quantified at this time based on the available evidence.

These reforms should reduce the risk that the number of courses is constrained by short term financial issues. In addition, removing the caps on numbers of students and allowing HEIs the ability to increase the number of places offered should increase the overall number of courses offered. Based on historical evidence on numbers of commissioned places, it has been estimated that an additional 10,000 places might be made available by the end of this parliament.

Additional students should lead to increased domestic supply of nurses and AHPs in future years. This additional supply should reduce reliance on more costly Agency staff, and/or the need to recruit abroad to fill vacancies. The positive value of these impacts is difficult to quantify with certainty and is therefore considered as a non-monetised impact. Nevertheless, the current cost of agency staffing implies that this non-monetised impact could be significant.

More closely linking the costs of studying to the student may also reduce the level of drop outs from courses. It might also increase the incentives to continually adapt and improve courses to meet the demands of students. Evidence suggests that since tuition fees were introduced, the dropout rate has fallen to an all-time low of 5.7% from a high of 7.9% in 1998/1999. Attrition from nursing courses is currently around 10% (HEFCE data).

The change in funding might change the type of student who decides to train for nursing, midwifery or AHPs. There is no robust set of information to make this assessment. Whilst moving to the standard student support system might discourage some potential students, in other respects by no longer making nursing, midwifery and AHPs a “low debt” course in comparison to others, it is possible that students might be more committed to studying healthcare as a profession.

### **Risks and assumptions**

Student participation and the rate at which graduates pay back their loans have been identified as two key areas of uncertainty and sensitivity in this analysis.

### **Estimating the counterfactual**

The number of students expected if the current system continued unreformed is an important assumption in assessing the costs and benefits of reform.

For the purpose of this IA, it is assumed that if the current system continued, then funding would also continue at the same current real rate with the same number of students.

### **Student participation**

The move from a Bursary to the standard student support system for nursing, midwifery and AHP students could change the incentives to study.

- Finance available to students while studying is likely to rise for the large majority as the BIS student support rates are generally more generous than the equivalent NHS Bursary rates

- Under the standard student support system, once graduated and in employment with earnings over £21,000, individuals will pay more in loan repayments over the course of their lifetime. Although, compared to the current system, initial repayments will be similar for many (around two-thirds of healthcare students already have the top up Reduced Rate Maintenance Loans).

Therefore, there is some uncertainty as to how the mix of incentives may impact on decisions to study.

While there is some evidence that certain groups of students may be more averse to increased borrowing (BIS, 2015), the most recent research on the links between student funding and attending University suggests that increasing loans has had limited impacts on decision making. Accessing money upfront is the key issue and over time student loan borrowing has become more accepted by all groups (OFFA, 2015).

This section discusses further the current evidence and possible impacts.

### **Evidence from previous reforms**

The reforms to student funding in 2012 which introduced £9,000 tuition fee loans may provide some indications of impacts for nursing, midwifery and AHP students. However, it is important to recognise that nursing, midwifery and AHP students tend to differ from the general student population, and it will not be possible to compare people in exactly the same position other than their choice of subject to study.

The Equalities Impact Assessment (EQIA) provides detailed information on the current characteristics of nursing, midwifery and AHP students. In summary, the vast majority (over 85%) are female, with a high (over 50%) proportion of students aged 21 or over. Reflecting this age profile, around one in three already have a degree and one in five has children.

The nursing, midwifery and AHP students may also have different expectations of their future careers, compared to the “average” student. For example, 59% of graduates in employment work in ‘non-graduate’ roles (CIPD, 2015) and 75% of full time undergraduates are in employment 6 months after graduation, compared to over 90% of nursing graduates (Higher Education Statistics Agency, Destinations of Leavers of Higher Education Survey 2013/14).

Chart 1 shows trends in female student acceptances<sup>10</sup> for the under and over 21s over the past decade (UCAS 2015):

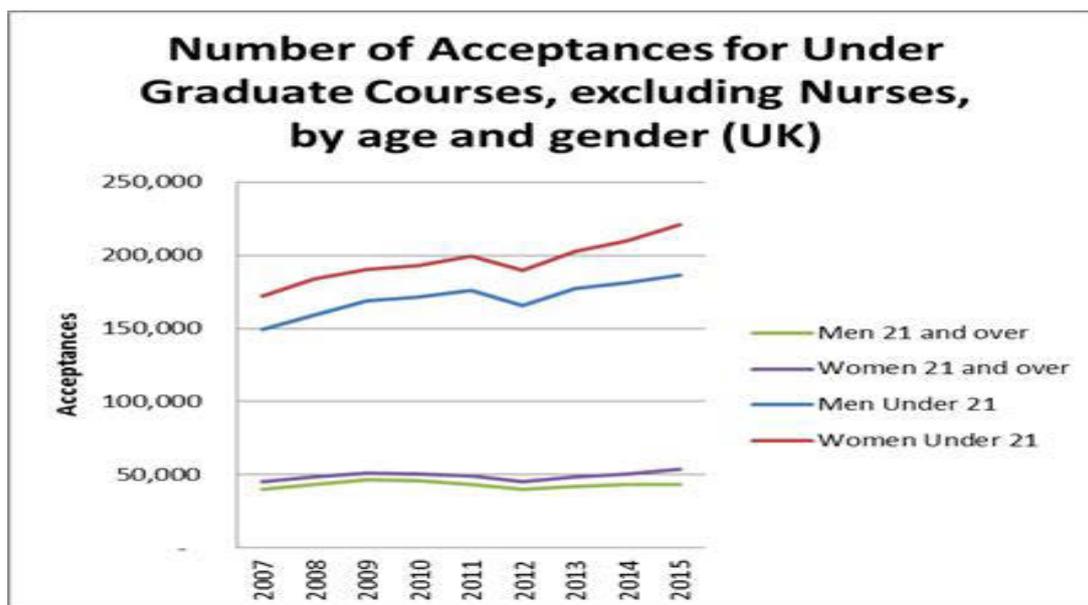
- For females aged over 21 (a comparator for some 60% of nursing students) numbers had been dropping between 2009 and 2011, then fell in 2012 but rapidly picked up afterwards.
- For females aged under 21 (a comparator for some 30% of nursing students) numbers dropped sharply in 2012 and then rapidly recovered.
- This might suggest that there is a possible risk of a one-off fall in the first year of implementation of student loans but it is important to bear in mind that in 2015 there were almost 3 unique applicants for every place on a nursing course,<sup>11</sup> therefore a drop in applications might not lead to fewer acceptances and the evidence suggests there will be no change in application rates in the longer term.

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<sup>10</sup> UCAS data is for the UK

<sup>11</sup> Source UCAS 2015 analysis for the Royal College of Nursing showed 57,000 unique applicants for 20,000 places on Nursing degree courses.

**Chart 1: Number of acceptances for undergraduate courses, excluding nursing, by age and gender (UK). Source: UCAS end of cycle data resources 2015**



Assuming it is possible to extrapolate from this evidence, this suggests that any adverse impacts from the move to the standard student support system are likely to be limited, given both the increased amount of funding available to the individual student while studying (Table 6) and the current ratio of applicants per place (footnote 11).

Further evidence of what happened to student numbers and diversity after the 2012 student funding reforms is reported by BIS (BIS, 2015). In summary, the overall number of students continued to increase; participation rates for women, ethnic minorities, disabled students and lower socio-economic groups all increased. Whilst there was an initial drop in mature student numbers, these have now recovered to previous levels. Any initial drop was offset as mature student numbers recovered to previous levels.

Government will carefully monitor impacts and changes in student numbers as the policy takes effect. But it will be important to recognise that short term impacts may not be a useful guide to the longer term position.

#### **Rate of repayment:**

Figures in Table 7 on costs to graduates of making student loan repayments under the new system are an estimate, using the BIS Student Loan Repayment Model. Documentation explaining how the model works and a simplified version of the model are available here

<https://www.gov.uk/government/publications/simplified-student-loan-repayment-model>

The Resource Accounting and Budgeting (RAB) on Loan Outlay is an estimate of the additional<sup>12</sup> living cost support and tuition outlaid that is anticipated will not be repaid within the 30 year life of the loan. The RAB costs for nursing, midwifery and AHP students are greater than for an average student. The main reasons for this are that the nursing, midwifery and AHP student group contains more women and more mature students than the overall student population.

There is inherent uncertainty in the accuracy of earnings forecasts up to 35 years into the future. These forecasts are based on regression models derived from historical data on graduate earnings. If the earning capability and typical career paths of future graduates differs from earlier graduates, then the estimate of the costs of issuing student loans is likely to be inaccurate. It has also been assumed that student demographics in future will not be significantly different to that of recent student intakes.

<sup>12</sup> Throughout the estimated costs and savings of the loans elements are presented additional to the current RRML.

The estimate is also very sensitive to forecasts of earnings growth and Retail Price Index (both of which are provided by the Office of Budget Responsibility). Any change to these forecasts will have a large impact on the cost of the loans.

Finally, there is some additional uncertainty introduced by using a model designed for a large population of loan borrowers for a relatively small sub-population of borrowers such as the nursing, midwifery and AHP graduates.

### **Direct costs and benefits to business calculations (following OITO methodology)**

No direct costs for businesses have been identified.

### **Summary and preferred option with description of implementation plan**

Option 2 is the preferred option.

The Government will hold a public consultation. The consultation will be on the detail of implementation and on addressing evidence gaps, rather than on the principle of the change. Following the consultation, a Government response and a final IA will be published.

Implementation will be for new students from 1<sup>st</sup> August 2017 and will be via the Student Loans Company.

The Government will amend the BIS student funding regulations in time for implementation, and will carefully monitor impacts over time.

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## **Glossary**

AHP – Allied Health Professional

ALB – Arms' Length Body

BIS – Department of Business, Innovation and Skills

BMP – Bench Mark Price – flat rate tuition payment under NHS Bursary

DH – Department of Health

DfE – Department for Education

DSA – Disabled Students Allowance

EQIA – Equalities Impact Assessment

FTE – Full Time Equivalent

GDP – Gross Domestic Product

HE – Higher Education

HEE – Health Education England

HEI – Higher Education Institution

HESA – Higher Education Statistics Agency

IA – Impact Assessment

NHS BSA – National Health Service Business Services Authority

NI – National Insurance

NPV – Net Present Value

OFFA – Office For Fair Access

PAYE – Pay As You Earn

PLA – Parents Learning Allowance

PV – Present Value

RAB – Resource Accounting and Budgeting

RPI – Retail Price Index

RRML – Reduced Rate Maintenance Loan

SLC – Student Loans Company

SR – Spending Review

SWB – Social Work Bursary

UCAS – Universities and Colleges Admissions Service