



Department  
for Education

# **Accelerated Degree Courses: Consultation**

**Assessment of Impact**

**December 2017**

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<b>Title:</b> Supporting growth in Accelerated Courses	<b>Impact Assessment (IA)</b>	
<b>IA No:</b>		<b>Date:</b> 11/12/17
<b>RPC Reference No:</b>		<b>Stage:</b> Consultation
<b>Lead department or agency:</b> Department for Education		<b>Source of intervention:</b> Domestic
<b>Other departments or agencies:</b>		<b>Type of measure:</b> Secondary legislation
		<b>Contact for enquiries:</b> Harriet Robinson
<b>Summary: Intervention and Options</b>		<b>RPC Opinion:</b> RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£160.8m	£41.7m	£m	Not applicable	To be determined

**What is the problem under consideration? Why is government intervention necessary?**  
Accelerated courses result in the same qualification and have similar content to standard courses but delivery is compressed, e.g. a degree course is delivered in two rather than three years. Despite the benefits of accelerated courses - increasing student choice and opportunities for lifelong learning and widening participation – only around 0.2% of UK domiciled undergraduate students at English HE providers are studying accelerated courses. Providers report that annual fee caps set in legislation represent a regulatory barrier to greater provision by limiting the amount they can charge a student to cover their costs. Typically, accelerated courses are delivered over two rather than three years and so due to the annual fee caps providers generate a third less tuition fee income than a standard degree.

**What are the policy objectives and the intended effects?**  
Reducing the effect of this regulatory barrier to provision should encourage HE providers to offer more accelerated courses. Greater provision of accelerated courses will: (i) improve student choice - increasing provision will give students a greater choice as to how they study, how quickly they enter or re-enter employment and the financial investment they make; (ii) increase the opportunities for lifelong learning - accelerated courses offer the opportunity to enter or re-enter employment sooner, which is popular with mature students looking to progress their careers; (iii) widen participation - increasing the variety of courses on offer should attract students into HE who may have not considered it previously. Taken together these should support social mobility and economic growth.

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

- Option 0: Do nothing (counterfactual). Maintain alignment between standard full-time and accelerated course fee caps.
- Option 1: Increase the fee caps for accelerated courses to 120% of the standard full-time course fee cap (preferred).

<b>Will the policy be reviewed? Yes. If applicable, set review date: 2021/22</b>				
Does implementation go beyond minimum EU requirements?			N/A	
Are any of these organisations in scope?			<b>Micro</b> Yes	<b>Small</b> Yes
			<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>	<b>Non-traded:</b>

*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:

Date:

# Summary: Analysis & Evidence

# Policy Option 1

Description: Increase the fee and fee loan cap for Accelerated first degrees to 120% of the standard full-time cap

## FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2019	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: 305.7	Best Estimate: 160.8

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	1	Optional	Optional
High	2.3		149.2	1,168.9
Best Estimate	2.3		58.9	470.8

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

Overall, this is a deregulatory measure for providers. Students face additional fees of £4.9m per year (with a corresponding fee loan outlay), which enables them to benefit from the particular advantages of accelerated courses. There is an additional fee loan outlay to accelerated students at Approved providers of £1.2m per year. Long Course Loan outlay increases to £8.8m per year, while lower maintenance costs for students mean reduced Maintenance Loan outlay of £6.7m per year, as a result of studying for one less year. Due to the increased graduate labour supply, graduates' tax and loan repayments will increase by £8.7m and £0.1m per year respectively. These costs are transfers with no net economic impact. The economic costs are additional students' foregone earnings (£24.4m per year) and Student Loans Company system transition costs (£2.3m in 2019).

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

HE providers who set up new Accelerated courses face additional design, marketing and other costs, which we have not been able to monetise from the existing evidence. We will revisit these costs in light of the consultation response. It is assumed that providers will judge the benefits of offering an accelerated course to at least offset the costs. Additional students may also face a change in their living costs, which we are unable to monetise.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0	Optional	Optional
High	0		189.5	1,474.6
Best Estimate	0		80.1	631.6

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

This reform is deregulatory in nature as it allows providers to charge a higher tuition fee cap for accelerated courses and so makes them economic to offer and expand. The deregulatory benefit of this policy is providers' increased fee income (£4.9m per year, of which £2.5m is direct and £2.4m is indirect). The net economic benefit is driven by students' higher earnings as graduates (£42.3m per year), as a result of entering graduate employment a year earlier, or from new students entering Higher Education. Other benefits correspond to the transfers described above as costs.

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

Students who undertake Accelerated courses who would not otherwise have taken a HE course would receive non-monetised benefits in the form of higher health and well-being, and may pass on benefits to their children. The wider economy would benefit from productivity spill-overs.

### Key assumptions/sensitivities/risks

Discount rate (%)

3.5%

We are unable at present to make robust estimates of demand and supply levels for accelerated degrees. Evidence gathered so far shows that demand for accelerated degrees exists but further evidence is needed to estimate its scale among prospective accelerated students. As we have limited evidence on the costs of accelerated provision, we are unable to estimate the likely response to increasing fee and fee loan caps. We will look to do more to estimate likely demand and supply in light of the consultation response.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: 2.1	Net: 2.1	-10.3

## Problem Under Consideration

1. Accelerated degree courses result in the same qualification as traditional undergraduate honours degree courses and normally have the same curriculum and content. However, an accelerated course is compressed - the most common scenario being that a degree course is typically delivered in two years instead of three. This accelerated delivery is usually achieved by having shorter or fewer academic breaks during the year, for example by running the course through the summer.
2. The Government recognises the benefits accelerated degree courses can bring through increasing student choice and opportunities for lifelong learning and widening participation. For example, accelerated courses allow graduates to get back into full time employment with their new credentials faster, and the personal costs (including foregone earnings while studying) are lower than for a standard course. There is also evidence that accelerated degree courses can encourage greater participation in HE<sup>1</sup>.
3. Accelerated courses have historically appealed to mature students seeking to enhance their careers by studying vocational degrees, though future demand is not constrained to this group. From 2005 to 2010 the Higher Education Funding Council for England (HEFCE) funded several accelerated degree courses for its Flexible Learning Pathfinder Project<sup>2</sup>. It concluded that accelerated degree courses reported a higher proportion of mature students (21 years old and greater) than the equivalent standard length programme (63% compared to 34%). Increased provision of accelerated degree courses could therefore be a welcome offer for this group.
4. Despite the benefits of accelerated degree courses we estimate that in 2015/16 only 2,500 undergraduate students were enrolled on accelerated degree courses at English HE providers. Accelerated courses were found at 24 HEFCE-funded Higher Education Institutions (HEIs) and 6 designated Alternative Providers (APs)<sup>3</sup>. These 2,500 students are a small fraction, less than 0.2%, of the 1.5 million undergraduate student population<sup>4</sup>.

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<sup>1</sup> Outram, Steve, 2009, "Flexible Learning Pathfinders: a review of the pilots' final and interim reports", Higher Education Academy, [https://www.heacademy.ac.uk/system/files/hea\\_evaluation\\_report\\_aug09.doc](https://www.heacademy.ac.uk/system/files/hea_evaluation_report_aug09.doc)

<sup>2</sup> HEFCE, 2011, "Flexible Learning Pathfinders: key statistics 2008-09", <http://www.hefce.ac.uk/pubs/year/2011/201105/>

<sup>3</sup> See Appendix A for how we estimated the accelerated student population.

<sup>4</sup> According to HESA student records, in 2015-16 there were 1,420,960 undergraduates enrolled at English HEIs and 53,275 undergraduates enrolled at English designated APs.

## Rationale for Intervention

5. Providers may wish to offer accelerated courses as it appeals to students for whom more traditional degree courses may be a less practicable option, for example because of their individual circumstances. However, the availability of accelerated course may be lower than the level which students would currently like and providers are prepared to offer.

6. A recent call for evidence on accelerated degree courses concluded that the most significant barrier to their provision was financial<sup>5</sup>. The amount publicly-funded providers are allowed to charge per year for undergraduate degree course tuition is the same regardless of course length. This is because there is a maximum cap which these providers can charge on the courses they offer. For academic years 2017/18 and 2018/19, this stands at £9,250 for HEFCE-funded providers with an access agreement and £6,165 without an access agreement (in current prices).

7. The existence of the fee cap therefore means that a provider will receive less fee income if the student opts for a shorter accelerated degree course instead of a traditional degree course<sup>6</sup>. Since accelerated degrees typically involve one year less of study, providers forego one year of fee income by offering accelerated degrees.

8. As well as receiving less fee income for accelerated degree courses, research suggests that providers are proportionately more expensive to deliver per year. A costing study of the HEFCE Pathfinder Projects<sup>7</sup> found that “on an indicative basis, the cost of delivering a two-year accelerated degree could be between 6.5% and 11% more per year than a three-year standard full-time degree.

9. The HEFCE study also found that changes to institutional processes, such as staff contracts, exam timetables, IT and library services would be needed. The cost of changing these systems is likely to be a further financial disincentive for providers, and economies of scale would be possible only if accelerated degree courses become more widespread. This evidence on the transition and on-going delivery costs for accelerated courses has formed the basis for our preferred Policy Option.

10. Given the aforementioned benefits of accelerated degree courses, the Government is committed to removing the financial barrier to increased provision created by the tuition fee caps set in The Student Fees (Amounts) (England) Regulations 2004 (as amended). We would

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<sup>5</sup> Department for Education, 2016, “Accelerated courses and switching university or degree: call for evidence”, <https://www.gov.uk/government/consultations/accelerated-courses-and-switching-university-or-degree-call-for-evidence>

<sup>6</sup> HEFCE does provide a small financial contribution to those institutions it funds which offer an accelerated course, but this contribution equates to £800-£1,400 per student per year – far below the foregone fee income of a year of tuition fees. The allocation of this contribution is outside the scope of this policy.

<sup>7</sup> Foster, Will, Liz Hart & Tony Lewis, 2011, “Costing study of two-year accelerated honours degrees”, Higher Education Funding Council for England, [http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE\\_0311/rd03\\_11.pdf](http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE_0311/rd03_11.pdf)

expect the intervention to bring about greater growth in the market for accelerated degree courses.

11. Besides the lack of financial incentive to offer accelerated courses, providers also reported in the call to evidence a small number of other concerns including demand uncertainty, and the need for a flexible workforce and for staff to undertake research or scholarly activity during the summer period (for research-intensive universities).

## Policy Objectives

12. The Government's overarching aim for HE is to ensure all students that have the potential to benefit from entering HE can do so. Removing the financial disincentive to accelerated degree course provision should lead to a greater diversity of HE market offer, encouraging growth in the market which would:

- **Improve student choice.** Increased provision of accelerated degree courses will give students a greater choice as to how they study, how quickly they enter or re-enter employment and the financial investment they make.
- **Increase the opportunities for lifelong learning.** Accelerated degree courses offer a different student experience to the traditional route. The more intense mode of study with the opportunity to enter or re-enter employment sooner has to date been popular with mature students looking to progress their careers.
- **Widen Participation.** Increasing the variety of degree courses providers offer should attract individuals into higher education who may have not considered it previously, such as mature students who may be attracted to being able to re-enter the labour market sooner.

## A Comparison of Accelerated and Standard degree courses

13. Students' needs and circumstances can vary significantly when studying for a HE qualification. As such, there is no single optimal mode of degree delivery. This section sets out the different reasons why a student may favour an accelerated degree course over a standard degree course, and vice versa.

14. Accelerated degree courses are typically completed in two years instead of the standard three years.<sup>8</sup> This is usually accommodated within the academic year by including an additional semester which is taught over summer when a standard student would be on vacation. The total number of teaching weeks for both degrees are typically the same, though there are no plans to stipulate the number of teaching weeks that providers would need to offer for accelerated courses.

15. The relative advantages of an accelerated degree course for students are:

- The total cost of an accelerated degree course to the student would be lower than a standard degree course. This will be influenced by the Government's final decision on how a new charge cap should apply, but it also means lower maintenance costs over the whole degree course, especially where the student studies away from home.

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<sup>8</sup> It is also possible for a four-year course to be offered to become a three-year course, although we have found few examples.



- Since the course is shorter, an accelerated student has the opportunity to start earning a graduate salary sooner than a standard student.
  - Accelerated students only forego two years of earnings to obtain a degree instead of three years for a standard student. This relative advantage (and the one above) will be particularly appealing to mature students who want to return to the workplace quickly.
16. The relative disadvantages of an accelerated degree course for students are:
- Accelerated students cannot work a full-time job in the summer vacation. A standard student has this opportunity, and could use the income they earn to offset the cost of studying. An accelerated student, by contrast, would have more limited options to earn additional income.
  - Some students may prefer a longer course and the greater time this gives them to experience Higher Education. The level of study required on an accelerated degree is more intense, and will not appeal to all students.

## Description of Policy Options

17. The Higher Education and Research Act 2017 enables the Secretary of State to set in secondary legislation an annual fee cap for an accelerated course that is higher than the fee cap for the standard equivalent version of that course.

18. We therefore consider the following policy options:

- Option 0: Do nothing (counterfactual). Maintain the current alignment between standard and accelerated course fee and fee loan caps.
- Option 1: Increase fee and fee loan caps for accelerated courses to 120% of standard full-time course caps (preferred). Full-time courses which are accelerated from three years to two years are in scope.

## Changes to the HE regulatory framework

19. The Government proposes to introduce the cap increase from academic year 2019/20 onwards, by which point the HE sector will be operating under a new regulatory framework. Under the new system, HE providers would be able to register with the regulator, the Office for Students (OfS), as one of three provider types:

- Approved (fee cap) – analogous to current HEFCE-funded providers that have a maximum fee cap of £9,250 and a basic fee cap of £6,165 for 2017/18, and whose students have access to a tuition fee loan equal to their tuition fees<sup>9</sup>. We expect all current HEFCE-funded providers and some APs to register as Approved (fee cap) providers.
- Approved – analogous to the designated APs that currently have no cap on fees, but whose students are eligible for a maximum of £6,125 in tuition fee loan.
- Basic – these providers would have no regulation of their fees, but their students would also not be eligible for any tuition fee loan<sup>10</sup>. Therefore, these providers are outside the scope of this policy.

20. Table 1 below compares the fee levels which Approved (fee cap) providers would be able to charge under the different policy options in current prices for 2017/18 and 2018/19 levels.

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<sup>9</sup> This “maximum” fee cap applied to providers with an Access Agreement in place, while the “basic” cap applies to providers without an Access Agreement. All HE Institutions and 75 Further Education Colleges currently have an Access Agreement in place.

<sup>10</sup> Department for Education, 2016, “Office for Students: registration fees and other fees -Government consultation”, [https://consult.education.gov.uk/he-landscape-reform/office-for-students-registration-fees/supporting\\_documents/OfS%20registration%20fees%20consultation.pdf](https://consult.education.gov.uk/he-landscape-reform/office-for-students-registration-fees/supporting_documents/OfS%20registration%20fees%20consultation.pdf)

**Table 1: Comparative fee and fee loan caps levels for Approved (fee cap) providers for 2017/18 and 2018/19 caps, current prices**

	<b>Policy Option 0 Do nothing</b>	<b>Policy Option 1 120% (Preferred option)</b>
With access agreement	£9,250	£11,100 <sup>11</sup>
Without access agreement	£6,165	£7,398

21. Policy Options 1 and 2 would not have a direct effect on fees at Approved providers, who are not subject to a fee cap, but would increase the fee loan students could claim at Approved providers. Under the Do Nothing option, students would continue to face a cap of £6,165 per year. For Option 1, the fee loan cap would rise to £7,398.

22. Our work has identified accelerated courses operating in both the existing HEFCE-funded part of the sector and amongst Alternative Providers. Providers will need to choose which of the three provider categories set out at paragraph 19 they wish to operate in under the new regulatory framework. We assume:

- As all of the HEFCE-funded providers have access agreements in place, they will operate as Approved (fee cap) and be subject to the “maximum” fee cap (equivalent to £9,250 in 2017/18 for a standard course).
- That Alternative Providers choose to either register as Approved (fee cap) with an Access Agreement (and so subject to the “maximum” cap but able to access provider grant funding), or as Approved (i.e. not subject to any fee cap, but with loan funding capped at the basic level and no access to grant funding). This is based on the understanding, which we will test through consultation, that most accelerated courses in this part of the sector charge in the region of £11,000 per year or more already.<sup>12</sup>

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<sup>11</sup> All providers we identified with accelerated courses have an Access Agreement in place, so the following analysis uses the “maximum” fee cap.

<sup>12</sup> Registering as Approved (fee cap) without an access agreement has two disadvantages. Firstly, it would mean that providers are not able to access grant funding which could otherwise be used to cover the additional cost of providing high cost subjects (which cost more than the tuition fee cap). This prevents them from teaching a broader range of courses, which improves their offer to students making them a more attractive place to study. It would also mean that they cannot charge higher course fees, and use the additional income which this brings in to invest in teaching and facilities to improve their offer to students. For a fuller explanation see the consultation impact assessment on the risk-based regulatory framework which can be found at <https://www.gov.uk/government/consultations/office-for-students-regulatory-framework-for-higher-education>.

## Analysis of Option 0

23. In the Do Nothing option there would continue to be an alignment between standard and accelerated course fee caps. As such, providers subjected to the fee cap will be unable to charge higher fees for accelerated courses, and there would continue to be a financial disincentive to increase accelerated course provision. There would also be no concomitant change to the financial support available to students at Approved providers.

### Costs and Benefits

24. As the current fees and financial support for these courses would remain unchanged, there would be no corresponding impact on students and accordingly the taxpayer (in terms of loan outlay).

25. We also assume that there would be no additional growth in the supply of places on accelerated courses at either Approved or Approved (fee cap) providers. This is because we expect the current fee cap system will continue to serve as a financial disincentive to increased provision, and as a result limit available places to their present levels. Consequently, we assume no growth in the number of UK- and EU-domiciled students<sup>13</sup> and no increase in the UK's supply of highly skilled labour. The resulting student numbers are presented in Table 4 and Table 5. Further details are included in Appendices A and B.

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<sup>13</sup> The OBR's forecast of student numbers shows broadly flat growth in student numbers between 2016/17 and 2021/22. This reflects a fall in the young population and an increase in the HE participation rate. See Table 2.48 here: <http://budgetresponsibility.org.uk/download/march-2017-economic-and-fiscal-outlook-supplementary-fiscal-tables-receipts-and-other/>

## Analysis of Option 1

26. The Government has set out its intention that the overall cost of an accelerated course, in terms of total fees paid by the student, will never exceed the total amount which a student can expect to pay on the same course with a longer duration of study.

27. Under Option 1 fee and fee loan caps for accelerated courses would increase to 120% of the fee and fee loan cap for a standard full-time degree. While this does not mean providers would receive the same total fee income from a two year course compared to one lasting three years, it would provide better value for students and recognises the potentially significant cost savings to providers of running courses for one less year, based on published HEFCE estimates<sup>14</sup>.

28. For the purposes of this impact assessment, we consider only the impact of increased provision of accelerated degree courses and places at Approved (fee cap) providers with access agreements who are able to currently charge up to the maximum fee cap of £9,250, and Approved providers who are designated for student support but are not subject to a fee cap. This reflects the type of providers we have identified which currently run accelerated courses and the categories they are likely to operate in under the new regulatory framework (see paragraph 22).

## Analytical framework to understand cost and benefits of the reform

29. Increasing the fee cap is a deregulatory measure. It should create better opportunities for providers to increase the number of accelerated degree courses and places they offer. The evidence suggests the current level of the cap restricts providers' ability to recoup the additional annual costs of an accelerated course, which in turn is holding back increased provision.

30. The deregulatory benefit can be measured through the additional fee income received by providers. The direct benefit arises through the ability to increase fees for students who would have undertaken an accelerated course under Option 0. There is a further indirect deregulatory benefit of increased fee income, resulting from behavioural changes to expand provision to additional students. These greater revenues represent a transfer, however, from students (or the taxpayer given most students will fund their tuition costs via a Government backed loan and not all of these loans will be repaid) and therefore do not translate into a net economic benefit. The benefit to the economy lies in the greater productivity arising from an increase in the graduate labour supply.

31. The key costs and benefits associated with the reform are discussed in more detail in the rest of this analysis and are summarised in the table below.

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<sup>14</sup> Foster, Will, Liz Hart & Tony Lewis, 2011, "Costing study of two-year accelerated honours degrees", Higher Education Funding Council for England, [http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE\\_0311/rd03\\_11.pdf](http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE_0311/rd03_11.pdf)

**Table 2: Key costs and benefits of Policy Option 1**

Affected group	Benefit	Cost	Key assumption
Providers	Higher cap represents deregulation – allowing the sector to provide greater access to accelerated degree option. Increase annual fee revenues (directly from increased fee cap and indirectly from increased student numbers) and greater fulfilment of institution mission (which in most cases will not be profit-making)	Set up cost of running expanded accelerated option.  Lost revenue at providers who do not offer accelerated courses and consequently lose students to other providers in the HE sector that do.  Lost income to providers from students switching from 3 to 2 year courses.	Up to providers whether to offer accelerated provision, so assume costs of doing so outweighed by expected benefits.  Level of cap  Charging practice of providers  Number of providers expanding accelerated provision.
Students	Greater ability to access accelerated course which enables study at higher level and accordingly the prospect of higher future wages.  Cost saving where otherwise would have done standard three-year course.  More time in the labour market with HE qualification and able to earn graduate premium.	Those who would already do accelerated degrees may face higher fees.  Those new to HE have to meet cost of accelerated provision  Reduced ability to earn additional income from summer work to partially offset the costs of study  Foregone earnings of students who would not otherwise participate in HE	Number of students taking up accelerated courses and extent to which they are new to HE or switchers from other courses.  Estimated wage returns of having a higher education degree.  Fee setting behaviour by providers
Government / taxpayer	More graduates spending longer in the labour market means greater tax revenues.  Reduction in maintenance and fee loans where students switches to two-year course (both in short-term outlay and in long-term cost due to write off of outstanding loans after	Greater tuition fee and maintenance loan outlay on those who otherwise would not have gone to HE.  Increased tuition fee loan outlay for those who would have done accelerated course anyway.	Number of students taking up accelerated courses and extent to which they are new to HE or switching from other courses.  Fee setting behaviour by providers  Borrowing behaviour of students

Affected group	Benefit	Cost	Key assumption
	30yrs). Lower RAB charge compared to standard 3-year course <sup>15</sup> .	Adapting SLC systems to accommodate higher fee levels for accelerated courses	Graduate earnings (both tax and repayments)
Other	Employers benefit from more rapid entry of high-skilled labour supply into the labour market, plus spill over benefits from graduate employment	Increase in wage bill, but more than offset by productivity gains from hiring graduate worker.	Increase in graduates in labour market Size of spillover effect.

## Key behavioural assumptions

32. This section outlines our assumptions regarding the behavioural response of HE providers and students to higher fee caps to accelerated degree courses. These underlying assumptions form the basis of our analysis.

### Assumption 1

**HE providers will offer more accelerated degree courses.** In our call for evidence, providers explained that fee caps were a key financial disincentive to increased accelerated degree course provision<sup>16</sup>. By increasing fee caps, accelerated degree courses will become more financially viable for providers. A significant increase in provision will also depend on providers overcoming other reported barriers such as the need for a flexible workforce and for staff to undertake research or scholarly activity during the summer period.

### Assumption 2

**The supply of new accelerated degree courses and places will increase over time.** It will take providers time to establish demand, design courses and put in place enablers (e.g. staff contracts and infrastructure for additional semesters) to provide accelerated

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<sup>15</sup> DfE analysis using DfE's repayment model for a population of students on a two-year degree course, assuming they have the same characteristics and outcomes as the population on three-year degree courses entering HE in 2017. We assume the same characteristics in the absence of evidence on the composition of the accelerated student population. The estimate is rounded to the nearest 5%.

<sup>16</sup> Department for Education, 2016, "Accelerated courses and switching university or degree: call for evidence", <https://www.gov.uk/government/consultations/accelerated-courses-and-switching-university-or-degree-call-for-evidence>

degree courses. Furthermore, providers would need sufficient time to advertise their courses. We therefore expect to see the number of accelerated students to grow over the ten-year period considered in this consultation Impact Assessment.

### Assumption 3

**On average Approved (fee cap) providers will set accelerated fees at 120% of their average standard full-time fee.** OFFA estimate that in 2018/19 the average fee at English HEFCE-funded providers will be £9,001 (after fee waivers, current prices), or approximately 97% of the maximum fee cap<sup>17</sup>. We assume that the average accelerated course fee will similarly be below the accelerated fee cap.

Fee and fee loan caps for 2018/19 have been frozen at the 2017/18 nominal values. Our analysis, in line with the practice adopted by the Office for Budget Responsibility (OBR) when forecasting Government expenditure, assumes that the previous policy intention of inflation-linked fee rises beyond 2018/19 is still in place. The resulting fee and fee loan caps for standard and accelerated degrees are included in Table 3.

We assume that average fees at Approved (fee cap) providers move in line with fee caps. Based on OFFA's estimate for the average fee (after fee waivers) at a HEFCE-funded provider in 2018/19 we therefore assume that (in 2017 prices) average standard fees at Approved (fee cap) providers are £8,862 per year<sup>18</sup>. Applying the 20% increase, we assume that accelerated fees are £10,634 per year throughout the period of this Impact Assessment. For comparison, these are included in the table below.

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<sup>17</sup> OFFA, 2017, "Access agreements for 2018-19: key statistics and analysis", <https://www.offa.org.uk/wp-content/uploads/2015/03/Access-agreement-2018-19-key-facts-revised-OFFA-201708.pdf>

<sup>18</sup> OFFA, 2017, "Access agreements for 2018-19: key statistics and analysis", <https://www.offa.org.uk/wp-content/uploads/2015/03/Access-agreement-2018-19-key-facts-revised-OFFA-201708.pdf>



**Table 3: Assumptions for fee and fee loan values**

	2018/19 fee levels in nominal prices		Fee levels for Impact Assessment period in 2017 prices <sup>19</sup>	
	Standard under both Options	Accelerated under Policy Option 1	Standard under both Options	Accelerated under Policy Option 1
Maximum fee cap at Approved (fee cap) providers	£9,250	£11,100	£9,107	£10,928
Average fee at Approved (fee cap) providers	£9,001	£10,801	£8,862	£10,634
Fee loan cap at Approved providers with TEF awards	£6,165	£7,398	£6,070	£7,284

#### Assumption 4

**Approved providers will keep their fees constant in real terms, and above the fee loan cap faced by their students.** At this stage, we have limited information on how these providers choose their fees. However, amongst those courses we have observed, the norm appears to be fees that significantly exceed the fee loan available to students under both the Do Nothing option and under Policy Option 1<sup>20</sup>. Therefore, we assume that the market for places at these providers is currently in equilibrium. As these providers' fees are unregulated, this policy option has no direct impact on supply in this part of the accelerated market.

The policy change has an ambiguous effect on demand. The higher loan makes the courses more affordable, but increased supply by Approved (fee cap) providers, where a full fee loan is available, increases competition for students, and reduces demand in this part of the market. For our main analysis we assume these effects balance. We provide further analysis of alternative responses in Appendix C, and we will revisit this assumption in light of the consultation response. We also assume that students at these providers take out the full tuition fee loan.

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<sup>19</sup> We deflate 2018/19 caps to 2017 prices using the OBR's forecast for the GDP deflator for 2018. GDP deflator estimates, including the OBR's forecasts, are available at <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2017-quarterly-national-accounts-september-2017>.

<sup>20</sup> Out of the six designated APs offering accelerated degrees that we have identified, five currently set fees for their accelerated courses above the current cap. All of these 5 also set fees above the Option 1 cap. See Appendix A for an explanation of the methodology used to identify accelerated courses and the list of providers.

#### Assumption 5

**There is student demand for accelerated degree courses that is currently not being met by providers, and which will still exist at a higher annual fee level.** We assume demand for accelerated degree courses exceeds current provision and that providers are failing to meet this demand due to the financial restrictions created by fee caps. We intend to develop a more detailed understanding of potential demand levels through the consultation process.

#### Assumption 6

**Students that would have enrolled on an accelerated degree course in the Do Nothing option would still do so despite the higher fee level.** For most goods and services, an increase in price will reduce consumer demand. However, evidence generally shows that students are able to absorb rises in tuition fee levels, in large part because the student finance system ensures they can access sufficient funding to ensure that HE costs remain affordable. Students may also be willing to pay higher annual fees for accelerated courses because of the particular advantages they offer over standard courses (e.g. reduced overall costs, reduced maintenance loans and quicker entry into the labour market). Again, this is something we will look to explore in the consultation process.

#### Assumption 7

**Students that enrol on an accelerated degree course are unable to work as well as study, and so forego part-time earnings during their course.** Some students may be able to take on part-time work on a continuous or casual basis alongside work, but we expect opportunities to be more limited than for students on standard degrees.

#### Assumption 8

**Future employment and earnings prospects of a degree are the same for a student on an accelerated course as they are for a standard course.** That is, students on accelerated courses are assumed to have a similar distribution of characteristics known to influence graduate outcomes and will make subject and institutional choices representative of the student population as a whole. **This means that we also assume accelerated students have a similar loan repayment profile to the general student population.**

#### Assumption 9

**Maintenance costs are the same across different kinds of study and employment.** This analysis includes individuals who would switch between standard and accelerated study, and between study and employment as a result of this Policy Option. According to the Student Income and Expenditure Survey (SIES) 2014/15 (publication forthcoming) a full-time student's average expenditure on maintenance per annum is £12,346 (2017

prices)<sup>21,22</sup>. Accelerated maintenance costs are likely to be higher than on a standard course. The need to study longer during the year is likely to increase annual maintenance costs e.g. because they have to rent student accommodation across the summer. The extent to which this leads to an additional cost is, however, difficult to estimate, due to a lack of data on accelerated students. There is also a lack of available data and evidence to make an informed comparative assessment of the maintenance cost of studying and the corresponding maintenance costs associated with working.

33. We also assume that costs and benefits are constant in real terms. All values are expressed in 2017 prices<sup>23</sup>.

## Accelerated student numbers

34. Our analysis groups students according to their choices in the Do Nothing option. Accelerated students belong to one of three groups:

- Core students: students who would have studied an accelerated degree course anyway in the Do Nothing option. We split these students between Approved and Approved (fee cap) providers.
- Switching students: students who would have studied a standard full-time course in the Do Nothing option, but take advantage of an increasing number of accelerated courses and the number of places available on these. These students benefit from the lower costs of an accelerated degree relative to a standard degree, and from entering the labour market as a graduate one year earlier.
- New students: students who would not have entered HE in the Do Nothing option, but now do so because accelerated provision is more attractive or feasible. These students incur the cost of studying, but will also now benefit from the higher wage premium associated with HE study. Under Options 1 and 2, these students would attend Approved (fee cap) providers. As for Switching students, we assume no increase in accelerated places at Approved providers as the market remains at the same equilibrium as under the Do Nothing option.

35. As noted above, we estimate 2,500 students were enrolled on accelerated degree courses in 2015/16, of which 30% were at HEFCE-funded providers and 70% at designated

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<sup>21</sup> These costs include housing, living, child-related, and facilitation costs, and participation costs excluding fees. Prices are adjusted using the GDP deflator, the measure of the price level for the whole economy. GDP deflator estimates, including the OBR's forecasts, are available at <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2017-quarterly-national-accounts-september-2017>.

<sup>22</sup> Maher, Jo, Keeva Rooney, Marki Toomse-Smith, Zsolt Kiss, Emma Pollard, Matthew Williams, Jim Hillage, Martha Green, Clare Huxley and Wil Hunt, 2017 (forthcoming), "Student Income and Expenditure Survey 2014/15: English Report"

<sup>23</sup> Where necessary, estimates are adjusted using the GDP deflator (<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2017-quarterly-national-accounts-september-2017>)

APs. Assuming each course is two years long, and ignoring the potential for non-continuation (on which we have no data), this implies around 1,250 students starting an accelerated course each year.

36. Under Option 0, we expect no growth in Core students at Approved or Approved (fee cap providers), in line with overall student number forecasts<sup>24</sup>. As a result, we would expect the number of students starting an accelerated degree to stay at around 1,250 from 2019/20 to 2028/29. We estimate that 59% of Core accelerated students would attend Approved (fee cap) providers and the remaining 41% would attend Approved providers. These estimates are based on a survey of APs in which they reported their intended registration category under the new regulatory system<sup>25</sup>, and the assumption that all HEFCE-funded HEIs will register as Approved (fee cap) providers<sup>26</sup>.

37. Under Option 1, we assume that all additional students attend Approved (fee cap) providers, and that none of the Core/Do Nothing students at Approved providers switch to Approved (fee cap) courses. This is linked to Assumption 4, that Approved providers will not change their fees and hence not increase the number of places.

38. In effect we are assuming that Approved part of the market is in equilibrium – the increase in the loan cap changing the way in which students fund their study but not their behaviour. This is a simplifying assumption. In reality, we would expect greater fee loan amounts to make the provision at Approved providers more affordable to prospective students and for this to lead to an increase in demand for their courses. Against this, we might also see Approved providers coming under greater competition from the Approved (fee cap) part of the sector as they begin to offer more accelerated provision. It is difficult to know which of these effects will predominate. We discuss the impact of alternative assumptions in our sensitivity analysis in Appendix C.

39. At this time there is significant uncertainty around the extent to which Option 1 will lead to greater accelerated provision. This is something we will look to understand more through consultation.

40. For the purpose of this Impact Assessment we consider two scenarios: a cautious scenario and a transformative scenario that reflects the scale of the Government's ambition to encourage more of this provision in the sector and provide students with greater, lower cost, choices. It is important to note that these are not forecasts. The cautious scenario provides the basis for the "best estimate" for this Impact Assessment, while the transformative scenario

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<sup>24</sup> See Appendix B for more details

<sup>25</sup> Details of the survey are included in Annex B of Department for Business Innovation & Skills, 2016, "Higher Education and Research Bill: detailed impact assessment", [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/528005/bis-16-295-he-research-bill-detailed-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/528005/bis-16-295-he-research-bill-detailed-impact-assessment.pdf)

<sup>26</sup> Based on the survey results we estimate that 42% of APs will register as Approved (fee cap) and the remainder as Approved, and all HEFCE-funded providers will register as Approved (fee cap). We apply these proportions to the current population of Accelerated students at APs. We also assume that all HEFCE-funded providers will register as Approved (fee cap) and that these registrations are constant over the period of this IA.

provides the basis for the “high estimate”. The growth profile associated with these two scenarios is set out in Table 4 below. We do not formally consider a low growth scenario, though it is recognised that the cautious scenario still reflects a strong rate of growth that we cannot be certain will be achieved given the limited nature of the existing evidence base.

## Cautious scenario

41. This scenario assumes significant growth in accelerated provision – with the number of students enrolled on accelerated courses rising from 2,500 to around 23,000 in the space of ten years, just over a nine-fold increase. In total, an additional 40,000 students would enrol on such courses during the ten years as a result of the reform. We assume that significant growth of this scale is feasible given the low base and evidence of interest from potential providers. We use this scenario in our “best estimate” for this Impact Assessment. This assumed growth will be explored further as part of the Government’s consultation. Appendix B provides a more detailed description of the evidence underpinning our modelling.

42. This growth pattern seen in Table 4 includes zero growth at Approved providers and average annual growth of 33% at Approved (fee cap) providers. This profile of growth reflects the evidence that there is interest in accelerated courses both from providers and potential students, but that there are organisational and marketing barriers to overcome, and time is required to design new courses<sup>27</sup>. Assumed growth is backloaded to reflect the time needed by providers to adjust to greater provision of accelerated courses and for students to become more aware of their availability and benefits. We have not attempted to estimate changes in the number of students at the provider-level, as this would go beyond the existing evidence base.

43. Within this overall increase it is assumed that 90% of additional students will be ‘switching’ from standard three year courses, while 10% would be “New” students who would not otherwise have gone on to study at degree level. This assumption is tested in the sensitivity analysis in Appendix C.

44. The numbers in Table 4 reflect entrants on accelerated courses each year. Table 5 sets out the impact of this increased entrant rate on the total number of students (i.e. total enrolments) studying on an accelerated course in a given year. We assume all students

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<sup>27</sup> Pollard, Emma, Kari Hadjivassiliou, Sam Swift, and Martha Green, 2017, “Accelerated degrees in Higher Education: Literature review”, Department for Education, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/595637/Accelerated\\_Degrees\\_Literature\\_Review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595637/Accelerated_Degrees_Literature_Review.pdf)

Huxley, Clare, Martha Green, Sam Swift and Emma Pollard, 2017, “Accelerated degrees in Higher Education: Case study report”, Department for Education, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/595638/Accelerated\\_Degrees\\_Case\\_Study\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595638/Accelerated_Degrees_Case_Study_Report.pdf)

Department for Education, 2016, “Findings from the Call for Evidence on Accelerated Courses and Switching University or Degree”, Department for Education, <https://www.gov.uk/government/consultations/accelerated-courses-and-switching-university-or-degree-call-for-evidence>

continue to the second year. For 2019/20 we only include entrants in the stock numbers, since second year students will not be affected by this policy.

**Table 4: First-year accelerated student entrants for Option 1 by student group – best estimate**

	New Entrants for both Policy Options		Additional Entrants for Policy Option 1		Policy Option 1 Total
	Approved	Approved (fee cap)	Switching Students	New to HE	
2019/20	510	740	220	25	1,490
2020/21	510	740	505	55	1,810
2021/22	510	740	890	100	2,240
2022/23	510	740	1,395	155	2,800
2023/24	510	740	2,070	230	3,550
2024/25	510	740	2,965	330	4,545
2025/26	510	740	4,150	460	5,860
2026/27	510	740	5,720	635	7,605
2027/28	510	740	7,810	870	9,925
2028/29	510	740	10,575	1,175	13,000

Notes:

1. Numbers are rounded to the nearest 5, consistent with publication of official statistics.

**Table 5: Total stock of students on Accelerated Courses for Option 1 by student group best estimate**

	Student stock for both Policy Options		Additional Students for Policy Option 1		Policy Option 1 Total
	Approved	Approved (fee cap)	Switching Students	New to HE	
2019/20	510	740	220	25	1,490
2020/21	1,020	1,480	725	80	3,300
2021/22	1,020	1,480	1,395	155	4,050
2022/23	1,020	1,480	2,285	255	5,040
2023/24	1,020	1,480	3,465	385	6,350
2024/25	1,020	1,480	5,035	560	8,095
2025/26	1,020	1,480	7,115	790	10,405
2026/27	1,020	1,480	9,870	1,095	13,465
2027/28	1,020	1,480	13,530	1,505	17,530
2028/29	1,020	1,480	18,385	2,045	22,925

Notes:

1. For 2019/20 we include entrants only, as continuing students would not be affected by this policy option. For all subsequent years, this table includes both entrants and continuing students. We assume a continuation rate and graduation rate of 100%
2. Numbers are rounded to the nearest 5, consistent with publication of official statistics.

45. This cautious scenario is used to estimate the deregulatory and wider economic benefits within this Impact Assessment. However, the scale of the Government's ambition in this area and the current lack of evidence around the future scale of demand and supply means that this might understate the extent to which accelerated provision increases. We consider below a more transformative scenario.

## **Transformative scenario**

46. To communicate the Government's broader vision to challenge and support the sector in delivering a more transformative shift towards accelerated provision, we also include a Transformative growth scenario. In this scenario, the number of accelerated entrants rises from the current level of 1,250 to 40,000 by 2028/29. The number of students enrolled increases from 2,500 currently, to 67,000, and in total, an additional 111,000 students would enrol on such courses during the ten years as a result of the reform.

47. This scenario would go beyond the existing evidence base, which is rooted in accelerated courses' current position as a niche product within the HE market. This transformation would necessitate a shift in cultural norms among providers, students and employers, and is therefore assumed to take place over a number of years. This scenario is used to produce a "High" estimate of the economic impact of this policy for this Impact Assessment. Further details on this growth scenario and the resulting impact estimates are included in Appendix B.

## **Costs and Benefits for HE Providers**

48. The key benefit to providers of Option 1 will be the extra fee income they receive due to their ability to offer an accelerated course within a higher fee cap. This equates to the deregulatory benefit to business of this reform.

49. To calculate this benefit, we consider the student numbers set out in Table 5, and consider the revenue impacts associated with the three types of student in our analysis. The direct benefit to providers arises from the higher fee income from Core students at Approved (fee cap) providers. Changes in fee income from additional students, whether switching or new students, are indirect as they result from behavioural changes by providers and students.

50. The Government is also consulting on whether this higher fee cap should apply to accelerated degrees offered by providers choosing to operate within the Approved category. Such providers will not be subject to a fee cap, but will be designated such that their students can receive loan funding up to the amount of loan fee cap (£6,070 in 2017 prices). Under Policy Option 1 this annual loan cap would be 20% greater for an accelerated course (£7,284 in 2017 prices). However, given that many providers who might register in this category under the new regulatory landscape currently appear to charge significantly more than £9,000 it is assumed that this would not feed into higher charges or changes in their student numbers (Assumption 4). There is therefore no revenue change to this type of providers.

51. Table 6 compares the fee and loan cap for Approved (fee cap) providers with an access agreement for a standard three-year degree, an accelerated degree under the current arrangements and an accelerated degree with a higher fee cap. It then calculates total revenue per student across a course.

**Table 6: Fee and Fee Loan amounts for three different degree options for Approved (fee cap) providers with an access agreement (2017 prices)**

	Standard degree	Accelerated Degree – standard cap	Accelerated Degree – increased cap
<b>Average fee per year</b>	£8,862	£8,862	£10,634
<b>Course length</b>	3 years	2 years	2 years
<b>Revenue per student</b>	£26,586	£17,724	£21,268

52. From this we can see the following changes in revenue:

- **Core students:** It is assumed that providers increase their fees so that they are, on average, just under the new, higher fee cap (Assumption 3). This means that providers would now receive on average £1,772 more per year for a student who would have attended an accelerated course otherwise. This represents an additional income gain for providers. Since the system will ensure students are able to absorb a higher annual fee level, we expect the number of Core students taking up an accelerator degree (Assumption 6) to be relatively stable. If some students decide not to study an accelerated course because of the fee increase, then the additional HE revenue figures set out below will represent an overestimate.
- **New students:** it is expected that the greater availability of accelerated degrees, combined with the lower overall cost of study relative to a standard three-year degree, will lead some people choosing to participate in Higher Education that otherwise would not have done. The fees paid will also be entirely additional and will amount to £10,634 per student per year on courses at Approved fee cap providers with access agreements.
- **Switching students:** HE providers do not receive additional fee revenue from ‘switchers’. Indeed, with a fee cap of 120% of the annual standard fee cap levied for two years of the course, they will receive less per student than under the Do Nothing option (£21,268 compared to £26,586).

53. Table 7 combines these effects with our student number assumptions in Table 5 to show the overall impact on provider revenues. On the basis of our assumptions, providers receive less money from Switching students, which is outweighed by the addition to revenue from New students entering higher education.



**Table 7: Estimated additional revenue to Approved (fee cap) providers with an access agreement, by student group (£m, 2017 prices) – best estimate**

Academic Year	Core students	Switching students	New students	Total
2019/20	1.3	0.4	0.3	2.0
2020/21	2.6	1.3	0.9	4.8
2021/22	2.6	0.5	1.6	4.8
2022/23	2.6	-0.4	2.7	4.9
2023/24	2.6	-1.7	4.1	5.0
2024/25	2.6	-3.4	5.9	5.1
2025/26	2.6	-5.7	8.4	5.3
2026/27	2.6	-8.8	11.7	5.5
2027/28	2.6	-12.8	16.0	5.8
2028/29	2.6	-18.1	21.7	6.2
Total	24.9	-48.9	73.3	49.3

54. Although, as described above, providers receive less income as a result of a student switching to a two-year course from a three-year, the revenue from these students grows in the first two years of the policy, before it starts to fall. This is because switching from a standard to an accelerated degree course frontloads the fee received from students i.e. they receive 120% of the standard fee in years 1 and 2, but 0% compared to 100% in year 3 as the student will have then graduated.

55. The additional revenue from Core students is the direct regulatory benefit of this Policy Option, while the impact from the additional Switching and New students is indirect, as it results from behavioural changes by students.

56. It is important to note that our analysis only measures the gross fee income received by providers. There will be a cost to HE providers for setting up and running accelerated courses, but evidence is not available to quantify and monetise these costs. Research suggests that the yearly cost of delivering a two-year accelerated degree course is higher than the equivalent three-year course<sup>28</sup>. Also, providers may face costs to change to institutional processes, such as staff contracts, exam timetables, IT and library services. Familiarisation costs for the sector will be negligible as this Policy Option incurs no additional costs beyond existing familiarisation costs for annual changes in student support and fee caps.

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<sup>28</sup> Foster, Will, Liz Hart & Tony Lewis, 2011, "Costing study of two-year accelerated honours degrees", Higher Education Funding Council for England, [http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE\\_0311/rd03\\_11.pdf](http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2011/RE_0311/rd03_11.pdf)

## Costs and Benefits for Students

57. There are three key drivers of the costs and benefits to students:
- (i) The cost of studying compared to the Do Nothing option. This is made up of tuition fee cost, as well as the additional cost of living whilst studying. The vast majority of students will fund tuition fee costs and some of their maintenance cost through student loans. This means that in the short-term these costs will be funded by the taxpayer, with the long-term cost depending on future earnings and hence the amount of loan repayments made over the 30-year loan period.
  - (ii) The amount of earnings foregone whilst studying.
  - (iii) The benefit from acquiring a higher education qualification, in particular the graduate premium they can expect to receive in the labour market.
58. Since the costs and benefits of Option 1 are different for the three groups of students, (Core, Switching and New students), each group is discussed separately in the analysis below.

### Core Students

59. Core students attending Approved (fee cap) providers do not receive any additional benefits under the reform, beyond a greater choice of accelerated provision when applying to study HE. They are already studying a two-year degree and so do not benefit from one less year of fees and maintenance costs while studying, and an additional year of earnings. This is also largely true for those attending Approved providers, although they will benefit from being able to draw down a higher tuition fee loan, which may help with the affordability of their course.

60. Under the fee levels set out in Assumption 3, on average a Core student at these providers pays an additional £1,772 per academic year. This additional cost to the student is an economic transfer to the provider. The total additional cost to Core students is thus equal to the revenue gain to Approved (fee cap) providers of being able to charge such students more. This is equal to £2.6m per year from 2020/21 onwards, and £24.9m over the ten year appraisal period as set out in Table 7.

61. Outside of the period of this Impact Assessment, the higher fees associated with accelerated degree course would mean that Core students at Approved (fee cap) providers experience increased loan repayment costs. The upfront costs to pay this additional tuition will be typically met by the Government through loans<sup>29</sup>. However, the student will then have to pay back the loan, plus interest, over the 30-year period following graduation. The income contingent nature of student loan repayments means that cost of this paying any additional fee amounts will be shared between the student and taxpayers. On average we estimate that

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<sup>29</sup> It is estimated that 92% of undergraduates take out loans. We expect that the figure for undergraduate accelerated degree students is broadly similar. To keep our analysis proportionate we assume a 100% loan take-up rate for accelerated degrees.

around 40% of the value of loans issued to accelerated students will not be repaid<sup>30</sup>. This is less than the average value not repaid for a standard course<sup>31</sup>. Without taking into consideration interest, this implies that the long term repayment cost of the accelerated fee cap rise to a Core student who takes out a student loan, is around £1,060 per academic year (2017 prices)<sup>32</sup>.

62. Students may, however, receive some benefits which we cannot monetise. It would be expected that if providers do increase fees for this group, that, given their mostly non-profit making status, this additional revenue will be invested in expanding course provision or improving the quality of teaching and learning experience for existing and future students.

## Switching Students

63. Removing the financial barriers surrounding increased provision of accelerated degrees should incentivise providers to offer a greater number and diversity of courses for students to choose from. This should encourage some students to enrol on an accelerated degree course who would have studied a standard degree in the Do Nothing option.

64. The choice of which degree type to study is voluntary. We assume that a Switching student chooses to study an accelerated degree because it is the best option for them. This means there is an **expected net benefit for these students**. We can demonstrate this for an average student under the assumptions stated, and using estimates for certain costs and benefits.

65. In our estimates in Table 6, the total tuition cost an average Switching student pays at an Approved (fee cap) provider is £5,318 less than a standard degree course. If providers set fees at a level lower than we assume in this analysis, students will benefit more from lower overall tuition fees when switching to an accelerated degree course fee costs.

66. We assume that accelerated students cannot earn additional income from work while studying, due to the structure of their course. However, standard students can do so; results from the 2014/15 Student and Income Expenditure Survey (publication forthcoming) show that full-time students on average earned £1,791 (in 2017 prices). Therefore, we assume that under Option 1, Switching students forego these earnings.

67. A key benefit to students switching from a standard to an accelerated degree course is that the period of time until they graduate and enter the workplace is comparatively shorter.

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<sup>30</sup> DfE analysis using DfE's repayment model for a population of students on a two-year degree course, assuming they have the same characteristics and outcomes as the population on three-year degree courses entering HE in 2017. We assume the same characteristics in the absence of evidence on the composition of the accelerated student population. The estimate is rounded to the nearest 5%.

<sup>31</sup> The current estimate for the Resource Account and Budgeting (RAB) charge is 40-45%:

HC Deb 17 October 2017 c108255W (<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-10-17/108255>)

<sup>32</sup> 60% of £1,772 = £1,063.20~ £1,060

Thus, these students gain one more year of earnings compared to a standard degree. Using official statistics for 2016, we assume young graduates (aged 21 to 30) earn on average £25,400 per annum (in 2017 prices)<sup>33,34</sup>. Deductions are the made for loan repayments (estimated at £71 per annum, based on current income-contingent repayment rules, explained further in paragraph 78 below), and contributions to the Exchequer in the form of income tax and National Insurance contributions (estimated at £4,849, using tax rates and thresholds for the 2017/18 financial year).

68. Combining these deductions, the average Switching student takes home £20,480 more in net earnings due to an additional year in the labour market after an accelerated degree. This compares with the estimated £1,791 which their standard student counterpart, who would currently be in the third year of their full-time degree course, would earn. With the exception of this one year, we assume that in all subsequent years after graduation, the decision to study an accelerated or standard course, has no bearing on the graduate's earnings or any other monetary costs and benefits that they may incur or accrue.

69. A student who switches to a two-year course will also experience changes in their maintenance costs. The need to study longer during the year is likely to increase annual maintenance costs e.g. because they have to rent student accommodation across the summer. The extent to which this leads to an additional cost is, however, difficult to estimate as it will depend on what the student would otherwise have been doing. There is also a lack of available data and evidence to make an informed comparative assessment of the expected maintenance cost of studying in the third year and the corresponding maintenance costs associated with studying an accelerated course relative to a standard course, and assume that these costs are constant (Assumption 9).

70. Overall, the net benefit, excluding student loan payments from the government, of Option 1 to the average Switching student during the three years in which their standard degree course would have run is £20,425. This results from the reduction tuition fee of £5,318 and higher take-home earnings of £15,107<sup>35</sup>. Their student loan is also £8,831 lower under Option 1. After this time, for the remainder of the 10-year assessment period, the net value of this option is zero.

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<sup>33</sup> Department for Education, 2017, "Graduate Labour Market Statistics 2016", <https://www.gov.uk/government/statistics/graduate-labour-market-statistics-2016>

<sup>34</sup> The graduate premium varies by degree subject and class. Applying subject-specific graduate earnings, and an appropriate counterfactual, would be disproportionate to the current requirements of this analysis, and we anticipate would have little impact on the final estimates.

<sup>35</sup>In year 3, after completing an accelerated degree, an average Switching student has gross earnings of £25,400, less tax of £4,849, and loan repayments of £71. This is further net of earnings of £5,373, which they would have earned over three years under the Do Nothing option as a standard student.

## New students

71. New students are those who would not otherwise enrol in Higher Education. Therefore, these students face costs in the form of tuition fees and foregone earnings while studying, and after graduation benefit from the graduate premium associated with HE<sup>36</sup>. A higher education degree also brings wider benefits to an individual, for example improved health and life satisfaction<sup>37</sup>. However, since these benefits cannot be easily monetised they are not considered further in this consultation impact assessment.

72. Enrolling on an accelerated degree course means these students forego two years of earnings. This is the largest cost faced by this group. We assume that these students would earn £19,300 per year as non-graduates (in 2017 prices)<sup>38</sup>, and that the structure of an accelerated course limits opportunities to work alongside studying. Under current tax rates, we estimate that the annual take-home pay of a young non-graduate is £16,403<sup>39</sup>. Therefore, these students forego £32,806 over the two years of study.

73. The second largest cost is their tuition fees. The average, New HE student at an Approved (fee cap) provider would pay £21,268 in fees compared to Option 0. It is assumed that these are made affordable via the availability of a tuition fee loan.

74. Furthermore, these students may experience a change in their maintenance costs. As for Switching students we do not monetise this change (Assumption 9). Government maintenance loans and Long Course Loans provide maintenance support for New students, with the average loan estimated at £7,344 per student per year.

75. The main benefit to New students is that they obtain a degree which can be used to improve career prospects and increase future earnings. On an annual basis, we estimate that in 2016 young graduates (aged 21-30) received a £6,100 per year graduate premium, before tax and loan repayments (2017 prices)<sup>40</sup>. We assume that New students will receive the same premium in real terms each year during the time period of this Impact Assessment.

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<sup>36</sup> Walker, Ian & Yu Zhu, 2013, "The impact of university degrees on the lifecycle of earnings: some further analysis", BIS research papers, <https://www.gov.uk/government/publications/university-degrees-impact-on-lifecycle-of-earnings>

<sup>37</sup> Department for Business Innovation & Skills, 2013, "The Benefits of Higher Education Participation for Individuals and Society: key findings and reports "The Quadrants"", BIS Research Paper No. 146, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf)

<sup>38</sup> Department for Education, 2017, "Graduate Labour Market Statistics 2016", <https://www.gov.uk/government/statistics/graduate-labour-market-statistics-2016>

<sup>39</sup> Non-graduate take-home pay is £19,300 gross pay - £2,897 tax (based on 2017/18 tax rates and allowances) = £16,403 (2017 prices).

<sup>40</sup> Department for Education, 2017, "Graduate Labour Market Statistics 2016", <https://www.gov.uk/government/statistics/graduate-labour-market-statistics-2016>

76. This graduate premium is partially offset by loan repayments (as with Switching students these are estimated at £71 per year, in line with repayment rates explained below, and the estimated annual earnings of £25,400) and tax (estimated at £4,849 per year, as for Switching students). The annual net benefit for an average New student after completing their studies is therefore £4,077 in 2017 prices<sup>41</sup>.

77. The relatively high foregone earnings of this group mean that the net present value of Option 1 for the average New student only becomes positive eight years after starting their accelerated course. Therefore, in the 10-year period of this Impact Assessment, the Net Present Value per student is negative for this group. However, over the working life, the average graduate will earn comfortably over £100,000 more in today's valuation, net of tax, than a similar individual who completed their education with two or more A levels<sup>42</sup>, so the NPV in this Impact Assessment only captures a small fraction of this lifetime benefit, while capturing the full costs of foregone earnings.

## Costs and Benefits for Government and Taxpayers

78. The initial cost associated with increasing the accelerated fee cap to the taxpayer is the additional loan outlay to support changes in tuition fees and maintenance. As with the main undergraduate student loan system this will be subject to income contingent repayments with outstanding loan balances written off after 30 years. Currently loan repayments are 9% of gross earnings above £21,000 per year. From April 2018 the threshold will rise to £25,000 per year, and from then the threshold will rise annually with average earnings. This will provide reassurance to students around affordability, but also means that ultimately the cost of tuition fees will be shared between the student and taxpayers, depending on the future earnings of students.

79. On average, the taxpayer currently meets 30% of the long-term cost of a student attaining a full-time undergraduate degree. After the rise in repayment threshold in 2018, this is estimated to rise to around 40-45%<sup>43</sup>. We estimate that for those taking two-year accelerated degrees, 40% of the long-term cost will be met by the taxpayer and that this is lower than for a standard 3-year degree<sup>44</sup>. On average, the additional amount of money the taxpayer needs to lend to the three different categories of student considered in this impact assessment will be

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<sup>41</sup> Graduate take-home pay – Non-graduate take-home pay = (£25,400 – £71 – £4,849) – (£19,300 – £2,897) = £20,480 – £16,403 = £4,077

<sup>42</sup> Walker, Ian & Yu Zhu, 2013, The impact of university degrees on the lifecycle of earnings: some further analysis”, BIS research papers, <https://www.gov.uk/government/publications/university-degrees-impact-on-lifecycle-of-earnings>

<sup>43</sup> HC Deb 17 October 2017 c108255W (<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-10-17/108255>)

<sup>44</sup> DfE analysis using DfE's repayment model for a population of students on a two-year degree course, assuming they have the same characteristics and outcomes as the population on three-year degree courses entering HE in 2017. We assume the same characteristics in the absence of evidence on the composition of the accelerated student population. The estimate is rounded to the nearest 5%.

different, with the highest additional outlay required for a new HE student, a smaller increase for a Core Student, and a reduction in average loan outlay for a Switching student.

**Table 8: Loan amounts per student for different degree options (2017 prices)**

	Approved (fee cap) Providers			Approved Providers		
	Standard degree	Accelerated degree – standard cap	Accelerated degree – increased cap	Standard degree	Accelerated degree – standard cap	Accelerated degree – increased cap
Course length (years)	3	2	2	3	2	2
Fee loan cap per year	£8,862	£8,862	£10,634	£6,070	£6,070	£7,284
Maintenance loan per year <sup>45</sup>	£6,067	£6,067	£6,067	£6,067	£6,067	£6,067
Long Course loan per year <sup>46</sup>	£0	£1,277	£1,277	£0	£1,277	£1,277
<b>Loan amount per course</b>	<b>£44,787</b>	<b>£32,412</b>	<b>£35,956</b>	<b>£36,411</b>	<b>£26,828</b>	<b>£29,256</b>

80. Table 9 estimates the total additional loan outlay for the three different groups of accelerated students. Our calculations depend on the loan take-up rate; to keep our analysis proportionate we assume a 100% loan take-up rate. In the absence of specific estimates for the accelerated population, our estimates also assume that this population has the same household income distribution and same characteristics as the current full-time undergraduate population. These assumptions determine the estimate of the average level of maintenance and long course loan to which accelerated students are entitled. We will revise this in light of feedback.

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<sup>45</sup> Student Loans Company, 2016, “Student Support For Higher Education In England 2016:2015/16 Payments, 2016/17 Awards”, <https://www.slc.co.uk/media/8445/slcsfr052016.xlsx>

<sup>46</sup> This is based on Long Course Loan award entitlement, adjusted for the composition of the overall student population.

**Table 9: Estimated total additional loan outlay, by student group (£m, 2017 prices)**

Academic Year	Core/Do Nothing Students		Additional Students		Total Additional Loan Outlay
	Approved	Approved (fee cap)	Switching Students	New Students	
2019/20	0.6	1.3	0.7	0.4	3.0
2020/21	1.2	2.6	2.2	1.4	7.5
2021/22	1.2	2.6	1.0	2.8	7.6
2022/23	1.2	2.6	-0.6	4.6	7.9
2023/24	1.2	2.6	-2.7	6.9	8.1
2024/25	1.2	2.6	-5.5	10.0	8.4
2025/26	1.2	2.6	-9.2	14.2	8.9
2026/27	1.2	2.6	-14.2	19.7	9.4
2027/28	1.2	2.6	-20.7	27.0	10.2
2028/29	1.2	2.6	-29.3	36.7	11.3
TOTAL	11.8	24.9	-78.3	123.9	82.2

81. On average, each Core student at an Approved (fee cap) provider increases the loan outlay by £1,772 per academic year because more lending is required to pay the higher tuition fee costs. At Approved providers, the increased loan outlay for the average Core student is £1,214. This additional loan outlay is a transfer from the taxpayer to the student who uses it to pay the tuition fees of their provider. Therefore, its overall net economic impact will be zero. There is no benefit to the taxpayer from increasing the outlay to Core students since they are paying more to fund tuition without changing the student's outcome.

82. Table 9 shows that, for Switching students, the additional loan outlay initially increases but falls in the long run. This is because when a student switches from a standard to an accelerated course it alters the profile of the loan paid to them. Switching means that the Government must loan these students more money upfront but less in total.

83. There are other taxpayer benefits to Switching students beyond reducing loan outlay in the long-run. If students switch from a standard to accelerated course they will be able to enter the workplace sooner as a graduate. This will potentially increase returns to the exchequer because they earn a graduate salary earlier. Based on our estimates for graduate earnings, we estimate that Switching students would pay an extra £1.3m in loan repayments and £86.9m in increased tax over the period of this Impact Assessment (2017 prices). There are also wider



productivity benefits to the economy through increased innovation, labour market flexibility, and productivity spillovers to co-workers<sup>47</sup>.

84. Increasing the cap should give providers a greater financial incentive to create new accelerated courses which leads to wider participation in HE by groups who are under-represented, such as mature students. The loan outlay for a New student is £17,978 per academic year (or £35,956 per degree, as shown in Table 8). These figures are higher than the other two student groups because New students are new loan recipients who would not have entered HE otherwise. This additional loan outlay is an equal transfer between the Government and the individual so the overall net economic impact will be zero.

85. While each New student increases the initial loan outlay by a larger amount than the other groups of students, the taxpayer ultimately benefits from these students entering HE. The net working life benefits to the taxpayer as a result of individuals gaining a first bachelor degree compared to 2+ A levels are, on average, over £250,000 for men, and over £300,000 for women – these account for tax payments, student loan repayments, grants, etc.<sup>48</sup> For the 10 year period of this Impact Assessment we have estimated an increase of £2,023 per year from loan repayments (£71) and increased tax (£1,952) from the average New student after graduation. There are also wider social and productivity benefits of having a more educated population<sup>49</sup>.

86. The upfront costs of increasing the accelerated fee cap are met by the Government through additional loan outlay. However, the student will then have to pay back the loan, plus interest (initially set at RPI + 3%), over the 30-year period following graduation. Any outstanding balance on the loan is written off after this time. Due to the income contingent nature of student loan repayments it means that the cost of a degree is shared between the student population and taxpayers. On average we estimate that 40% of the value of loans issued to accelerated students will not be repaid<sup>50</sup>. This implies that the average long term cost to the taxpayer for the loan outlay in the first academic year of the policy would be £1.2m<sup>51</sup>.

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<sup>47</sup> Department for Business Innovation & Skills, 2013, “The Benefits of Higher Education Participation for Individuals and Society: key findings and reports “The Quadrants””, BIS Research Paper No. 146, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf)

<sup>48</sup> Walker, Ian & Yu Zhu, 2013, The impact of university degrees on the lifecycle of earnings: some further analysis”, BIS research papers, <https://www.gov.uk/government/publications/university-degrees-impact-on-lifecycle-of-earnings>

<sup>49</sup> Department for Business Innovation & Skills, 2013, “The Benefits of Higher Education Participation for Individuals and Society: key findings and reports “The Quadrants””, BIS Research Paper No. 146, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf)

<sup>50</sup> DfE analysis using DfE’s repayment model for a population of students on a two-year degree course, assuming they have the same characteristics and outcomes as the population on three-year degree courses entering HE in 2017. We assume the same characteristics in the absence of evidence on the composition of the accelerated student population. The estimate is rounded to the nearest 5%.

<sup>51</sup> 40% of £3.0m =£1.2m

87. The taxpayer would also experience costs for the set-up or changes to the Student Loans Company (SLC) systems for processing applications and payments to students. According to SLC internal estimates, these costs are £2.3m in the first year of the policy.

## **Net Economic Impact**

88. Raising the fee and fee loan cap for accelerated degrees is a deregulatory measure. Businesses, in this case HE providers, benefit from the ability to increase fees and raise additional revenue. This revenue is a transfer from students, funded up-front by Government fee loans.

89. This transfer does not in itself provide a net economic cost or benefit. The economic benefit comes from providers increasing the number of places on accelerated courses, and therefore increasing the number of graduates, and hence the productivity in the economy.

90. Monetised costs, other than transfers, arise in the form of SLC systems costs (a transition cost for Government) of £2.3m in the first year of the policy. They also arise through foregone earnings of Switching and New students. Switching students have reduced earnings opportunities on accelerated courses relative to Standard courses, and New students forego non-graduate full-time earnings while they study.

91. Present values of the monetised costs and benefits are presented below in Table 10. They are presented by student type, to demonstrate the differences in the policy impact. In this table transfers are presented first, to show how fees, loans, loan repayments and tax move between the three main affected groups, and result in zero net economic impact. The remaining costs and benefits are present below, to demonstrate that the overall economic value of this policy is driven by increased graduate earnings.

**Table 10: Present value of costs and benefits for Option 1 by student type (£m, 2017 prices)**

	Core students		Additional students		Total
	Approved providers	Approved (fee cap) providers	Switching	New	
Transfers					
<b>Providers</b>					
Fee income	0.0	21.3	-37.3	57.8	41.7
<b>Students</b>					
Fees	0.0	-21.3	37.3	-57.8	-41.7
Fee loan	10.0	21.3	-37.3	57.8	51.8
Maintenance loan	0.0	0.0	-84.8	32.9	-51.8
Long Course Loan	0.0	0.0	62.4	6.9	69.3
Loan repayments	0.0	0.0	-1.0	-0.3	-1.3
Tax	0.0	0.0	-67.8	7.6	-60.2
<b>Government / Taxpayer</b>					
Fee loan	-10.0	-21.3	37.3	-57.8	-51.8
Maintenance loan	0.0	0.0	84.8	-32.9	51.8
Long Course Loan	0.0	0.0	-62.4	-6.9	-69.3
Loan repayments	0.0	0.0	1.0	0.3	1.3
Tax	0.0	0.0	67.8	-7.6	60.2
Non-transfers					
<b>Students</b>					
Foregone earnings	0.0	0.0	-87.5	-104.8	-192.3
Graduate earnings	0.0	0.0	329.9	25.5	355.4
<b>Government</b>					
SLC set-up costs					-2.3
Total Costs	-10.0	-42.5	-378.0	-268.1	-470.8
Total Benefits	10.0	42.5	620.4	188.8	631.6
Net Present Value	0.0	0.0	242.4	-79.3	160.8

## Risks and uncertainty

92. The calculated net present value (NPV) of our preferred option is dependent on a number of modelling assumptions made explicit throughout. We have used this section to run through, in order of magnitude, the risks and uncertainties relating to our 'best estimate'. We plan to use the consultation process to explore what further evidence is available to improve our estimates.

93. There is a high degree of uncertainty around our additionality assumptions, reflected by the large range between our different growth scenarios. Accurately forecasting these figures with limited data is difficult. As such, the underlying assumptions for additional students have been made as a 'best estimate' given a lack of data and policy timescales. At the extreme, if a higher accelerated degree fee cap does not translate into additional students, then the associated policy benefits of the policy could be zero. However, the balance of feedback from the sector on the existing constraints to expanding accelerated courses makes this scenario highly unlikely.

94. Further, any change in the graduate premium, or foregone earnings while studying, will affect the overall NPV calculation. If the graduate premium rises and/or foregone earnings fall, then the NPV will increase. If the opposite is true, the calculated NPV will fall. These values will likely change in future following the economic cycle, and so it is very difficult to estimate these changes ahead of time.

95. There is also limited evidence on how maintenance costs differ between standard full-time students, accelerated students and employed graduates and non-graduates. While an accelerated degree will last one academic year less than a traditional three-year degree, accelerated students will be at university over the summer semester, and will likely have additional yearly maintenance costs to traditional full-time students. Given the lack of data surrounding the maintenance costs different groups face, there is a risk that the potential savings for some accelerated students will be lower than presented in this IA, bringing down the NPV.

96. It is possible that Approved providers will have a range of behavioural responses to the increased accelerated degree fee cap. These actions are very difficult to predict before providers have had time to familiarise themselves with the policy, and gauge local demand for accelerated degrees. As such, there are many risks around what providers decide to do, with things such as the number and size of accelerated degree courses to offer, and the number of providers that ultimately offer accelerated degrees, greatly affecting the final benefits of the policy overall. This is the area for which there is the most uncertainty and thus has been explored further in Appendix C below.

97. An area of high uncertainty but limited NPV impact is that of our underlying student population estimates. If the projected Core student population is higher than estimated (i.e. rises rather than remains flat as currently projected), then this will increase the deregulatory benefit for providers. A reduced population would have the opposite effect, i.e. reduced outlays and fees for providers. However, neither scenario would impact the overall NPV.

98. A final area of uncertainty is the pricing decisions of Approved (fee cap) providers, in particular the possibility that they set their accelerated degree fee below the level assumed in this analysis. This will not affect the NPV of our analysis – as this is simply a reduced transfer – however, it will reduce the deregulatory value of the policy for these providers and lead to lower levels of government loan outlays.

99. Similarly, our estimate of the Equivalent Annual Direct Net Cost to Business (EANDCB) is sensitive to our assumptions about the number of Core students and the size of the fee increase<sup>52</sup>.

100. We have assumed that Approved (fee cap) providers set their fees proportional to the average standard fee (Assumption 3). If instead providers set fees lower than this level, the magnitude of the EANDCB would be proportionally lower, but still a net benefit, and if providers set fees higher, the EANDCB benefit would be proportionally higher. Similarly, if we were to assume that some Core students were deterred by the fee increase, contrary to our expectation of their likely behaviour (Assumption 6), the benefit would be lower and proportional to the share of Core students who continue to enrol.

101. A further area of uncertainty is the pricing decisions of Approved providers. Our 'best estimate' assumes (Assumption 4) that they hold their fees constant (as they are not currently constrained by a fee cap). Other responses are explored in Appendix C. If they were to also increase their fees, assuming this did not deter their Core students, these providers would also receive a Direct Net Benefit from this additional fee income. Under Policy Option 1, the preferred option, if the fee increase were equivalent to the fee loan increase for their students, then their EANDCB would be a net benefit of £1.0m and the overall EANDCB for the policy option would be a net benefit of £3.0m (2014 prices, 2015 base year).

102. The final area of uncertainty is the current number of Core students at Approved (fee cap) providers. If we have underestimated this, then the deregulatory benefit to HE providers will be proportionally higher. This could either be due to incorrectly estimating the current accelerated student population, or incorrectly estimating the share of current APs who register as Approved (fee cap) providers under the new regulatory framework. If all APs we have identified register as Approved (fee cap) providers, then subject to our behavioural assumptions, the EANDCB would be a net benefit of £3.5m.

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<sup>52</sup> Additional fee revenue due to additional students is an indirect benefit for Providers as it results from behavioural changes by students.

## Small and Micro Business Assessment

103. In the Higher Education sector, provider size is normally based on its student population, as it is considered more relevant for most policy questions than the total number of employees. It is possible for institutions with the same number of employees to have significantly different student populations, and therefore they may greatly vary in size. However, this small and micro business assessment will analyse provider size by the number of employees.

104. HESA data for 2015/16 show that HEIs have on average 2,516 employees, with 95 employees being the smallest number at a single HEI. Analysis of the Further Education workforce data for England Report<sup>53</sup> shows that the average FTE staff per college is 383 for England. Therefore, we do not believe any HEI or FEC is a small business for this assessment.

105. We know, however, that the average size of Alternative Providers is smaller - with 95% out of a sample of 160 APs having 50 employees or fewer<sup>54</sup> in 2013. This includes all types of providers, whether or not they offer courses eligible for student support or not. The most recent data also suggests that APs make up 12% of all providers in the HE sector<sup>55</sup>. We do not know whether there are differences in the employee size of APs by whether or not they currently or might under reform offer an accelerated course.

106. The small and micro business assessment therefore only applies to APs.

107. Overall, we expect this reform to be positive for smaller providers, and possibly disproportionately so. As this is a voluntary and deregulatory measure, we would expect any benefits to exceed the costs for providers offering accelerated degrees, or at worst neutral overall. It may, however, be that at the current time small and micro providers find it more difficult to offer accelerated degrees, due to the need for more flexible staffing, contracts and resources, which would likely be difficult to achieve on a small scale. A rise in the fee cap – where that Alternative Provider would prefer to operate under the Approved (fee cap) category – may therefore be disproportionately beneficial. However, this will depend on the extent to which they also face other constraints to offering accelerated degrees.

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<sup>53</sup>Frontier, 2014, <http://www.et-foundation.co.uk/wp-content/uploads/2014/09/SIR-Report.pdf>

<sup>54</sup> Hughes, Tristram, Aaron Porter, Stephen Jones & Jonathan Sheen, 2013, "Privately funded providers of higher education in the UK", BIS Research Paper No. 111, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207128/bis-13-900-privately-funded-providers-of-higher-education-in-the-UK.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207128/bis-13-900-privately-funded-providers-of-higher-education-in-the-UK.pdf)

<sup>55</sup> Shury, Jan, Lorna Adams, Matt Barnes, Jessica Huntley Hewitt and Tariq Oozeerally, 2016, "Understanding the market of alternative providers of higher education and their students in 2014", BIS Research Paper No.227, <https://www.gov.uk/government/publications/alternative-providers-of-higher-education-the-market-and-students-in-2014>

## Appendix A: Population Estimates

108. This section estimates the number of students registered on accelerated degree courses at English HE providers in 2015-16. This figure forms the basis of our population estimates when analysing policy options.

109. Estimating the number of accelerated students is not straightforward. Although there is a broad understanding of what an accelerated degree course is, there is currently no set definition in terms of their structure, composition or parameters. This means there is no single data variable held in the HESA student record which identifies students on accelerated degree courses. We overcome this problem by taking a bottom-up approach, using UCAS data for courses running in 2017 to identify accelerated degree courses, and matching to HESA student records to calculate student numbers.

110. In the UCAS data, accelerated degree courses are identified using variables such as the length of study, weeks of study and course title. Many course titles include “accelerated” or “fast-track”. This allows us to distinguish these shorter degrees from “top-up” courses, which are designed to build on a level 4 or 5 HE qualification, rather than to be a stand-alone level 6 qualification. Some courses may not be offered through UCAS, so we may underestimate the total number of available courses, and therefore students.

111. The overwhelming majority of accelerated degree courses we identified are two years long. Furthermore, this consultation only includes in scope courses which have been accelerated from three years to two years. Therefore, we try to restrict our population estimates to these courses.

112. We can approximately match these courses to HESA data on student numbers. These data include provider, subject studied, qualification and course length, but not course name, so we cannot easily distinguish between accelerated and top-up courses. We also risk double-counting for students on combined studies or joint Honours courses as, depending on the HESA measure, they may be included in full for more than one subject. HESA data excludes FECs.

113. Using this method, we found around 200 accelerated degree courses at 30 English HE providers (24 HEFCE-funded Higher Education Institutions and 6 designated APs). Across these courses, our population exercise identifies that in 2015/16 around 2,500 students enrolled on accelerated degree courses, with 70% enrolled at APs and the remaining 30% at HEIs.

114. Since we only include two-year courses, we also assume that the number of first year students on accelerated degree courses is half of total enrolment. We therefore estimate that 1,250 first year students enrolled on an accelerated degree course in 2015/16 at designated HE providers.

115. It is possible that other accelerated degree courses exist that we have not included. Such courses will be difficult to identify with the available variables and data. An alternative data source could be HEFCE’s Higher Education Students Early Statistics (HESE) Survey and Higher Education in Further Education: Students (HEIFES) Survey data. However, as in the HESA data, accelerated courses are not directly identified. The number of accelerated students

can be approximated by looking at full-time undergraduates on long courses. A long course lasts at least 45 weeks per year, excluding work placements. However, these data don't allow us to distinguish students by course qualification or total length in years. The estimates are also at risk of incorrect reporting by providers, who may inaccurately record the length of a course which includes work placements.

116. We provide a list of accelerated providers we identified with this methodology below in Table 11. This list may be incomplete due to the data quality problems outlined above. Similarly, some providers on this list may not run courses in 2018 and beyond, and the data were obtained from 2017 courses.

**Table 11: English providers of accelerated degree courses in 2017**

<b>HEFCE-funded HEIs</b>	<b>Alternative Providers</b>
Anglia Ruskin University	BPP University
Birmingham City University	GSM London
City, University of London	London School of Business and Management
Coventry University	Met Film School
Leeds Trinity University	The University of Buckingham
Middlesex University	The University of Law
Plymouth University	
Queen Mary University of London	
Ravensbourne	
Staffordshire University	
Southampton Solent University	
University of Chester	
The University of Gloucestershire	
The University of Leeds	
The University of Salford	
University of Leicester	
University of Birmingham	
University of Central Lancashire (UCLan)	
University of Exeter	
University of Greenwich	
University of Hertfordshire	
University of Northampton	
University of Southampton	
University of Sussex	

Source: DfE analysis of UCAS course data, for courses running in 2017



## Appendix B: Accelerated Student Number Estimates

117. This section uses our population estimate and behavioural response assumptions to estimate accelerated student numbers under both policy options.

### Option 0 – Do Nothing

118. In the Do Nothing option we assume that 1,250 first-year students enrol in accelerated degree courses in 2019/20, staying constant to 2028/29. The main assumptions underlying these estimates are as follows:

- **Overall student numbers do not change from 2015/16 to 2019/2020.** Published forecasts for HEFCE-funded students show broadly flat numbers, as a fall in the population of 18-24 year olds is offset by increasing HE participation rates. In the absence of specific forecasts for Alternative Providers, or accelerated students, this forecast is applied to all Core students.
- **Accelerated student numbers do not change in the absence of a change of policy.** We assume no growth at Approved (fee cap) providers since the financial barriers are still in place. We assume no change in students at Approved providers, in line with the overall student population.

### Option 1 – Increase fee and fee loan caps

119. The lack of available data means there is a large amount of uncertainty around the number of additional students. We estimate two sets of student numbers with a range of assumptions about growth to illustrate the range of outcomes we anticipate. We use these estimates to calculate a “best estimate” and “high” NPV, keeping per-student and fixed costs and benefits constant.

#### Best estimate- Cautious growth scenario

120. Our cautious growth scenario assumes that in 2019/20, and each following year to 2028/29, the number of entrants at Approved (fee cap) providers increases by approximately 33% each year, with no growth at Approved providers. The high growth rate is feasible given the low base, and the evidence of interest from providers<sup>56</sup>. This growth may include expansion of existing courses, new courses at existing accelerated providers, and from providers who do not currently offer accelerated courses. This last group may include new entrants as well as existing providers in the wider HE market.

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<sup>56</sup> Department for Education, 2016, “Accelerated courses and switching university or degree: call for evidence”, <https://www.gov.uk/government/consultations/accelerated-courses-and-switching-university-or-degree-call-for-evidence>

121. There is significant uncertainty around this rapid rate of growth, and this will be tested and explored further as part of the government's consultation. In particular, it assumes activity by the Office for Students to encourage and support providers in moving to this innovative type of provision and addressing other challenges relating to the provision of accelerated degrees<sup>57</sup>.

122. This profile of growth reflects evidence that there is interest in accelerated courses both from providers and potential students, but that there are organisational and marketing barriers to overcome, as well as the time required to design new courses<sup>58</sup>. There will also be cultural norms, influencing both students and providers, that will need to be challenged. There is also some evidence that providers view their accelerated courses as more suitable for the most motivated students, and carefully vet applicants through resource-intensive admissions processes<sup>59</sup>, so the policy impact may be constrained by the level of suitable candidates.

123. The number of accelerated entrants and total number of accelerated students per academic year in this scenario are presented in Table 4 and Table 5 respectively. In this scenario, by 2028/29 the number of entrants on accelerated degrees will have increased to over nine times the pre-policy level. This estimate of student numbers translates to a Net Present Value of £160.8m in 2017 prices for the 10-year period starting in 2019/20

## High Estimate – Transformative growth scenario

124. For our "High Estimate" of the NPV of Policy Option 1, we consider a Transformative growth scenario with even higher annual growth to reflect broader Government aims to improve student choice. In this scenario, there would be a substantial shift to accelerated degrees among providers, as the cultural norms among students, providers and employers (discussed above in paragraph 122) change.

125. We assume that from 2019/20 to 2028/29 the number of entrants to accelerated courses rises to 40,000, with annual growth of 49% in the Approved (fee cap) part of the sector. As in the Cautious scenario, this growth may arise from existing courses and providers, and from new entrants to the accelerated market and new entrants to HE as a whole.

126. As with the Cautious scenario, there is no change in the number of entrants at Approved providers. We continue to assume the same split between Switching and New students, and a

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<sup>57</sup> Barber, Michael, 2017, "Tending the Higher Education Landscape: Priorities for the Office for Students", Speech to Universities UK conference, <http://www.universitiesuk.ac.uk/news/Documents/sir-michael-barber-speech-uuk-june-2017.pdf>

<sup>58</sup> Pollard, Emma, Kari Hadjivassiliou, Sam Swift, and Martha Green, 2017, "Accelerated degrees in Higher Education: Literature review", Department for Education, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/595637/Accelerated\\_Degrees\\_Literature\\_Review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595637/Accelerated_Degrees_Literature_Review.pdf)

Huxley, Clare, Martha Green, Sam Swift and Emma Pollard, 2017, "Accelerated degrees in Higher Education: Case study report", Department for Education, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/595638/Accelerated\\_Degrees\\_Case\\_Study\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595638/Accelerated_Degrees_Case_Study_Report.pdf)

<sup>59</sup> Huxley, et al., 2017, "Accelerated degrees in Higher Education: Case study report", Department for Education

100% continuation rate for all students. The volumes students for this scenario by academic year of entrants and are presented in Table 12 and Table 13 respectively.

**Table 12: First-year accelerated entrant numbers for Option 1 (High Estimate) by student group**

	New Entrants for both Policy Options		Additional Entrants for Option 1		Option 1 Total
	Approved	Approved (fee cap)	Switching students	New students	
2019/20	510	740	325	35	1,610
2020/21	510	740	810	90	2,150
2021/22	510	740	1,530	170	2,950
2022/23	510	740	2,605	290	4,140
2023/24	510	740	4,200	465	5,915
2024/25	510	740	6,575	730	8,555
2025/26	510	740	10,110	1,125	12,485
2026/27	510	740	15,375	1,710	18,335
2027/28	510	740	23,210	2,580	27,040
2028/29	510	740	34,875	3,875	40,000

Notes:

1. Numbers are rounded to the nearest 5, consistent with publication of official statistics.

**Table 13: Total accelerated students for Option 1 (Transformative scenario) by student group**

	Student stock for both Policy Options		Additional Students for Option 1		Option 1 Total
	Approved	Approved (fee cap)	Switching Students	New Students	
2019/20	510	740	325	35	1,610
2020/21	1,020	1,480	1,135	125	3,760
2021/22	1,020	1,480	2,340	260	5,100
2022/23	1,020	1,480	4,135	460	7,090
2023/24	1,020	1,480	6,805	755	10,055
2024/25	1,020	1,480	10,775	1,195	14,470
2025/26	1,020	1,480	16,685	1,855	21,040
2026/27	1,020	1,480	25,485	2,835	30,820
2027/28	1,020	1,480	38,585	4,290	45,375
2028/29	1,020	1,480	58,085	6,455	67,040

Notes:

1. For 2019/20 we include entrants only, as continuing students would not be affected by this policy option. For all subsequent years, this table includes both entrants and continuing students. We assume a continuation rate and graduation rate of 100%
2. Numbers are rounded to the nearest 5, consistent with publication of official statistics.

127. Under this scenario, by 2028/29 there will be 67,000 students enrolled on accelerated courses, and an additional 110,700 students will have enrolled on accelerated courses over the first ten years of the policy.

128. The overall NPV under this Transformative growth scenario (our “High” estimate for this Impact Assessment), is £305.7m. This comprises the NPV associated with Core Students of zero (as under the Cautious growth scenario), the NPV associated with Switching students of £528.9m, and the NPV associated with New students of -£220.9m. As for the ‘best estimate’, the NPV for New students does not reflect the full life-time social benefit of these students participating in HE. There is no change to the SLC set-up costs. For this scenario, the NPV to providers is £114.4m, the EANDCB remains a benefit of £2.1m, as it results from the effect of the policy on Core students only.

## Appendix C: Sensitivity Analysis

129. To illustrate the robustness of our estimates, additional modelling has been completed to demonstrate what could happen if these assumptions are changed. The results of this further analysis are set out below.

### Split between Switching and New Students

130. In our analysis above, we assume that 90% of additional students “switch” from standard three-year degrees to two-year accelerated degrees, and that the remaining 10% of additional students would not otherwise get a degree.

131. Within the timeframe of this impact assessment, the net economic value from Switching students is relatively large and positive, driven by an extra year of graduate earnings. However, the net economic value for New students is negative, since it takes six years for increased graduate earnings to offset foregone earnings during study. Therefore, if a higher proportion of additional students are New, rather than Switching students, the overall NPV for this Option decreases. The NPV reaches zero at an approximately three-to-one split between Switching and New students. These proportions have no impact on the direct regulatory benefit to HE providers, since fee income from additional students is an indirect benefit.

132. However, this picture does not reflect the full long-term economic benefit from New students, since these students continue to generate gains through higher productivity and other benefits throughout their working life<sup>60</sup>.

### Approved provider response to Policy Option 1

133. Throughout our analysis of Option 1 we have assumed that there is no change in fee, and student numbers for Approved providers. This is largely consistent with treating these providers/courses/students as a largely separate market. For example, these may be students who are not otherwise eligible for student finance.

134. However, if Option 1 successfully removed barriers to increased supply of accelerated places by Approved (fee cap) providers, the Approved providers who account for 70% of accelerated places at present, may face a sharp increase in competition.

135. This increase in competition may result in changes in provider and student choices. Some of these possible changes, and their implications for the net economic value for the policy option are outlined in the table below.

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<sup>60</sup> Department for Business Innovation & Skills, 2013, “The Benefits of Higher Education Participation for Individuals and Society: key findings and reports “The Quadrants””, BIS Research Paper No. 146, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254101/bis-13-1268-benefits-of-higher-education-participation-the-quadrants.pdf)

**Table 14: Possible effects of increased competition for Approved providers**

Response	Type of effect	Result
<p>Approved providers reduce fees in response to increased competition from Approved (fee cap) providers</p>	<p>Some additional students attend Approved providers, over and above the additional students at Approved (fee cap) providers which we have modelled</p>	<p>For New additional students, there is an increased long term economic benefit from increases in the number of graduates, and associated higher productivity.</p> <p>For Switching students, there is a short-term positive economic impact as these students contribute an extra year of higher productivity to the economy.</p>
<p>More current APs register as Approved (fee cap) providers with Access Agreements than we anticipate</p>	<p>This would increase the fee loan available to students, if these providers are charging fees above the basic cap.</p> <p>The increase in providers with full fee loan support may help to meet student demand, and increase the number of additional students more quickly.</p>	<p>For Core students at these providers, there will likely be an increased loan outlay as they become entitled to a full fee loan.</p> <p>If this registration also increases the additional students on accelerated courses, there will be an increase in the net economic benefit of the policy, through increased graduates in employment.</p>
<p>Students who would have attended Approved providers switching to courses at Approved (fee cap) providers</p>	<p>Students may respond to the increasing number of accelerated places with full tuition fee loans.</p>	<p>There is no economic benefit through graduate earnings and productivity spillovers if these students would have taken accelerated courses anyway.</p> <p>Students benefit from reducing up-front costs of studying.</p> <p>The move to Approved (fee cap) providers results in an increase in the Government fee loan outlay.</p> <p>This may reduce the number of Approved providers offering accelerated degrees.</p>

136. Approved providers may also respond to the policy through enrolling more students and/or increasing fees. If Approved providers currently have spare capacity on their accelerated courses, they may enrol more students as a result of this policy. Even if fees stay constant or rise slightly, the increase in tuition fee loan for their students would increase affordability of the courses. This would increase student demand. Through these additional students, the policy would have an increased Net Present Benefit in the long run.

137. Alternatively, an increase in tuition fee loan could enable Approved providers to raise their fees to offset the increase in loan. Since students would not face higher up-front costs than currently, we would expect to see little fall in demand, in line with student behaviour we have seen with the increase in fee cap in 2012/13. Therefore, unlike under the modelling assumptions in our main analysis, these Approved providers would also see increased fee income, supported by the increased fee loan. This would have no impact on the Net Present Value of the policy, since the increased fee income for providers would be funded through transfers from government and students.

138. Overall, there is considerable uncertainty in the likely outcome for this part of the Higher Education market. We will re-examine these possible outcomes in light of the consultation process.



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