

Title: Review of NHS Student Support Lead department or agency: Department of Health Other departments or agencies: NHS Business Services Authority North West Strategic Health Authority	Impact Assessment (IA)
	IA No: 8015
	Date: 20/06/2011
	Stage: Final
	Source of intervention: Domestic
Type of measure: Primary legislation	

Summary: Intervention and Options

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

The current NHS Bursary Scheme provides different support to students, dependent on the type of course they are undertaking, with diploma students in nursing and operating department practice receiving a bursary and other students receiving a considerably lower bursary and a loan. Diploma students receive a fixed level of support, regardless of their income or that of their parents, spouse or partner. This is not the case for the other students whose bursary award is reduced in line with this income. Intervention is necessary to remove the anomalies.

What are the policy objectives and the intended effects?

The primary intention of the review is to remove the anomaly that exists between the funding available to diploma and degree students. However, we also intend to ensure the scheme is fit for purpose, effective, equitable, encourages students from a wide range of backgrounds and provides value for money. It is important that the financial support available to students does not create unnecessary barriers to people who have the right skills to come into the professions, particularly those from backgrounds that are currently under-represented within the NHS workforce.

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

Option 1 –do nothing and continue with the existing Scheme.

Option 2 provides a means tested bursary a £1,000 non-means tested bursary and a reduced rate loan to all students.

Option 3 –provides all support as a bursary but contains a non-means tested element.

Option 2 is the preferred option as levels of student support are maintained. Without continuing levels of support there is a risk that student numbers will fall, leading to a shortage of qualified healthcare staff.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2015

What is the basis for this review? PIR. If applicable, set sunset clause date: Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review? Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister:



Date: 7/7/2011

Summary: Analysis and Evidence

Policy Option 2

Description: Means tested bursary

Price Base Year	PV Base Year	Time Period	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
11/12	11/12	10 Years			

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		£44m	£350m

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

Increasing the bursary offered to healthcare students: £337m
 Economic cost of providing loans to Operating Department Practitioner students: £14m

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

Infra-structure costs namely to the SBU and SLC to support this system need to be costed. These are not anticipated to be large, as the current systems are already in place for the administration of means testing and loan provision, though the volume of work would increase.

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

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

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

Positive changes are possible to rates of attrition on courses. Support would be targeted at students from the lowest income families i.e. those in greatest need, but all students would get some support. The Scheme would be equal and fairer to students and the main anomaly between the different levels of support dependent on if a student is undertaking a degree or diploma would be removed. There will be less need for students to undertake part time work.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

Assumptions behind the modelling are set out in the evidence base, but particular note should be paid to the risks of modelling residual income for the current diploma students for whom we do not have this information, and the risks around the RAB rate used.

Direct impact on business (Equivalent Annual) (£m):			In scope of OIOO?	Measure qualifies as
Costs: n/a	Benefits: n/a	Net: n/a	No	n/a

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England		
From what date will the policy be implemented?			01/09/2012		
Which organisation(s) will enforce the policy?			n/a		
What is the annual change in enforcement cost (£m)?			DH, NHS & BSA		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:
Does the proposal have an impact on competition?			n/a		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: n/a		Benefits: n/a
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base

1. Problem under consideration;

- 1.1 The aim of the review of NHS student support is to propose revised funding arrangements for those students studying on specific pre-registration healthcare courses in England (see *Annex A* for a full list).
- 1.2 A Steering Group involving key stakeholders was set up to review the NHS Bursary Scheme and consider options for a revised scheme. A consultation to inform the review took place between September and December 2009.

2. Characterise the underlying problem

- 2.1 The current NHS Bursary Scheme provides financial support to students who are undertaking pre-registration healthcare courses in England (See Annex A for a list of professions covered). Students studying on eligible pre-registration courses are all entitled to apply for support from the scheme, although the type of support available varies with the nature of the course being studied.
- 2.2 Currently students fall into two broad funding categories, those on degree courses who receive a means-tested bursary and a non-means- tested loan, and those on diploma courses who have access to a non-means-tested bursary. These are expanded on in Annex B. Annex C provides more detailed information on the demographics and course information for those claiming bursaries in 2009/10.
- 2.3 The funding for bursaries, allowances and tuition fees is part of the Multi Professional Education and Training (MPET) budget which in 2010-11, provided a total of £4.8 billion to SHAs to support a wide range of education and training activity in the NHS. Any in-year fluctuations in the bursary budget have to be absorbed within MPET and SHAs have to reallocate funding from other areas to cover them. The loan funding is part of the Department for Business, Innovation and Skills (BIS) maintenance loan budget.
- 2.4 The total cost in the academic year 2009-10 of providing the bursaries in the existing scheme was over £500m. £157m of this was spent on allowances to students with a limited range of specific financial burdens such as those with dependent adults or children. In addition, tuition fees are paid directly to universities on behalf of medical and dental students during the years they are included in the NHS Bursary Scheme. The tuition costs for other professions included in the bursary scheme are paid directly by the NHS and are not part of the NHS Bursary.
- 2.5 In 2009-10 an estimated £70m was spent providing the loan element of the current scheme. Because a significant proportion of the loans is repaid the actual economic cost of providing the loans is around £30m.
- 2.6 Throughout the impact assessment, we have provided information based on the 2009-10 academic year because that is the latest full year for which information is available.
- 2.7 Given the importance of attracting and retaining high calibre students into the healthcare professions, the amount of money spent on the scheme and the numbers of students leaving courses, we have undertaken a review of the scheme to ensure it provides value for money and is fit for purpose.
- 2.8 Specifically, we are committed to removing the anomaly between the support available to degree and diploma nursing students. This is important given the intention that all new nursing courses will be at degree level from September 2013. However, we are also taking the opportunity to consider other changes that could improve the system and secure value for money.
- 2.9 The current system provides a perverse incentive for nursing students to study for diplomas rather than degrees and we need to resolve this to support a move to degree level registration for new nurses and be innovative in making the system fairer for all healthcare students, or some programmes may be unable to attract and retain sufficient high quality applicants.

3. Summarise and put into context the analytical narrative

3.1 Following the announcement of the review, a Steering Group was established which included membership from NHS Employers, Higher Education, Strategic Health Authorities, other Government departments and Trade Unions. A list of organisations represented on the steering group is included in Annex D.

Development of the options in the consultation

3.2 The Steering Group was responsible for developing evaluation criteria for the review and a number of options for the future of NHS Student Support. A range of quantitative and qualitative evidence was gathered to inform the creation and evaluation of the options which were included in the consultation.

3.3 Quantitative evidence included all evidence from NHS Student Bursaries on current funding of students, information from the Department for Business, Innovation and Skills on the current provision of loans, and information from the Department of Health on commissioning numbers and attrition rates.

3.4 Qualitative evidence includes research by the British Medical Association, the National Union of Students, the Royal College of Nursing, the Society and College of Radiographers, UNISON and others.

3.5 DH commissioned work to gather additional evidence including a review of published literature relevant to the review. Focus groups were also commissioned with a small number of existing healthcare students and a small number of in-depth interviews with prospective and existing healthcare students. The reports of all of this work can be found on the Department of Health website at the link below. http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/DH_101614

3.6 A full mapping of the evidence gathered from the above sources was set against a criteria developed by the steering group for reviewing options. The criteria can be found in Annex E.

3.7 The development and analysis of the options included in the consultation followed the process outlined below;

- A. Stakeholder workshop to develop high level principles on which to base the options.
- B. Refinement of the options to provide more detailed descriptions and divide them into groups with sub-options e.g. means-tested bursaries, non-means-tested bursaries.
- C. Initial analysis of the options against the criteria to consider the high level costs of each option and the advantages and disadvantages of each option, allowing the options to be further refined.
- D. Further analysis of the options against the criteria to consider the impact on different students, the economic cost and the evidence relating to the principles of the option.
- E. Agreement on the short-list of options to include in the consultation.

3.8 The formal consultation on the NHS Bursary Scheme ran from September to December 2009. Details on the options considered and their analysis is at Annex F. It also includes information on why specific options were not recommended. A list of options which failed to meet the criteria and were therefore not included in the consultation is included in Annex G.

3.9 The key findings of the consultation were that the same support should be available to all students and that support should be based on a means-tested bursary and a student loan. The preferred option by stakeholders was to provide a £1,000 non-means tested bursary, a means-tested bursary and a non-means tested loan. The common methodology used to assess the options in the consultation and the preferred option is detailed in Annex H.

Development of alternative option

3.10 The preferred option included a loan element and therefore would increase the expenditure

on student loans as all 90,000 eligible NHS Bursary students would become entitled to a loan, rather than only the 45,000 degree students currently entitled. The expenditure on student loans would also increase if we decided to do nothing as the number of students undertaking a degree would increase as part of moving to all graduate entry for new nursing students from 2013/14. We therefore sought clarity from Her Majesty's Treasury (HMT) regarding the future accounting treatments for the student loans.

3.11 HMT confirmed that they were content for us to increase expenditure on student loans under the following conditions;

- DH would need to fund the increase in loans from savings made on bursaries;
- DH will need to take responsibility for funding, and accounting for, the loans. HMT have advised that DH would be required to account and budget for the loans in the same way as other loans we make, therefore creating different budgeting treatment for different groups of students in higher education.

3.12 HMT have also confirmed that any repayments on the loans will not necessarily come back to DH. In light of this, we developed an alternative option where support is offered entirely as a bursary.

3.13 Confirmation has been received from the DH accounting officer and the Chief Executive of the NHS that they are content for DH to take on the responsibility for student loans, if that is the preferred option.

3.14 The development and analysis of the options following the consultation followed the process outlined below;

F. Analysis of the consultation responses and discussion with stakeholders on their preferred option.

G. Clarification sought from HMT on the accounting arrangements for student loans.

H. Development of a further (non loan) option in light of the decision from HMT on the accounting arrangements.

I. Staff side consultation with their stakeholders on the proposed options.

J. Agreement from the DH accounting officer and the Chief Executive of the NHS that NHS/DH can take responsibility for the loans if required.

3.15 The final options under consideration are;

- option 1 -do nothing
- option 2 – a £1,000 non-means tested bursary, a means-tested bursary and a non-means tested loan at the same rate currently available to NHS-funded students, and
- option 3- provides only a bursary an element of which is means tested. The amount of the bursary that is not means-tested is equal to the amount of loan plus non-means-tested bursary in option 2.

3.15 Further information about option 2 and 3 can be found in sections 6 and 7.

3.16 The timetable for introducing the new system will depend on which option is chosen. However, we currently expect that the earliest changes may come into effect is for students entering training from September 2012.

4. What are the policy objectives and the intended effects?

4.1 The policy vision is to ensure DH/public funding is used effectively to support healthcare students in training and provide value for money in securing the future healthcare workforce in England.

4.2 The expected outcome, if the recommended option is implemented, will result in new arrangements which:

- a) address existing anomalies and inconsistencies;

- b) meet the needs of healthcare students;
- c) reduce attrition from courses for financial reasons;
- d) encourage recruitment of high quality students to healthcare courses in higher education;
- e) underpin the delivery of newly qualified graduates to the healthcare sector to support high quality patient care;
- f) encourage increased participation of graduates in the healthcare workforce, on graduation and throughout their working lives;
- g) be administered as effectively and efficiently as possible

5. Description of options considered (including do nothing);

Do Nothing Option – Option 1

The current NHS Bursary Scheme provides different levels of support for students dependent on the nature of their course. There are broadly two groups of students – diploma students and degree students. The cost of the current scheme has been used as the baseline for comparison throughout the analysis. The rules for each group of students are set out in Annex B.

5.1 The 2009/10 rates of NHS Bursary and loan are shown in the following tables:

Degree students

Type of course	Location of study/residence	For students studying for 30 weeks, non-final year			For students studying for 45 weeks, non-final year			Maximum level of loan to be repaid at the end of the course
		Maximum Bursary	Loan ¹	Total possible support in each non-final year ¹	Maximum Bursary	Loan ¹	Total possible support in each non-final year ¹	
All courses	London	£3,392	£3,263	£6,655	£5,724	£3,263	£8,987	£9,600
	Outside London	£2,810	£2,324	£5,134	£4,614	£2,324	£6,938	£6,870
	Parental Home	£2,346	£1,744	£4,090	£3,534	£1,744	£5,278	£5,120

1. The loan rate is lower in the final year. This means the total possible support is also lower in the final year.

Diploma students

Type of course	Location of study/residence	For students studying for 30 weeks, non-final year			For students studying for 45 weeks, non-final year			Maximum level of loan to be repaid at the end of the course
		Maximum Bursary	Loan	Total possible support in each non-final year	Maximum Bursary	Loan	Total possible support in each non-final year	
All courses	London	£7,827	£0	£7,827	£7,827	£0	£7,827	£0
	Outside London	£6,701	£0	£6,701	£6,701	£0	£6,701	£0
	Parental Home	£6,701	£0	£6,701	£6,701	£0	£6,701	£0

5.2 The tables below show costs under option 1 “do nothing”. Costs are shown both as financial costs in 2011/12 prices and as economic costs in 2011/12 prices. The economic cost of the loan is the impairment of the loan, while the financial cost is the face value of the loans paid to students. The return on the loan is an estimate of repayments that would be received from students.

5.3 As all degree nursing is implemented, fewer students are on the higher diploma bursary and more students take the loan offered as support during the degree programme. This leads to falling bursary costs and increasing loan costs. Under the present accounting arrangements, the increase in loan costs would fall on BIS, but DH would need to reimburse them. Overall, a saving is made from the move to all degree nursing.

Financial cost of option 1 'do nothing' in 2011/12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Current Degree Students:	47,014	52,668	61,588	73,457	84,312	91,065	93,186	93,186	93,186	93,186	93,186	93,186
Option 2b Degree Students	0	0	0	0	0	0	0	0	0	0	0	0
Diploma Students:	47,469	43,843	33,909	21,218	10,364	3,611	1,489	1,489	1,489	1,489	1,489	1,489
Bursary DEL Expenditure: DH	£391	£389	£361	£326	£298	£281	£275	£275	£275	£275	£275	£275
Loan DEL Expenditure: DH	£0	£0	£5	£13	£19	£23	£24	£24	£24	£24	£24	£24
Loan DEL Expenditure: BIS	£29	£33	£33	£33	£33	£33	£33	£33	£33	£33	£33	£33
Gross AME Expenditure: DH	£0	£0	£13	£30	£46	£55	£58	£58	£58	£58	£58	£58
Gross AME Expenditure: BIS	£69	£78	£78	£78	£78	£78	£78	£78	£78	£78	£78	£78
Return on loan AME: DH	£0	£0	£0	£0	£0	£0	£1	£3	£6	£9	£11	£14
Return on loan AME: BIS	£0	£0	£0	£0	£0	£1	£2	£5	£8	£11	£14	£18
Total DEL Required:	£420	£421	£399	£371	£350	£336	£332	£332	£332	£332	£332	£332
Total AME Required:	£69	£78	£91	£108	£123	£132	£132	£128	£122	£116	£110	£103
Total cost	£489	£499	£489	£479	£473	£468	£464	£459	£454	£448	£442	£435

Economic cost of option 1 'do nothing' in 2011-12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Degree Students:	47,014	52,668	61,588	73,457	84,312	91,065	93,186	93,186	93,186	93,186	93,186	93,186
Option 2b Degree Students	0	0	0	0	0	0	0	0	0	0	0	0
Diploma Students:	47,469	43,843	33,909	21,218	10,364	3,611	1,489	1,489	1,489	1,489	1,489	1,489
Bursary cost: DH	£391	£389	£361	£326	£298	£281	£275	£275	£275	£275	£275	£275
Loan cost: DH	£0	£0	£5	£13	£19	£23	£24	£24	£24	£24	£24	£24
Loan cost: BIS	£29	£33	£33	£33	£33	£33	£33	£33	£33	£33	£33	£33
Total cost:	£420	£421	£399	£371	£350	£336	£332	£332	£332	£332	£332	£332

5.4 The average economic cost per year over the first 10 years of the scheme is £345m. When discounted at 3.5% per annum, the net present value of the economic cost over 10 years is £2,881m.

Benefits

5.5 There are a two of non -monetised benefits associated with this option.

5.6 Firstly, the administration and infrastructure of NHS student bursaries would not need to change. However, an arrangement would need to be put in place to transfer funds from DH to BIS annually to account for the increase in the demand for the reduced rate student loan as a result of moving to all degree education in nursing from 2013/14.

5.7 Secondly there would be no need to set up transitional arrangements as the current arrangements would remain.

Risks

5.8 This option would not support the moving to an all graduate profession for new nurses from 2012/13 as students are incentivised to undertake the diploma course by the non means tested bursary.

5.9 Currently there are some difficulties recruiting and retaining students and the level of finance available under the current system could be a factor in this. The evidence suggests that the money currently available to some students is not felt to be sufficient, that more healthcare students undertake term time working than students generally and that students work to pay for essentials¹⁷.¹⁸ The balance of evidence is that this has a negative impact on study and experience of university.¹⁷ The RCN's (2008) survey reported 71 per cent of nurses worked during term time and Unison (2008) 70 per cent¹⁷. The current economic climate is also raising doubts and that it is likely to become more difficult to find part time work.¹⁹

5.10 The Interview Research found that some current healthcare students felt their financial situation was hard to the point of oppression. They were finding it hard to make ends meet. Medical

students could feel this particularly keenly due to the length of their course. Access to funds had diminished over the period of a course in some cases, while placements could be felt to attract additional costs which made their situation worse. These experiences had led some to regret their decision to live away from their family home, and in one case opting to study for a degree rather than a diploma¹⁹.

5.11 This option does not address the anomaly that diploma students receive a different level of support than degree students. During the Interview Research, there was universal agreement from potential / current students and parents that the distinction between degree and diploma funding makes no sense and that the anomaly could lead people to choose a course for the wrong reasons¹⁹. Although the move to all degree education for nursing students from 2013/14 will remove the anomaly between nursing courses as nursing diploma courses will no longer be commissioned, it should be noted that operating departmental practitioners undertake diploma courses, which attract the non-means tested NHS bursary, so the anomaly would remain under this option for these courses.

5.12 Providing a non means-tested bursary to diploma students does not target support at those students with the lowest incomes and could be viewed as an inappropriate use of public funds. The Interview Research found that many students, including current diploma students felt that providing a non means tested bursary might lead some to study NHS qualifications without having any intention to pursue a health service career simply because this offered a low cost route to acquiring qualifications¹⁹.

6. Impacts, Costs and Benefits of Option 2

Option 2

6.1 Under option 2, students would be eligible for a small non-means tested bursary of £1,000; a larger means-tested bursary, and a non means tested loan.

6.2 The following table sets out the support available to students under option 2.

Type of course	Location of study/ residence	For students studying for 30 weeks, non-final year			For students studying for 45 weeks, non-final year			Maximum level of loan to be repaid at the end of the course
		Maximum means-tested bursary ¹	Loan ²	Total possible support in each non-final year ²	Maximum means-tested bursary ¹	Loan ²	Total possible support in each non-final year ²	
All courses	London	£4,128	£3,263	£7,391	£6,460	£3,263	£9,723	£9,600
	Outside London	£3,591	£2,324	£5,915	£5,395	£2,324	£7,719	£6,870
	Parental Home	£3,163	£1,744	£4,907	£4,351	£1,744	£6,095	£5,120

1. Of which, £1,000 is not means-tested

2. The loan rate is lower in the final year. This means the total possible support is also lower in the final year.

6.3 The tables below show costs under option 2. Costs are shown both as financial costs in 2011/12 prices and as economic costs in 2011/12 prices. The economic cost of the loan is the impairment of the loan, while the financial cost is the face value of the loans paid to students. The return on loan is an estimate of repayments that would be received from students.

6.4 From 2012/13, all students will be on the new scheme. This means the financial impact of the move to all-degree nursing is felt more quickly and operating department practitioners will be funded as degree students. Some of the costs saved from the move to all degree nursing in option 1, are put into increasing the bursary for students on degree programs. All costs are moved into DH budgets.

6.5 The level of bursary offered has been chosen so that, if student numbers and demographics were stayed constant, the payout to students (ie the sum of bursary and face value of loans) would be constant.

6.6 The tables below assume costs are moved from BIS to DH as new students start courses.

Depending on the budgeting arrangements, the transfer may happen more quickly. We would, however expect exchequer costs to be the same and budgetary pressures to be transferred at the same levels.

Financial cost of option 2 in 2011/12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Current Degree Students:	47,014	52,668	64,521	78,748	89,644	94,112	94,675	94,675	94,675	94,675	94,675	94,675
Option 2b Degree Students	0	0	16,199	43,368	68,308	81,188	87,732	93,087	94,675	94,675	94,675	94,675
Diploma Students:	47,469	43,843	30,976	15,927	5,031	564	0	0	0	0	0	0
Bursary RDEL Expenditure: DH	£391	£389	£364	£340	£328	£325	£327	£330	£330	£330	£330	£330
Loan AME Expenditure: DH	£0	£0	£11	£28	£43	£50	£54	£57	£58	£58	£58	£58
Loan DEL Expenditure: BIS	£29	£33	£29	£20	£12	£7	£4	£1	£0	£0	£0	£0
Loan CDEL Expenditure: DH	£0	£0	£25	£67	£102	£119	£128	£135	£138	£138	£138	£138
Loan AME Expenditure: BIS	£89	£78	£70	£49	£29	£17	£10	£3	£0	£0	£0	£0
Return on loan CDEL: DH	£0	£0	£0	£0	£0	£1	£3	£6	£10	£15	£21	£27
Total DEL Required:	£420	£421	£418	£428	£443	£451	£457	£460	£458	£453	£447	£441
Net DEL Requirement Over Baseline		£1	-£2	£8	£23	£32	£37	£40	£38	£33	£27	£21
Total AME Required:	£69	£78	£80	£77	£72	£68	£64	£59	£58	£58	£58	£58
Additional AME Required		£8	£11	£8	£2	-£2	-£6	-£10	-£11	-£11	-£11	-£11
Total cost	£489	£499	£499	£505	£514	£519	£520	£519	£516	£511	£505	£499

Economic cost of option 2 in 2011/12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Degree Students:	47,014	52,668	64,521	78,748	89,644	94,112	94,675	94,675	94,675	94,675	94,675	94,675
Option 2b Degree Students	0	0	16,199	43,368	68,308	81,188	87,732	93,087	94,675	94,675	94,675	94,675
Diploma Students:	47,469	43,843	30,976	15,927	5,031	564	0	0	0	0	0	0
Bursary cost: DH	£391	£389	£364	£340	£328	£325	£327	£330	£330	£330	£330	£330
Loan cost: DH	£0	£0	£11	£28	£43	£50	£54	£57	£58	£58	£58	£58
Loan cost: BIS	£29	£33	£29	£20	£12	£7	£4	£1	£0	£0	£0	£0
Total cost	£420	£421	£404	£389	£383	£383	£385	£387	£388	£388	£388	£388

6.7 The average economic cost per year over the first 10 years of the scheme is £388m. When discounted at 3.5% per annum, the net present value of the economic cost over 10 years is £3,231m.

6.8 Option 2 then costs an average of £44m a year more than option 1. In net present value, option 2 will cost £350m more than option 1 over the first 10 years.

Option 2 Benefits

6.9 It is anticipated that there could be a number of non-monetised benefits if option 2 were to be implemented.

6.10 Under this option, the non means tested element of £1,000 would mean all students would get some financial support. This would benefit those students who are means tested out of an award but who receive no bursary and little or no parental contribution. This was an issue raised by respondents through the consultation.

6.11 As the main part of the bursary under this option is means tested this would target support at those students from the lowest income families and the additional loan would allow the student to borrow more if required. The loan element is beneficial because it means some of the support is repayable and therefore does not over-incentivise NHS funded courses. If all of the support was non-repayable students may choose to do the course based on the financial support they receive and not because they intend to work in the health service when they qualify. The level of debt accrued under this option relative to other student support is considered to be acceptable by stakeholders.

6.12 Providing the same type of financial support to all students would remove the anomaly that currently exists between the level of support available to degree and diploma students. It would make the scheme equal and fairer. The Interview Research found that a means tested bursary in conjunction with a reduced rate student loan seemed to have the most potential to address issues in the current system while offering a positive solution to the widest sets of circumstances:

- It removed the distinction between degree and diploma
- Everybody should get some support
- Means testing was on balance felt to be reasonable and fair

- The relative proportions of bursary and loan appealed to the debt averse who imagined using the loan as a top up, or emergency fund, not as a core fund
- The overall increase in funding was attractive to current students who felt that some debt was acceptable in order to help them manage financially¹⁹.

6.13 The provision of support based on a balance between non-repayable and repayable support is similar to the current system run by the Student Loans Company that applies to non NHS-funded students. This option would therefore be aligned with the wider system of higher education support.

6.14 This option would provide a greater level of support to degree level students than the current system, which may make it appear more attractive than degree courses currently therefore supporting the move to degree level education for new nurses students from 2013/14.

6.15 Although this option increases costs compared with option 1, this is because option 1 is cost saving compared with current spending. Option 2 would maintain the average spend on student support at current levels (assuming student demographics stay the same). Without maintaining this level of support there is a risk that student numbers fall as healthcare degrees become less attractive to students. The greater level of support under this option for degree students when compared to the current system would mean there may be less need for students to consider undertaking part time work to supplement income. This will be beneficial to healthcare students who face particular challenges in comparison to other students, such as longer academic years and placements at night and weekends, which often makes finding part time work to supplement income difficult. This could have a positive impact on attrition because students are less likely to struggle financially and can focus more on their course. The focus group work found that participants felt that greater financial support would reduce attrition¹⁸. Additionally, improving the student experience may make it more likely that students will remain motivated to take up employment in the NHS on graduation.

Risks

6.16 There is a level of debt accrued under this option this may deter students who are debt adverse, for example mature students and student's from low income families. However, it should be noted that the level of debt would be no higher than what is incurred under the current system and considerably lower than that incurred under the student support arrangements for non healthcare students. Furthermore the focus group work found that there was general agreement that it was fair that students should contribute something towards the cost of their education¹⁸.

Option 3

7.1 Under option 3 students would be only eligible for a bursary. The amount of the bursary that is not means-tested is equal to the amount of loan plus non-means-tested bursary in option 2.

7.2 The following table sets out the support available to students under option 3.

Type of course	Location of study/ residence	For students studying for 30 weeks, non-final year			For students studying for 45 weeks, non-final year			Maximum level of loan to be repaid at the end of the course
		Maximum Bursary ^{1,2}	Loan	Total possible support in each non-final year ²	Maximum Bursary ^{1,2}	Loan	Total possible support in each non-final year ²	
All courses	London	£5,988	£0	£5,988	£8,320	£0	£8,320	£0
	Outside London	£4,753	£0	£4,753	£6,557	£0	£6,557	£0
	Parental Home	£3,937	£0	£3,937	£5,125	£0	£5,125	£0

1. Of which, £4,263 is not means-tested for students in London, £3,324 is not means-tested for students outside London and £2,744 is not means-tested for students staying in the parental home

2. The non-means-tested part of the bursary is lower in the final year. This means the total possible support is also lower in the final year.

7.3 The tables below show costs under option 3. Costs are shown both as financial costs in 2011/12 prices and as economic costs in 2011/12 prices. The financial impact of the move to all-degree

nursing is made more quickly and operating department practitioners will be funded as degree students. Students no longer receive a loan; all of the support is in a bursary.

7.4 Under this option, only the impairment cost of the loan would be transferred from BIS to DH, rather than the face value as in option 2. This means there is less funding, so cash in hand to students is lower.

Financial cost of option 3 in 2011/12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Bursary RDEL Expenditure: DH	£391	£389	£380	£383	£398	£409	£415	£421	£423	£423	£423	£423
Estimated repayments (RDEL)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total DEL Required:	£420	£421	£409	£404	£410	£416	£419	£422	£423	£423	£423	£423
Net DEL Requirement Over Baseline		£1	-£11	-£16	-£10	-£4	-£0	£2	£3	£3	£3	£3
Total AME Required:	£69	£78	£70	£49	£29	£17	£10	£3	£0	£0	£0	£0
Additional AME Required		£8	-£8	-£21	-£20	-£11	-£8	-£7	-£3	£0	£0	£0
Total cost	£489	£499	£479	£452	£438	£433	£429	£425	£423	£423	£423	£423

Economic cost of option 3 in 2011/12 prices (£ m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total students	94,482	96,512	95,497	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675	94,675
Degree Students:	47,014	52,668	64,521	78,748	89,644	94,112	94,675	94,675	94,675	94,675	94,675	94,675
Option 2b Degree Students	0	0	16,199	43,368	68,308	81,188	87,732	93,067	94,675	94,675	94,675	94,675
Diploma Students:	47,469	43,843	30,976	15,927	5,031	564	0	0	0	0	0	0
Bursary cost: DH	£391	£389	£380	£383	£398	£409	£415	£421	£423	£423	£423	£423
Loan cost: BIS	£29	£33	£29	£20	£12	£7	£4	£1	£0	£0	£0	£0
Total cost:	£420	£421	£409	£404	£410	£416	£419	£422	£423	£423	£423	£423

7.5 The average economic cost per year over the first 10 years of the scheme is £417m. When discounted at 3.5% per annum, the net present value of the economic cost over 10 years is £3,465m.

7.6 Option 3 then costs an average of £72m a year more than option 1. In net present value, option 3 will cost £563m more than option 1 over the first 10 years. The increase is because providing a bursary has a greater economic cost than providing a loan, due to the lack of repayments.

Option 3 Benefits

7.7 It is anticipated that there could be a number of non-monetised benefits if option 3 were to be implemented.

7.8 Under this option, the non means tested element would mean all students would get some financial support. This would benefit those students who are means tested out of an award but who receive no bursary and little or no parental contribution. This was an issue raised by respondents to the consultation.

7.9 As some of the support under this option is means tested this would target support at those students from the lowest income families.

7.10 Providing the same type of financial support to all students would remove the anomaly that currently exists between the level of support available to degree and diploma students. It would make the scheme equal and fairer.

7.11 Under this option students would not accrue any student loan debt during their NHS funded years. It is reported that debt aversion has the greatest impact on the participation of prospective students from low-income families and this option may therefore have a positive impact on widening participation.

Risks

- 7.12 Less of the support under this option is means tested when compared to option 2. This may result in more support being directed at students who don't need it and those students from lower income families that do need it may lose out. This may not be seen as an appropriate use of public funding.
- 7.13 This option provides a lower level of support to students from lower household incomes than the current system. The evidence suggests that the money available to some students under the current arrangements is not felt to be sufficient and so by further reducing it could be detrimental to students. Students may have to under-take term time working to fund themselves whilst studying adding to the pressure of undertaking what is already a demanding course. This may have a negative impact on attrition. Additionally, if the student experience is detrimental, it may be less likely that students will be motivated to take up employment in the NHS on graduation.
- 7.14 The lower amount of funding available to students from lower household incomes under this option might also make the degree course less attractive to prospective students, which may have a negative impact on the move to degree level registration for new nurses from 2013/14 and widening participation.
- 7.15 Alternatively as the support is all non-repayable it may over-incentivise healthcare courses as they are seen as a cheap degree, rather than because students want to qualify as health professional and work in the NHS. This would not provide value for money and could have a negative impact on attrition, as students may choose to undertake the course based on finance without considering how demanding the course will be.
- 7.16 Providing only non-repayable support does not align with the wider system of support in higher education, which provides basic student support as a maintenance loan and grant. Other students in higher education will be expected to take on increasingly higher levels of debt through student loans to meet their maintenance costs and the increase in tuition fees charged by universities from 2012. The support under this option would therefore be significantly different from that provided to other students in higher education and would not support wider Government policy.

8. Summary and preferred option

- 8.1 A significant amount of evidence has been gathered to inform the development and the appraisal of the options. On the basis of this evidence, it has been decided that option 2 should be recommended to Ministers for implementation.
- 8.2 This option would provide support in the form of a means-tested bursary, which ensures that support is targeted to those in most need to support our aims to widen participation within the healthcare professions. In addition to this bursary, all students would be entitled to a small non-means-tested bursary and would also be able to take a student loan if they needed to top-up their support.
- 8.3 Option 2 has an average economic cost per year over the first 10 years of £388 million. Although it is not the cheapest option (compared to option 1 with an average economic cost per year over the first 10 years of £345 million) it would remove the anomaly within the current scheme, therefore removing the incentive for nursing students to study for a diploma rather than a degree. It also provides a greater level of support to degree students than option 1, and is therefore more likely to have a positive impact on recruitment and retention. The £1,000 paid to all students under this option means that they all receive some non-repayable support. It is felt this option will provide the best value for money when compared to option 1 and option 3.
- 8.4 Option 1 although the cheapest option, would not remove the anomaly within the scheme so operating department practice students on diploma courses would remain on different support, nor would it improve the financial package to students which some feel is not sufficient.
- 8.5 Option 3 is the most expensive option with an average economic cost per year over the first 10 years of £417 million, which is greater than the cost of option 2 because none of the support is repayable. This option would avoid students accruing student debt whilst on their course. However, this results in the package of support for healthcare students being considerably different to the government's overarching strategy on higher education whereby graduates are expected to contribute to their education. As the level of support to degree students is less than option 1 and option 2, it is less likely to provide sufficient funding to students to maintain them.

8.6 On the basis of this evidence it is felt that option 2 will provide the best solution because it removes the anomaly, improves the financial package to students and provides some support as a loan, therefore bringing healthcare students closer into line with other students in higher education. The economic cost is also less than the option 3.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review:

Political commitment to review

Review objective:

The review will check that changing the student support financial arrangements has achieved the objectives set out in this impact assessment.

Review approach and rationale:

We will undertake a review of monitoring data as this is the most effective way of assessing if the success criteria has been achieved.

Baseline:

The baseline position will be 2011/12.

Success criteria:

- The main anomalies in the NHS Bursary Scheme will have been removed
- The Scheme provides value for money
- The Scheme is affordable
- The Scheme attracts and retains high quality students on courses
- The Scheme is administered as effectively and efficiently as possible

Monitoring information arrangements:

- Annual attrition rates on courses (DH)
- Annual information on numbers of students applying to healthcare courses (UCAS)
- Annual information on numbers of students applying for the NHS Bursary (NHS Student Bursaries)
- Annual vacancy rates (Information Centre for Health and Social Care)
- Annual information on existing NHS workforce (Information Centre or Health and Social Care)
- Budget reports from the NHS BSA

Reasons for not planning a review:

N/A

Courses on which the students are eligible for NHS bursaries

The NHS Bursary Scheme applies to the following eligible courses where the HEI has a contract with an SHA in England.

- Those courses eligible for **Income Assessed** NHS Bursaries from year 1 for duration of course:
 - Chiropodist
 - Dietician
 - Occupational Therapist
 - Orthoptist
 - Physiotherapist
 - Prosthetist and Orthotist
 - Radiographer
 - Speech & Language Therapist
 - Dental Hygienist
 - Dental Therapist
 - Nursing (degree level)
 - Midwifery (degree level)
 - Operating Department Practice (degree level)
 - Audiologist
- Those courses eligible for **Income Assessed** NHS Bursaries for other periods of study;
 - Medical and Dental students on undergraduate pre-registration course for their fifth year of study and above.
 - Medical and Dental students on postgraduate pre-registration courses, for their second year of study and above.

The above are generally referred to as 'degree' courses within the impact assessment. Those below are 'diploma' courses

- Those courses eligible for **Non-Income Assessed** NHS Bursaries for year 1 for duration of course:
 - Nursing (diploma level)
 - Midwifery (diploma level)
 - Operating Department Practice (diploma level)

NHS Bursary Scheme - Current rules

Diploma students

1. Students on NHS funded diploma students are eligible for a non-means tested bursary.
2. The NHS pays tuition fees on behalf of the student.
3. Diploma students are not eligible for a student loan.

Degree students

4. Students on NHS funded degree courses are also eligible for a basic bursary but the level awarded is dependent on their income or that of their parents, spouses or partner. This is known as a means tested bursary. There is no requirement to repay any of the bursary awarded.
5. The means testing thresholds for 2009-10 are set so that students with an income of less than £24,279 or whose parents, spouse or partner have an income of less than £24,279 will receive a full bursary award.
6. In addition to the bursary, degree students are also entitled to apply to the Student Loans Company for a maintenance loan. This system was established in response to the Report of the National Committee of Inquiry into Higher Education, 1997 (the Dearing Review)¹. The level of the loan for which they are eligible is not dependent on their income or that of their parents, spouse or partner. This is known as a non-means tested loan. Taking account of the fact that healthcare degree students are also able to apply for an NHS bursary, the level of student loan available is roughly half that available to other students.
7. Students who take out one of these reduced student loans are required to repay it. At present, once a graduate reaches a salary of greater than £15,000 per annum, they are required to repay their loan at a rate of 9% of their earnings over this threshold. A nominal rate of interest is charged on this loan.
8. The NHS pays tuition fees on behalf of the student.

Medical and dental students

9. Different rules govern medical and dental students on undergraduate degrees to those on postgraduate courses. Both groups have access solely to Student Loans Company support in some years of their studies (years one to four for undergraduates and year one for postgraduates) and the NHS bursary scheme in others.
10. Medical and dental students on the full (5 or 6 year) undergraduate degree are entitled to apply for support to the Student Loans Company in the first four years of their degree. This support covers both tuition fees and maintenance costs and is provided as a means tested grant (for maintenance), and a repayable loan (for tuition fees and maintenance).
11. From the fifth year of their degree, medical and dental students enter the NHS Bursary Scheme and are able to apply for a basic means tested bursary and a maintenance loan in the same way as other degree students. Only the maintenance loan is repayable. This was also part of the new system for healthcare students following the Dearing Review, in recognition of the greater length of their course compared to other students in higher education.
12. Medical and dental students who are on an accelerated (3 or 4 year) degree course can apply to

¹ <http://www.leeds.ac.uk/educol/ncihe/>

the Student Loans Company for a maintenance loan in their first year. They are not eligible for a tuition fees loan or a maintenance grant.

13. From the second year of their degree, students on an accelerated medical or dental degree enter the NHS Bursary Scheme and are able to apply for a basic means-tested bursary and a maintenance loan in the same way as other healthcare degree students. Only the maintenance loan is repayable.
14. The NHS pays tuition fees on behalf of these student for the years they are included in the NHS Bursary Scheme.

Allowances

15. In addition to the basic bursary, some students are eligible to apply for additional allowances. These allowances are outside the scope of this impact assessment, but amount to roughly £90m a year in extra expenditure to students (this figure though does include roughly £8m which is already planned for transition from the removed Older Student and Single Parent Allowances into the main bursary funding).

Bursary Expenditure

The table below gives details of expenditure by award element for Academic Year 2009/10.

Basic Award & Allowances (Paid Monthly)			Other Elements (One-off Payments)		
Award Element	Number	Amount Paid	Award Element	Number	Amount Paid
Basic Award ¹	92,553	£345,067,058	Disabled Students	4,317	£7,586,836
Childcare Allowance	8,213	£30,671,534	Extensions	657	£846,171
Dependants Allowance	18,661	£37,512,442	Hardship Fund ²	7	£5,995
Extra Weeks Allowance ³	37,077	£35,625,994	Initial Expenses ⁴	16,146	£888,030
Older Students Allowance ⁵	3,460	£2,104,476	Practice Placement	21,986	£9,630,709
Parent Learning Allowance ⁶	15,958	£14,197,332	Tuition Fees ⁷	9,498	£16,512,118
Single Parent Addition ⁸	1,448	£1,007,145	Other	996	£724,873
Two Homes Grant ⁹	3	£2,757			
Total	177,373	£466,188,738	Total	53,607	£36,194,732
			Grand Total – All	230,980	£502,383,470

¹Covers 30 weeks for degree and 45 weeks for diploma students

²Medical & Dental students only

³Degree students only

⁴Diploma students only

⁵Existing rule students only

⁶New rule students only

⁷Medical & Dental Students only

⁸Existing rule students only

⁹Existing rule students only

Bursary Expenditure by Award Element: Academic Year 2009/10

The table below gives details of expenditure by award element for Academic Year 2009/10

Award Element	2009/10
	£000
Basic Award	345,067
Childcare Allowance	30,672
Dependant's Allowance	37,512
Disabled Students Allowance	7,587
Extensions	846
Extra Weeks	35,626

Hardship Fund	6
Initial Expenses	888
Older students Allowance	2,104
Other	725
Parent Learning Allowance	14,197
Practice Placement Expenses	9,631
Single Parent Addition	1,007
Tuition Fees	16,512
Two Homes Grant	3
Total	£502,383

5.2 Bursary Expenditure by Professional Group: Academic Year 2009/10

The table below gives details of expenditure by professional group for Academic Year 2009/10.

Professional Group	2009/10
	£000
Medical & Dental	38,282
Nursing & Midwifery	396,603
Allied Health Professions	48,348
Professions Complementary to Dentistry	1,828
Other Health Professions	17,322
Total	502,383

The table below gives the number of NHS Bursary holders banded by profession and age¹.

Prof Group	Age Group										Total
	U21	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61+	
Medical & Dental	16	9,498	1,517	475	177	65	24	6	1	0	11,779
Nursing & Midwifery	18,372	16,620	8,677	6,315	5,605	3,668	1,711	507	72	8	61,555
Allied Health Professio	6,038	4,297	2,156	1,148	1,003	765	368	88	14	3	15,880

Professionals Compliment	91	175	126	47	28	6	2	0	0	0	475
Other	673	851	509	334	242	154	70	27	3	1	2,864
Total	25,190	31,441	12,985	8,319	7,055	4,658	2,175	628	90	12	92,553
% of Total	27.2%	34.0%	14.0%	9.0%	7.6%	5.0%	2.4%	0.7%	0.1%	0.0%	-

¹Age at 1 September 2009

Stakeholders Involved in Option Generation, Appraisal and Evaluation

The following organisations were represented on the review steering group.

British Medical Association Medical Students Committee – also representing the British Dental Association
Council of Deans of Health
Department of Health
Department for Innovation, Universities and Skills
National Union of Students
NHS East Midlands
NHS Employers
NHS North West
NHS Business Services Authority Student Bursaries Unit
Royal College of Midwives
Royal College of Nursing
Society of Radiographers - representing all Allied Health Professions included in the NHS Bursary Scheme
UNISON
Universities UK

Criteria for Options Evaluation

In order to evaluate each of the options the review steering group agreed a set of evaluation criteria against which the options will be assessed. The criteria seek to take into account the needs of the NHS, universities and students. The criteria are categorised into those requirements we are legally required to meet, those which we should meet and those which we would like to meet. Table provides a summary of the criteria.

Table : Description of evaluation criteria

Category	Title	Description
Legal requirement	Legally compliant	The proposals are lawful in accordance with the relevant legislation, case law and general principles of administrative law.
	No adverse impact on equality	The proposals take full account of the equality and diversity requirements on <ul style="list-style-type: none"> ▪ disability ▪ ethnicity ▪ gender ▪ age ▪ sexual orientation ▪ religion or belief
Essential/ Should do	Degree/diploma anomaly	The proposals resolve the issue of nursing degree students receiving different support than nursing diploma students.
	Fair	The proposals provide a reasonable level of support for healthcare students to achieve reasonable work/life balance, including part-time students.
	Student debt	The proposals do not create inappropriate student debt relative to future salary income, compared with other students in higher education but adjusted for health programme specific differences.
	Value for money	The proposals provide value for money in terms of the level of student support per year of working life in the NHS. The measure takes into account: <ul style="list-style-type: none"> ▪ course length ▪ student support for duration of study ▪ attrition rates ▪ conversion rates (rate of employment in NHS after graduation) ▪ participation (average length of working life in the NHS)
	Affordable	The proposals, including transitional costs, are affordable within existing DH budgets and have been prioritised by the Secretary of State, or options for securing additional funding have been developed.
	Admin/infrastructure	The costs of implementing and administering new proposals and any associated infrastructure and transitional costs are robust. Proposals are based on a workable infrastructure.

Category	Title	Description
	Widens participation	The proposals encourage students from a wide range of backgrounds to apply for healthcare courses.
	Other related systems	The proposals are coherent with wider government policy and other government funding. There are no inappropriate or unnecessary conflicts with government policies on support, either for students or others receiving government financial support.
	Flexible	The proposals are sufficiently flexible to take account of forecast changes to workforce planning and the relevant modernising career frameworks.
	Attracts and retains students	The proposals attract and retain healthcare students up to the point of qualification.
Desirable/ Would like to do	Simplicity	The proposed systems are easy to apply for and understood by students and prospective students.
	Addresses other anomalies	<p>The proposals reduce the likelihood of the following anomalies with the financial support arrangements;</p> <ul style="list-style-type: none"> ▪ Different arrangements for medical and dental students in different years ▪ Different arrangements in different areas for the reimbursement of travel and accommodation expenses to students whilst they are on practice placements ▪ Local 'top-ups' of the bursary - extra funding provided by an SHA to students who undertake a particular NHS funded course with the aim of improving recruitment and retention to that course.

The consultation

The Review of NHS Student Support Steering Group short-listed the options by assessing them against the criteria found in Annex B. The short-listed options for inclusion in the consultation were split into two groups; those that could be implemented within the existing financial envelope available for NHS student support, and those that would require additional funding.

The tables below provide a brief description of all options that remained under consideration once the output from the stakeholder workshop had been refined. Those options that were included in the consultation are in table 5.1, with those options that were not included in the short-list in table 5.2.

Options within the current financial envelope:

Option 2a: Provision of a means-tested bursary and a non-means tested loan at the current rate for NHS funded students

1. Table B1 provides details of the support that would be available under option 2a.

Table B1: Support available under option 2a

	Maximum Means Tested Bursary Available for 30 Week Course	Maximum Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£4,250	£6,450	£3,100
Studying outside London and living in lodgings	£3,550	£5,250	£2,110
Living in the parental home	£2,950	£4,610	£1,660

Summary of advantages and disadvantages

2. There is support for this option, particularly with NHS Trusts, SHAs and national organisations. However, it was unpopular with students and universities.
3. A means-tested bursary is supported by many stakeholders as it targets support to those whose parents are unable to support them.
4. The benefit of this option over option 2c is that it keeps the level of student loan debt to a minimum. However, the lower level of loan available under this option means that students who, because of their parent's income, do not receive a bursary or receive a reduced bursary but whose parents do not provide the assumed level of support have access to insufficient funding to support them through university. These students may therefore need to resort to commercial debt.

5. Although the maximum support available is higher than under the current system, the higher rate of bursary under this option means that the total amount of overall support is lower for all students than those options with a higher loan. However, the level of student loan debt a student would accrue under this option is felt to be acceptable to many stakeholders although there are concerns that certain groups of non-traditional students may be deterred by the prospect of debt.
6. The benefit of this option over option 2b is that all available funding, after the loans have been paid, is used to provide means-tested support and therefore targeted to those in most need.
7. This option provides a way of providing support based on the student's background and would not increase student loan debts beyond their current levels.
8. This option has not been recommended because of the concerns that those students who do not receive a bursary or a contribution from their parents will not have access to sufficient support.

Option 2c: Provision of a means tested bursary and a non-means tested loan based on the current rate for non-NHS funded students:

9. Table B2 provides details of the support that would be available under option 2c.

Table B2: Support available under option 2c

	Maximum Means Tested Bursary Available for 30 Week Course	Maximum Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£1,750	£3,950	£6,315
Studying outside London and living in lodgings	£1,450	£3,150	£4,510
Living in the parental home	£1,200	£2,350	£3,495

Summary of advantages and disadvantages

10. This option was popular with universities, national organisations and SHAs. However, it was not popular with students.
11. The benefits of this option over option 2a and 2b are that those students who, because of their parent's income, do not receive a bursary or receive a reduced bursary but whose parents do not provide the assumed level of support have access to a higher rate of loan. This higher rate of loan is funded through a reduction in the means-tested bursary meaning that those who are eligible to receive the bursary receive a smaller proportion of their support in this non-repayable format. However, the total amount of support available to all students is higher under this option than any other option that could be implemented within the current bursary budget.
12. The level of student loan debt a student would accrue under this option may be felt to be unacceptable to some stakeholders, including those who represent student nurses and

midwives. It may deter some students from non-traditional groups from applying. However, students could be made aware of the choice involved and not take up the full loan to avoid higher debt.

13. This option provides a way of providing support based on the student's background and to increase the amount of support available to students whilst they are studying.
14. This option has not been recommended because, under this option, a higher proportion of the support would be provided as a loan and students may therefore graduate with higher levels of debt than under the current arrangements.

Option 3a: Provision of a non-means tested bursary

15. Table B3 provides details of the support that would be available under option 3a.

Table B3: Support available under option 3a

	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£5,100	£7,300	n/a
Studying outside London and living in lodgings	£4,250	£5,950	n/a
Living in the parental home	£3,550	£3,550	n/a

Summary of advantages and disadvantages

16. This option was popular with universities, students and trade unions although the trade unions have now collectively agreed that their preferred option is option 2b, in recognition of the benefits of a means-tested approach.
17. This option has the benefits of providing the same level of support to all students and is therefore easy to understand and allows the student to plan appropriately without the uncertainty of a means-tested award. It also means that students do not accrue any student loan debt. However, the level of support available to those students from the lower income families is significantly lower under this option and may result in them having to borrow money commercially or undertake additional part-time employment whilst studying in order to have sufficient income to complete their course.
18. Additionally, under this option, those students whose parents are able to support them during their studies will receive support that they don't require which may be more valuable to those students from lower income families.
19. This option provides a way of providing the same support to all students and avoiding student loan debt.
20. This option has not been recommended because providing the bursary to all students, regardless of their income, would reduce the amount of bursary available to those in most need.

Options Outside the current financial envelope

Option 2d: Provision of a non-means tested loan based on the current rate for non-NHS funded students, plus a means-tested bursary sufficient to bring income up to a defined level

21. Table B4 provides details of the support that would be available under option 2d.

Table B4: Support available under option 2d

	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£4,700	£6,900	£6,315
Studying outside London and living in lodgings	£4,700	£6,400	£4,510
Living in the parental home	£4,500	£5,600	£3,495

22. The cost of this option is approximately **£650 million**. This is **£220 million** more than the current system. The costs presented in this option includes the provision of the full value of loans paid out to students. These loans would be repaid over time, generating a flow of money back to the Government in the long run.

Summary of advantages and disadvantages

23. There is little support for this option.

24. This option increases the level of support available to each student. However, a higher proportion of this support is in the form of a student loan than under option 2e. The level of student loan debt a student would accrue under this option may be felt to be unacceptable to some stakeholders, including those who represent student nurses and midwives. It may deter some students from non-traditional groups from applying.

25. This option would also require a significant amount of additional funding. The benefit of this option over option 2e and 2x is that this additional funding is £80m lower and £85m lower, respectively.

26. This option provides the least expensive way of providing Rowntree levels of support to the poorest students without exceeding the rate of loan for other students.

27. This option has not been recommended because it would require additional funding to be made available and also has the potential to increase levels of debt among graduates in the same way as option 2c.

Option 2e: Provision of a non-means tested loan based on the current rate for NHS funded students, plus a means-tested bursary sufficient to bring income up to a defined level

28. Table B5 provides details of the support that would be available under option 2e.

Table B5: Support available under option 2e

	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£7,900	£10,100	£3,100
Studying outside London and living in lodgings	£7,000	£8,700	£2,210
Living in the parental home	£6,300	£7,450	£1,660

29. The cost of this option is approximately **£670 million**. This is **£240 million** more than the current system. The costs presented in this option includes the provision of the full value of loans paid out to students. These loans would be repaid over time, generating a flow of money back to the Government in the long run.

Summary of advantages and disadvantages

30. There was little support for this option among respondents to the consultation but it has some support from the Steering Group.
31. This option increases the level of support available to each student. The benefit of this option over option 2d is that it keeps the level of student loan debt to a minimum. However, the lower level of loan available under this option means that students who, because of their parent's income, do not receive a bursary or receive a reduced bursary but whose parents do not provide the assumed level of support have access to insufficient funding to support them through university. These students may therefore need to resort to commercial debt.
32. This option would require a significant amount of additional funding, more so than option 2d. The benefit of this option over option 2x is that this additional funding is £5m lower.
33. This option provides a way of significantly increasing the support available to students whilst not increasing student loan debts beyond their current levels.
34. This option has not been recommended because it would require additional funding to be made available and there are also concerns that the level of support available to those students who receive no bursary or parental income would be insufficient.

Option 2x: Provision of a non-means tested loan based on the current rate for NHS funded students, plus a £1,000 non-means-tested bursary and a means-tested bursary sufficient to bring income up to a defined level [NB. This option was not included in the consultation but was proposed by the steering group to address some of the concerns expressed by respondents]

35. Table B6 provides details of the support that would be available under option 2x.

Table B6: Support available under option 2x

	Non-means-tested bursary	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£1,000	£6,900	£9,100	£3,100
Studying outside London and living in lodgings	£1,000	£6,000	£7,700	£2,210
Living in the parental home	£1,000	£5,300	£6,450	£1,660

36. The cost of this option is approximately **£685 million**. This is **£255 million** more than the current system. The costs presented in this option includes the provision of the full value of loans paid out to students. These loans would be repaid over time, generating a flow of money back to the Government in the long run.

Summary of advantages and disadvantages

37. This is the preferred choice of Trade Unions as they believe that additional funding should be made available, and they accept that it is not feasible to provide sufficient funding to employ all students at present.
38. The benefits of this option over option 2e are that those students who, because of their parent's income, do not receive a bursary or receive a reduced bursary have access to a £1,000 bursary in addition to the loan available to them under option 2e. However, this £1,000 bursary would be provided to all students, regardless of need, with the consequence that the costs of this option are increased.
39. This option would require a significant amount of additional funding, £85m and £5m more, respectively, than option 2d and 2e.
40. This option is a way of significantly increasing the support available to students by providing a small amount of funding to all students and not increasing student loan debts beyond their current levels.
41. This option has not been recommended because it would require additional funding to be made available.

Option 3b: Provision of a non-means bursary for all students based on the current rate for NHS funded diploma students

42. Table B7 provides details of the support that would be available under option 3b.

Table B7: Support available under option 3b

	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£5,250	£7,450	n/a

Studying outside London and living in lodgings	£4,650	£6,350	n/a
Living in the parental home	£4,200	£5,300	n/a

43. The cost of this option is approximately **£460 million**. This is **£30 million** more than the current system.

Summary of advantages and disadvantages

44. This option was popular with NHS trusts and schools of nursing.
45. This option has the benefits of providing the same level of support to all students and is therefore easy to understand and allows the student to plan appropriately without the uncertainty of a means-tested award. It also means that students do not accrue any student loan debt. It is the least expensive of the options outside the current funding as it would cost an additional £70m. However, the level of funding available to those students from the lower income families is lower under this option and may result in them having to borrow money commercially or undertake additional part-time employment whilst studying in order to have sufficient income to complete their course.
46. Additionally, under this option, those students whose parents are able to support them during their studies will receive support that they don't require which may be more valuable to those students from lower income families.
47. This option provides a way of providing all students with the same support at the least additional cost.
48. This option has not been recommended as it would require additional funding to be made available and providing a bursary to all students, regardless of their income, would result in less overall support being made available to those in most need.

Option 3c: Provision of a non-means sufficient to bring income up to a defined level

49. Table B8 provides details of the support that would be available under option 3b.

Table B8: Support available under option 3c

	Maximum Non-Means Tested Bursary Available for 30 Week Course	Maximum Non-Means Tested Bursary Available for 45 Week Course	Maximum Non-Means Tested Loan Available
Studying in London	£7,600	£13,200	n/a
Studying outside London and living in lodgings	£6,300	£10,950	n/a
Living in the parental home	£5,250	£9,100	n/a

50. The cost of this option is approximately **£770 million**. This is **£340 million** more than the current system.

Summary of advantages and disadvantages

51. This option has support from universities, healthcare students and some trade unions. It has the benefits of providing the same level of support to all students at a defined level of income. It is therefore easy to understand and allows the student to plan appropriately without the uncertainty of a means-tested award. It also means that students do not accrue any student loan debt.
52. Under this option funding is not targeted to students on the lowest income. Additionally, under this option, those students whose parents are able to support them during their studies will receive support that they don't require which may be more valuable to those students from lower income families.
53. This option would require a significant amount of additional funding, more so than options 2d, 2e and 2x.
54. This option would provide a way of significantly increasing support to all students and avoiding student loan debt by investing significantly more money.
55. This option has not been recommended because providing such a large bursary to all students, regardless of their incomes, results in significant additional funding being required.

Option 4: Moving all healthcare students to the same scheme as non-NHS funded students

56. Tables B9 and B10 provide details of the support that would be available under option 4.

Table B9: Grant available under option 4

Household Income	Grant*
£17,910 or less	£2,765
Between £17,911 and £38,330	Partial Grant
Over £38,330	No Grant

Where students are eligible for more than £1,230 of the grant, the amount of loan that students are eligible for is reduced by £1,230.

Table B10: Loan available under option 4

Location of study/residence	Maximum Student Loan for Maintenance*	Maximum amount of loan per additional week**
London	£6,315	£100
Outside London	£4,510	£79
Parental Home	£3,495	£52

* In 2007-08 the first 75% of the loan was not means-tested

** If the course is for 45 weeks or more in any academic year, the student will receive an allowance to cover all 52 weeks of the year.

57. The cost of this option is approximately **£750-800 million**. This is **£230-£280 million** more than the current system., the higher baseline in this option (£520m) is due to the above estimate also including the provision of all allowances under the current rules for non-NHS students as well as the grant and loan elements.

Summary of advantages and disadvantages

58. There is little support for this option.

59. The total amount of support available to students is higher under this option than under the current system. The benefits of this option are that those students who, because of their parent's income, do not receive a bursary or receive a reduced bursary but whose parents do not provide the assumed level of support have access to a higher rate of loan.

60. However, the level of student loan debt a student would accrue under this option may be felt to be unacceptable to some stakeholders, including those who represent student nurses and midwives. It may deter some students from non-traditional groups from applying.

61. This option would also require a significant amount of additional funding.

62. This option provides a way of bringing students in line with other students in higher education, providing support based on the student’s background and moderately increasing the amount of funding available to students whilst they are studying.
63. This option has not been recommended because it would require additional funding to be made available and also has the potential to increase levels of debt among graduates in the same way as options 2c and 2d.

Option 5a: Employment of all NHS-funded students on the minimum wage

64. Table B11 provides details of the support that would be available under option 3b.

Table B11: Support available under option 5

	Annual Salary	Maximum Non-Means Tested Loan Available
Inner London	£14,660	n/a
Outer London	£14,066	n/a
Fringe London	£11,690	n/a
Outside London	£10,805	n/a

65. The cost of this option is approximately **£1,270 million**. This is **£840 million** more than the current system.
66. The cost could be reduced to £1,210 million by paying those aged 21 or under the reduced national minimum wage applicable.

Summary of advantages and disadvantages

67. This option has support from trade unions, healthcare students and other individuals who responded to the consultation. This was not popular with universities and SHAs. It has the benefits of providing the same level of support to all students at the national minimum wage. It allows the student to plan appropriately without the uncertainty of a means-tested award. It also means that students do not accrue any student loan debt.
68. This is the most expensive option to fund. Under this option, support is not targeted to students on the lowest income. Additionally, under this option, those students whose parents are able to support them during their studies will receive support that they don’t require which may be more valuable to those students from lower income families.
69. This option is a way of encouraging the NHS to take greater responsibility for students, providing the same level of support for all students and avoiding student loan debt by investing significantly more money in supporting healthcare students.

70. However, being salaried could compromise a student's ability or time to learn how to care for clients/patients and to meet the professional competence requirements of their programme.
71. This option has not been recommended because it would require significant additional funding to be made available and does not target support to those in most need.

Reasoning for Options NOT Presented in main consultation document text

The review steering group worked with the stakeholders both post and prior to the consultation period to analyse a range of options. A number of these options failed to meet the criteria (see Annex B for a full list of the criteria) and were therefore not been included in the main body of the consultation. This annex provides information about these options.

These options were removed prior to 2008-09 student information being available, so all rates and costs are in 2007-08 prices. Table C1 provides a brief description of each option and the reason it was rejected.

Table C1: Options Ruled Out Prior to the Consultation Process

Option	Short description	Cost	Reason for rejection
Means tested bursary + non-means tested bursary (2f)	Provides a small non-means tested bursary to everybody and an additional means tested bursary	£430 million Modelling based on a flat rate of £2,000 and a means tested maximum of between £2,600 (parental home) and £3,750 (London) for 30 weeks	The larger non-means tested element of this option means less funding is available to target to those in most need.
Means tested bursary + non-means tested bursary and non-means tested loan (2g)	Provides a small non-means tested bursary to everybody plus an additional means tested bursary and a non-means tested loan	£430 million Modelling based on a flat rate of £2,000 and a means tested maximum of between £850 (parental home) and £1,200 (London) for 30 weeks	The larger non-means tested element of this option means less funding is available to target to those in most need. Option 2b is the same option with a £1,000 flat rate.
Means tested bursary + non-means tested loan (2h)	Provides a means tested bursary and a non-means tested loan at the current rates for degree students	£380 million Modelling based on a means tested bursary maximum of between £2,250 (parental home) and £3,200 (London) and a non-means tested loan of between £1,650 (parental home) and £3,100 (London) for 30 weeks	This option would save £50m of the current budget. This could potentially be re-invested in initiatives to widen participation. However, there are risks associated with being able to retain this saving for re-investment and these are felt to be too high to pursue this option at present.

Option	Short description	Cost	Reason for rejection
Non-means tested bursary (3d)	Provides a flat rate non-means tested bursary to all, regardless of location, at a defined income level	£780 million Modelling based on a rate of £10,950 for 45 weeks and £6,300 for 30 weeks	This option was not favoured because it does not provide different levels of funding for students in London. This is felt to be unacceptable given the higher cost of living
Employ students (5b)	Pays a salary, equivalent to Band 2 of the Agenda for Change payscale, to all students.	£1,450 million Modelling based on £12,350 (national), £13,250 (fringe London), £15,600 (outer London) and £16,200 (inner London)	The cost of this option is far in excess of the available budget so it is inappropriate to consult on it.
Employ students (5c)	Pays a salary, in line with a proposal from UNISON, to all students.	£1,650 million Modelling based on £14,150 (national), £15,100 (fringe London), £17,450 (outer London) and £18,050 (inner London)	The cost of this option is far in excess of the available budget so it is inappropriate to consult on it.
Employ students (5d)	Pays a salary to all students. The salary is in line with Annex U of Agenda for Change.	£2,090 million Modelling based on starting salary of 65 per cent of maximum starting pay in year 1, 70 per cent in year 2 and 75 per cent in year 3 onwards	The cost of this option is far in excess of the available budget so it is inappropriate to consult on it.
Means tested bursary and means tested loan (6)	Provides a means tested bursary and a means tested loan.	£530 million Modelling based on a means tested bursary maximum of between £3,250 (London) and £2,250 (parental home) and a means tested loan which tops up the total student support to a defined level of income.	Although this option would appear to make good use of public funds, with money being targeted to those in most need, it does not enable students to top up their bursary with an amount not related to the earnings of their parents, spouse or partner.

Option	Short description	Cost	Reason for rejection
Non-means tested bursary and non-means tested loan (7)	Provides a non-means tested bursary and a non-means tested loan up to the maximum loan rates offered by BIS	£730 million Modelling based on a non-means tested bursary of between £4,700 (London) and £4,500 (parental home) and a non-means tested loan of between £6,315 (London) and £3,495 (parental home)	The affordable version resulted in a much smaller bursary than the current one. Increasing the bursary so that the bursary and loan would be more aligned to a defined level of income is unaffordable. For both, the modelling resulted in inconsistent rates for the 30 week courses.
All options including loans	Forgiving loan repayments once students have completed their studies and start working in the NHS	Such a system would be likely to increase the overall costs because income generated from loan repayments, without a forgivable element, would be reduced. The effect would depend on the level of loans in the option concerned	The evidence on forgivable loans is inconclusive. Overall, it suggests that forgivable loans are used to address specific recruitment and retention targets e.g. medical staff in remote areas in Australia, teachers into specific subjects and social workers for some local authorities. However, there is little research on the long-term effectiveness of schemes that have been introduced to address specific recruitment and retention problems. The legal advice also suggests that, to make best use of public funds, this principle should normally be used to address real shortages of professions. The Government accounting and administrative arrangements would be complex.
Include all medical and dental students in the NHS Bursary Scheme for the duration of their degree.	Medical and dental students in the early years of their course would have access to the same bursary arrangements as other NHS funded students	Varies depending on the bursary option.	This would encourage participation from students from lower socio-economic classifications by ensuring that, as far as possible, medical and dental education is affordable and that the higher levels of debt on graduation are tackled. However it was agreed by the Steering Group that targeting the lowest socio-economic classifications would be more appropriate in the first instance.

ANALYTICAL METHODOLOGY - COMMON METHODOLOGY TO ALL OPTION ANALYSIS

General points

All options are modelled under the assumption that the NHS will continue to pay the full cost of tuition for non-medical courses direct to the Higher Education institutions, and students will not be required to fund any aspect of their tuition. It is also assumed that the NHS will continue to meet the tuition fee contributions for medical and dental students in the years they are eligible for NHS Bursary support.

All modelling in the main section of this impact assessment is presented in 2011/12 prices. Each option has been modelled using detailed student level data provided by NHS Student Bursaries that covers all payments made during the 2009/10 academic year. This data contains;

- bursary information e.g. award amounts and residual income
- demographic information e.g. age, sex and SHA, and
- course information e.g. course type, length of course, year of study, number of weeks studied and identification of part-time students.

The model uses student numbers in 2009/10 academic year and commissions for 2010/11. The model then assumes that commissions remain constant at 2010/11 levels for future years. The in-year attrition rate is assumed to be constant over time and across courses. These assumptions are made in all three of the key options, so effect all options equally.

Currently no estimates of the cost of administrative changes required for the options have been costed. As a guide, NHS Student Bursaries receive around 190,000 applications a year (this includes students who apply but never actually commence training and will include more than one application for a number of students who will claim for the bursary and then separately for a range of means-tested allowances). The annual cost of administering these applications is approximately £2.7m. There is currently no evidence available to distinguish between the unit cost for a means tested and non-means tested application, but it can be assumed that if a system based entirely on means-testing was introduced then this cost would rise and, conversely with a non-means tested system, it would fall. Also if more students become eligible for a loan, the Student Loans Company will incur higher costs.

BIS estimate an 80% take-up among non-healthcare students for maintenance loans. The number of NHS students identified by the Student Loans Company taking loans in 2008-09, as a percentage of the known eligible students was 77%. There are issues though with identification of NHS students in the SLC records. A figure of 80% for loan take-up has been used in options 1 and 2. Option 3 offers students as a bursary, the cash that options 1 and 2 offer as a loan. It is assumed that all students accept this money.

Long-term costs

The long-term cost of an option that includes a loan depends on the predicted amount of the loan paid out which will be returned in future years. The amount which is never returned is defined by the Resource Accounting and Budgeting (RAB) rate. This is the 'resource cost' over the life of the loan, as a percentage of the face value of the loan. There are two elements to the RAB rate. Firstly, the face value of loans that are not expected to be repaid by students as a result of low income, death of borrower etc , and secondly the net present value of the subsidy of the loan interest rate on loans repaid.

Using information provided by the Department for Business, Innovation and Skills and taking into account the amount of loan to which students are eligible and the demographics of our particular student population, we have calculated a RAB rate of 42% to use in the modelling of the options in the main body of this impact assessment. This is viewed by DH as a conservative estimate of the rate.

Following HMT guidance, the options presented in the consultation document were costed under the assumption that the full face value of the loan should be covered from current bursary funding, therefore options presented in Annex B and Annex C give rates under this assumption.

Transition Costs

All options have been modelled on the basis of only new students having access to any options. Students already studying at the time of introduction would continue on the current system. This results in a six year period of transition until all students are eligible for support under the new arrangements. There are no specific costs associated with transition.

Means Testing

All options which involve means testing have been modelled using the 2009-10 rates of parental support. These are shown in Annex I. Changes in the rate of parental contribution and the level set for initial contribution could effect the cost of options presented significantly. During the consultation, concerns were raised that the current means-testing rules were not as effective as they might be. We therefore plan to review those rules but the intention is that the costs associated with any changes do not exceed those set out in this analysis.

Modelling of options involving a means tested element relies on an estimation of the residual income of students currently studying on courses where the bursary award is non-income assessed. Residual income is the income of the student’s parents, spouse, civil partner or partner, which is used to define an income assessed contribution in means tested bursaries. This includes elements such as wages, allowances, pensions etc. The number of students currently eligible for an income-assessed (means-tested) bursary is approximately 41,000 of the 90,000 cohort in the 2009-10 academic year. An investigation of the student level data set suggested that age and location for claim (studying in London, living in lodgings elsewhere in the country, living with parents) where the two most significant predictors of residual income level. From this information tables giving the probability of students of different ages claiming in the three different locations having a residual income in each of the given bands were produced. From this we have then assigned each current non-income assessed student a random number between 0-1, this then corresponds to the probabilities in the relevant tables, giving a distribution of new residual incomes. This methodology is the most robust available, however it does not fully mitigate against the risks of the unknown income structure of the currently non-income assessed students.

RISK, SENSITIVITIES AND ASSUMPTIONS:

This section summarises the actions that have been taken to reduce the risks around these assumptions.

Description	Risk	Action taken
Residual income	As income data is not available for all 50,000 diploma students the costs of means-tested bursaries may have been over or under estimated	<ul style="list-style-type: none"> • Identified predictors of income for degree students • Developed randomised model to assign income based on predictors
RAB rate	Inaccurate estimate of RAB cost of loans may mean costs are higher or lower than estimated	<ul style="list-style-type: none"> • Adopted BIS model to calculate RAB rate • Used conservative assumptions on the key factors that drive repayment i.e. gender and career progression • Used 3.5% discount rate rather than 2.2%
Take up rate of student loans	If the estimated take up rate of student loans is incorrect, the cost may be higher or lower than estimated.	<ul style="list-style-type: none"> • Modelled based on BIS estimate of NHS student loan take-up. • Sensitivity analysis undertaken to quantify scale of risk due to inaccuracies in take-up estimation.

Annex J details sensitivity analysis conducted on some of the analytical assumptions made in the modelling of options.

Means Testing Criteria

The criteria used to assess applications for an income assessed bursary are set out below.

Residual Income (2009/10)

This is the net amount of declared income used to determine the contribution (if any) to your award. To calculate this, the parent(s)/spouse/ civil partner/partner's gross taxable income for the previous financial year is used. (For the 2009/10 **Academic** year, the applicable financial year will be the period running from 6 April 2008 to 5 April 2009). Certain allowable expenses are then deducted from this to give the 'residual income':

Table I1: Income and Expenditure used to determine Residual Income and Contributions (2009/10)

Income and Expenditure used to determine Residual Income and Contributions
1. Types of Taxable Income used:
▶ Salary / wages
▶ Taxable Allowances (<i>e.g. company car, essential car users allowance, fuel allowance, private health care</i>)
▶ Income from Self Employment or Company directorship
▶ Income from Land, Property or Furnished Lettings
▶ Pensions (<i>including State retirement, occupational and private pensions</i>)
▶ Bank or Building Society Interest
▶ Other unearned income <i>such as dividends</i>
▶ Taxable Benefits (Job Seekers Allowance, Income support, Incapacity Benefit, etc.)
2. Deductible Expenses used to offset against declared income
▶ Employee Pension Contributions
▶ Personal Pension / Retirement Annuity payments
▶ Other loan interest (if allowed for tax purposes if the person is self-employed)
▶ Professional subscriptions and other tax relievable expenses
▶ Wages for Domestic Help

Contribution Rates

The table below can be used to give you an idea as to how much your parents or spouse/ partner /civil partner will be expected to contribute to your bursary, based on their residual income. You should note that a 'contribution' is NOT a direct payment that your spouse/ parent/civil partner/partner will be required to make – instead, this is the amount that will be deducted from your basic NHS Bursary entitlement at source.

Table: contribution rates (2009/10)

Contribution rates for parent(s)/spouse/civil partner /partner

<i>If the Residual</i>	The contribution	<i>If the Residual</i>	The contribution
<i>Income is:</i>	<i>will be:</i>	<i>Income is:</i>	<i>will be:</i>
Under £24,279	£Nil	£67,500	£4,594
£24,279	£45	£70,000	£4,857
£25,000	£120	£72,500	£5,120
£27,500	£384	£75,000	£5,384
£30,000	£647	£77,500	£5,647
£32,500	£910	£80,000	£5,910
£35,000	£1,173	£82,500	£6,173
£37,500	£1,436	£85,000	£6,436
£40,000	£1,699	£87,500	£6,699
£42,500	£1,963	£90,000	£6,963
£45,000	£2,226	£92,500	£7,226
£47,500	£2,489	£95,000	£7,489
£50,000	£2,752	£97,500	£7,752
£52,500	£3,015	£98,000	£7,805
£55,000	£3,278	£98,500	£7,857
£57,500	£3,541	£99,000	£7,910
£60,000	£3,805	£99,833	£7,998 (max)
£62,500	£4,068	<i>NB: The assessed contribution is calculated at £1 in £9.50 on residual income of £24,279 and over, plus £45.00</i>	
£65,000	£4,331		

If the amount shown in the "contribution" column is more than the relevant maximum bursary entitlement would be, your parent(s), spouse, civil partner or partner (whichever is applicable) will be expected to use the spare amount to pay towards your travel and accommodation expenses when you go on clinical placements and the actual amount of bursary you receive will be £0.00 – although your tuition fee contribution will still be met on your behalf, as this is not subject to means-testing.

Sensitivity Analysis

During the modelling of options, a number of assumptions have been used based on the best evidence available. These are addressed below, to inform the potential impact of changes in these variables.

The specific areas of sensitivity analysis are the methodology for calculating residual income, the setting of the RAB rate, the rate of loan take-up and the rate of attrition.

Residual Income:

In the current bursary funding system, diploma students receive a non-means tested bursary, degree students are required to undertake an income assessment of parental or spouse/partner income. Degree students contributed £30m in means tested reductions on bursary payments in 2009-10. This covers 43,991 students, or an average of £690 per means tested student. As we move to a system where all students will be means tested, the assumption was taken in modelling to continue to use the current SBU means testing rules and apply them to both degree and diploma students.

Current probability analysis suggests that dependent on age and location of study, the full cohort of students would be assessed to contribute £64m, or £670 per student. This reduction is logical given the older nature of diploma students (2.5 years older on average).

Analysis was undertaken to evaluate potential student contributions for diploma students using other known student demographic information other than age and location of study (such as gender), but no strong correlation was found between these.

Cost of options with varying bursary costs. Cost is the net present value economic cost of the first 10 years of the scheme,

Difference in bursary costs from best estimate	-10%	0%	10%
Option 2	£317	£350	£384
Option 3	£488	£583	£679

Resource Accounting and Budgeting:

Currently in the main body of the impact assessment, all returns from loans given out in any option are measured with a RAB rate of 42%. This assumes that 42% of the face value of loans will not be repaid over the time due to discounting of future returns and non-repayment.

The modelling is a simplified version of that used by Department of Business, Innovation and Skills (BIS) to calculate the estimated RAB rate. Their model identifies predicted wage structures and employment status by sex, age and degree level. This information was compiled to model all graduates, and students qualifying from DH bursary funded courses may have different future earning and employment patterns to those in the current model.

To this end, BIS colleagues have provided DH with a simple RAB rate estimator based on the predicted employment status for female non-NHS students aged 35, studying on 'sub-degree' level courses. This is based on the knowledge that 89% of the proposed student transfers are female. DH have then added to this the Agenda for Change (AfC) pay progression for a nursing students entering at the bottom of band five and not progressing past the top point of this band. This model suggests that provision of the lower loan rate funding (an estimated average debt level of £6,150) would incur a RAB rate of around 42%. It is DH's view that these are prudent estimates of the likely 'write-off' due to the employment status modelling and pay progression used. This should also be viewed in the light of the 2009-10 student loan provision where the BIS have estimated a £17,000 debt to have a RAB rate for female students of 45%.

Changing some of the assumptions in the modelling, we can produce a range of RAB rates based on different scenarios:

- The RAB rate is calculated on an average debt on graduation is £6,150, if this is actually £1,000 higher, the rate increases to 43% and if the average debt is £1,000 lower the rate is 40%.
- The wage structure is based on Agenda for Change band 5 (including estimates for above band earnings from the quarterly NHS Information Centre), with no student progressing past the end of this band. This wage structure is also assumed to represent the salary of those leaving nursing and finding alternative employment. If a student progressed on to band 6 then the RAB rate for their loan would be 40%. If the band 5 wage structure overestimated earning by £1,000 at every pay grade (perhaps to account for students who do not enter nursing or leave for lower paid positions), then the rate would be 43%.
- The starting employment structure and yearly transition and modelled from BIS information representing a female student aged 35 studying at sub-degree level create a position where in time 50-52% of students move out of positions where they are repaying, if this were moved to only 38-39% not repaying the rate would be 37%.

Other areas which could be regarded as ensuring that the 42% rate is a conservative estimate are:

- Part-time students are modelled as having 50% of a full-time wage, this results in no part-time student contributing repayments in a year.
- All students are modelled as taking the two year repayment holiday available as soon as they are eligible.
- The assumed rate of discounting is 3.5%. This is based on BIS guidance, though BIS do publish figures using 2.2% (the rate for long-term liabilities). If 2.2% were to be used the RAB rate would be 32%.

In 2012 BIS are planning to change their student loan repayment scheme, increasing the earnings threshold at which repayments start, charging students above inflation interest and increasing the length of time before debts are written off. The model discussed above indicates that the RAB will remain similar to the current RAB rate; essentially, the changes cancel each other out. Given the uncertainty around the RAB rate, the economic cost relative to do nothing has been calculated for both options with a RAB rate of 35% and 50%.

Cost of options with varying RAB rate. Cost is the net present value economic cost of the first 10 years of the scheme, relative to do nothing option

RAB rate	35%	42%	50%
Option 2	£348	£350	£353
Option 3	£645	£583	£513

For option 2, the effect of a changing RAB rate is not large. This is due to option 2 being very similar to the do nothing option when looking at the cost of the loan (the only difference is that ODP students will be on a degree rather than diploma system).

Option 3 does not offer a loan to students starting from 2012/13 onwards, so increasing the RAB rate decreases the cost relative to the do nothing option.

Rate of Loan Take-up:

The current analysis uses the assumption that there is a take-up rate of 80% on any loan options offered.

BIS estimate an 80% take-up among non-healthcare students for maintenance loans.

The number of NHS students identified by the Student Loans Company taking loans in 2008-09, as a percentage of the known eligible students was 77%. There are issues though with identification of NHS students in the SLC records, so the figure of 80% was used.

The table below studies the effect of the loan take up rate changing.

Cost of options with varying loan take up rate. Cost is the net present value economic cost of the first 10 years of the scheme, relative to do nothing option

Loan take up	70%	80%	90%
Option 2	£349	£350	£352
Option 3	£630	£583	£537

As for the RAB rate, the fact that the loan part of option 2 is very similar to “do nothing” means there is little effect in relative cost if we vary the loan take-up rate. As option three does not offer a loan to students starting from 2012/13 onwards, increasing the loan take up rate decreases the cost relative to the do nothing option.

Effect of the attrition assumption:

The current analysis for each option uses a percentage figure which models all money SHAs would be liable to pay out in any given year against the figure they actually pay out. It is assumed that the difference is due to in-year attrition. The base line figure for this attrition rate is 6.3%, this is calculated from SBU data predicting the total potential spend for 2009-10 cohort versus the actual spend reported.

The table below looks at the effect of variation in the attrition assumption.

Cost of options with varying attrition rate. Cost is the net present value economic cost of the first 10 years of the scheme, relative to do nothing option

Attrition rate	1.3%	6.3%	11.3%
Option 2	£387	£350	£316
Option 3	£647	£583	£524