

## **Explanatory Memorandum to the Education (Student Finance) (Miscellaneous Amendments) (Wales) (EU Exit) Regulations 2021**

This Explanatory Memorandum has been prepared by the Higher Education Division and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

### **Minister for Education's Declaration**

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Education (Student Finance) (Miscellaneous Amendments) (Wales) (EU Exit) Regulations 2021. I am satisfied that the benefits justify the likely costs.

Kirsty Williams, MS  
Minister for Education  
19 April 2021

## **Part 1**

### **1. Description**

The Education (Student Finance) (Miscellaneous Amendments) (Wales) (EU Exit) Regulations 2021 ('the Regulations') amend:

- (a) the Education (Fees and Awards) (Wales) Regulations 2007 (SI 2007/2310) ('the Fees and Awards Regulations');
- (b) the Higher Education (Qualifying Courses, Qualifying Persons and Supplementary Provisions) (Wales) Regulations 2015 (SI 2015/1484) ('the QCP Regulations');
- (c) the Education (Student Support) (Wales) Regulations 2017 (SI 2017/47) ('the 2017 Regulations');
- (d) the Education (Postgraduate Master's Degree Loans) (Wales) Regulations 2017 (SI 2017/523) ('the 2017 Master's Regulations');
- (e) the Education (Student Support) (Wales) Regulations 2018 (SI 2018/191) ('the 2018 Regulations');
- (f) the Education (Postgraduate Doctoral Degree Loans) (Wales) Regulations 2018 (SI 2018/656) ('the Doctoral Regulations'); and
- (g) the Education (Student Support) (Postgraduate Master's Degrees) (Wales) Regulations 2019 (SI 2019/895) ('the 2019 Master's Regulations').

The Regulations amend the above (collectively "the student finance regulations") to make changes necessary as a result of the UK leaving the EU and the EEA and to introduce a new eligibility category for those with 'Calais' leave to remain in the UK and those with leave to enter or remain in the UK (as appropriate) as a result of domestic violence or by being a bereaved partner.

### **2. Matters of special interest to the Legislation, Justice and Constitution Committee**

The Legislation, Justice and Constitution Committee is asked to note that the 21 day coming into force convention will not be observed in this instance. The amendments necessary to regulations as a result of leaving the EU are both complex and lengthy. Were this convention observed, the Student Loans Company, operating via its Student Finance Wales service, would be unable to accept finance applications from students until the end of May and there would be a significant and tangible risk that students would not receive their payments before the start of the 2021/22 academic year. The Welsh Government has written to Y Llywydd accordingly.

### **3. Legislative background**

The Regulations are made under sections 1 and 2 of the Education (Fees and Awards) Act 1983 (“the 1983 Act”), sections 5(5)(b) and 55(2) of the Higher Education (Wales) Act 2015 (“the 2015 Act”) and sections 22(2)(a) and (d) and 42(6) of the Teaching and Higher Education Act 1998 (“the 1998 Act”).

Sections 1 and 2 of the 1983 Act provide the Welsh Ministers with powers to make regulations requiring or authorising the charging of higher fees to certain students and authorising rules of eligibility in relation to certain awards in connection with education, training or research.

Section 5 of the 2015 Act allows the Welsh Ministers to make regulations prescribing (amongst others) the qualifying persons that will benefit from the fee limits set out in an institution’s fee and access plan. This applies to those institutions in Wales regulated by the Higher Education Funding Council for Wales under the 2015 Act.

Section 22 of the 1998 Act provides the Welsh Ministers with the power to make regulations authorising or requiring the payment of financial support to students studying courses of higher or further education designated by or under those regulations. This power enables the Welsh Ministers to prescribe, amongst other things, the amount of financial support (grant or loan) and who is eligible to receive such support.

The functions of the Secretary of State under section 1 of the 1983 Act were transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 2006 (S.I. 2006/1458).

The functions of the Secretary of State under section 2 of the 1983 Act were transferred to the National Assembly for Wales, so far as exercisable in relation to Wales, by the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672).

Section 44 of the Higher Education Act 2004 (“the 2004 Act”) provided for the transfer to the National Assembly for Wales of the functions of the Secretary of State under section 22 of the 1998 Act (except insofar as they relate to the making of any provision authorised by subsections (2)(j), (3)(e) or (f) or (5) of section 22). Section 44 of the 2004 Act also provided for the functions of the Secretary of State in section 22(2)(a), (c) and (k) of the 1998 Act to be exercisable concurrently with the National Assembly for Wales.

The functions of the Secretary of State under section 42(6) of the 1998 Act were transferred to the National Assembly for Wales, so far as exercisable in relation to Wales, by the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672).

The functions of the National Assembly for Wales were transferred to the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.

Each year, a number of functions of the Welsh Ministers in regulations made under section 22 of the 1998 Act are delegated to the Student Loans Company under section 23 of the 1998 Act.

This instrument will follow the negative resolution procedure.

#### **4. Purpose and intended effect of the legislation**

The Welsh Ministers make regulations to provide the basis for the system of financial support for students ordinarily resident in Wales, and other students studying in Wales, who are taking designated courses of higher education in the UK. The student finance regulations contain eligibility criteria pursuant to which certain groups may be eligible for student support, home fee status and the tuition fee cap.

The 2017 Regulations and the 2018 Regulations provide for financial support for students taking designated higher education courses which begin before, and on or after, 1 August 2018 respectively. These are principally full and part-time undergraduate courses. The 2018 Regulations also provide support for courses which begin before 1 August 2018 and are subsequently converted from full-time to part-time or part-time to full-time on or after 1 August 2018.

The 2019 Master's Regulations provide for financial support for students taking designated postgraduate Master's courses which begin on or after 1 August 2019, and the 2017 Master's Regulations for postgraduate Master's courses beginning before that date. The Doctoral Regulations make provision for those studying designated doctoral courses which began on or after 1 August 2018.

The QCP Regulations make provision for (amongst other things) those persons who will qualify for the tuition fee cap (currently £9,000 in Wales). The Fees and Awards Regulations make it lawful to differentiate between students when charging fees, establishing 'home fee status'. Students who do not fall into certain eligibility categories can be charged a higher fee than those who do. Students who qualify for home fee status will also benefit from the tuition fee cap.

The Regulations amend the student finance regulations as outlined below.

### *Changes as a result of EU exit*

To comply with the UK's obligations as a member state of the EU, the Welsh Government's student finance regulations made students from the EU, other EEA states and Switzerland eligible for support and home fee status on a similar basis as those settled in the UK. EU nationals were eligible for home fee status and tuition fee loans if they had been ordinarily resident in the UK, Gibraltar, EEA or Switzerland for at least three years before the start of their course. They were additionally eligible for maintenance grants and loans if they had been ordinarily resident in the UK and Islands for at least three years before the start of their course. EEA, Swiss migrant and frontier workers and their family members were also eligible for the support after three years' residence in the UK, Gibraltar, EEA and Switzerland.

As a result of the UK's withdrawal from the EU, the Welsh Government will no longer have the same obligation to provide home fee status and student support to the above students. For courses starting from academic year 2021/22, access to home fee status and student support will be removed for EU, EEA and Swiss nationals who are not covered by the citizens' rights provisions of the Withdrawal Agreements (the EU Withdrawal Agreement, the EEA-EFTA Separation Agreement and the Swiss Citizens' Rights Agreement). Unless these nationals are covered by those citizens' rights provisions or they are eligible under another category of the regulations, they will now be subject to the same treatment as other international students, and providers will be able to charge them higher fees. These eligibility changes do not apply to Irish citizens living in the UK or Ireland whose right to study and to access benefits and services will be preserved on a reciprocal basis for British and Irish citizens under the Common Travel Area arrangement.

The groups who will no longer be eligible for home fee status or student support for courses starting from academic year 2021/22, unless covered by the citizens' rights provisions of the Withdrawal Agreements (or eligible under another category), are:

- EU nationals and their family members living in the UK, Gibraltar, EEA, Switzerland;
- other EEA and Swiss nationals, and their family members, coming to the UK for the purposes of work;
- Children of Swiss nationals where the latter are living, but not working in the UK; and
- Children of Turkish workers where either or both arrive in the UK after the end of the EU exit transition period.

Any student falling within the above groups who is on a course before 1 August 2021 and (a) was eligible at the time of application or (b) would have been eligible had they applied will have access to student support for the duration of their course (according to the eligibility category into which they fall), whether undergraduate or postgraduate. Similar provisions apply in relation to a student's eligibility for home fee status.

Those EU, EEA and Swiss nationals who fall within the personal scope of the citizens' rights provisions of the Withdrawal Agreements and have leave to enter or remain in the United Kingdom granted under residence scheme immigration rules (as defined in section 17 of the European Union (Withdrawal Agreement) Act 2020) will become eligible for home fee status and student support from academic year 2021/22. The Withdrawal Agreements preserve existing rights to non-discrimination and equal treatment for persons who have exercised their right to reside in the UK before the end of the transition period and others in scope of the citizens rights' provisions. The Regulations make amendments to ensure that persons with these rights will continue to be eligible for home fee status and student support on broadly the same basis as domestic students from academic year 2021/22. These are:

- EEA and Swiss nationals and their family members who have settled or pre-settled status under the EU Settlement Scheme ('EUSS');
- EEA and Swiss frontier workers (within the meaning of regulation 3 of the Citizens' Rights (Frontier Workers) (EU Exit) Regulations 2020 (SI 2020/1213)) who, whilst not residing in the UK, have exercised a right to work in the UK before 11:00pm on 31 December 2020, and who continue to work in the UK after that;
- Family members of frontier workers who have settled or pre-settled status under the EUSS;
- Irish citizens who are in scope of the EU Withdrawal Agreement, who do not need to apply under the EUSS because under the Common Travel Area ('CTA') arrangement they do not require leave to enter or remain in the UK;
- EEA and Swiss nationals and their family members with a right to reside in Gibraltar; and
- EEA and Swiss nationals and their family members who are covered by the Withdrawal Agreements but have not yet been granted settled or pre-settled status are eligible if they are still within the deadline for applications (30 June 2021), or have applied under the EUSS before that deadline and they have an outstanding application or appeal. Once that deadline passes, or an application is finally rejected, they will no longer fall within the Withdrawal Agreements and will lose their eligibility.

Irish citizens and others settled in the UK will, in accordance with the CTA arrangement, continue to have access to home fee status and tuition fee support on the basis of three years' residence in the UK, Islands and the Republic of Ireland. Irish citizens will additionally continue to have access to maintenance support on the basis of three years' residence in the UK and Islands, as do others with settled status in the UK. Under the CTA arrangement, British and Irish citizens have the right to access all levels of education in either state on terms no less favourable than those available to the citizens of that state.

Family members of persons of Northern Ireland are not covered by the citizens' rights provisions of the EU Withdrawal Agreement, but may apply under the EUSS for settled or pre-settled status. Those granted such status will have access to home fee status and student support on the same basis as family members of EU nationals covered by the Withdrawal Agreement. This amendment reflects a change to immigration rules that allows family members of the people of Northern Ireland to apply for an immigration status on broadly the same terms as family members of Irish citizens.

EEA and Swiss nationals and their family members who are eligible by way of having pre-settled status under the EUSS but who subsequently lose that status will lose their eligibility for student support and home fee status from the start of the next academic year. The same applies to family members of the people of Northern Ireland who qualify on the basis of pre-settled status.

UK nationals could before EU exit rely on their EU nationality to be eligible for student support and home fee status. As this now falls away, the student finance regulations are amended to ensure that UK nationals who have been resident outside the UK remain eligible, providing consistency for these groups before and after EU exit. This includes:

- family members of UK nationals, who qualified for home fee status and tuition fee support by being treated as family members of EU nationals, will continue to be eligible if they meet the residency criteria. The relevant residency area will change from the UK, Gibraltar, EEA and Switzerland (and, for home fee status, the overseas territories) to the UK and Islands;
- UK nationals and their family members living in the EEA (excluding the UK and Gibraltar) or Switzerland on 31 December 2020, or who have returned to live in the UK on or after 1 January 2018 following a period of ordinary residence in the EEA or Switzerland, will continue to be eligible for home fee status, tuition fee loans and maintenance loans and grants for courses commencing before 1 January 2028. This will ensure a substantial transition period for those UK

nationals who had moved to the EEA or Switzerland prior to the end of the EU exit transition period;

- UK nationals and their family members living in Gibraltar will continue to be eligible for home fee status, and for tuition fee support. This will also apply to EU nationals and their family members with a right to reside in Gibraltar arising from the EU Withdrawal Agreement. Student support is available for this category for courses beginning before 1 January 2028. There is no such time limit for eligibility for home fees;
- UK nationals and their family members living in the British overseas territories (other than Gibraltar) will remain eligible for home fee status when studying in Wales. The residency area will change from the UK, Gibraltar, EEA, Switzerland and the overseas territories to the UK, Islands and British overseas territories; and
- to align with the position of UK nationals living in the EEA and Switzerland, UK nationals and their family members ordinarily resident in the EU overseas territories who meet the residency criteria will continue to be eligible for home fee status for courses starting in Wales before 1 January 2028.

It should be noted that the Education (Student Finance) (Miscellaneous Amendments) (Wales) (EU Exit) Regulations 2020 (SI 2020/1302) were laid on 18 November 2020 and provide continuity from the end of the transition period to the end of the 2020/21 academic year on 31 July 2021.

### *Calais leave*

Calais leave to remain in the UK is available to those brought to the UK as part of the Calais camp clearance between October 2016 and July 2017, who were under the age of 18 at the time, and who had recognised family ties in the UK. Individuals are granted leave to remain in the UK under paragraph 352J, 352K, 352L or 352T of the Immigration Rules.

The Regulations make provision for those with Calais leave to be eligible for home fee status and student support. This is a logical extension of a proactive UK Government policy to resettle vulnerable children in the UK. In line with recent changes made to the regulations by way of the Education (Student Fees, Awards and Support) (Ordinary Residence) (Wales) Regulations 2021, individuals with Calais leave will not be required to meet the three years' ordinary residency requirement, ensuring that those with protection-based leave to enter or remain the UK become eligible for support immediately.

### *Domestic Violence Indefinite Leave to Remain and Bereaved Partners*



The Regulations make provision for persons with domestic violence indefinite leave to remain and certain bereaved partners to be eligible for home fee status and student support. The amendments provide that those persons do not have to demonstrate three years' ordinary residency in the UK and Islands before being eligible. This recognises the fact that those in this situation may not be able to evidence this duration of residency due to circumstances outside of their control.

#### *Other amendments*

The Regulations make a small number of other amendments. The most significant of these is the revocation of Part 11 of the 2017 Regulations. Regulation 60 provides for the revocation and there are a number of other consequential amendments to the 2017 Regulations to omit or correct cross references. Part 11 of the 2017 Regulations concerns students on distance learning students who began their course before 1 September 2012. There will be no such students on courses in academic year 2021/22 and so Part 11 is spent.

### **5. Consultation**

Consultation has not been undertaken.

### **6. Regulatory Impact Assessment**

A Regulatory Impact Assessment has been conducted for the Regulations. The assessment which follows focusses upon the changes which result from EU exit. The impact of changes to eligibility for (a) those with Calais leave and (b) those with leave as a victim of domestic violence and those with leave as a bereaved partner are expected to affect a very small numbers of students, numbering fewer than a hundred in total. Data has not been published by the Home Office, but the number of awards of DVILR are understood to be no more than a few thousand. One hundred and fifteen grants of Calais leave will be made in total. Numbers settled in Wales will be commensurately smaller, and the number choosing to apply for support smaller still. There is no way to estimate with any reasonable degree of certainty the costs associated with these numerically minor changes.

### **Background**

After 1 August 2021, EU, EEA and Swiss nationals will not be able to exercise free movement rights to come to the UK to work and study. As such, there will be smaller numbers of those nationals studying at Welsh higher education institutions, reducing both the costs and benefits that this group contributes to the Welsh economy.

This analysis is presented as an illustrative comparison of certain economic impacts before and after regulatory changes have been applied and are not meant to be used for budgeting purposes. Forecasts of student numbers and financing come with greater uncertainty at present due to a number of factors including EU exit and the Covid19 pandemic, but for the purposes of comparison of the options a simple forecast has been used so that any difference in the analysis should be attributable to the effect of the regulatory changes.

Forecasts of student numbers and associated finance budgets are regularly reviewed and updated to maintain accuracy and therefore will soon not match forecasts outlined in this assessment.

## **Options**

### *Option 1: Business as usual*

There would be no change to regulations. EU, EEA and Swiss nationals will remain eligible for support and home fee status despite the ending of treaty obligations. This would place them in a privileged position when compared to other international students, despite a limited connection to the UK, and in the absence of a reciprocal arrangement for the support of students ordinarily resident in Wales.

Persons affected by EU exit by way of loss of their EU nationality will no longer be eligible for support as EU nationals, including some UK nationals.

Those groups afforded citizens' rights by the Withdrawal Agreements might not be eligible for support, in contravention of their rights.

### *Option 2: Make the Regulations*

By making the Regulations the Welsh Ministers ensure that commitments under the Withdrawal Agreements and the Common Travel Area arrangement are met. Failing to amend the regulations would give rise to an incompatibility with the terms of the Withdrawal Agreements. Further, those UK nationals affected by EU exit by losing their EU nationality will remain eligible for student support.

## **Costs and benefits**

### *Option 1: Business as usual*

This is the baseline option and as such there are no additional costs or benefits associated with this option. The following is a summary of the current costs and

economic impacts associated with EU students studying in Wales. This is provided to enable a comparison to be made of the costs and economic impacts under Option 2.

Leaving the existing regulations in place would mean costs are incurred for EU, EEA and Swiss nationals via the student support system after exit from the EU. Financial resource in the form of loans and grants would be required to continue to support those with a limited connection to the UK and where a reciprocal arrangement for students ordinarily resident in Wales no longer exists.

Table 1 records the number of EU students studying at Welsh universities in recent academic years, providing an indication of the demand for university places.

**Table 1 – Number of EU students studying in Wales**

<b>Academic year</b>	<b>Number of EU students</b>
2015/16	5,460
2016/17	6,235
2017/18	6,640
2018/19	6,395

Source: HESA.

### *Costs*

Continuing to support students domiciled outside the UK and studying in Wales would have a direct cost to the Welsh Government, comprising the costs of providing loans and grants via the student support system for undergraduate and postgraduate study. Table 2 provides estimates from models used for forecasting budgets which are regularly updated to reflect the latest economic scenario. Student numbers in recent years used within the forecast will already have been affected by the outcome of the referendum and plans for EU exit. Table 2 provides an illustration of costs assuming the current trend number of students were to be maintained.

**Table 2 – Cost of supporting EU students studying in Wales**

£m	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Grants	1.2	0.9	0.9	0.9	0.9	0.9	1.0
Loans	25.3	25.6	26.3	27.1	27.9	28.7	29.6
<b>Total</b>	<b>26.5</b>	<b>26.7</b>	<b>27.2</b>	<b>28.0</b>	<b>28.8</b>	<b>29.6</b>	<b>30.6</b>
RAB Loans	7.3	7.5	7.6	7.6	7.6	7.6	7.9

Source: Welsh Government

Student loans are repayable. The Welsh Government is charged an amount by Her Majesty’s Treasury to recognise the cost of those loans which are predicted to be written-off – the Resource Accounting and Budgeting (‘RAB’) charge<sup>1</sup>. The long term cost to Welsh Government of issuing loans is represented by the last row of table 2 – the difference between the loan issued and the calculated net present value of predicted loan repayments.

There are also a range of indirect costs which are harder to measure. EU students incur costs associated with the provision of public services to them and their dependents, including health care, housing, primary and secondary education, policing, and so on. The UK Government assessed the costs for the same changes in student support in England as follows:

*Overall, the removal of home fee status and access to student loans is estimated to lead to a cost saving of between £3.8bn and £6.6bn with a central estimate of £5.0bn (10-year PV, 2020/21 prices). Of this, £2.2bn is from removing access to student loans, which is an average saving of £220m per year (PV, 2020/21 prices).<sup>2</sup>*

It follows from this that the costs of non-student support public service provision have a present value (over ten years) of between £1.6bn and £4.4bn, compared to the direct costs of provision of loans of £2.2bn. The costs to Welsh Government will be less not only due to the smaller number of students, but also as some of the costs are in non-devolved areas of expenditure (and so some savings will accrue to the UK Government). Nevertheless, the savings from indirect costs to the Welsh Government would seem to be significant, and may be greater than the savings from student support costs.

<sup>1</sup> The Resource Accounting and Budgeting charge is the estimated cost of borrowing to support the student support system. It is based on future loan write-offs and interest subsidies in net present value terms.

<sup>2</sup> *Removing home fee status and access to student finance in England for EU, other EEA, and Swiss nationals*, RPC-DfE-5036(1), Department for Education, 2021.  
[https://www.legislation.gov.uk/ukia/2021/5/pdfs/ukia\\_20210005\\_en.pdf](https://www.legislation.gov.uk/ukia/2021/5/pdfs/ukia_20210005_en.pdf) See p.17.

## *Benefits*

The benefits from EU students come from (a) the remittance of tuition fees to Welsh higher education institutions (b) expenditure by EU students and their visitors while in Wales and (c) the benefits from post-graduation employment for those that remain in Wales. These effects are subject to the usual economic multipliers.

London Economics estimates the average direct, indirect and induced economic impact to be £68,000 per EU student (2015/16 cohort, across the period of study)<sup>3</sup> under current legislation. This can be scaled by the number of students from HESA, 6,395, to arrive at a net economic benefit of £434.86m across the period of study.

A post-graduation benefit to the Welsh economy comes from the employment of EU domiciles. Of EU domiciled students in the UK who graduated one year before 2018/19, 58.5% were in 'sustained employment, further study or both' in the UK in 2018/19. Of those that graduated five years ago this proportion was 39.3% and for those that graduated ten years ago it was 25.4%<sup>4</sup>. The median earnings of EU graduates are higher for each cohort (1 year, 3 years, 5 years and 10 years after study) than for UK nationals. For example, three years after graduation the median earnings of EU graduates was £27,700 compared to £24,500 for UK graduates<sup>5</sup> suggesting these individuals are by-and-large highly skilled.

## *Option 2: Make the Regulations*

The costs and benefits of option one will both be reduced under this option. Fewer EU nationals will arrive in Wales to study after the UK leaves the EU and free movement ends. EU students not covered by the citizens' rights provisions of the EU Withdrawal Agreement will be treated as international students, so fees will likely rise for those students, and they will be ineligible for student support, further increasing the cost of study. Both will result in a contraction in the demand for places. Revenue to institutions is likely to contract by a smaller amount as higher fees will compensate for fewer students.

Welsh Government has used price elasticities calculated by London Economics<sup>6</sup> to

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<sup>3</sup> *The costs and benefits of international students by parliamentary constituency*, London Economics, 2018. <https://londoneconomics.co.uk/blog/publication/costs-benefits-international-students-parliamentary-constituency/>

<sup>4</sup> *Graduate outcomes (LEO) 2018-19*, Department for Education, March 2021. <https://explore-education-statistics.service.gov.uk/find-statistics/graduate-outcomes-leo/2018-19>

<sup>5</sup> *Ibid.* See section 'International graduates - Overall figures'.

<sup>6</sup> *Estimating the potential impact of policy changes on international student demand for UK higher education*, London Economics, February 2021:

estimate 2,141 EU students will study in Wales over the years from 2021/22 compared to the baseline figure of 6,395.

### *Costs*

As noted above, EU students will no longer be eligible for grants and loans via the student support system and so there will be no direct costs to Welsh Government of providing them with student support. The costs recorded in table 2 are therefore a saving to the Welsh Government in this option.

After EU exit, EU nationals will be treated as international students and will not, by-and-large, be eligible for public sector support, greatly reducing the cost to the Welsh and UK Governments.

There will be some adjustment costs for the public sector. Those involved in administering student support (principally the Student Loans Company) and universities will need to update systems, advice and guidance. The UK Government, in assessing the same changes to student support in England, estimate this cost as between £1m and £7m for the English sector, with a central estimate of £4m in year one only<sup>7</sup>. Costs to the Welsh sector will be substantially smaller.

### *Benefits*

The benefits noted above (the remittance of tuition fees to Welsh higher education institutions, expenditure by EU students while in Wales, and the benefits from post-graduation employment for those that remain Wales) will continue to accrue after 1 August 2021, albeit on a smaller scale.

London Economics estimates the average direct, indirect and induced economic impact to be £95,000 per non-EU student (2015/16 cohort, across the period of study<sup>8</sup>) under this option. The difference in this value compared to Option 1 is predominantly due to the higher tuition fees EU students will be charged under this option. The economic impact estimate can be scaled by the expected number of students, 2,141 to arrive at a net economic benefit estimate of £203.395m across the period of study.

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<https://londoneconomics.co.uk/blog/publication/estimating-the-potential-impact-of-policy-changes-on-international-student-demand-for-uk-higher-education/>

<sup>7</sup> *Removing home fee status and access to student finance in England for EU, other EEA, and Swiss nationals*, RPC-DfE-5036(1), Department for Education, 2021.

[https://www.legislation.gov.uk/ukia/2021/5/pdfs/ukia\\_20210005\\_en.pdf](https://www.legislation.gov.uk/ukia/2021/5/pdfs/ukia_20210005_en.pdf) See p.15.

<sup>8</sup> *The costs and benefits of international students by parliamentary constituency*, London Economics, 2018. p.30.

The Welsh Government has estimated the loss of fee income to Welsh institutions from EU students as £12.23m over the three years from 2021/22, around 0.9% of sector income. Within this figure, the fall in the number of EU students studying in Wales is partly countered by the higher tuition fees they will pay (in line with other international students).

It should be noted that recruitment to Welsh HEIs is predicted to increase in 2021 and there are more non-EU international students applying to study in the UK. While much will depend on the recruitment decisions taken by the individual Welsh HEIs, it is considered unlikely that the sector will experience an aggregate net loss of revenue.

Fewer post-graduation students are likely to remain in Wales to work after free movement ends. It seems certain that the benefits associated with employment will fall. These changes may therefore reduce the pool of highly skilled, educated labour in Wales.

The overall net loss to the Welsh economy from changes necessitated by EU exit will depend upon a number of factors, including the costs and benefits estimated above and the loss from employment. This analysis shows the net benefits (excluding employment) are expected to fall from £434.860m to £203.395m during the period of study. Direct (student support) costs to the Welsh Government will fall substantially. Other public costs are expected to reduce substantially from the pre-EU exit position.

### **Competition Assessment**

The making of the Regulations has no impact on the competitiveness of businesses, charities or the voluntary sector.

### **Post-Implementation Assessment**

The regulations governing the student support system are revised annually and are continually subject to detailed review, both by policy officials and delivery partners in their practical implementation of the regulations.

### **Summary**

The making of the Regulations is necessary to update aspects of the higher education student support system in Wales and ensure commitments under the Withdrawal Agreements and Common Travel Area arrangement are met for the 2020/21 academic year.