

Explanatory Memorandum to the Education (Student Support) (Postgraduate Master's Degrees) (Wales) (Amendment) Regulations 2024

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.

Cabinet Secretary for Education's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Education (Student Support) (Postgraduate Master's Degrees) (Wales) (Amendment) Regulations 2024. I am satisfied that the benefits justify the likely costs.

Lynne Neagle MS
Cabinet Secretary for Education
15 April 2024

Part 1

1. Description

- 1.1 The Education (Student Support) (Postgraduate Master's Degrees) (Wales) (Amendment) Regulations 2024 ("the 2024 Regulations") amend the Education (Student Support) (Postgraduate Master's Degrees) (Wales) Regulations 2019 ("the 2019 Regulations").
- 1.2 The 2024 Regulations amend the 2019 Regulations to remove the base grant and contribution-to-costs grant from the postgraduate Master's ("PGM") support package, and increase the maximum support value, in line with established policy. The 2024 Regulations will also remove redundant provisions relating to support for postgraduate social care students.

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

- 2.1 None.

3. Legislative background

- 3.1 The 2024 Regulations are made under sections 22(1)(a) and (2)(a), (b), (c) and (i), and 42(6) of the Teaching and Higher Education Act 1998 ('the 1998 Act').
- 3.2 Section 22 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.
- 3.3 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)(a), (c), (j) or (k), (3)(e) or (f) or (5) of section 22) in relation to Wales. Section 44 of the 2004 Act also provided for the functions of the Secretary of State in section 22(2)(a), (c) or (k) of the 1998 Act to be exercisable concurrently with the National Assembly for Wales, so far as they relate to the making of provision in relation to Wales.
- 3.4 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 (SI 1999/672).
- 3.5 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.

3.6 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.

3.7 This instrument will follow the negative resolution procedure.

4. Purpose and intended effect of the legislation

4.1 The Welsh Ministers make regulations to provide the basis for the system of financial support for students ordinarily resident in Wales, and certain other students studying in Wales, who are taking designated courses of higher education in the UK.

Provision of support

4.2 The support provided for by the 2019 Regulations comprises loans and grants. It is a contribution to costs. There are two components to grants: a universal 'base' grant of £1,000, and a means tested contribution to costs grant of up to £5,885.

4.3 The 2024 Regulations amend the 2019 Regulations:

- to remove the base grant and the contribution-to-costs grant from the package of support. The grants will be replaced by loan (up to the maximum support value) to offset the difference; and
- to increase the maximum support value by a measure of inflation (RPIX). Total support will rise by 0.9% to £18,950; by increasing the amount of loan.

4.4 The amendments to grant support and the maximum support value will apply to new PGM students who begin a course on or after 01 August 2024. Support is per course as opposed to per academic year and hence increases apply to new students only.

Removal of redundant postgraduate social care provisions

4.5 The 2019 Regulations currently provide arrangements for the amount of loan payable to a student who has had a financial award ("social care bursary") paid or bestowed upon them by Social Care Wales, under the Regulation and Inspection of Social Care (Wales) Act 2016, in connection with study for a postgraduate Master's degree in Social Work. These arrangements can only engage if the award is less than the maximum amount of support payable under the 2019 Regulations. In recent years the social care bursary has increased to £25,430, which means the social care bursary exceeds the maximum amount payable under the 2019 Regulations. Amendments are made to remove such redundant provisions.

5. Consultation

5.1 There is no statutory requirement to consult on student support regulations and no consultation has been undertaken in relation to changes to support for

postgraduate Master's study. The proposal has been discussed with a number of key stakeholders including Universities Wales, NUS Wales and representatives of the sector.

PART 2 – REGULATORY IMPACT ASSESSMENT (RIA)

- 6.1 An RIA has been conducted for the 2024 Regulations.
- 6.2 Postgraduate Master's support comprises loans and grants. It is a contribution to study and other costs, designed to assist those who are considering investing in a postgraduate Master's education. Students must ensure they have sufficient funds to meet all their costs.
- 6.3 There are two components to grants: a universal 'base' grant of £1,000, and a means tested contribution to costs grant of up to £5,885. Removal of these grants has been prompted by significant pressures on Welsh Government budgets for the 2024/25 financial year. Savings are required. Change is necessary ahead of the 2024/25 academic year because of the particular pressures on this year's budget.
- 6.4 Options for support for PGM students for the 2024/25 academic year were considered against this need to restructure budgets for Welsh Government, in light of significant budgetary pressures. In addition, sustained inflationary pressures impact the cost of living for students. Options were:
- a) Lowering the upper bound of the income assessment band. A full means tested grant is available to those with a household income of £18,370 or less. Those with a household income of £59,200 or more are not entitled to a means tested grant. Those with incomes between these two points see their grant reduced by £1 for every £6.937 of household income exceeding £18,370. This option would not realise sufficient savings and so this option was discounted.
 - b) Reducing the amount of contribution-to-costs grant paid. A means tested contribution-to-costs grant of up to £5,885 is available. As set out in a), the value of means tested grant available depends on a student's household income. This option would not realise sufficient savings and so this option was discounted.
 - c) Reducing the amount of base grant paid. A non-means tested base grant of £1,000 is available to all eligible PGM students. This option would not realise sufficient savings and so this option was discounted.
 - d) Removing the grant entitlement entirely. Compared to existing policy, a student would lose a minimum of £1,000 and a maximum of £6,885 in grant assistance. This would significantly reduce the value of support available to new PGM students compared to their peers from previous cohorts and would disproportionately impact those PGM students these grants were primarily aimed to support, i.e., low-to-middle income households, especially at a time of sustained inflationary pressures. This option was discounted.

- e) Removing the grant entitlement and replacing with loan. Whilst the grant assistance (as described in d)) would be removed, replacing the difference with loan would offset the reduction in support otherwise faced by students. This is the option selected.
- f) Increasing the maximum value of support, in line with established policy. The maximum value of support is increased annually by a forecast measure of price inflation as measured by RPIX. Due to the nature of the legislative process, it is necessary to use a forecast of RPIX from the March of the year preceding the year in which the academic year begins. So, for values for the 2024/25 academic year, a rate of 0.9% is used, as that was the forecast in March 2023. This option is also selected.

7. Options

Option 1: Business as usual

7.1 If the 2024 Regulations are not made then the implications would be as follows:

- the financial sustainability of the student support system may be affected. Calls to Government for an overhaul of the student finance system or direct funding may intensify.
- it would be more difficult to protect grants for those who are undertaking a higher education for the first time by way of undergraduate study, a key policy aim of the Welsh Ministers.
- the financial value of contribution-to-costs support will not increase despite sustained inflationary pressure.

Option 2: Make the Regulations

7.2 Making the 2024 Regulations ensures that the implications outlined above are avoided. This is the preferred option.

8. Costs and benefits

Option 1: Business as usual

8.1 Leaving the existing 2019 Regulations in place would mean no additional costs are incurred via the student support system. However, the financial sustainability of the student finance system may be affected. Students would also bear the entire cost of any real reduction in the value of their student support.

Option 2: Make the 2024 Regulations

- 8.2 By making the 2024 Regulations the Welsh Ministers ensure that the Welsh student support system is underpinned by an appropriate legal framework, that policy is implemented effectively and improves financial sustainability.
- 8.3 New PGM students will benefit from an increase in their postgraduate support, linked to the forecast estimate of RPIX. This will increase the maximum support value by 0.9% in the 2024/25 academic year. Therefore, the headline rate of PGM support will increase from £18,770 for the 2023/24 academic year to £18,950 for the 2024/25 academic year.
- 8.4 This change will impact all new students commencing a course in the 2024/25 academic year. Compared to existing policy, a student will lose a minimum of £1,000 and a maximum of £6,885 in grant assistance but can apply for an increased loan. Therefore, a student's debt is likely to increase. This may deter some prospective students from undertaking a course of postgraduate study – a disincentive effect. It is not possible to quantify this disincentive effect. However, the mitigation of replacing grants with loans will mean that new students will not experience any loss of in-study income compared to previous cohorts, minimising the disincentive effect. In addition, a mitigation of Welsh policy in respect of PGM support more generally, is that Welsh Ministers provide a significantly more generous support value to students compared to their peers in England. An impact assessment has been produced and will be published on the Welsh Government's Gov.Wales website.
- 8.5 Student Loan advances are defined as Annually Managed Expenditure (AME), as spending is demand led, volatile and so large as to be unable to be absorbed within normal Departmental Expenditure Limit controls. The change to PGM support will increase the AME from a projected £67.9m to £83.5m, however the overall support costs for PGM for the 2024/25 academic year will remain the same as projected (£88.5m). The removal of grant entitlement will realise near cash savings of £15.6m for the 2024/25 academic year within the Student Support Grants BEL.
- 8.6 The costs arising from removing the grant entitlement from PGM support, replacing the difference with loan and increasing the overall support rate in line with established policy are set out in the following table:

Total costs^(a)			
	Total costs for the 2024/25 academic year	Total costs split by financial year	
		FY 2024/25	FY 2025/26
Near Cash	£5.0m	£3.3m	£1.7m
AME	£83.5m	£55.1m	£28.4m
Non Cash (RAB)	£0.0m	£0.0m	£0.0m
Total	£88.5m	£58.4m	£30.1m

Notes:

(a) Total costs include removal of grant entitlement, replacing difference with loan, and uses RPIX to uplift overall support rate, as in previous years.

SLC Costs

8.7 SLC will need to implement changes to their application and assessment systems, and their customer facing information and guidance. Due to the scale of change needed, SLC have estimated £820k is required to complete this work in time to launch the application window for the 2024/25 academic year. £401k is expected to be incurred within the 2023/24 financial year and the remainder within the 2024-25 financial year.

9. Competition Assessment

9.1 The making of the 2024 Regulations has no impact on the competitiveness of businesses, charities, or the voluntary sector.

10. Post-Implementation Assessment

10.1 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.