# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Student support repayment arrangements for academic year 2023 to 2024** |
| **DATE** | **20 October 2022** |
| **BY** | **Jeremy Miles MS, Minister for Education and Welsh Language** |

Earlier this year, the UK Government announced its long-awaited response to the *Review of Post-18 Education and Funding* which was first published in 2019*.* Overall, the aim of ‘Plan 5’ is to reduce the Resource Accounting Budget (RAB) charge, which is the annual estimate of the proportion of the student loan book that will not be repaid.

The new system draws into scope more individuals – in the main middle-lower income groups of graduates – who either currently do not pay or pay a relatively small proportion of their loans. It is therefore more regressive for more graduates than the current system.

The nature of the financial and regulations-making process means that Wales’s student

support repayment system has historically been aligned to England’s. It is hugely frustrating that we were given little warning of these significant changes before they were announced. Following this, the UK Treasury took an extremely long time to communicate the budgetary position. We have been presented with the need to make a decision, in an unreasonably short timescale, with insufficient information, on the impact on our future graduates.

I can therefore confirm today that Wales will continue under the current system for a further year. New borrowers will be subject to the existing terms and conditions. This means Wales will continue to use the £27,295 repayment threshold, not the £25,000 Plan 5 threshold. Graduates in Wales will repay loans under the 30-year repayment period, not Plan 5’s 40 year repayment period.

Remaining with the current system of student support provides certainty and allows us to fully assess the changes being made in England, their potential impact on Welsh borrowers if implemented in Wales, and the budgetary situation.

This also reflects our commitment to ensuring our system is as progressive as it can be. Due to the systemic alignment of our repayment systems, and working within the financial constraints set by UK Treasury, I anticipate that Wales will need to move to Plan 5 in 2024. By delaying this move for a year, we are maximizing our ability to maintain the more progressive current arrangements for as long as practically possible. It will also provide us with sufficient time to explore additional progressive measures we can take to further support our future graduates as we move to Plan 5.

Wales has the most progressive student finance system in the UK by providing living costs grants to support to those who need it most. The highest levels of grant are targeted to those students from households with the lowest incomes. I can confirm that our priority will be to continue to protect this vital support to ensure money is never a barrier to accessing higher education. This grant system also means that Welsh students incur significantly less debt than students in England. Wales’s RAB charge – the proportion of loans not paid back to Treasury – is therefore lower than in England. Using this financial ‘headroom’, we will use the next 12 months to explore what progressive measures we can take alongside the likely move to Plan 5.

England’s move to Plan 5 means loans will be determined by annual uprating using RPI, rather than average earnings. This benefits higher earners who will not accrue as much interest and pay off their loan quicker. Lower earners generally do not pay off before the expiration of the term period so do not benefit as much from the new interest rates. By keeping the current system for a further year, I can confirm graduate loans in Wales will continue to use RPI up to RPI+3%. Crucially, this does not mean that monthly repayments will be higher as they continue to be capped at a percentage of income.

I will provide Members with an update of our assessment of the changes being made in England and the position for borrowers who will be accessing student loans from academic year 2024 to 2025 in due course.