

Explanatory Memorandum to the Education (Student Finance) (Amounts) (Miscellaneous Amendments) (Wales) Regulations 2025

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

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Education (Student Finance) (Amounts) (Miscellaneous Amendments) (Wales) Regulations 2025. I am satisfied the benefits justify the likely costs.

Vikki Howells MS

Minister for Further and Higher Education

21 February 2025

Part 1

1. Description

1.1 The Education (Student Finance) (Amounts) (Miscellaneous Amendments) (Wales) Regulations 2025 (“the 2025 Regulations”) amend:

- the Education (European University Institute) (Wales) Regulations 2014;
- the Education (Student Support) (Wales) Regulations 2017;
- the Education (Student Support) (Wales) Regulations 2018;
- the Education (Postgraduate Doctoral Degree Loans) (Wales) Regulations 2018; and
- the Education (Student Support) (Postgraduate Master's Degrees) (Wales) Regulations 2019.

1.2 The 2025 Regulations amend existing student support regulations to adjust the amounts of undergraduate and postgraduate student support in line with a measure of the Consumer Price Index (CPI). The impact of using CPI as a measure of inflation is considered within the Regulatory Impact Assessment.

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

2.1 None.

3. Legislative background

3.1 The 2025 Regulations are made under sections 22(1)(a), 22(2)(b) and (c) 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 The functions of the Secretary of State in sections 22(1)(a) and 22(2)(b) of the Teaching and Higher Education Act 1998 were transferred to the National Assembly for Wales, so far as they relate to making provision in relation to Wales, by section 44 of the Higher Education Act 2004 (c. 8). Section 44 of that Act also provided that the function in section 22(2)(c) of the Teaching and Higher Education Act 1998 was to be exercised by the National Assembly for Wales

concurrently with the Secretary of State, so far as it relates to making provision in relation to Wales. The Secretary of State's function in section 42(6) of the Teaching and Higher Education Act 1998, in so far as being exercisable in relation to Wales, was transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999, article 2 and Schedule 1 (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 (c. 32).

3.4 The 2025 Regulations are made under 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.

4.2 The 2025 Regulations amend existing student support regulations to adjust the amounts of undergraduate and postgraduate student support. Changes to student support amounts are based on the estimates of forecast inflation as measured by CPI in the year to Q1 2026 and published by the Office for Budget Responsibility (OBR) in March 2024. The 2025 Regulations also make a correction to the Welsh text of the Education (European University Institute) (Wales) Regulations 2014.

Maintenance support

4.3 For students who began their undergraduate courses on or after 1 August 2018, to increase the maximum amount of maintenance support by CPI. This applies to full and part-time students. The amount of maintenance support will increase by 1.6% between the 2024/25 and 2025/26 academic years. The loan element of support is increased accordingly; the grant element is fixed.

4.4 For full-time students who began their undergraduate courses on or after 1 August 2012 and before 1 August 2018, to increase the amount of maintenance loan by CPI. The amount of maintenance loan will increase by 1.6% between 2024/25 and 2025/26 academic years. Support is a mixture of grants and loans and is dependent on household income.

Other support grants

- 4.5 For all eligible students, to increase the amounts of Grants for Dependents, including the Childcare Grant, by CPI. These grants will increase by 1.6% for the 2025/26 academic year.
- 4.6 For all eligible students, to increase the amount of Disabled Student's Grant by CPI. This grant will increase by 1.6% for the 2025/26 academic year.

Postgraduate support

- 4.7 For postgraduate Master's students who begin a course on or after 1 August 2025, to increase the amount of support by CPI. The contribution to costs loan will increase by 1.6% for the 2025/26 academic year
- 4.8 For doctoral students who begin a course on or after 1 August 2025, to increase the amount of support by CPI. The contribution to costs loan will increase by 1.6% for the 2025/26 academic year

5. Consultation

- 5.1 There is no statutory requirement to consult on these regulations and no consultation has been undertaken.

Part 2 – Regulatory Impact Assessment (RIA)

- 6.1 An RIA has been conducted for the 2025 Regulations.
- 6.2 Student support costs are demand led. Costs are forecast based on assumptions about student numbers. Student loan advances are defined as Annually Managed Expenditure ('AME'), as spending is demand led, volatile and too large to be absorbed within normal DEL controls. His Majesty's Treasury (HMT) imposes rules on student loan AME expenditure.

Undergraduate maintenance support

- 6.3 The value of maintenance support for undergraduate students who begin a course on or after the 1 August 2018 has historically increased each year by the rate of increase in the National Living Wage ('NLW'). This policy was established as a result of the *Review of higher education funding and student finance arrangements* in 2018. Post-2018 students are the majority of current undergraduate students and fee and maintenance loans for these students forms the vast majority of costs covered by AME.
- 6.4 Due to pressures on AME, two options have been considered for increases to the rates of maintenance support for students who commence, or have commenced, courses on or after 1 August 2018 for the 2025/26 academic year:
- a) **NLW based uplift.** The increase to maintenance support rates for the 2025/26 academic year under this option would be 7.3%. The proposed NLW is £11.59 (the forecast rate from April 2025 as published by the OBR in March 2024¹). This option carries the largest financial risk and was discounted.
 - b) **CPI based uplift.** Maintenance support would be increased by the CPI measure of inflation. The proposed increase to maintenance support rates for the 2025/26 academic year under this option is 1.6% (the CPI forecast published by OBR in March 2024). This option was selected.

Postgraduate and other support

- 6.5 Most allowances, postgraduate support, and maintenance support rates for pre-2018 undergraduate students, are increased each year by a forecast measure of inflation, historically RPIX. In 2016, the ONS assessed RPI and its derivatives against the *Code of Practice for Official Statistics* and found them not to meet the

¹ <https://obr.uk/download/march-2024-economic-and-fiscal-outlook-detailed-forecast-tables-economy>

required standard for designation as National Statistics². RPIX and RPI is expected to be discontinued and replaced with the Consumer Price Index, CPI, by February 2030.

6.6 The use of RPIX to increase rates of student support has been reviewed by the Welsh Government. Two options have been considered for the measure of inflation to be used to increase undergraduate and postgraduate student support rates for the 2025/26 academic years and as the basis for future adjustments. Options were:

a) **Retain RPIX.** The Welsh Government has historically increased certain allowances, postgraduate support, and maintenance support rates for pre-2018 undergraduate students in line with the estimates of forecast inflation as measured by RPIX. This is established policy. The RPIX value which would be used for the 2025/26 academic year would be 2.3% (the OBR forecast made in March 2024).

Continuing to use RPIX as the measure of inflation to increase student support rates is not in accordance with best statistical practice. This option was discounted.

b) **Switch to CPI.** CPI is a superior measure of inflation and RPIX is to be discontinued. The CPI value which would be used for the 2025/26 academic year is 1.6% (the OBR forecast made in March 2024).

Switching to CPI provides a small saving of approximately £0.9m, which is less than 1% of total student support expenditure. From a student's perspective, CPI is expected to be slightly lower than RPIX and so annual increases to support will be smaller under this option from the 2025/26 academic year.

CPI is the preferred measure of inflation. This option was selected.

6.7 The following table provides a comparison between historical and forecast RPIX and CPI values.

²

<https://www.ons.gov.uk/economy/inflationandpriceindices/methodologies/consumerpriceinflationinclud esall3indicescpihcpiandrpqmi>

Table 1. RPIX and CPI values and forecasts (%)						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
CPI	0.6	6.2	10.2	3.7	1.1	1.6
RPIX	1.6	8.5	12.7	3.8	1.4	2.3
<i>Source: Office for Budget Responsibility, March 2024</i>						

7. Options

Option 1: Business as usual

7.1 If the 2025 Regulations are not made then the implications would be that the value of student support will not increase by a forecast measure of inflation that reflects anticipated changes to everyday costs like food, transport, and clothing for the 2025/26 academic year.

Option 2: Make the Regulations

7.2 Making the 2025 Regulations ensures that the implication outlined above is avoided.

8. Costs and benefits

Option 1: Business as usual

8.1 Leaving the existing regulations in place would mean no additional costs are incurred via the student support system. Students would bear the entire cost of the real reduction in the value of their student support.

Option 2: Make the 2025 Regulations

8.2 By making the 2025 Regulations, the Welsh Ministers ensure that student support policy is implemented, financial sustainability is improved, and students receive an increase to their support. The 2025 Regulations will ensure that student support remains affordable within HMT's imposed constraints on AME whilst balancing the need to provide support for students which reflects changes to everyday costs.

8.3 The costs for the options for undergraduate maintenance support (as set out in para 6.3 to 6.4) are set out in table 2. The costs assume that postgraduate and other support are also increased by CPI.

Table 2. Total costs of options for support for academic year 2025/26 (£m)			
	Option 1: Increase by NLW	Option 2: Increase by CPI	Difference
AME	£1,074.6	£1,035.1	£39.4
Near cash	£247.0	£247.0	£0.0
Non cash	£57.8	£55.5	£2.3
Total	£1,379.4	£1,337.6	£41.7
Notes			
Option 1 is based on increasing undergraduate maintenance support by NLW and postgraduate and other allowances by CPI.			
Option 2 is based on increasing both undergraduate maintenance support and postgraduate and other allowances by CPI only.			
Difference if option 2 is pursued instead of option 1.			
Source: Welsh Government			

8.4 The total costs of student support for the two financial years which encompass the 2025/26 academic year for option 2 are set out in table 3.

Table 3. Cost of option 2 – increase by CPI			
	Total costs for the 2025/26 academic year	Total costs by financial year	
		FY 2025-26	FY 2026-27
Near Cash	247.0	164.2	82.8
AME	1,035.1	601.7	433.5
Non Cash (RAB)	55.5	32.0	23.5
Total	1,337.6	797.9	539.8
Notes:			
(a) Total costs include all HE products but exclude FE products (EMA and WGLG FE).			
(b) Uses CPI to uplift.			
Source: Welsh Government			

9. Competition Assessment

9.1 The making of the 2025 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.