

## **Explanatory Memorandum to The Cancellation of Student Loans For Living Costs Liability (Wales) Regulations 2012**

This Explanatory Memorandum has been prepared by the Higher Education Division of the Department for Education and Skills and is laid before the National Assembly for Wales 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 Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2012. I am satisfied that the benefits outweigh any costs.

*Leighton Andrews*

Minister for Education and Skills, one of the Welsh Ministers

12 June 2012

## **1. Description**

These Regulations provide for up to £1,500 of each student's living cost loan (also known as a maintenance loan), for academic year 2012/2013, to be cancelled in certain circumstances. The cancellation will take effect from the day after the date on which the student's first loan repayment is received.

## **2. Matters of special interest to the Constitutional and Legislative Affairs Committee**

None.

## **3. Legislative background**

These Regulations are made by the Welsh Ministers in exercise of the powers conferred upon the Secretary of State by sections 22 and 42(6) of the Teaching and Higher Education Act 1998 ("the THEA") and which are now exercisable by them.

The functions of the Secretary of State under section 22 of the THEA were transferred to the National Assembly for Wales by section 44 of the Higher Education Act 2004 and were then transferred to the Welsh Ministers by virtue of paragraphs 30(1) and 30(2)(a) of Schedule 11 to the Government of Wales Act 2006.

Students who receive a living costs loan from the Welsh Ministers in academic year 2012/2013 will do so under the Assembly Learning Grants and Loans (Higher Education) (Wales) (No.2) Regulations 2011 (WSI 2011 No.886 (W.130)). The Assembly Learning Grants and Loans (Higher Education) (Wales) Regulations are made every year, also under section 22 of the THEA.

Provisions relating to the repayment of living costs loans are contained in the Education (Student Loans) (Repayment) Regulations 2009 (SI 2009/470), which are also made under section 22 of the Teaching and Higher Education Act 1998.

This instrument will follow the Negative Resolution procedure.

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

The Minister for Children, Education, Lifelong Learning and Skills made a statement to Plenary on the 18 March 2009, in which she announced proposals to remodel the student finance system in Wales. These proposals followed the recommendations of phase 1 of the higher education review, led by Professor Merfyn Jones, and were based on the 'One Wales' commitments to provide extra assistance with student debt and to provide investment in the higher education sector. As part of those proposals the Minister made a commitment to write off up to £1,500 of student loan debt for Welsh-domiciled students who take out a maintenance loan from Student Finance Wales.

These Regulations make provision for students who receive a living costs loan from the Welsh Ministers for academic year 2012/13 to have up to £1,500 of their living costs loan liability cancelled once they start to make repayments.

Were these Regulations to be annulled, students receiving a living costs loan from the Welsh Ministers in the academic year 2012/2013 would not receive a partial cancellation of their loan liability.

## **5. Consultation**

The details of the consultation are included in the RIA below.

## **PART 2 – REGULATORY IMPACT ASSESSMENT**

### **Options**

**Do nothing** – if the legislation is not in place students taking out living costs loans in academic year 2012/13 will not receive a partial cancellation of that loan.

**Make the Legislation** – these Regulations will ensure that students taking out living costs loans in academic year 2012/13 will receive a partial cancellation of that loan when they start making repayments. The Regulations will bring benefits to certain categories of students, but will not affect business, local government or the voluntary sector.

### **Costs & benefits**

The estimated cost to the Welsh Government of operating the scheme in financial year 2012-13 is estimated to be £10.8m of non cash – this cost will be met from existing resources.

No additional burden is expected on the delivery agents (the Student Loans Company) by the changes incorporated within the new Regulations.

Students in Wales who take out a maintenance loan in the academic year 2012/2013, will benefit from a reduction in the balance of their loan (of up to £1,500) when they start repaying their loans. Whilst this will not be a cash lump sum the Student Loans Company will reduce the balance of an individual's loan by the appropriate amount when they receive notification of a borrower's first repayment.

### **Consultation**

The consultation exercise on the "Proposals to Refocus Higher Education, Student Finance" included a chapter on debt relief for Welsh-domiciled students.

There was a mixed response to the consultation on debt relief. Whilst most responses agreed there was a need to alleviate student debt, around half thought that a debt relief scheme would not be a good use of resources.

### **Competition Assessment**

The making of these Regulations has no impact on business, charities or the voluntary sector.

### **Post implementation review**

These Regulations are necessary to provide students who take out a living costs loan from the Welsh Ministers for academic year 2012/13 with a partial cancellation of their loan when they start repayment. The costs of providing a partial cancellation are provided by the Welsh Ministers.