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St Peter Port  
GUERNSEY  
GY1 3AU

13 April 2007

Dear Frank

## Deferment of Student Loans – Further Illustrations

Further to your e-mail of 29 March 2007 we have carried out projections of the loan systems requested (“phases 4.1 and 4.2”) and illustrated our results in Appendices 1 and 2 to this letter. This letter should be read in conjunction with our letter dated 2 April 2007.

I have set out in the table below the key differences between the loans systems illustrated in Appendices 1 and 2 and that previously illustrated in our letter dated 2 April 2007. The monetary amounts quoted are all in 2006/07 terms.

	<b>2 April 2007</b>	<b>Appendix 1</b>	<b>Appendix 2</b>
<b>Annual Loan</b>	£4,500 p.a. increasing in line with inflation	£2,250 p.a. increasing in line with inflation	£2,250 p.a. increasing in line with inflation
<b>Repayment Term</b>	15 years	7 years	7 years
<b>Interest rate charged to students</b>	4.5% p.a. pre graduation 5.5% p.a. post graduation	4.5% p.a. pre graduation 5.5% p.a. post graduation	5.5% p.a. pre and post graduation
<b>Interest rate charged to Department</b>	5% p.a.	5% p.a.	None (Graphs not required)
<b>Administration Expenses</b>	£250 per new student, £160 p.a. per existing student (increasing in line with inflation)	£250 per new student, £160 p.a. per existing student (increasing in line with inflation)	None

Please contact me if you have any questions on these illustrations.

Yours sincerely

**BWCI Consulting Limited**

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*This letter was prepared for the benefit of the States' Education Department and relies on information provided by them which we may not have independently verified. The letter should be considered in conjunction with our other related letters and reports and the assumptions made and limitations given. BWCI Consulting Limited do not accept or assume any responsibility to anyone other than the States' Education Department.*

## Appendix 1

This appendix illustrates our projection graphs for Phase 4.1. It should be read in conjunction with our letter dated 13 April 2007. We have also set out our estimate of the States' total and net (after allowing for income from loan repayments) expenditure over the next seven years, both in expected actual ("nominal") amounts and real amounts allowing for inflation at 3% pa.

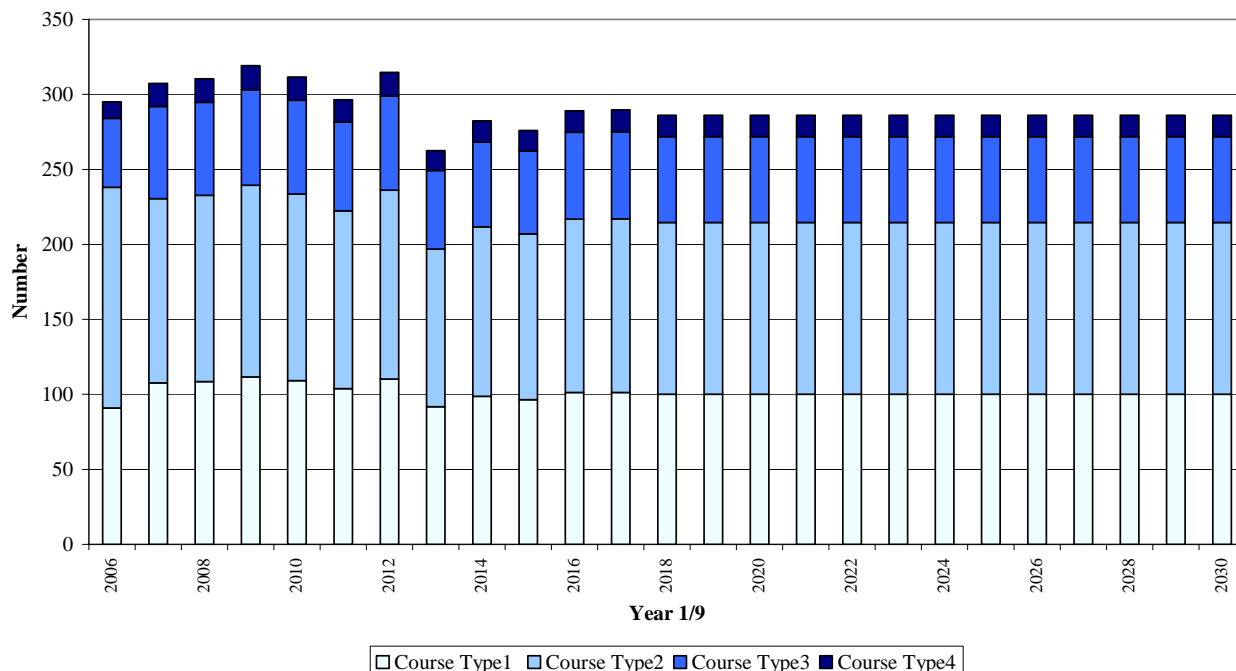
Total outgo (Red Line on Net Expenditure graph)

Year	2006	2007	2008	2009	2010	2011	2012
Real Outgo (£m)	5.3	6.0	6.7	7.2	7.5	7.6	7.7
Nominal Outgo (£m)	5.3	6.2	7.2	7.9	8.5	8.8	9.2

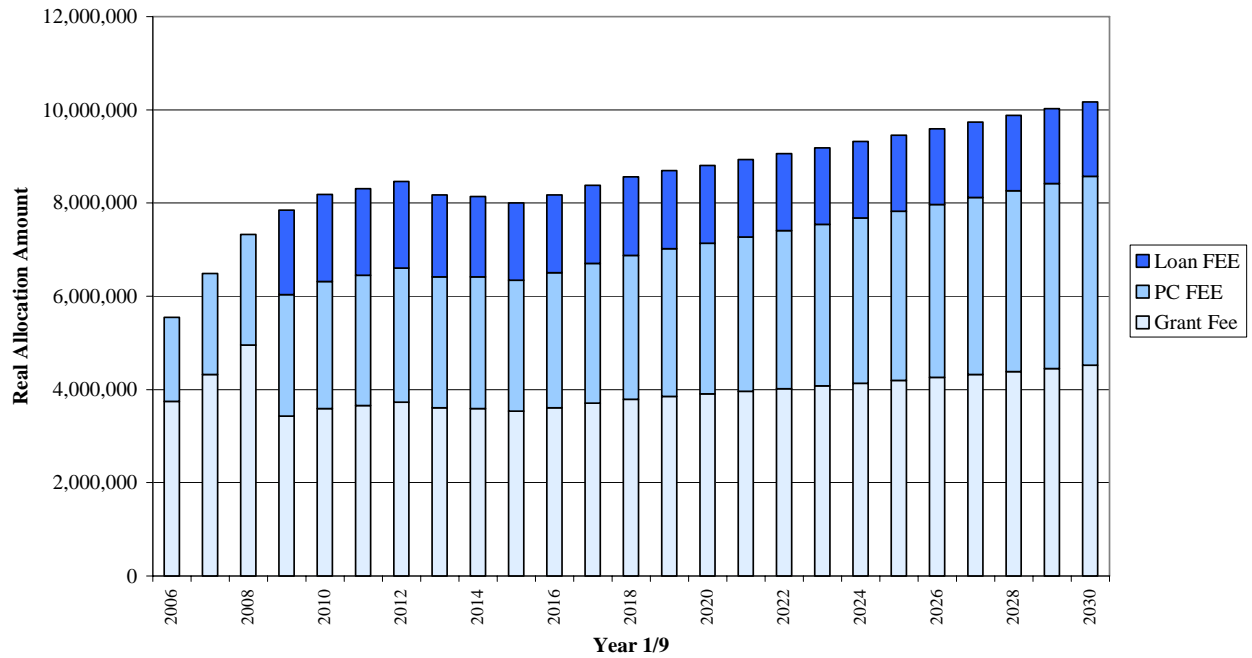
Net outgo (Green Line on Net Expenditure graph)

Year	2006	2007	2008	2009	2010	2011	2012
Real Outgo (£m)	5.3	6.0	6.7	7.2	7.4	7.3	7.2
Nominal Outgo (£m)	5.3	6.2	7.2	7.9	8.4	8.5	8.6

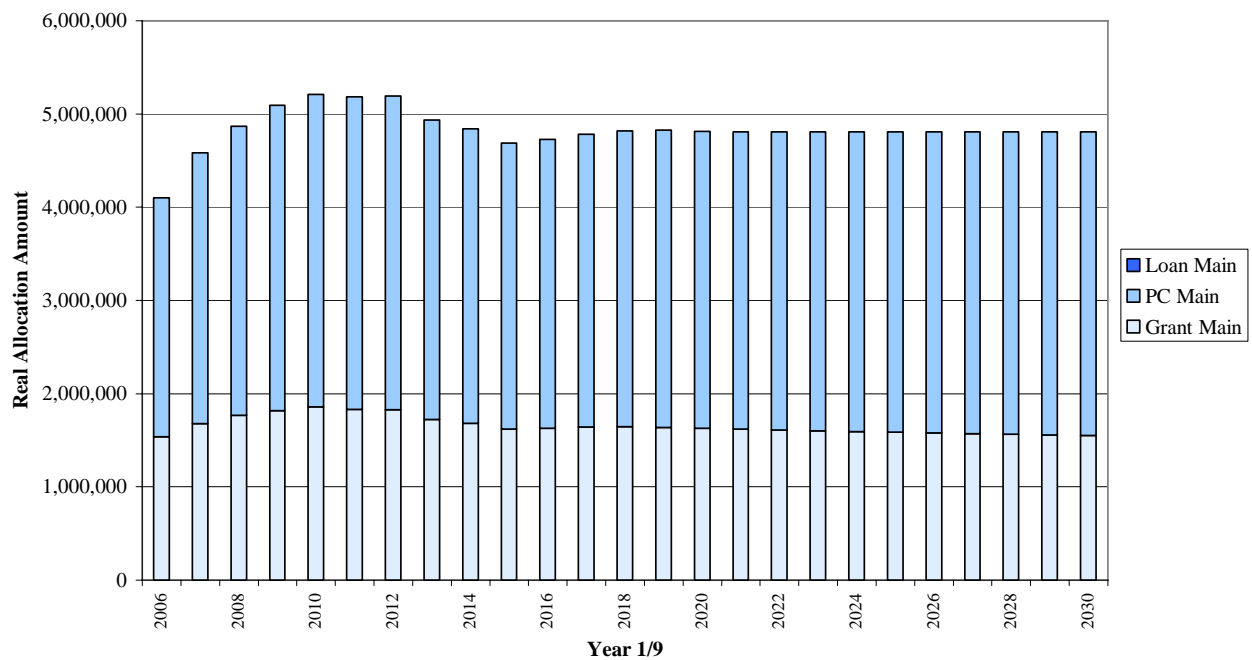
### Number of Students joining each year



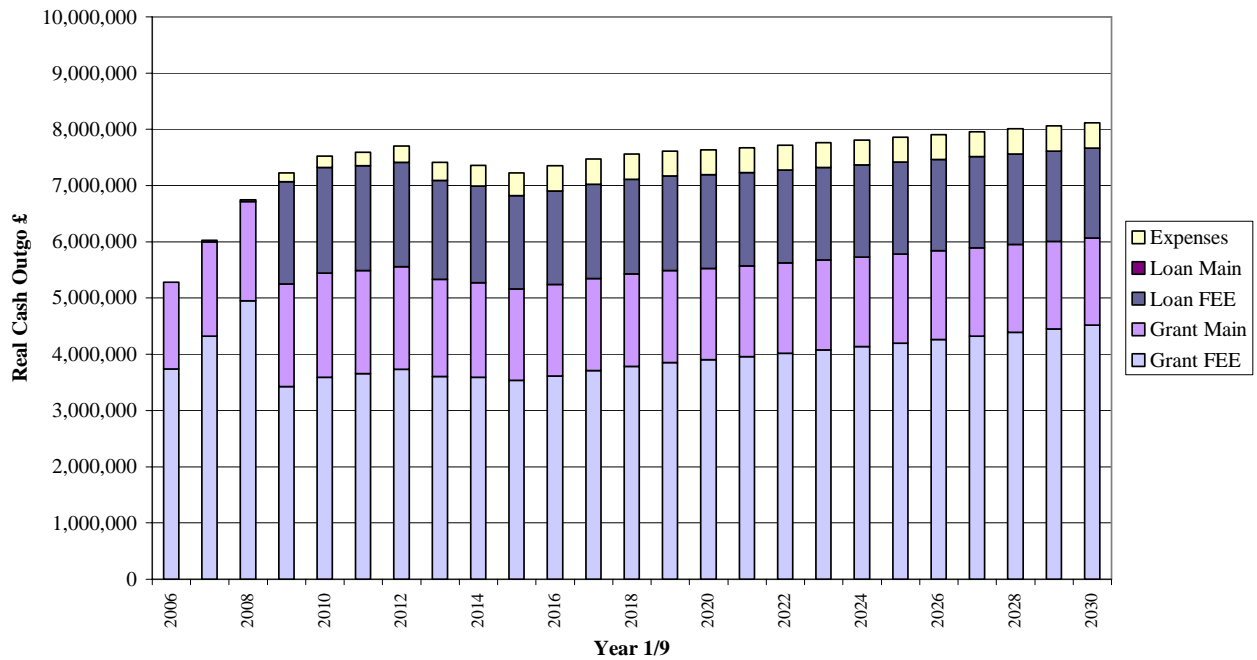
## Allocation of Course Fee



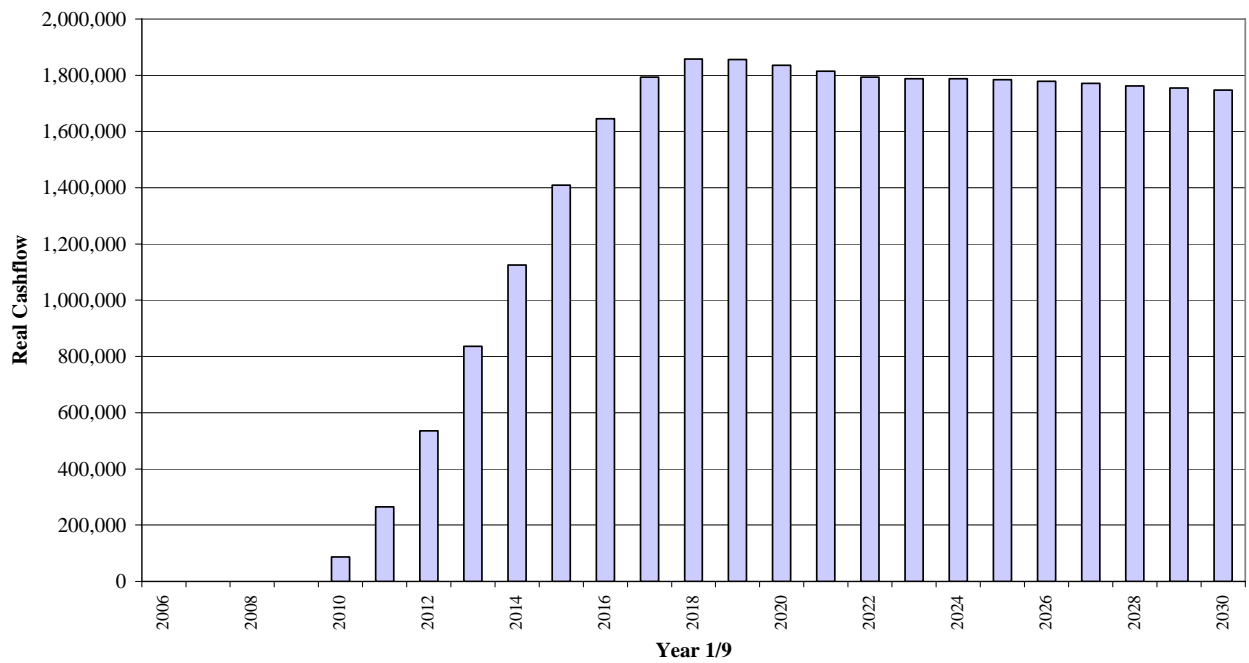
## Allocation of Maintenance Allowance



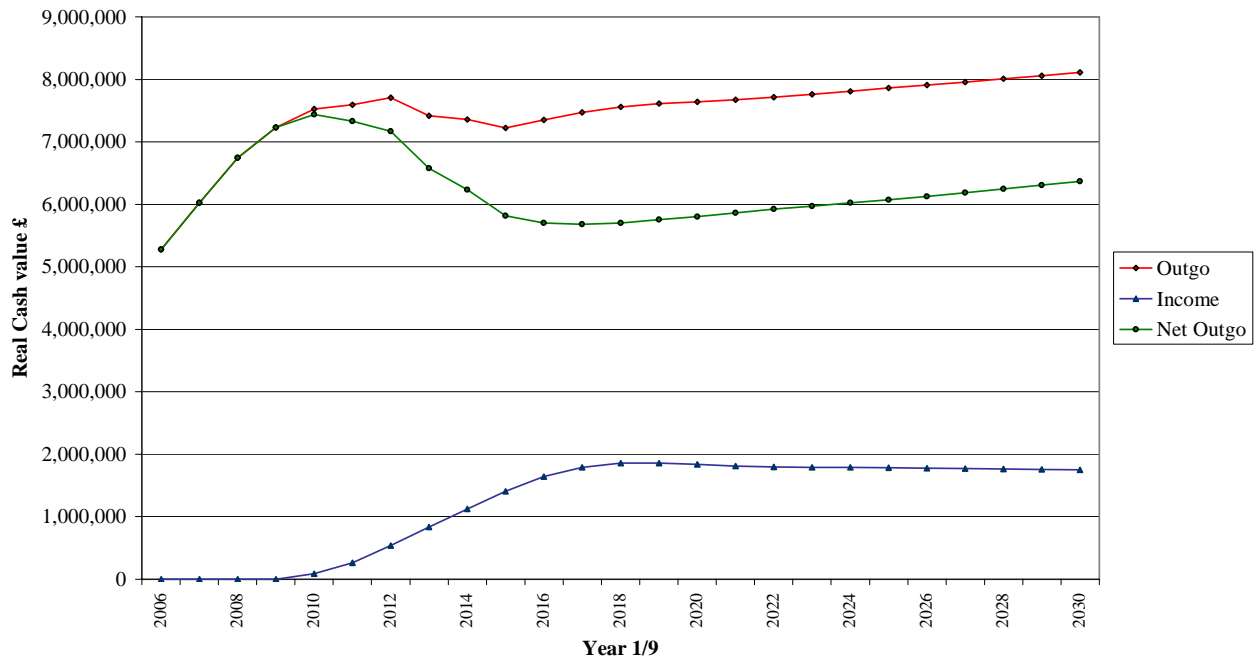
## States' Expenditure



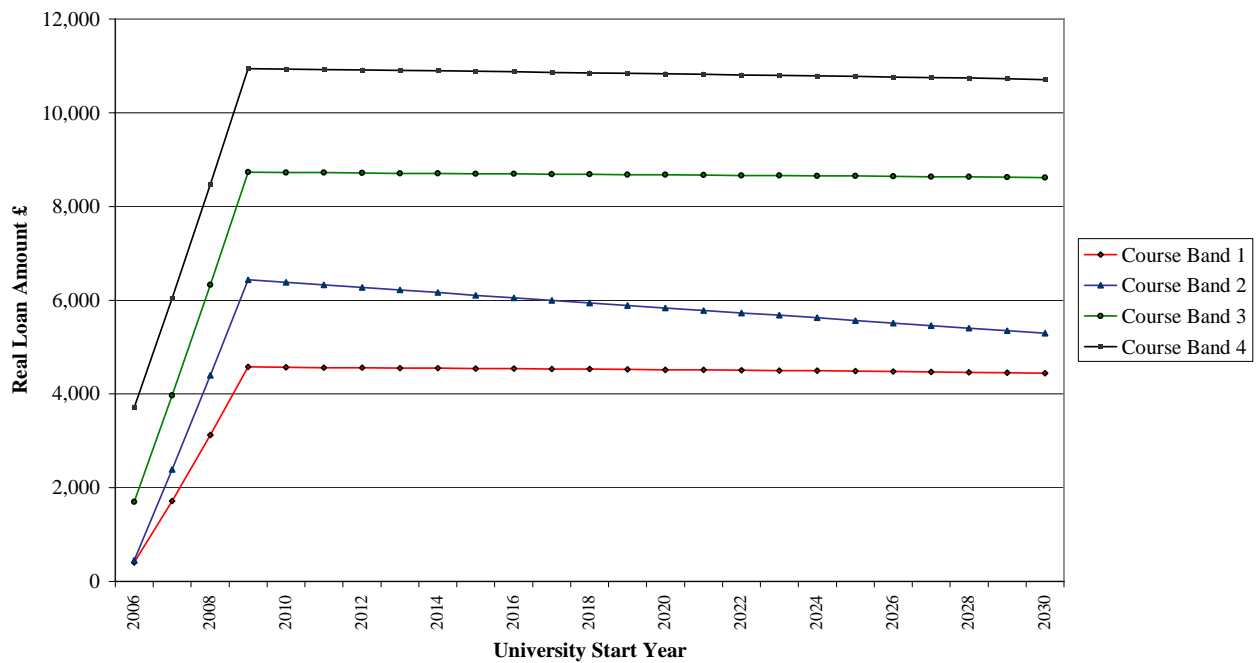
## States Income from loan repayments



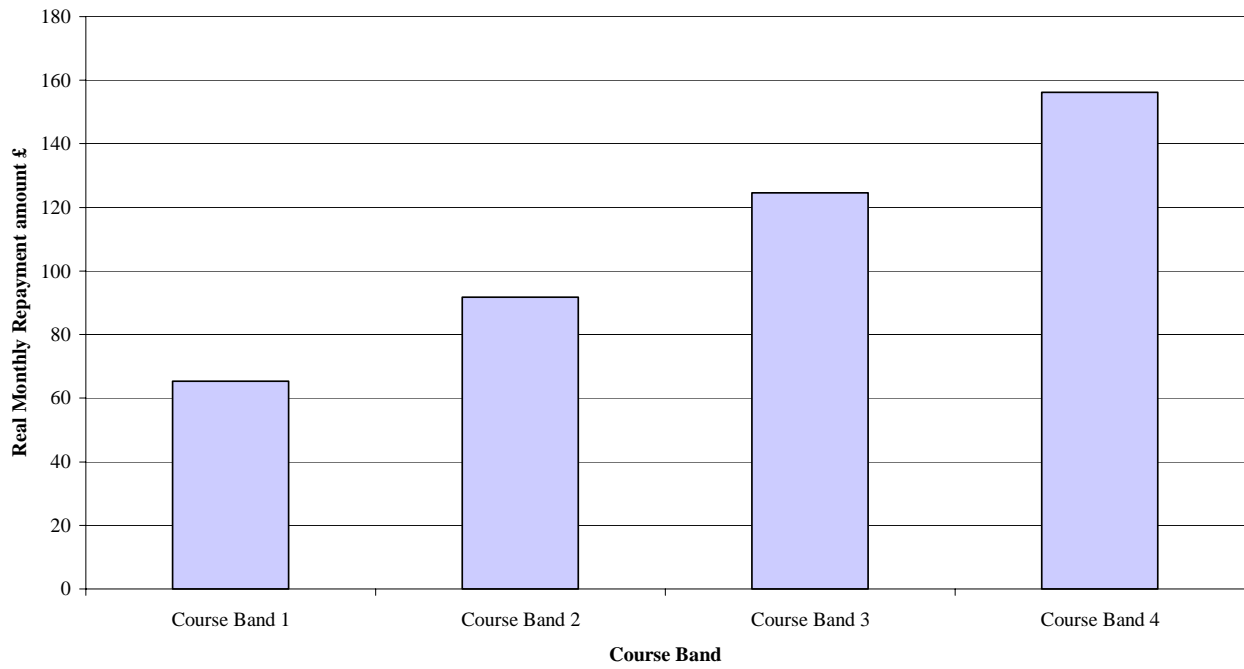
## Net Expenditure



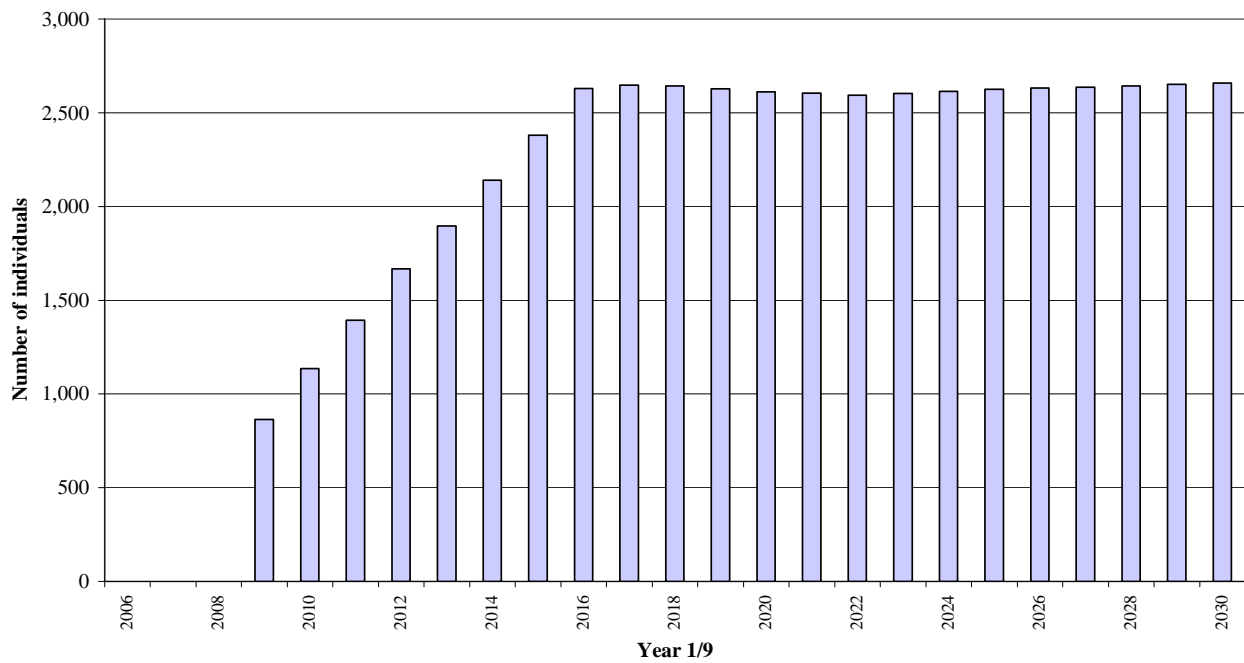
## Average Loan Amounts on Graduation



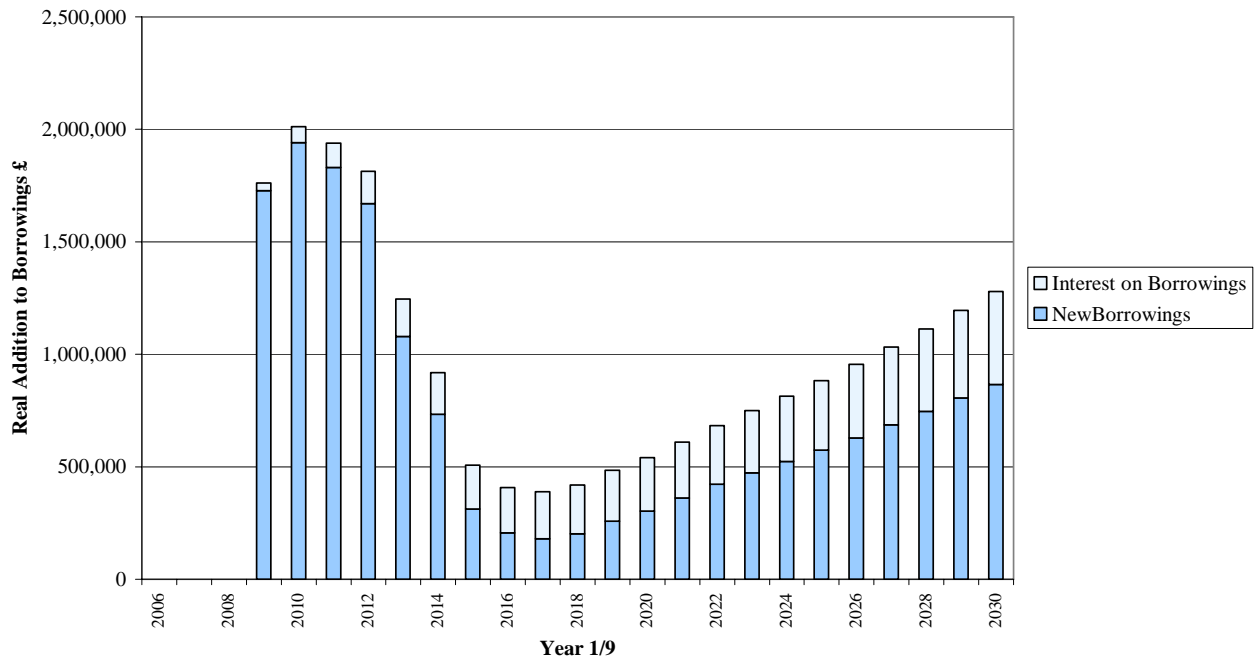
**Average Repayment Amount**



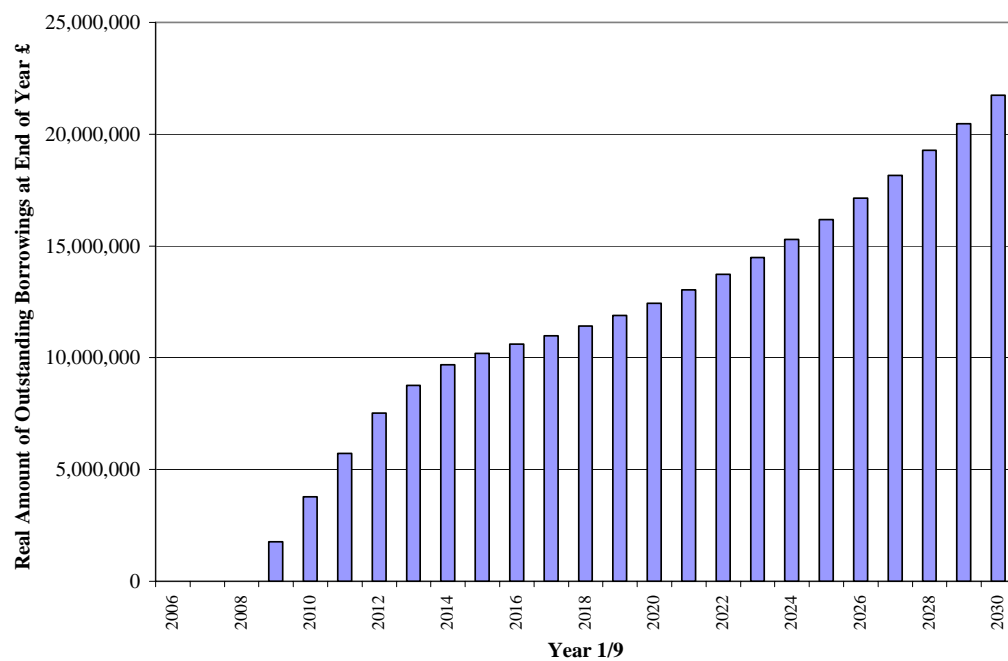
**Individuals with an outstanding loan**



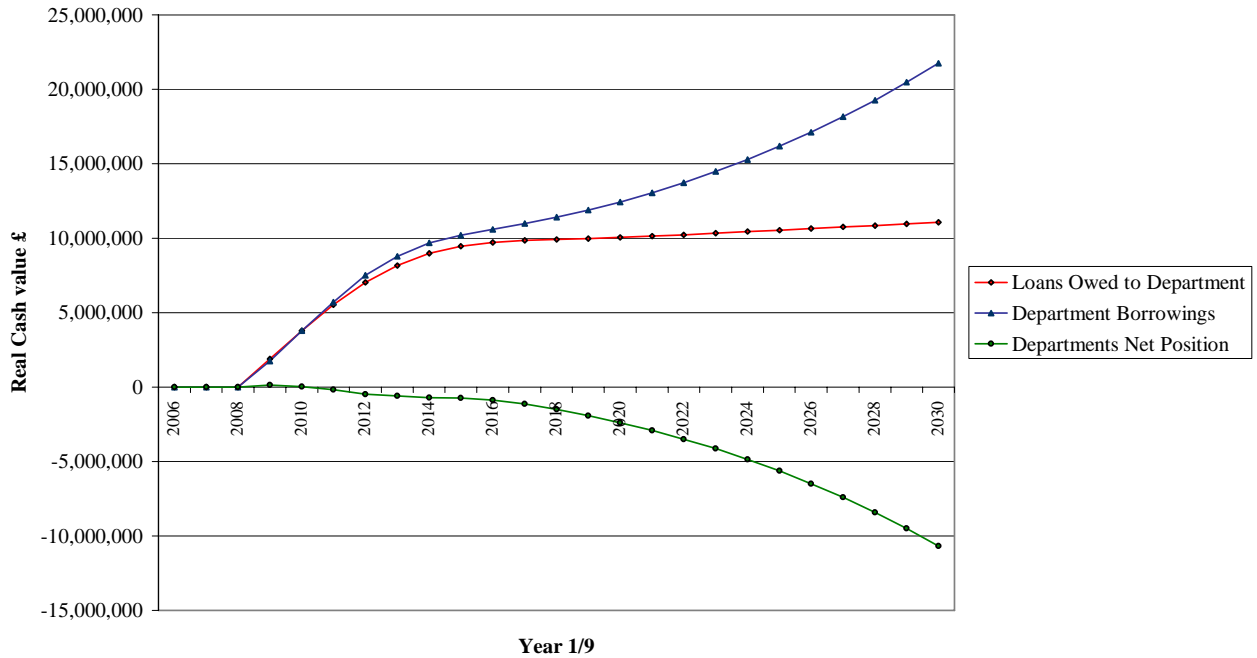
## Department's Annual Additions to Borrowings



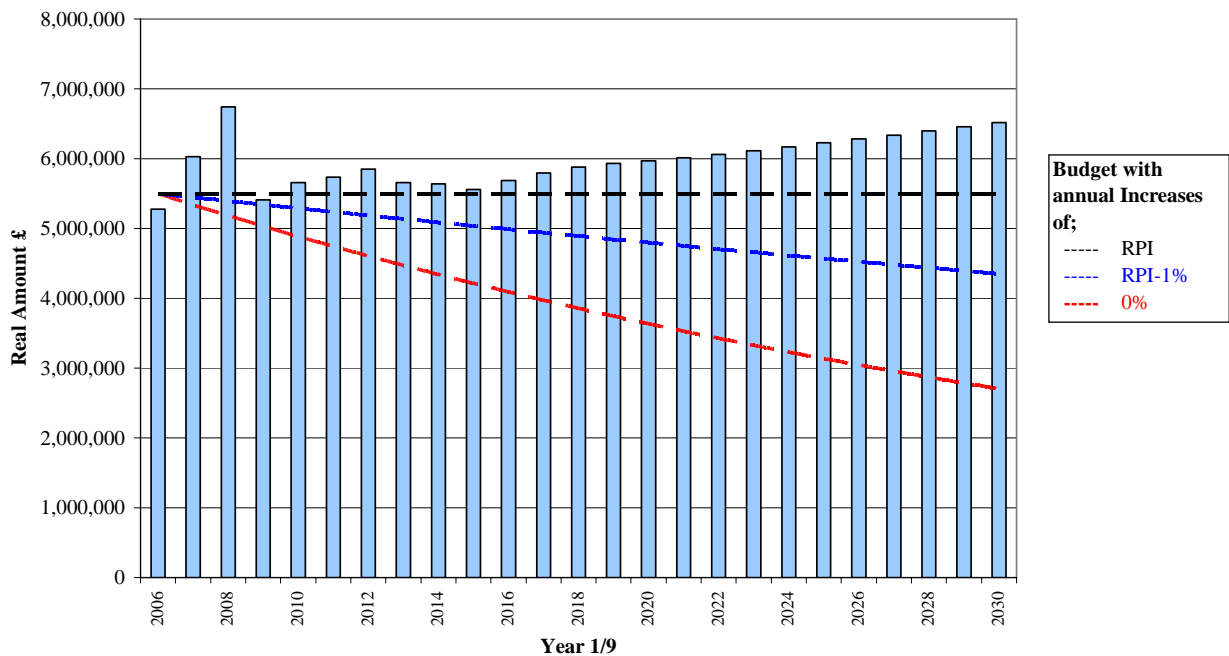
## Department's Outstanding Borrowings (including interest)



## Departments Net Borrowings



## Department's Expenditure on Grants and Expenses Vs Budget



This graph shows the Department's expenditure on grants and expenses relative to a budget of £5.5m p.a. in real terms. However, we have allowed for the Department to be granted a flexible overspend until for 2006/07 to 2008/09 in our projections.



## Appendix 2

This appendix illustrates our projection graphs for Phase 4.2. It should be read in conjunction with our letter dated 13 April 2007. We have also set out our estimate of the States’ total and net (after allowing for income from Loan repayments) expenditure over the next seven years, both in expected actual (“nominal”) amounts and real amounts allowing for inflation at 3% pa.

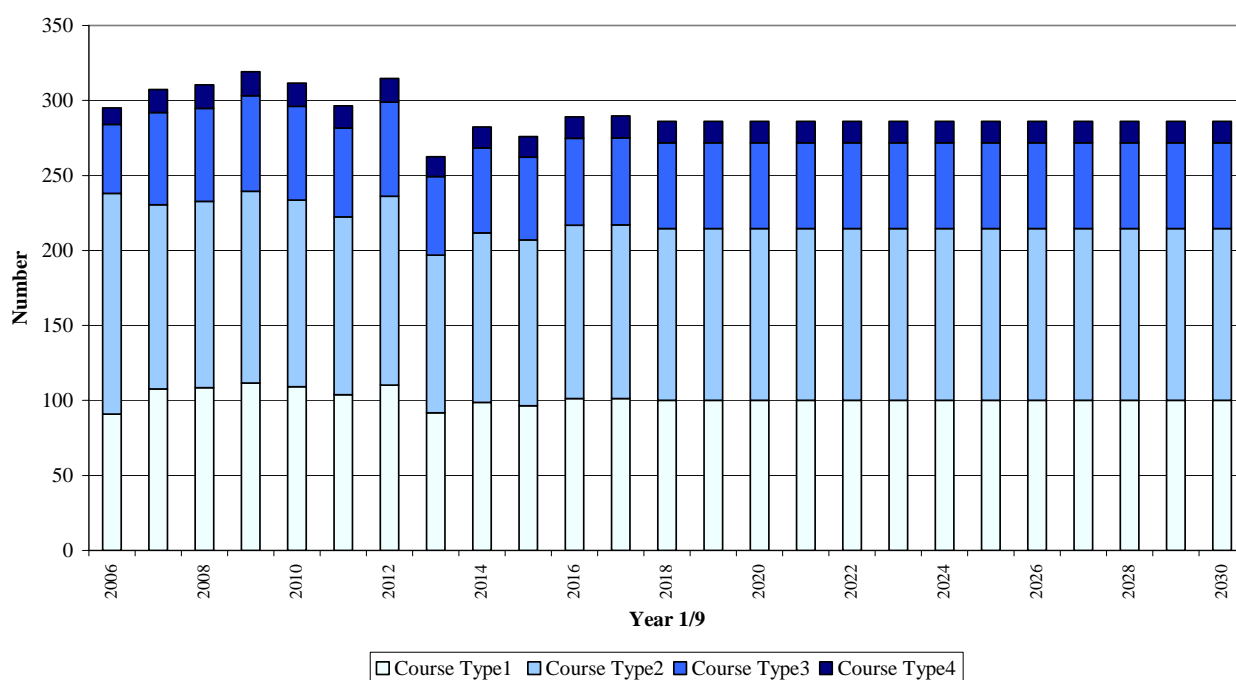
Total Outgo (Red Line on Net Expenditure graph)

Year	2006	2007	2008	2009	2010	2011	2012
<b>Real Outgo (£m)</b>	5.3	6.0	6.7	7.1	7.3	7.3	7.4
<b>Nominal Outgo (£m)</b>	5.3	6.2	7.1	7.7	8.2	8.5	8.9

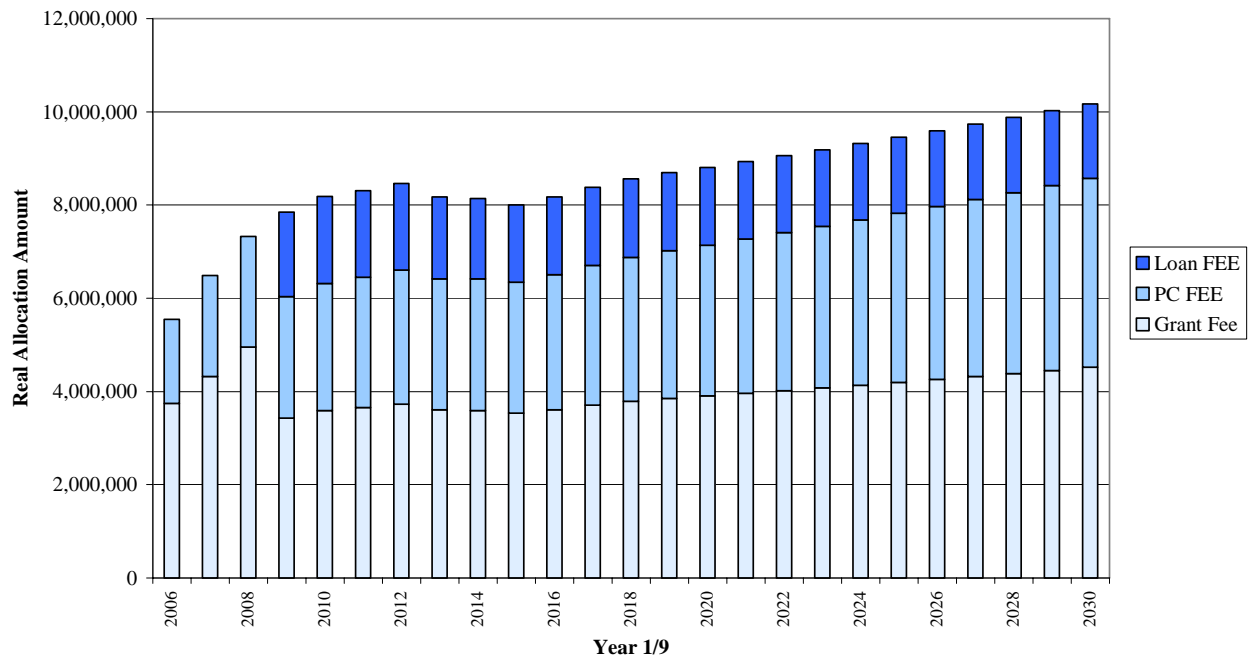
Net Outgo (Green Line on Net Expenditure graph)

Year	2006	2007	2008	2009	2010	2011	2012
<b>Real Outgo (£m)</b>	5.3	6.0	6.7	7.1	7.2	7.1	6.9
<b>Nominal Outgo (£m)</b>	5.3	6.2	7.1	7.7	8.1	8.2	8.2

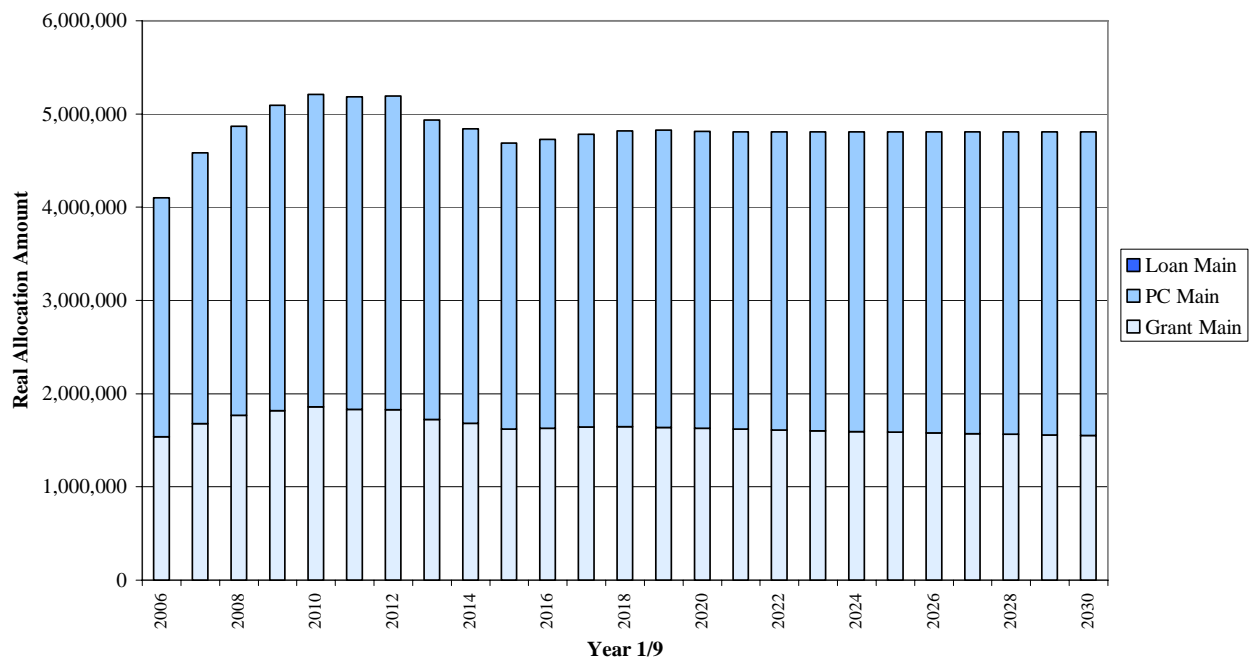
### Number of Students joining each year



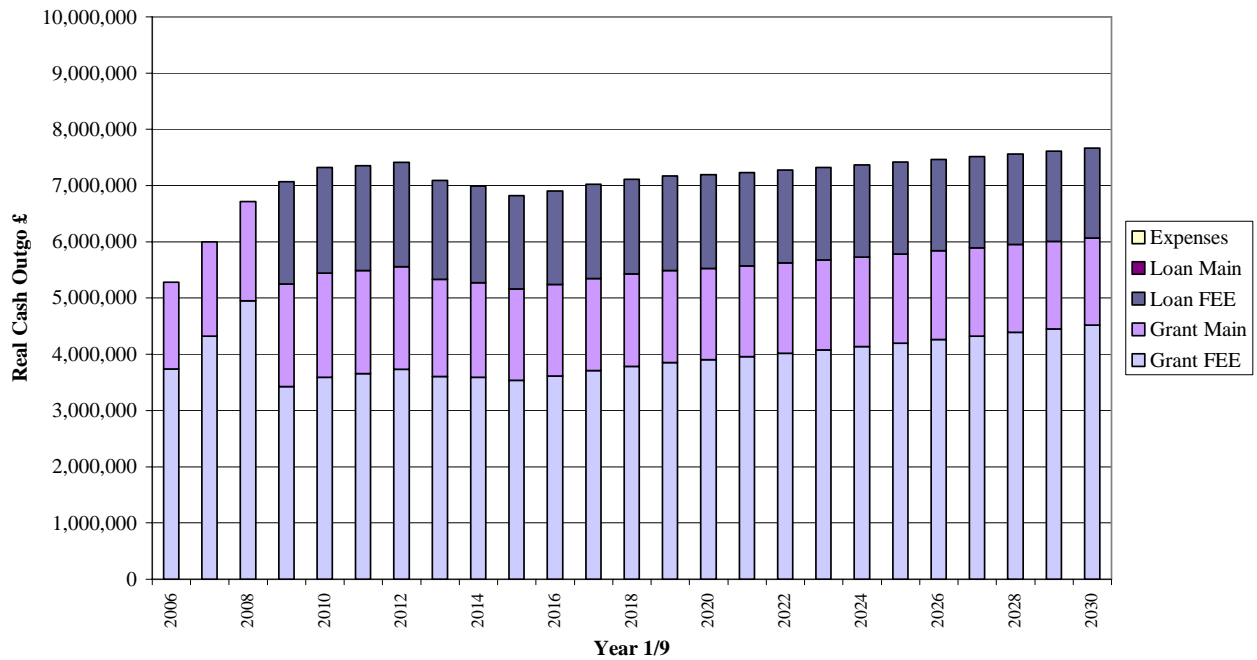
## Allocation of Course Fee



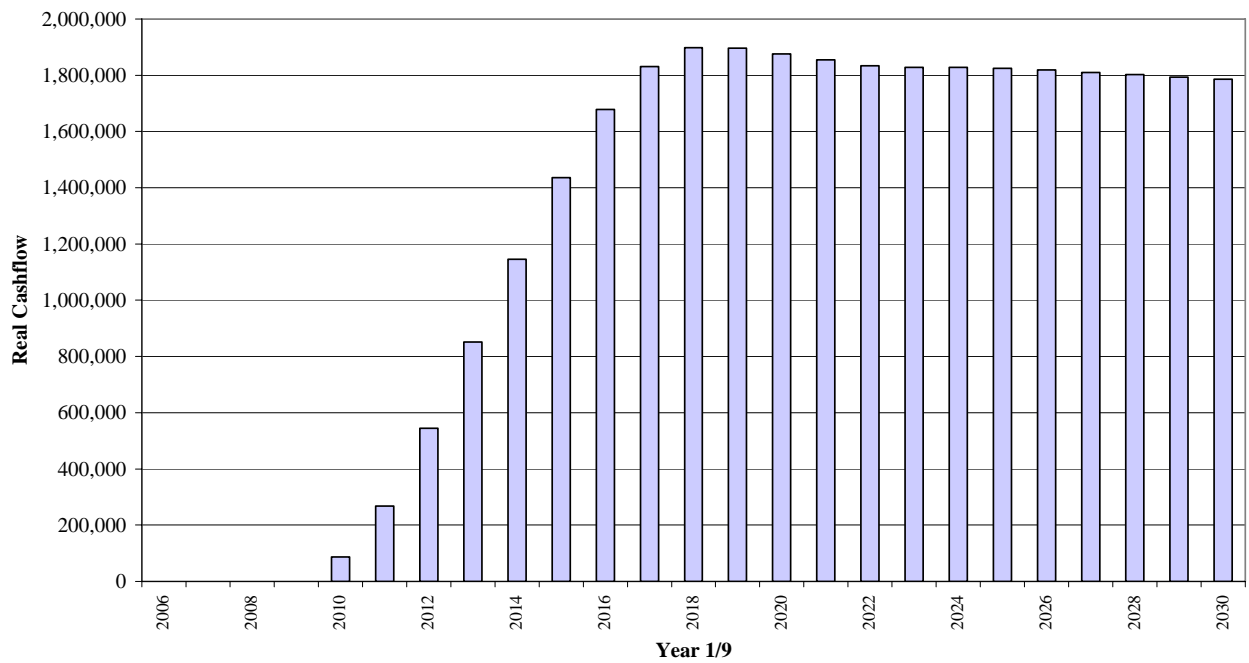
## Allocation of Maintenance Allowance



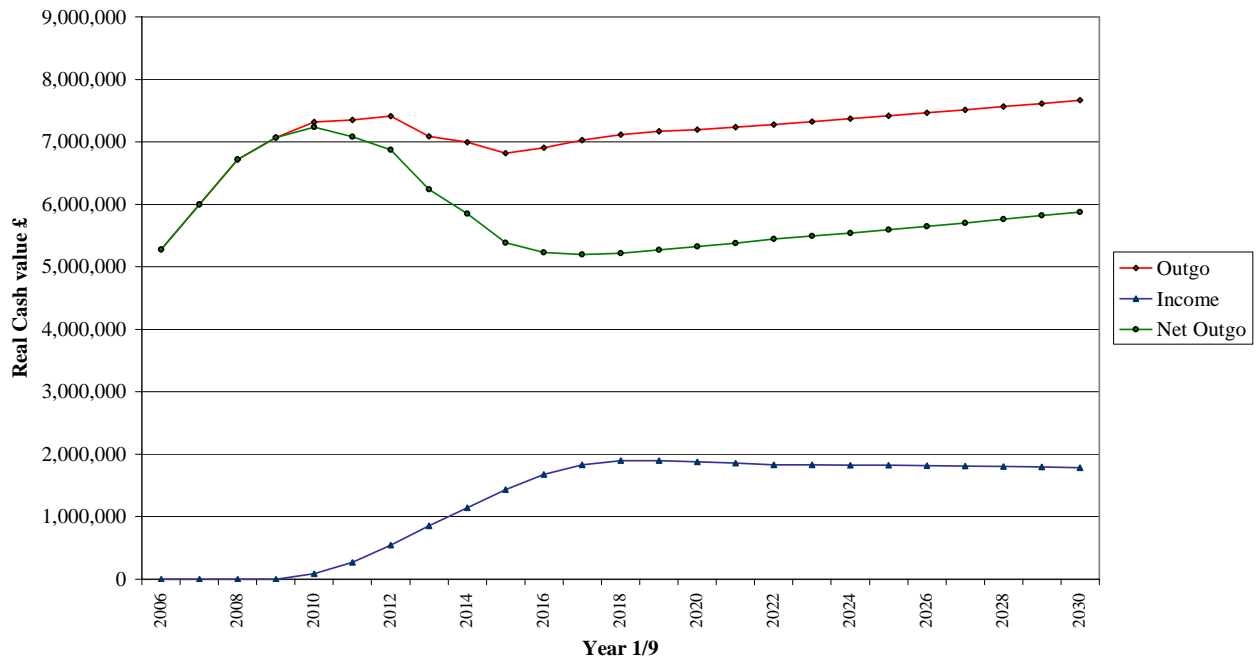
## States' Expenditure



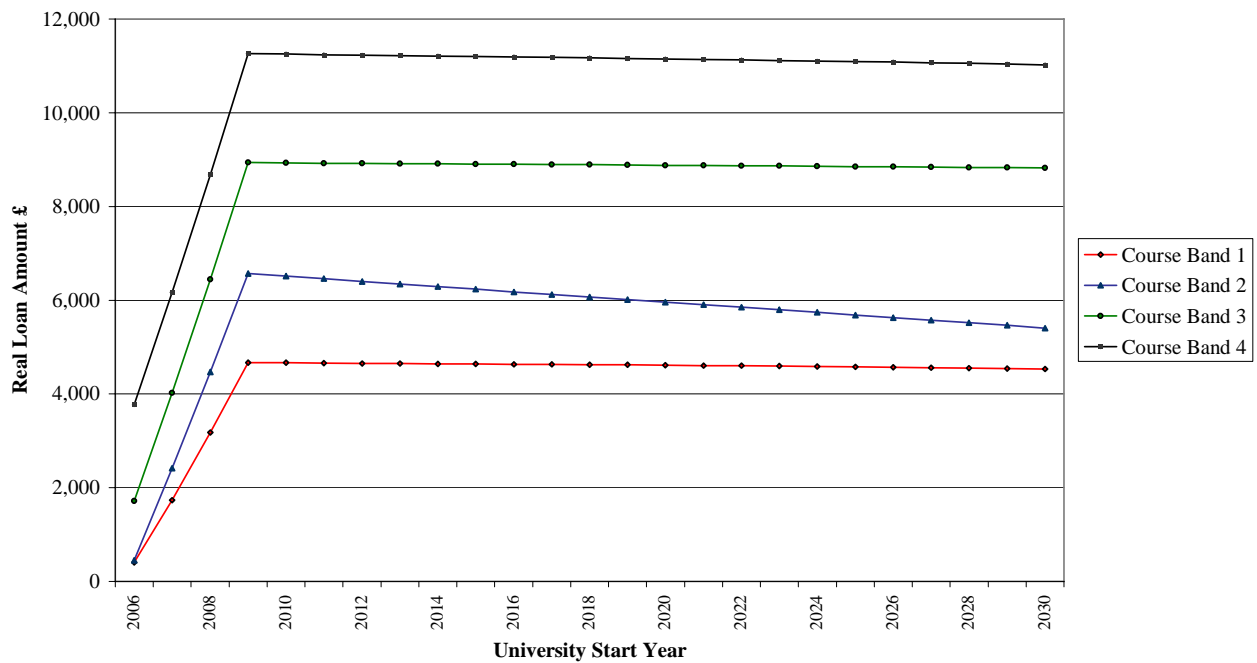
## States Income from loan repayments



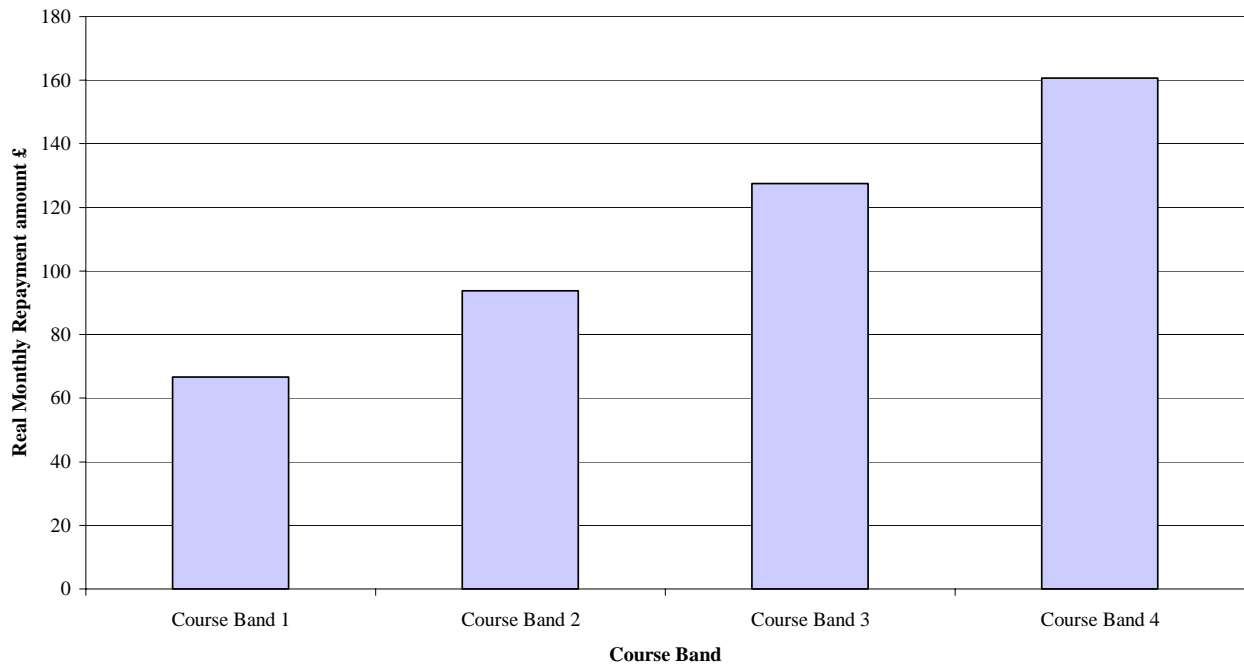
## Net Expenditure



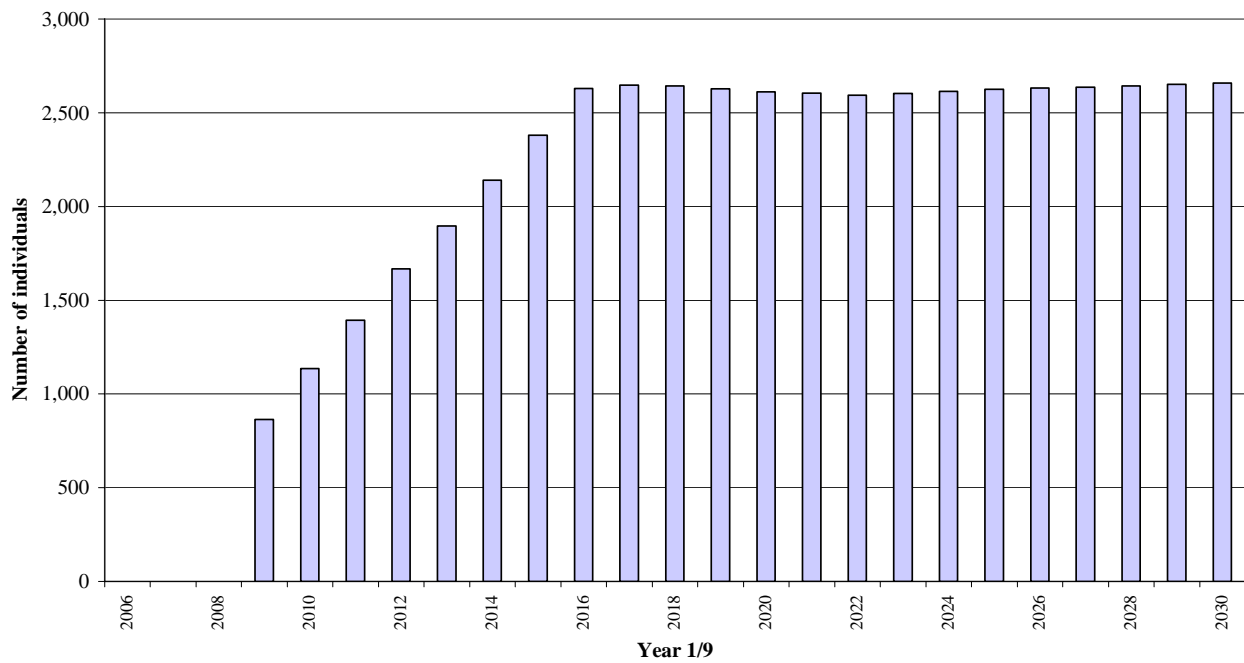
## Average Loan Amounts on Graduation



**Average Repayment Amount**



**Individuals with an outstanding loan**



The Department's graphs were not required for this Appendix.