

Our ref: DS/1111/C337

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 Guernsey States Education Council
 Education Department
 PO Box 32
 Grange Road
 St Peter Port
 GUERNSEY
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16 April 2007

Dear Frank

Deferment of Student Loans – Phase 4.3

Further to your e-mail of 29 March 2007 we have carried out projections of the loan system requested under phase 4.3 and illustrated our results in the Appendices 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 the Appendices and that previously illustrated in our letter dated 2 April 2007. The monetary amounts quoted are all in 2006/07 terms.

| | 2 April 2007 | Appendix 1 | Appendix 2 |
|---|--|---|---|
| Annual Loan | £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 |
| Allocation of Loan (PC = Parental Contributions) | PC first allocated to Maintenance, then Fees. Loan towards residual Fees with States meeting any remaining Fee costs | Loan towards Fees (capped at Fee amount if lower). PC allocated to Maintenance first with any residual towards Fees. The States meet any remaining costs. | Loan towards Fees (capped at Fee amount if lower). PC allocated to Maintenance first with any residual towards Fees. The States meet any remaining costs. |
| Repayment Term | 15 years | 7 years | 7 years |
| Interest rate charged to students | 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 |
| Interest rate charged to Department | 5% p.a. | 5% p.a. | None (graphs not required) |
| Administration Expenses | £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 |

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.

As expected, the graphs are very similar to the projections set out in our letter dated 13 April 2007, but the net outgo is higher in the short term. This is because the loan is assumed to be taken before the Parental Contributions are applied, meaning some parents now contribute less, deferring the receipt of income. This effect is also seen on the “Average Loan Amounts” graph, where Band 1 students are now projected to have the same loan as Band 2 students.

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

Yours sincerely

BWCI Consulting Limited

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Appendix 1

This appendix illustrates our projection graphs for Phase 4.3.1. It should be read in conjunction with our letter dated 16 April 2007. We have also set out in the tables below 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.

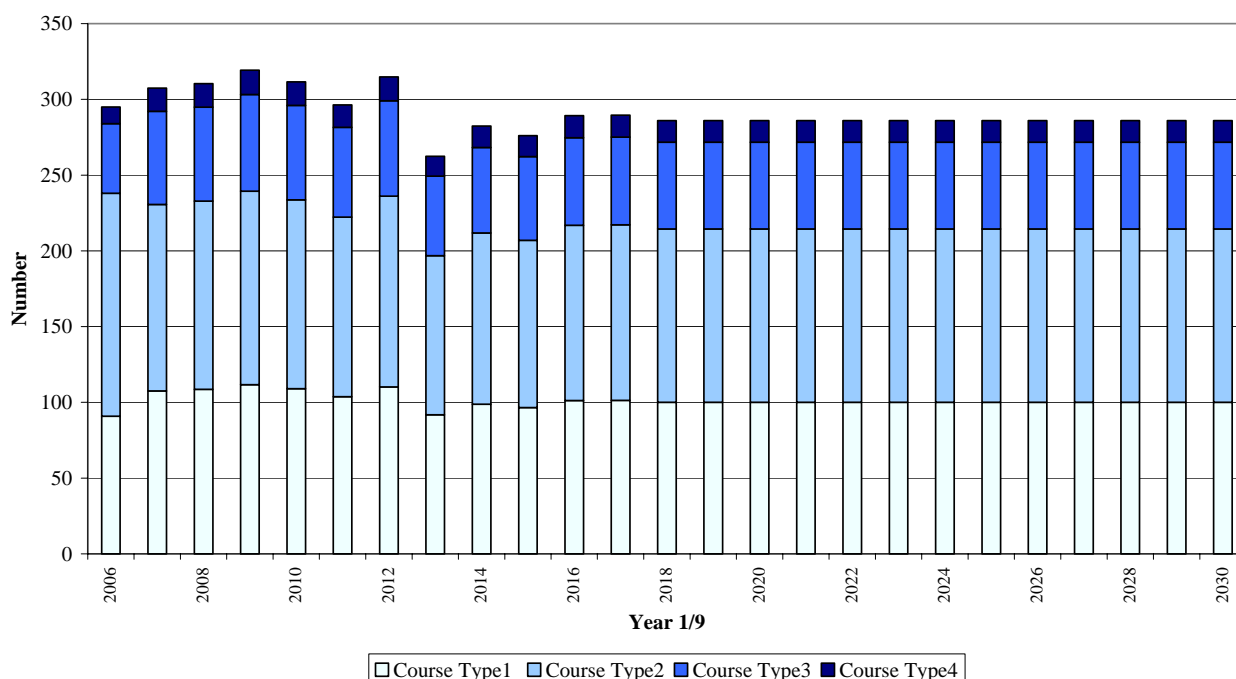
Total Outgo (Red line on Net Expenditure graph)

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|------|------|------|------|------|------|------|
| Real Outgo (£m) | 5.3 | 6.0 | 6.7 | 7.6 | 8.0 | 8.0 | 8.2 |
| Nominal Outgo (£m) | 5.3 | 6.2 | 7.2 | 8.4 | 9.0 | 9.3 | 9.8 |

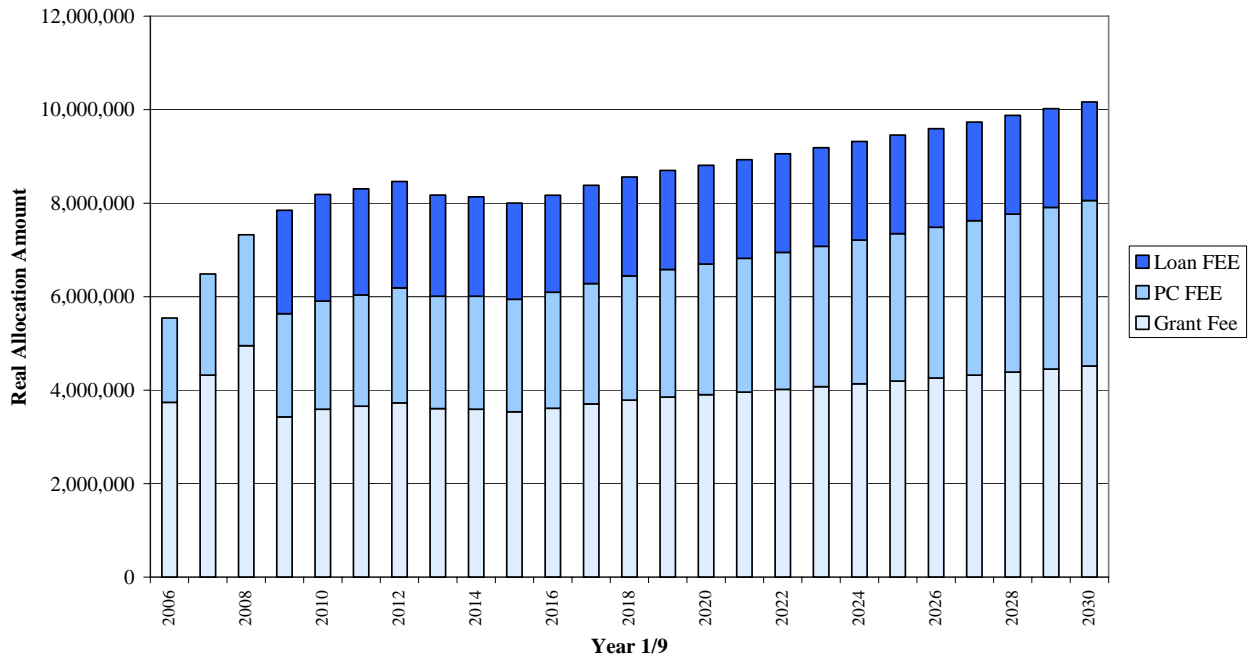
Net Outgo (Green line on Net Expenditure graph)

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|------|------|------|------|------|------|------|
| Real Outgo (£m) | 5.3 | 6.0 | 6.7 | 7.6 | 7.9 | 7.7 | 7.5 |
| Nominal Outgo (£m) | 5.3 | 6.2 | 7.2 | 8.4 | 8.8 | 8.9 | 9.0 |

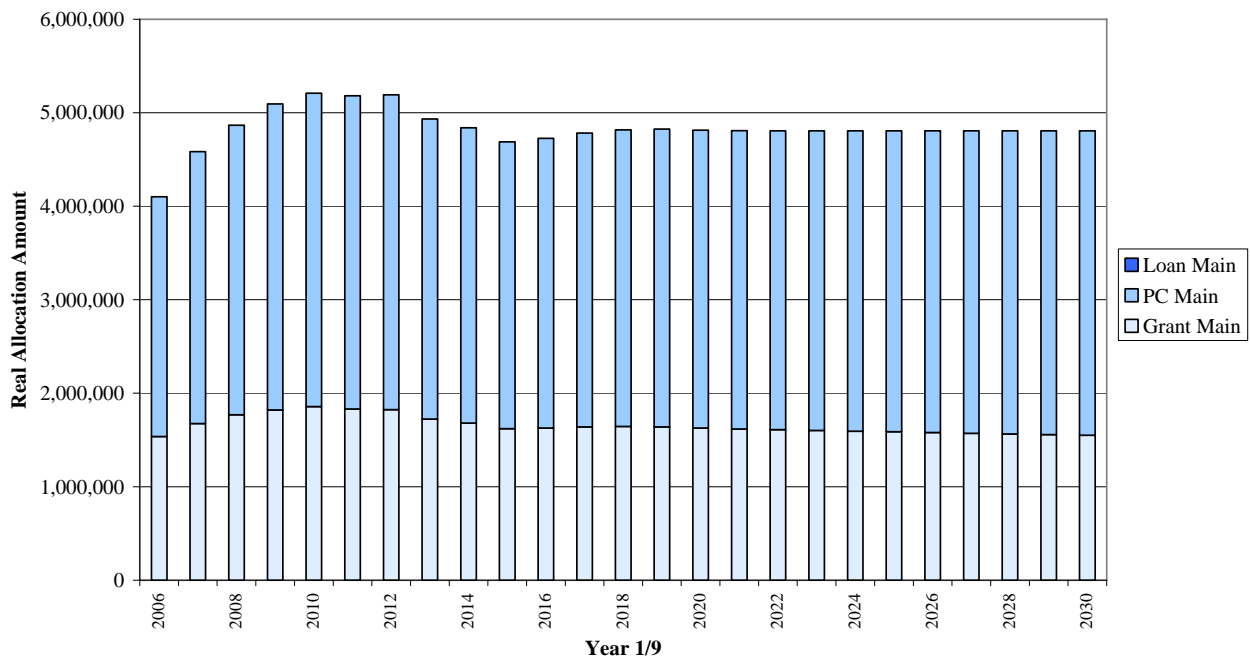
Number of Students joining each year



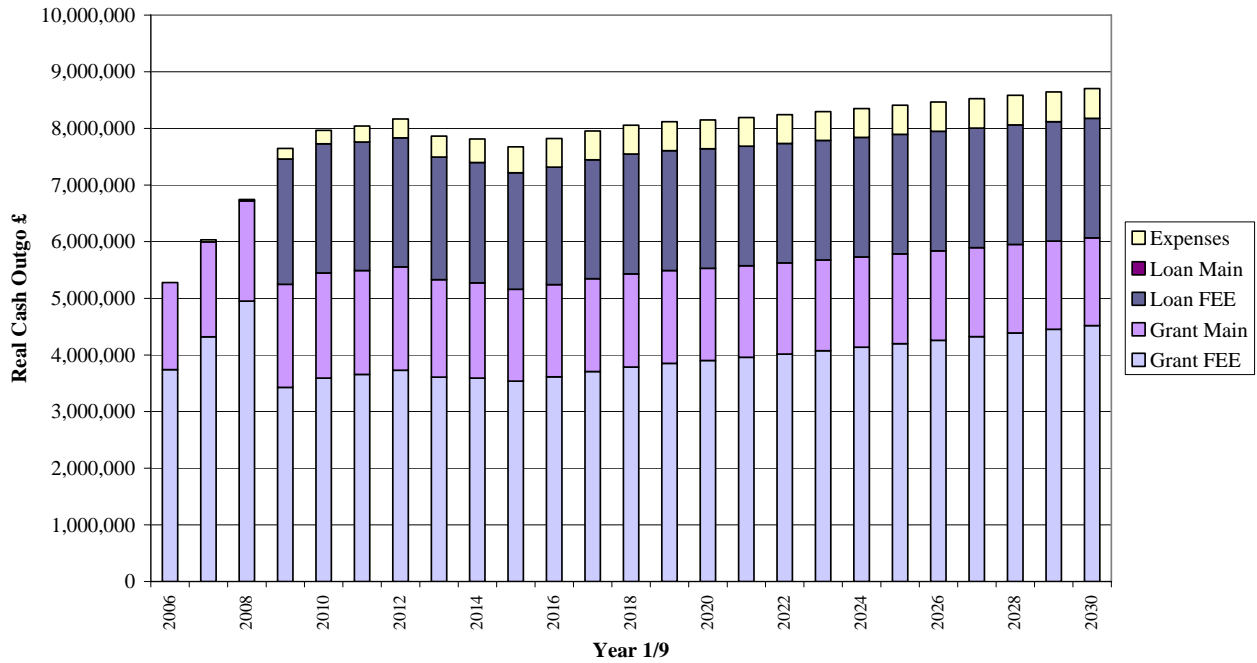
Allocation of Course Fee



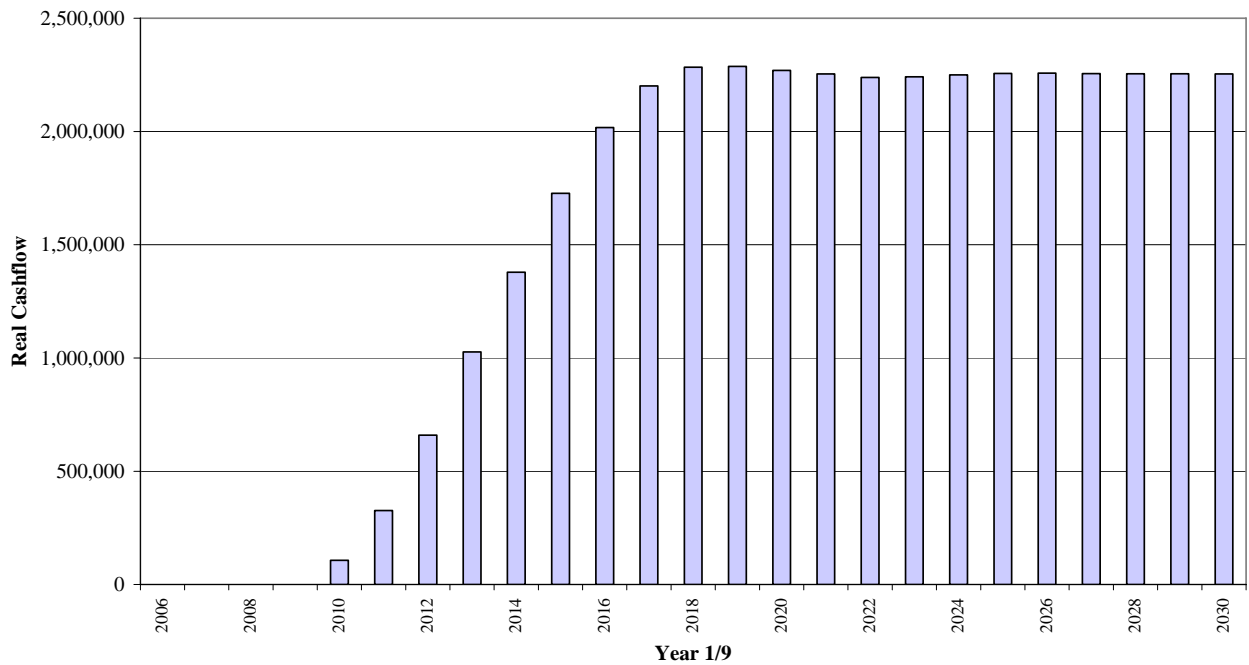
Allocation of Maintenance Allowance



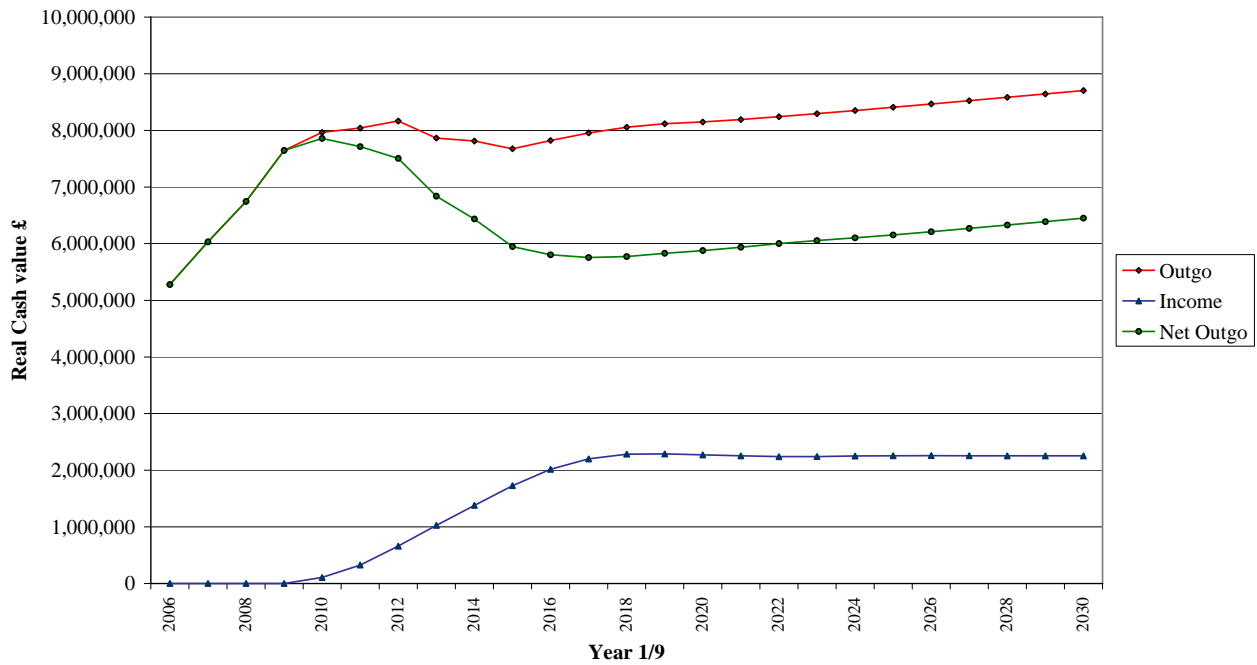
States' Expenditure



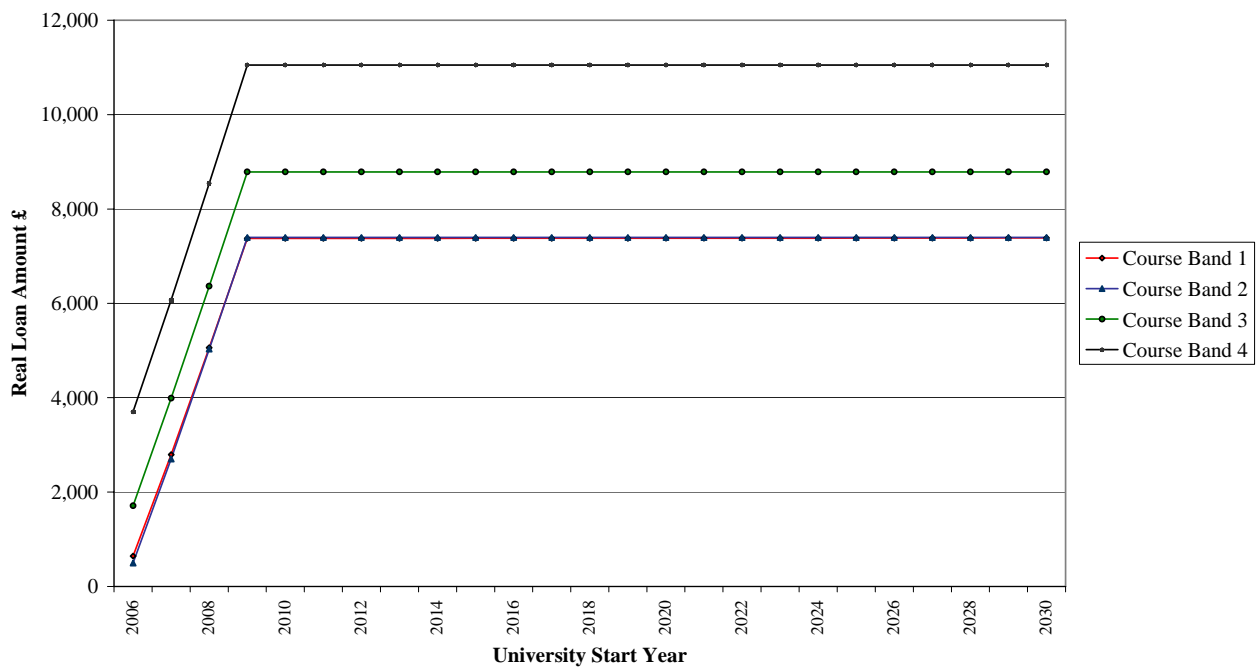
States Income from loan repayments



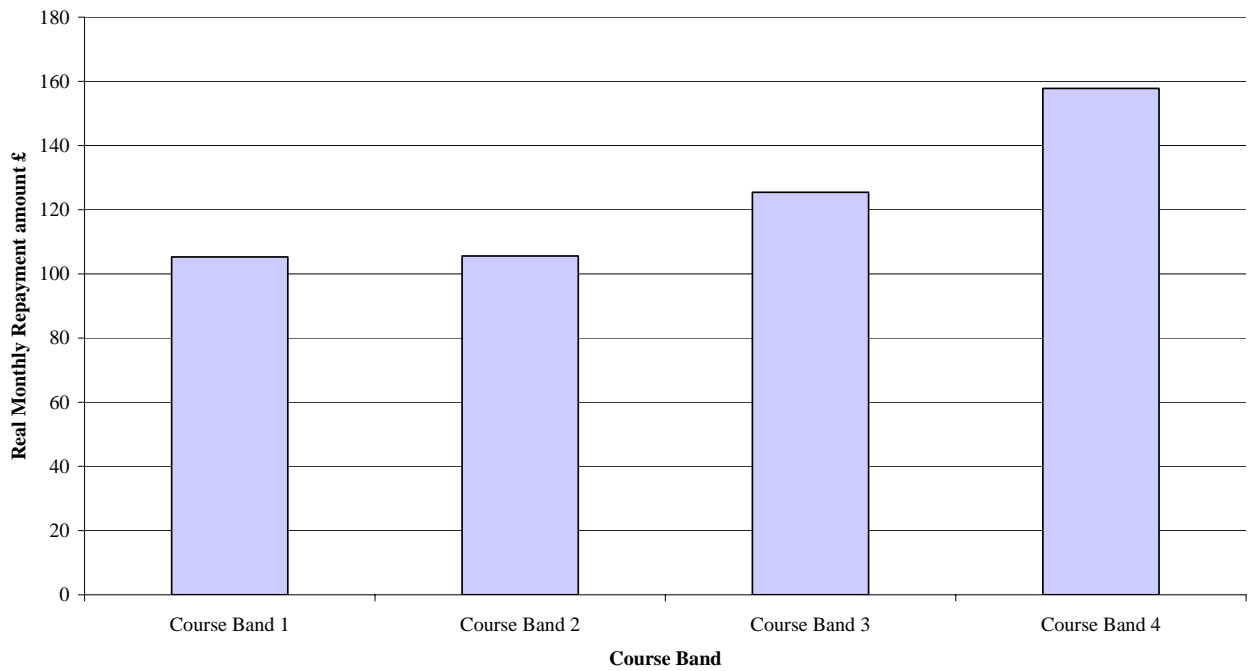
Net Expenditure



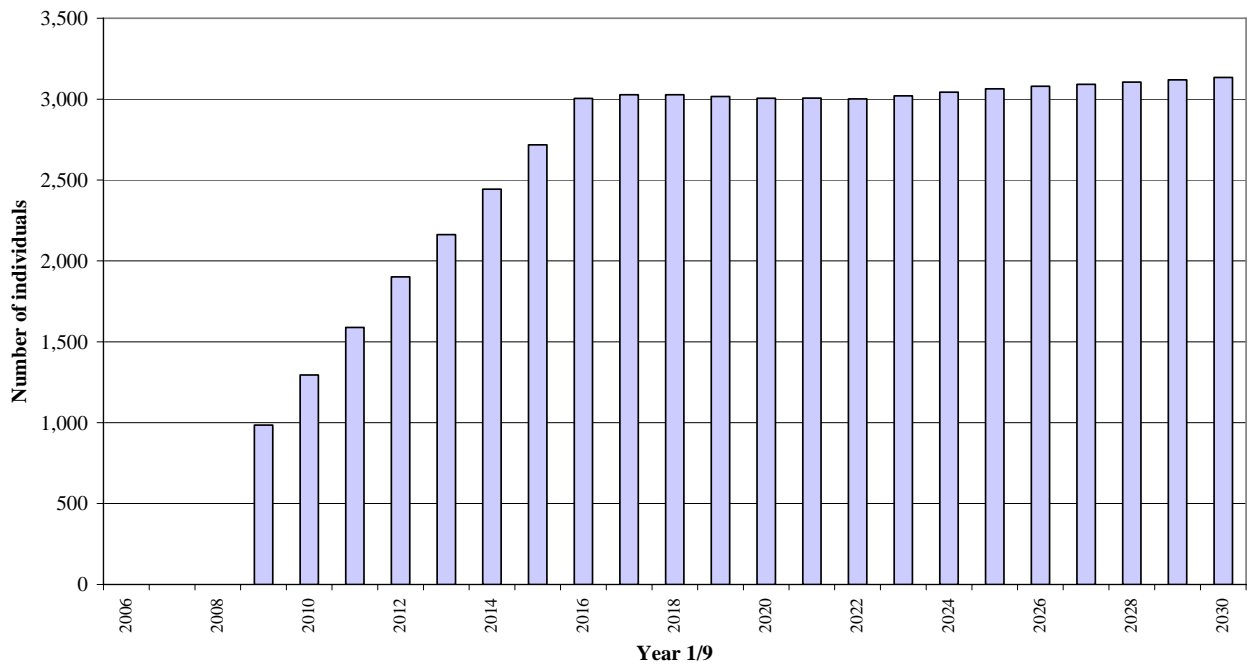
Average Loan Amounts on Graduation



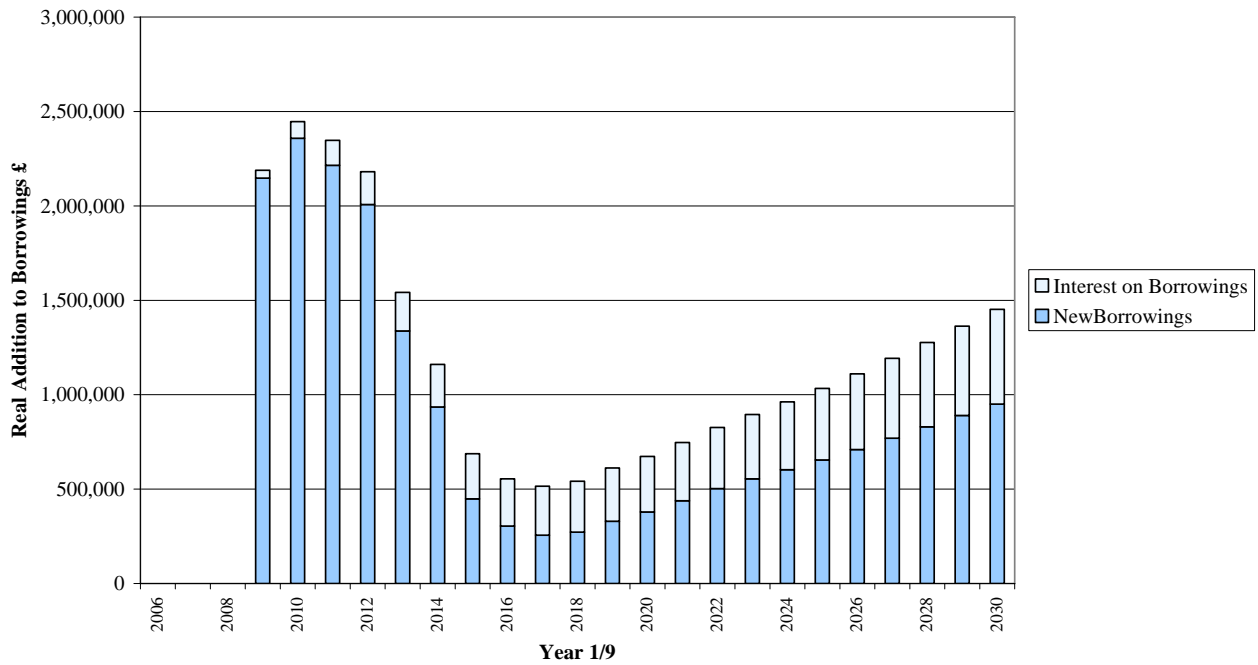
Average Repayment Amount



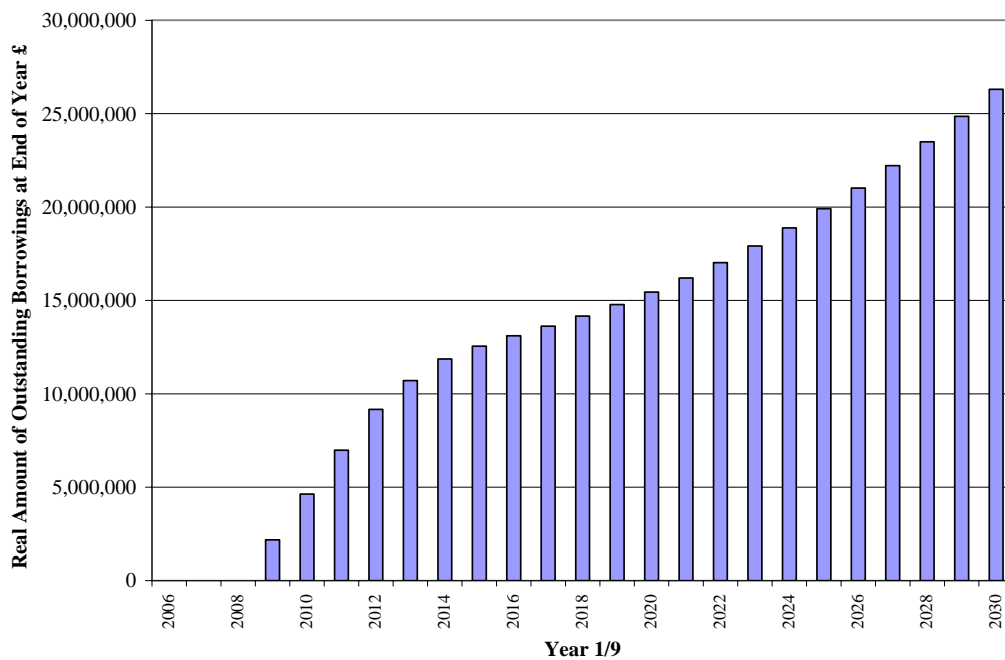
Individuals with an outstanding loan



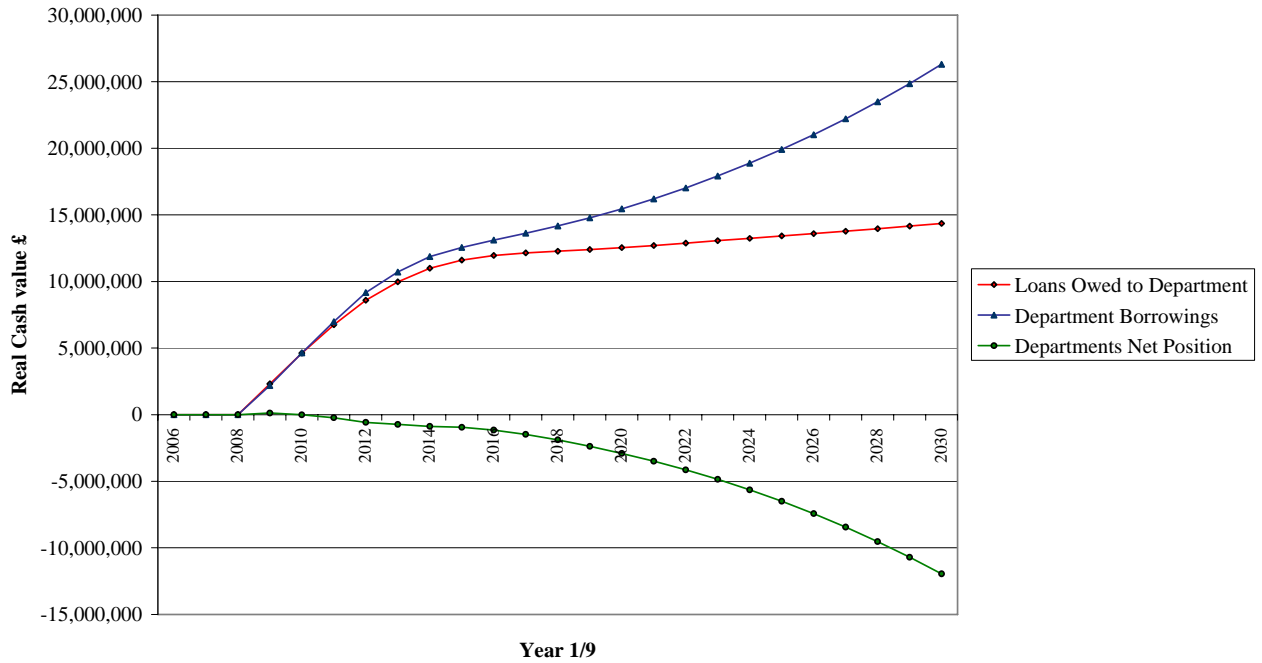
Department's Annual Additions to Borrowings



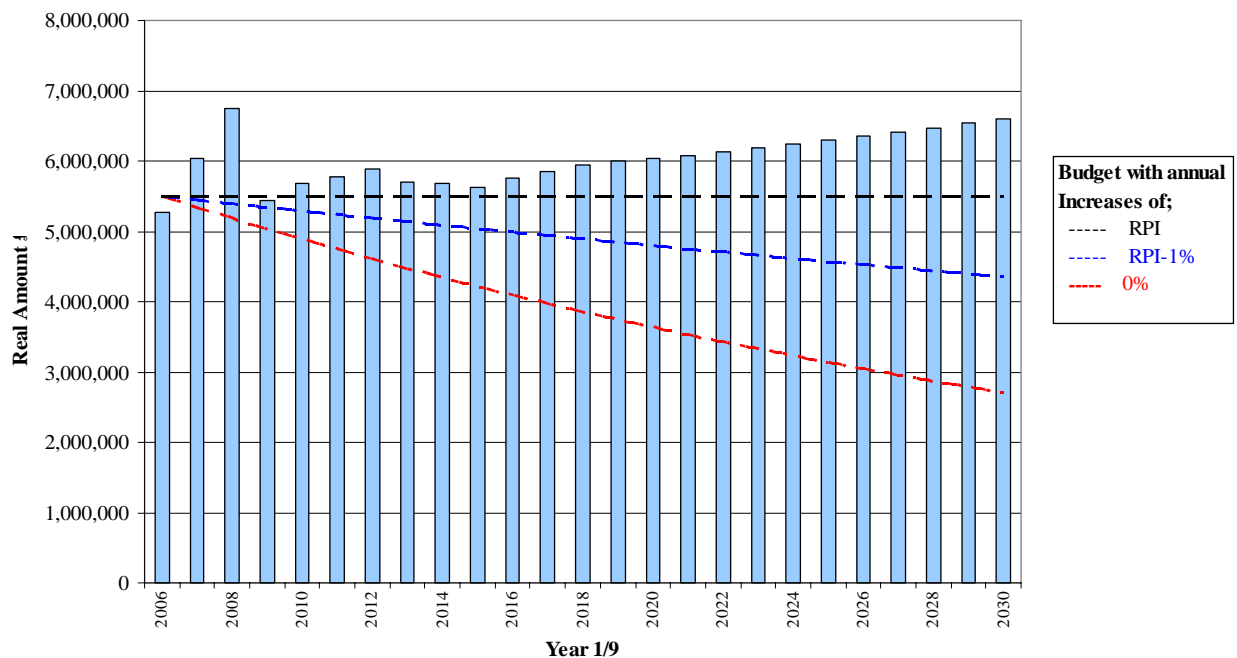
Department's Outstanding Borrowings (including interest)



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 4.3.2. It should be read in conjunction with our letter dated 16 April 2007. We have also set out in the tables below 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.

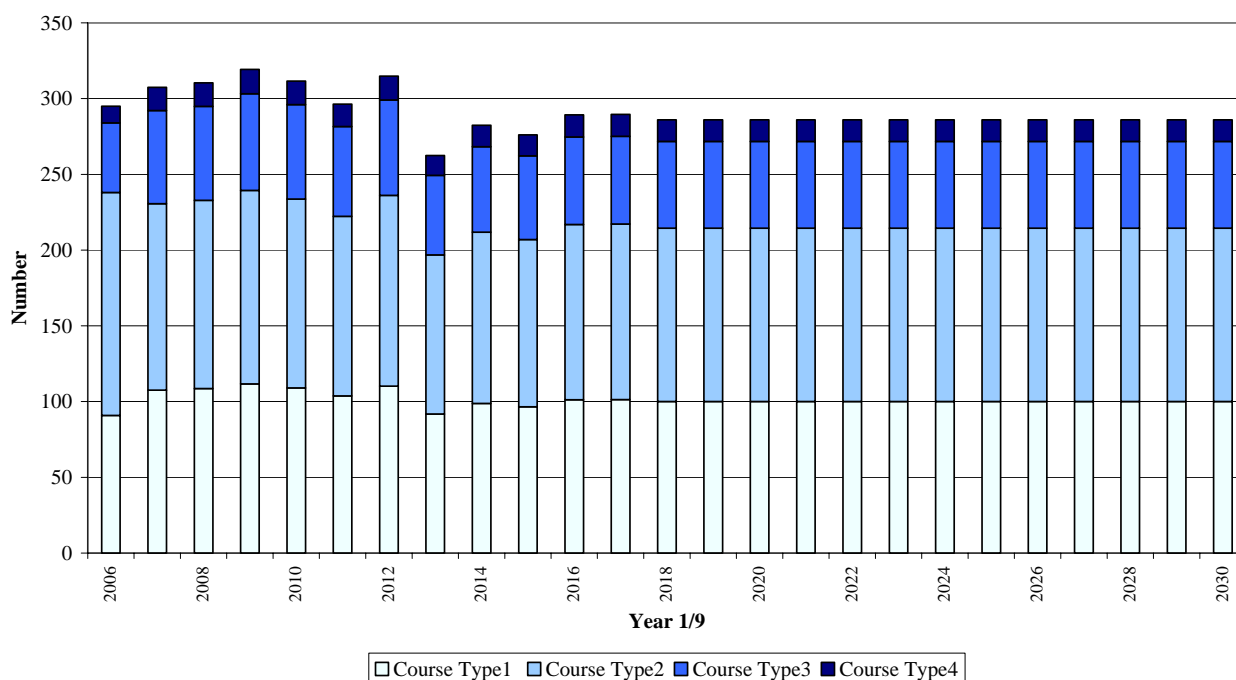
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| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|------|------|------|------|------|------|------|
| Real Outgo (£m) | 5.3 | 6.0 | 6.7 | 7.5 | 7.7 | 7.8 | 7.8 |
| Nominal Outgo (£m) | 5.3 | 6.2 | 7.1 | 8.2 | 8.7 | 9.0 | 9.4 |

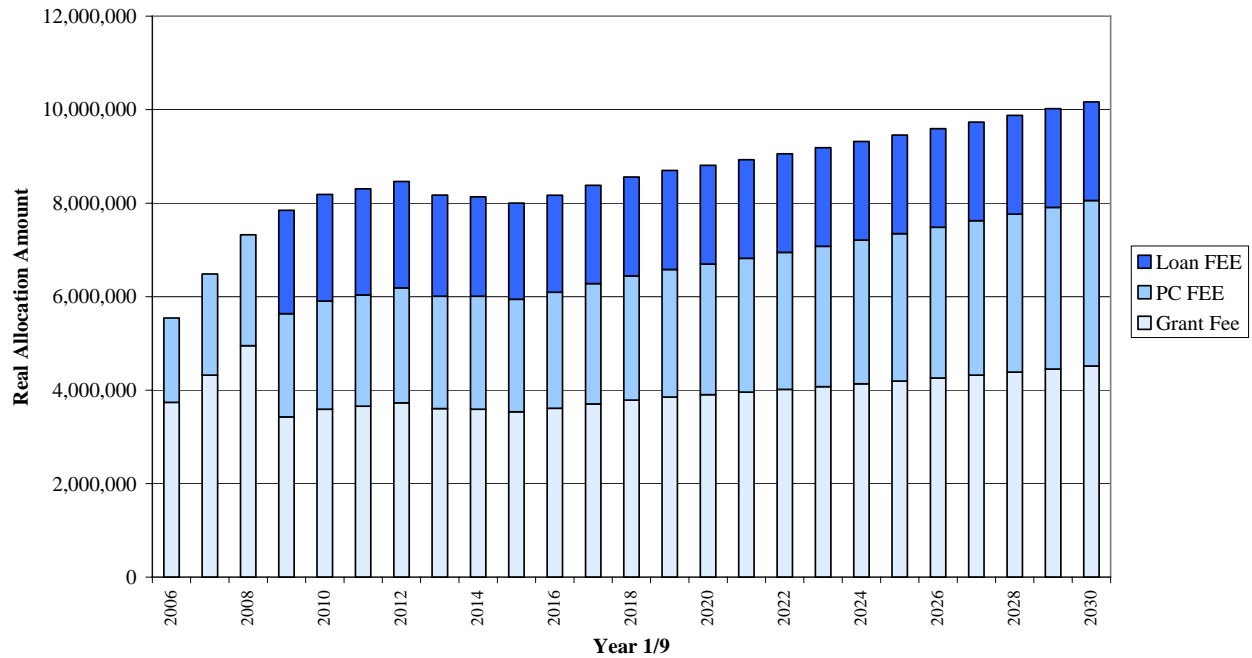
Net Outgo (Green line on Net Expenditure graph)

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|------|------|------|------|------|------|------|
| Real Outgo (£m) | 5.3 | 6.0 | 6.7 | 7.5 | 7.6 | 7.4 | 7.2 |
| Nominal Outgo (£m) | 5.3 | 6.2 | 7.1 | 8.2 | 8.6 | 8.6 | 8.6 |

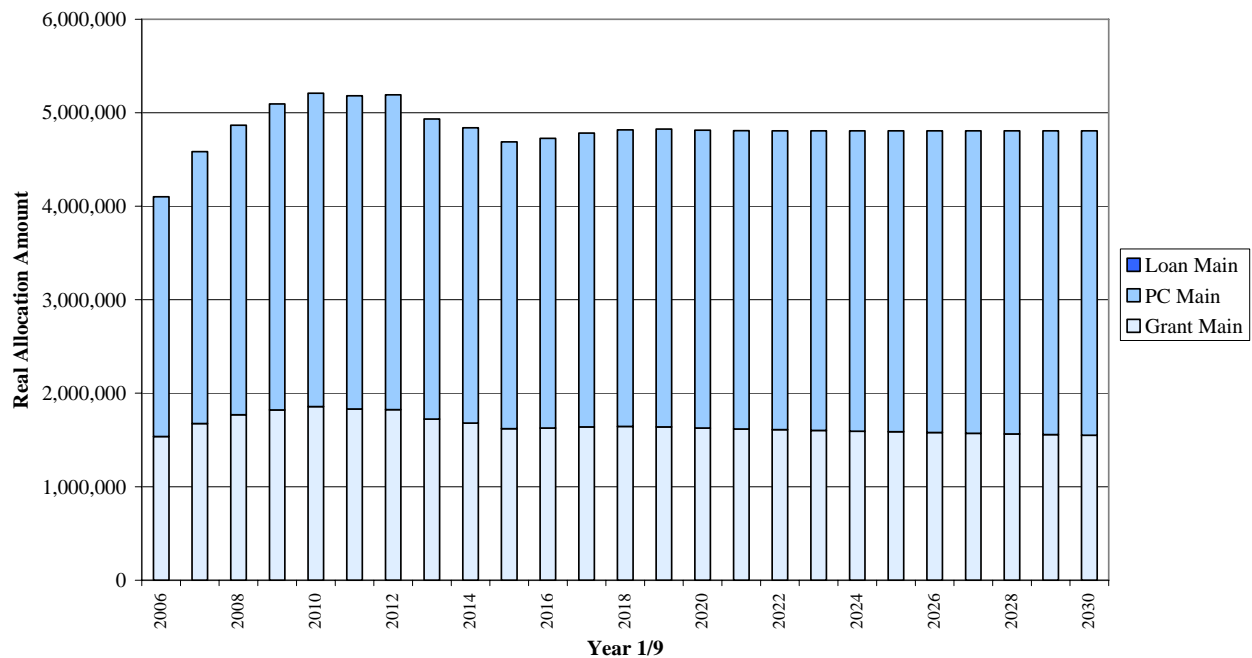
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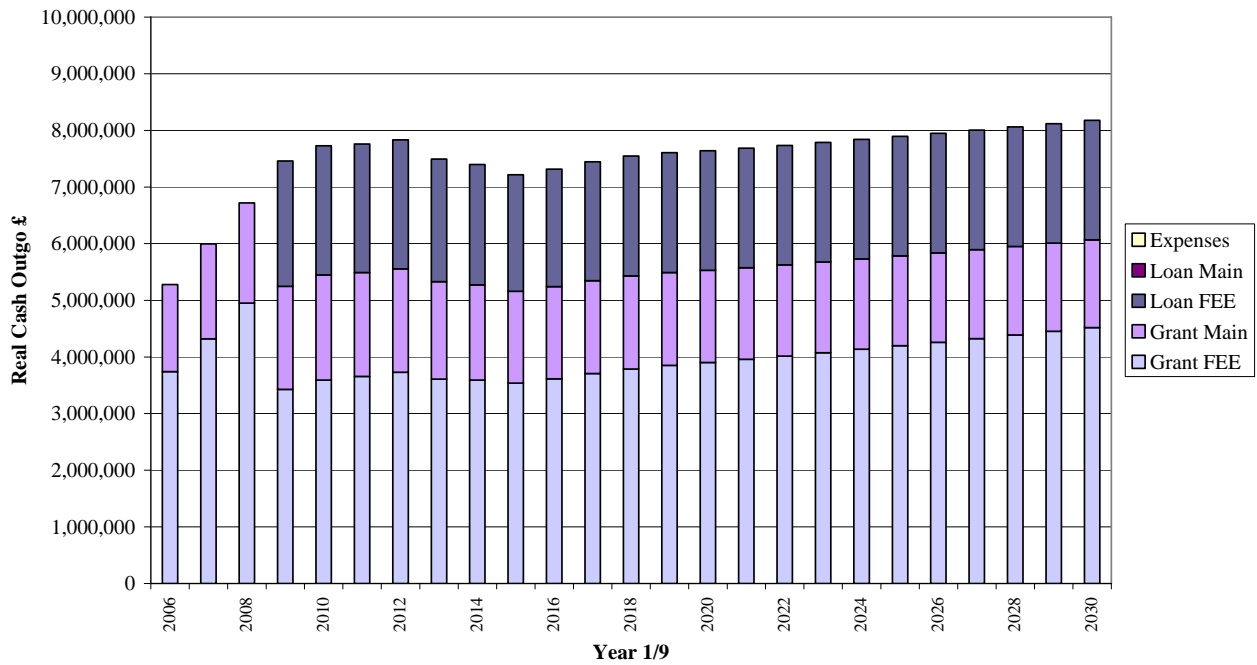
Allocation of Course Fee



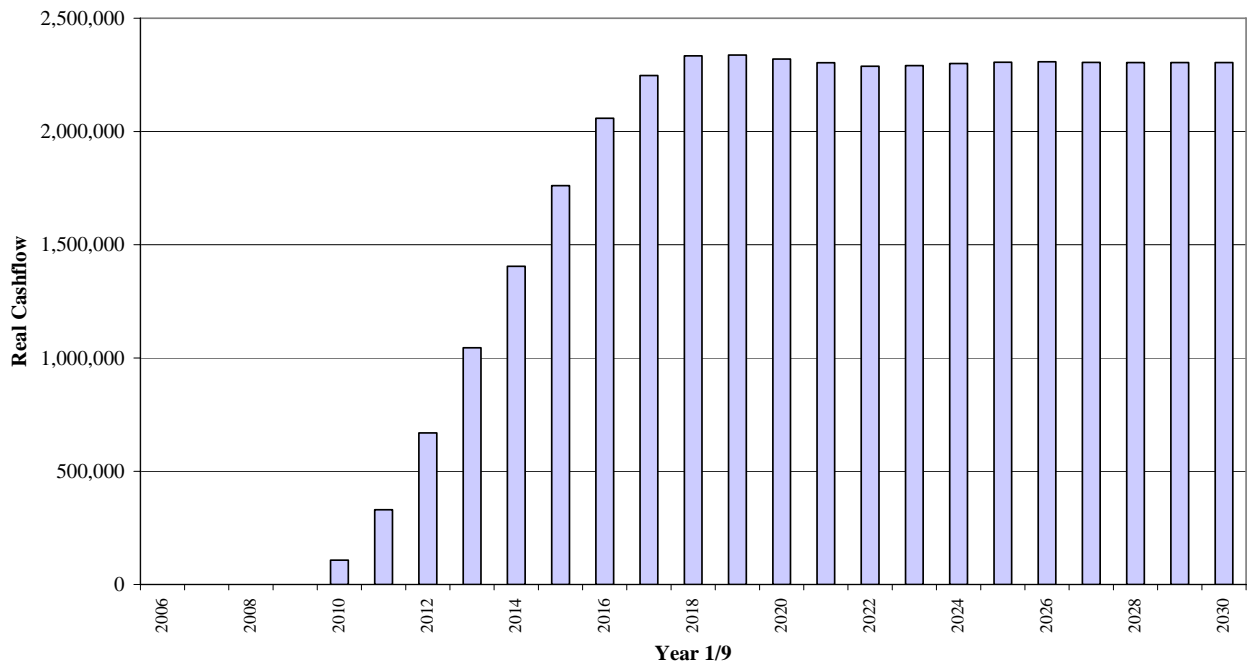
Allocation of Maintenance Allowance



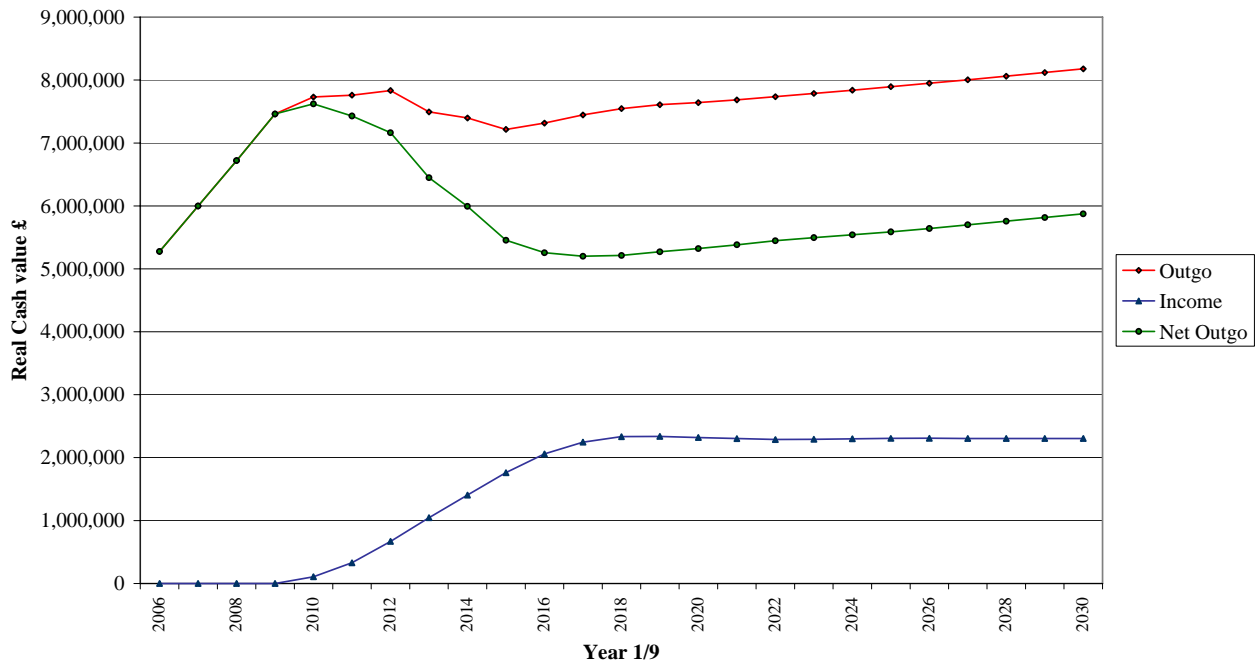
States' Expenditure



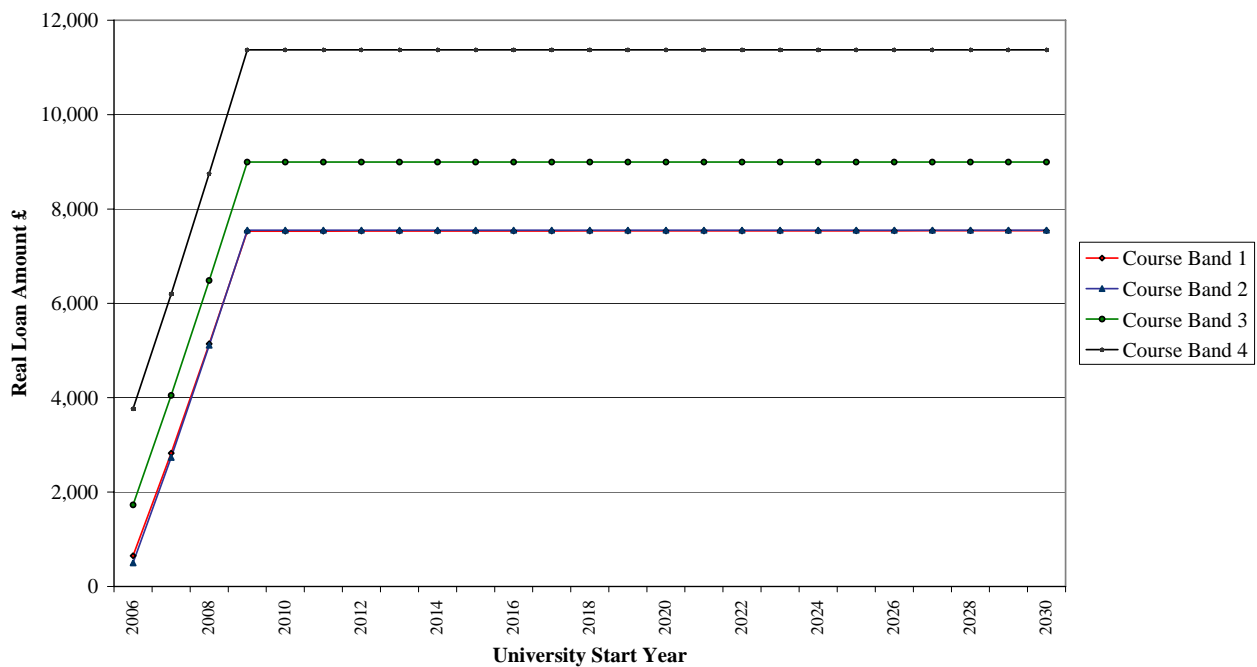
States Income from loan repayments



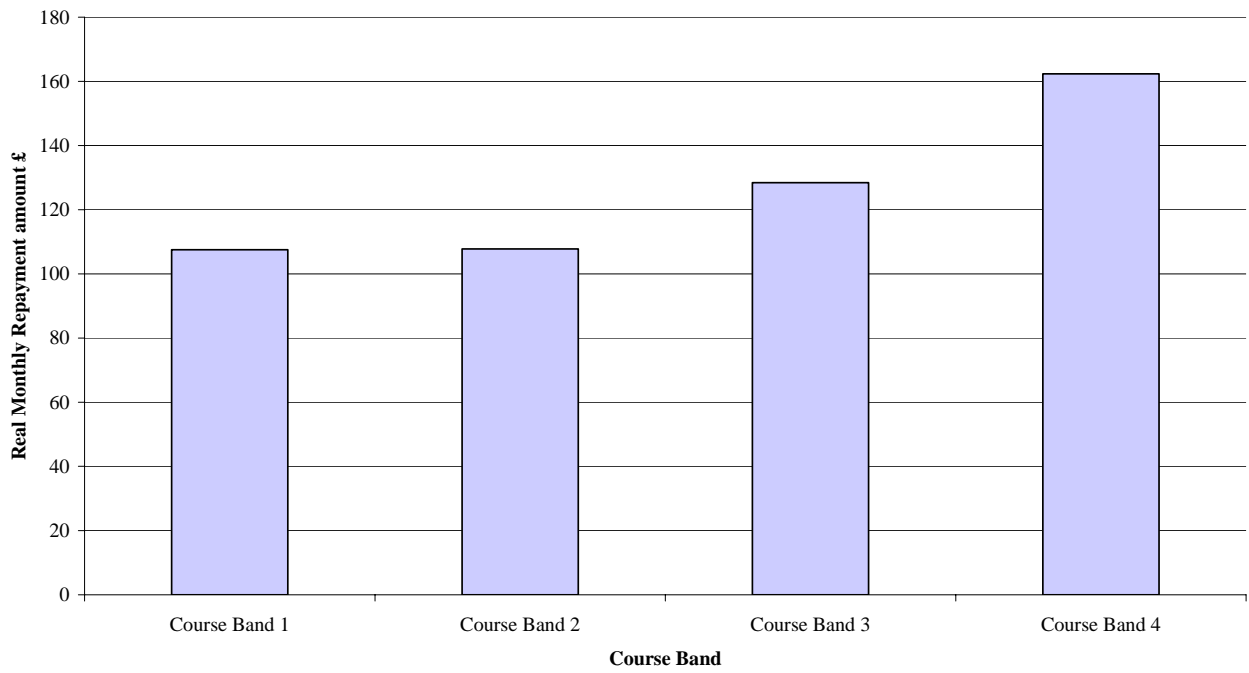
Net Expenditure



Average Loan Amounts on Graduation



Average Repayment Amount



Individuals with an outstanding loan

