BIS | Department for Business Innovation & Skills

Nobel House
17 Smith Square
London SW1P 3JR

E-mail: ps.lord.henley@defra.gsi.gov.uk

Lord Higgins
House of Lords
London
SW1A 0PW

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From Lord Henley
Government spokesperson for Higher Education

Dear Terence

You tabled the Parliamentary Questions below, and I said that I would write with the substantive answers.

To ask Her Majesty's Government, what is their assessment of the impact of changes made and proposed to student finance on the level of government debt (a) this year, and (b) in each of the next five years. HL8044

The independent Office of Budget Responsibility published its assessment of the effect of the proposed changes in its "Economic and fiscal outlook" in November 2010 and concluded that, on the basis of the assumptions described in that paper, the changes would add a cumulative total of some £13 billion to public sector net debt (PSND) by 2015-16. The table below reproduces the OBR's analysis and in addition shows the estimated effect on debt in each of the next five years. However, these figures do not include the effects of savings in grants. We estimate that around 70% of the exchequer costs of issuing and holding the loans will be met by high-earning graduates over time and that the annual impact of student loans on PSND will diminish as repayments rise.

Table 5.22: Impact of Student Loans on Central Government Net Cash Requirement

	2010-1	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Student loans1 (England) *of which:*	**4.1**	**4.3**	**5.4**	**7.3**	**9.3**	**10.7**
Effect of new policy	0.0	0.0	0.7	2.5	4.3	5.6
Estimated cumulative effect on PSND	0.0	0.0	0.7	3.2	7.5	13.1

The OBR also noted in Budget 2011 that the Government remained on course to meet its target to reduce net debt as a % of GDP by 2015-16.

I will arrange for a copy of this letter to be placed in the Library of the House.

So ever

Oliver

Lord Henley