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Rt. Hon. John Denham MP
Shadow Secretary of State for Business, Innovation and Skills
House of Commons
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28 September 2011

Dear John

Re: Assumptions made in costing the new system of student fee loans

Thank you for your letter of 7th September and apologies for the delay in replying.

Our intention is to make the next update of the projection for student loans in the Autumn forecast on 29th November. The *Charter for Budget Responsibility* requires us to produce each of our fiscal and economic forecasts on a date announced to Parliament by the Chancellor. In line with this, it would not be appropriate to publish one element of the fiscal forecast in isolation prior to the publication of the Autumn forecast.

As you acknowledge in your letter, the more detailed information provided by the OFFA decisions on 2012-13 access agreements was only published the day prior to the publication of the OBR's *Fiscal sustainability report*. The Budget Responsibility Committee (BRC) will reconsider the assumption on the average tuition fee loan for the Autumn forecast in light of this and any subsequent information. As part of the preparation for the Autumn forecast, we have already commissioned a forecast of student loans from the Department of Business, Innovation and Skills and will be discussing this with them in the next few weeks.

In the long-term analysis of student loans in Box 3.2 of the *Fiscal sustainability report*, we provided some sensitivity analysis which used a starting point of £8,000 (close to the average fee published by OFFA on the day before the FSR) rather than £7,500. This raised the peak impact on net debt by only around 0.2 per cent of GDP.

Yours sincerely

Robert Chote
Office for Budget Responsibility