



LE
**London
Economics**

Counting the cost of the Augur Review

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How did we count the cost?

Our model of the **Higher Education funding system** estimates:

- The impact of the system on the **Exchequer, institutions and graduates, for:**
 - the 2018/19 cohort of first-year English-domiciled undergraduate students (studying anywhere in the UK), and EU-domiciled students studying in England;
 - full-time and part-time students, and
 - all undergraduate qualifications (including first degrees and other undergraduate qualifications below first degree level).
- A range of **metrics** including:
 - The RAB charge, student loan debt on graduation, and expected lifetime loan repayments;
 - Total Exchequer costs (including the cost of student support and Teaching Grant funding to institutions across the UK);
 - HEI funding in terms of tuition fee income (net of bursaries) and Teaching Grant funding from the Exchequer; and
 - The level of public deficit associated with the system.

1. What is the **impact** of the Augur Review on the **Exchequer, HEIs and students/graduates?**
2. Who are the **key winners and losers?**

The Augar Review

- We modelled **eight core Augar recommendations**:

Changes to tuition fees and Teaching Grants

(Recommendations 3.1 and 3.3)

- A reduction in the maximum fee to £7,500 per annum;
- **Top-up Teaching Grant funding.** In the absence of more concrete information, we allocate the additional Teaching Grant **equally and in its entirety to Band A, Band B and Band C1 subjects** (with no additional Teaching Grant offered to Band C2 and Band D subjects);

Reintroduction of means tested maintenance grants

(Recommendations 7.1 and 7.3)

- The re-introduction of **means-tested maintenance grants**, acting as a **partial replacement** to existing **maintenance loans** for the least well-off students;

Changes to graduate contributions

(Recommendations 6.2, 6.3 and 6.4)

- The **removal of real interest rates during study**;
- The **reduction in the repayment threshold to £23,000 with corresponding reductions in the interest rate thresholds**;
- The **extension of the loan repayment period to 40 years**;

Lifetime repayment cap

(Recommendation 6.6)

- We assume that the **cumulative loan repayments per graduate in constant prices** are capped at 1.2 times the initial total loan outlay per graduate.

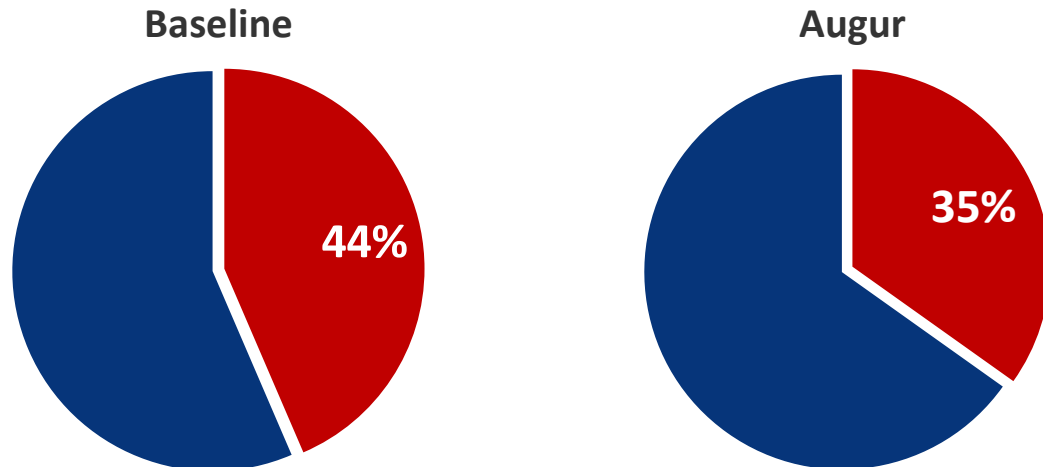
Impact of the Augar Review: Exchequer

Exchequer cost

Type of cost	Baseline	Augar	Diff.
Maintenance grants	£0m	(£1,461m)	(£1,461m)
Maintenance loans	(£2,808m)	(£1,747m)	£1,060m
Tuition fee loans	(£4,387m)	(£2,815m)	£1,573m
Teaching Grants	(£1,236m)	(£3,060m)	(£1,823m)
Total Exchequer cost	(£8,431m)	(£9,083m)	(£652m)

Note: All monetary values have been discounted to net present values and are presented in constant 2018/19 prices.

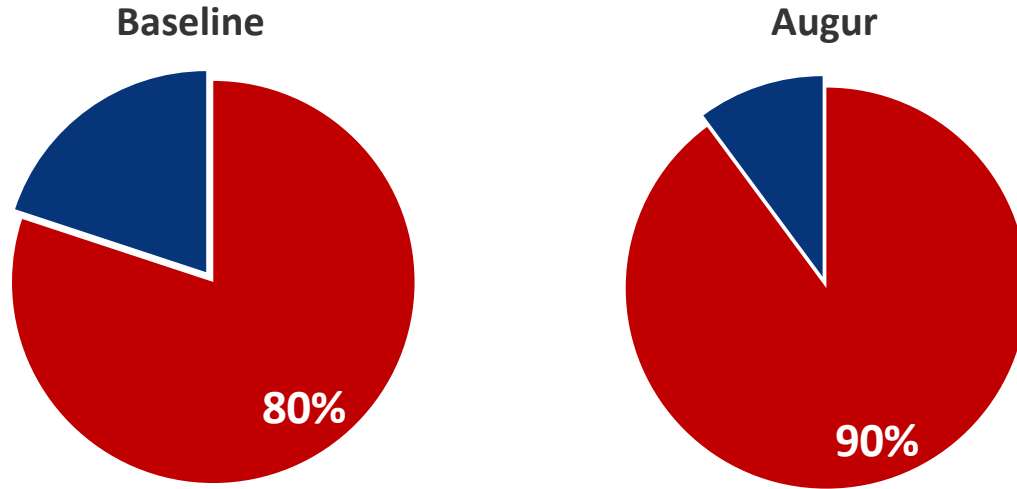
RAB charge



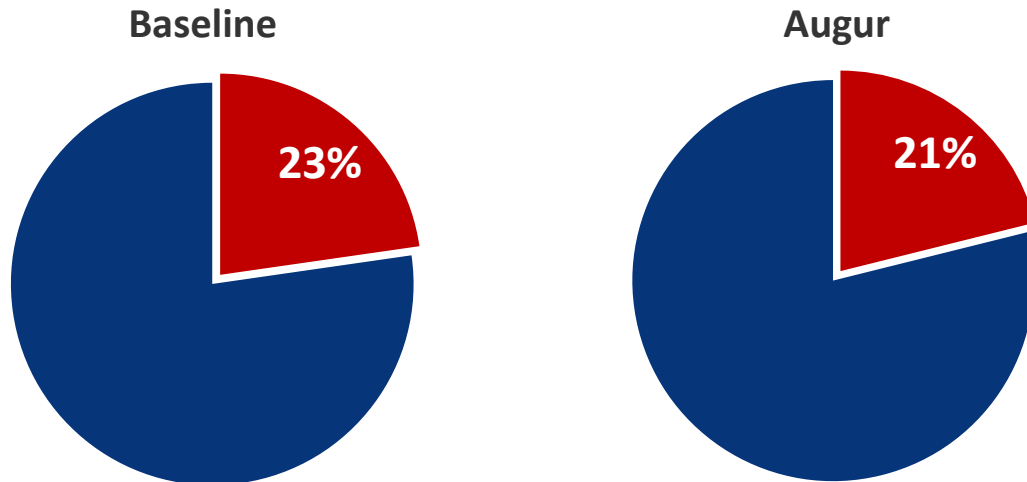
- If the Augar recommendations were implemented, the Exchequer would save **£1.06 billion per cohort in maintenance loan write-offs** and **£1.57 billion per cohort in tuition fee loan write-offs**.
- However, **maintenance grants** result in an additional cost of **£1.46 billion**, while (compensatory) **Teaching Grants** result in an additional **£1.82 billion** in costs.
- The total cost to the Exchequer is estimated to be **£9.08 billion per cohort** - an increase of **£0.65 billion per cohort (8%)** compared to the current system.
- Without the repayment cap, the RAB charge decreases from **44% to 31%** - due to the lower volume of loans, the lower repayment threshold and the extended repayment period. However, the repayment cap adds 4 percentage points to the RAB – with the final overall estimate standing at **35%**.

Impact of the Augar Review: **Exchequer**

% of graduates who never repay the *full loan*



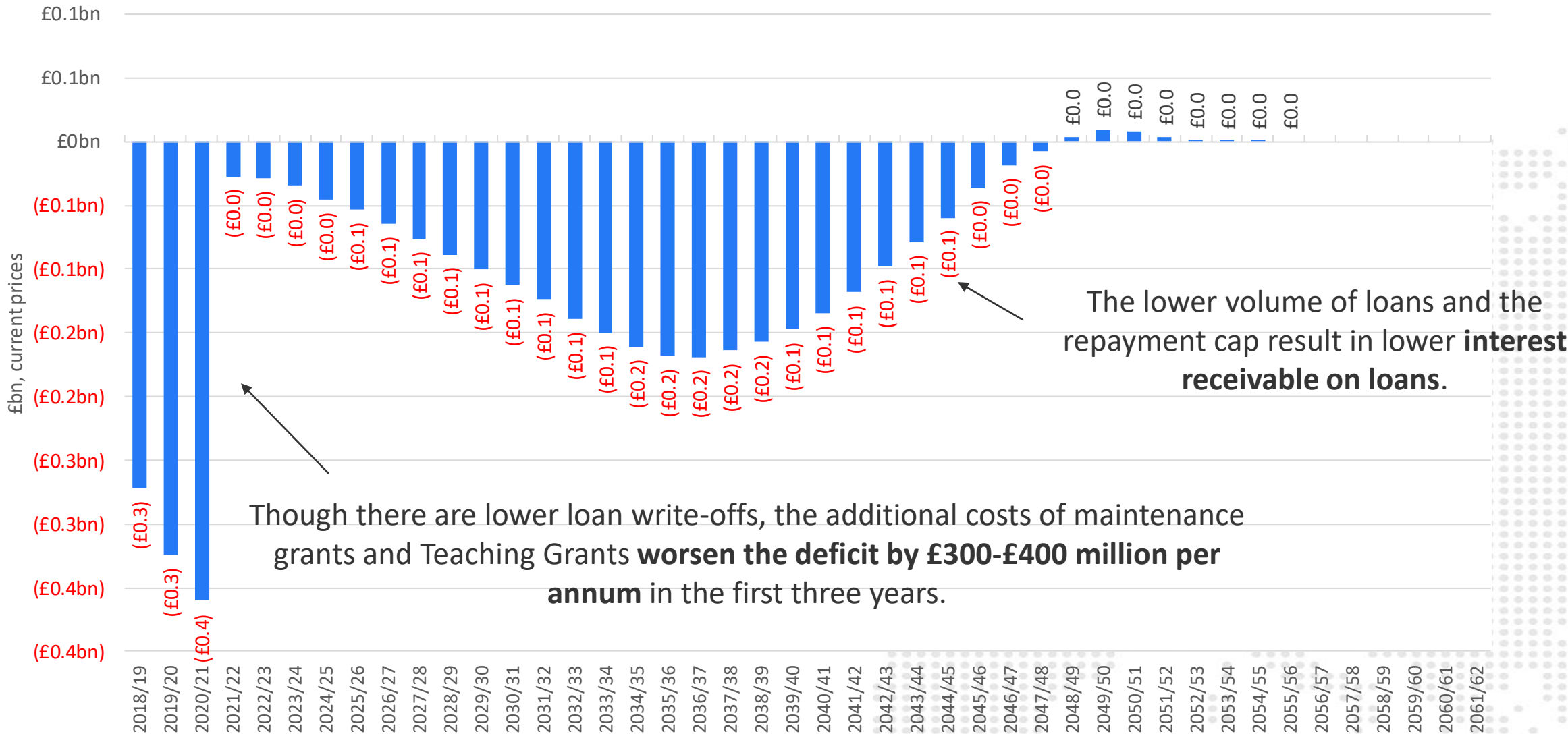
% of graduates who never repay *anything*



- The repayment cap results in *even fewer* graduates (10%) repaying the full loan they owe - in spite of the reduced debt on graduation, lower repayment threshold and extended repayment period.
- Without the repayment cap, 43% of graduates would have been expected to repay their full loan.
- The repayment base broadens only very marginally, as the % of graduates who never repay anything decreases from 23% to 21%.

Impact of the Augar Review: Exchequer

Change in public surplus/deficit per year associated with Augar compared to Baseline
(£bn in current prices)



Though there are lower loan write-offs, the additional costs of maintenance grants and Teaching Grants **worsen the deficit by £300-£400 million per annum** in the first three years.

The lower volume of loans and the repayment cap result in lower **interest receivable on loans.**

Note: Based on the new 'Hybrid' treatment of student loans in the public accounts, as announced in December 2018.

Impact of the Augar Review: Higher Education Institutions

HEI resource flows

Resource flow	Baseline	Augar	Diff.
Gross fee income	£10,044m	£8,144m	(£1,900m)
Teaching Grant income	£1,236m	£3,060m	£1,823m
Cost of bursary provision	(£188m)	(£78m)	£110m
Total	£11,093m	£11,126m	£33m
Net resource per student p.a.	£9,000	£9,000	£0

Note: All monetary values have been discounted to net present values and are presented in constant 2018/19 prices.

- HEIs would see a **£1.90 billion** reduction in tuition fee income – though some of this (**£0.11 billion**) would be offset by reduced bursary payments.
- Assuming full compensatory Teaching Grant funding (in England), overall, institutions would be marginally better off (by **£0.03 billion**).
- However, there is a **great deal of uncertainty** until the details are pinned down. There will likely be a significant **increase in the variation of resources** between institutions depending on the subject mix offered.
- Assuming no offsetting Teaching Grant to make up for the loss in fee income, institutions in **Scotland, Northern Ireland and Wales** would be worse off.

Impact of the Augar Review: Students/graduates

Students/graduates (full-time)

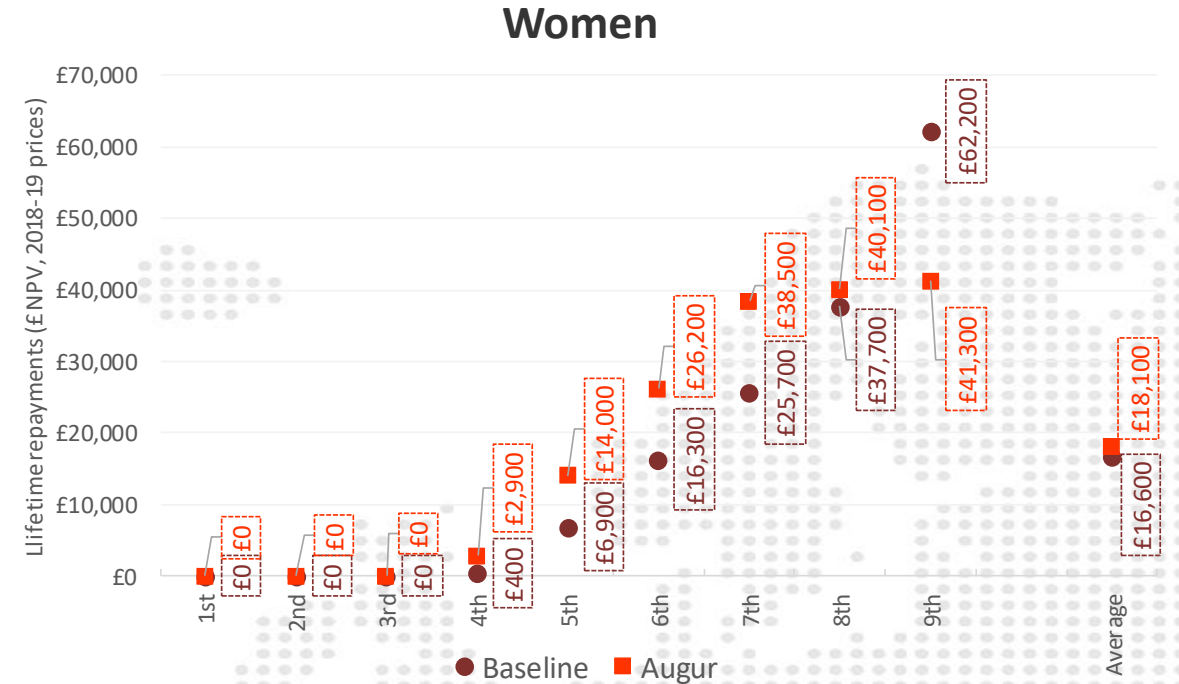
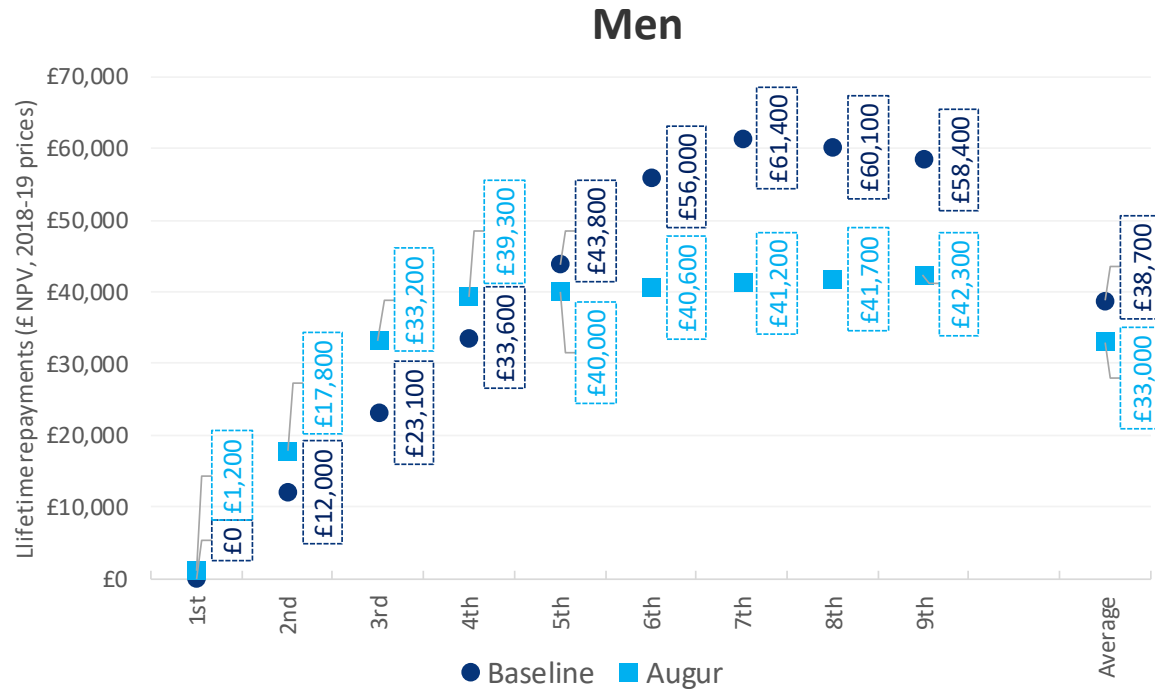
£ per student	Baseline	Augar	Diff.
Average fee loan p.s.p.a.	£9,100	£7,400	(£1,700)
Average maintenance loan p.s.p.a.	£6,700	£5,400	(£1,300)
Average maintenance grant p.s.p.a.	-	£1,500	£1,500
Average maintenance funding p.s.p.a.	£6,700	£6,900	£200
Average debt on graduation	£46,800	£35,900	(£10,900)

Note: Average loan and grant values have been rounded to the nearest £100. Average debt on graduation is discounted to net present values, presented in constant 2018/19 prices, and rounded to the nearest £100.

- The lower fee would result in a **lower fee loan**, declining from **£9,100** to **£7,400** per student on average (FT UG).
- Maintenance grants would **partially replace** existing maintenance loans. Hence, total maintenance funding would remain almost unchanged, at **£6,900** – comprised of **both loan (£5,400) and grant (£1,500) funding**. This compares to **£6,700** of funding (through loans only) in the current system.
- As a result of the lower volume of loans and the removal of real interest during study, the **average debt on graduation would decline by £10,900**.

Impact of the Augar Review: Students/graduates

Total loan repayments by FT undergraduate degree graduates (NPV in 2018-19 prices),
by earnings decile and gender



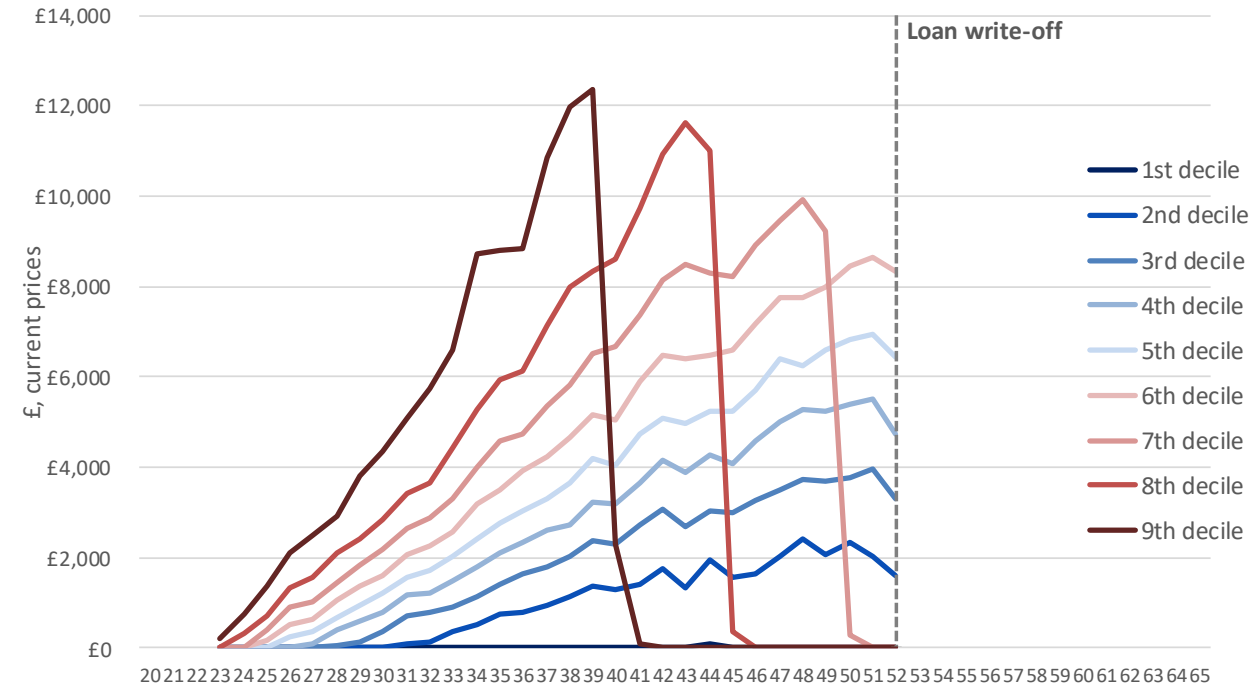
- The reduction in loans and the repayment cap would result in **significantly lower lifetime repayments for the highest earners** (men on the 6th to 9th decile, and women on the 9th decile).
- However, the extension of the repayment period and the reduction in the repayment threshold result in **higher repayments for low to medium earners**. This particularly affects women (on almost all deciles), as well as men on the 1st to 4th decile.

Impact of the Augar Review: Students/graduates

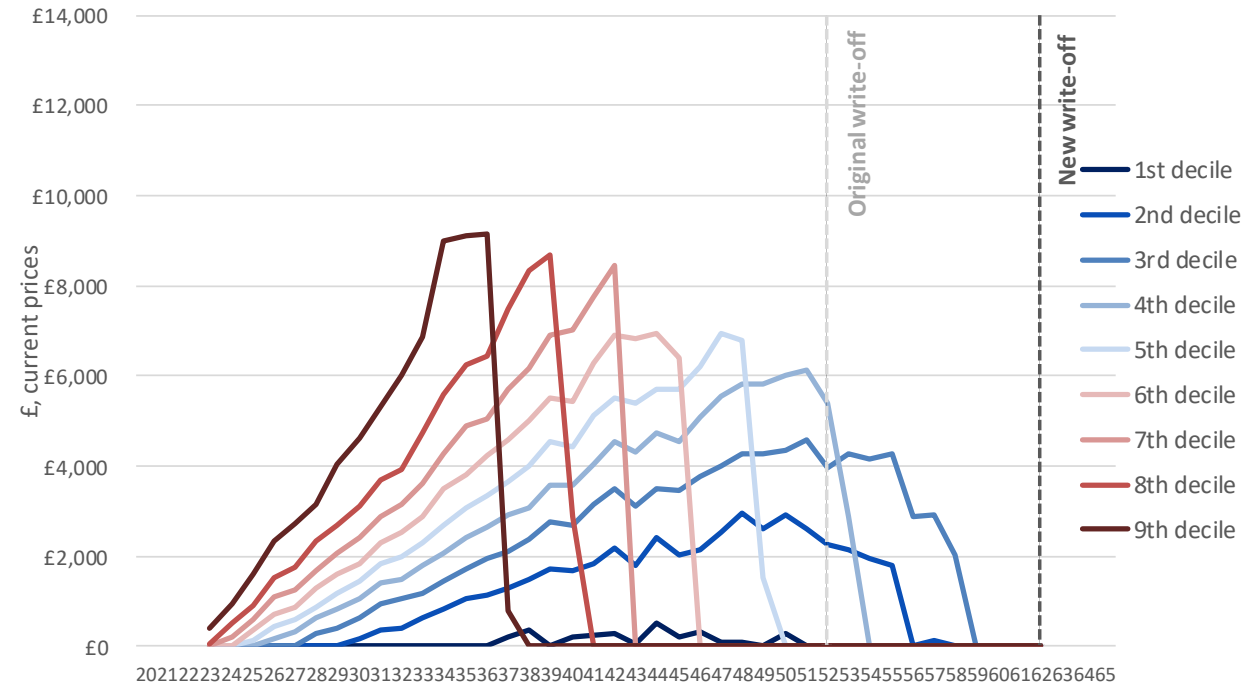
Annual loan repayments by full-time undergraduate degree graduates (£ in current prices, cash terms),
by age and decile

Men

Baseline



Augar



- The **extension of the repayment period** from 30 to 40 years impacts lower earning male graduates (3rd decile and below). Combined with the **reduction in the repayment threshold**, these graduates contribute more in each year, for longer.
- These graduates are **unambiguously worse off**.

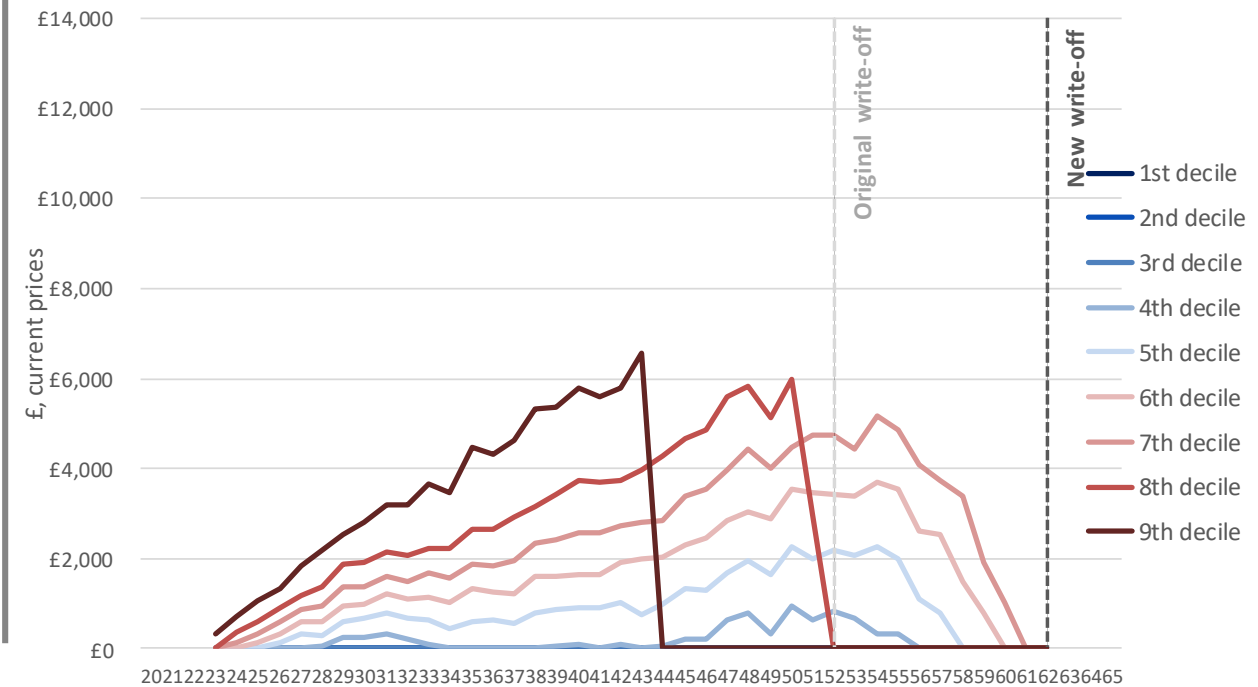
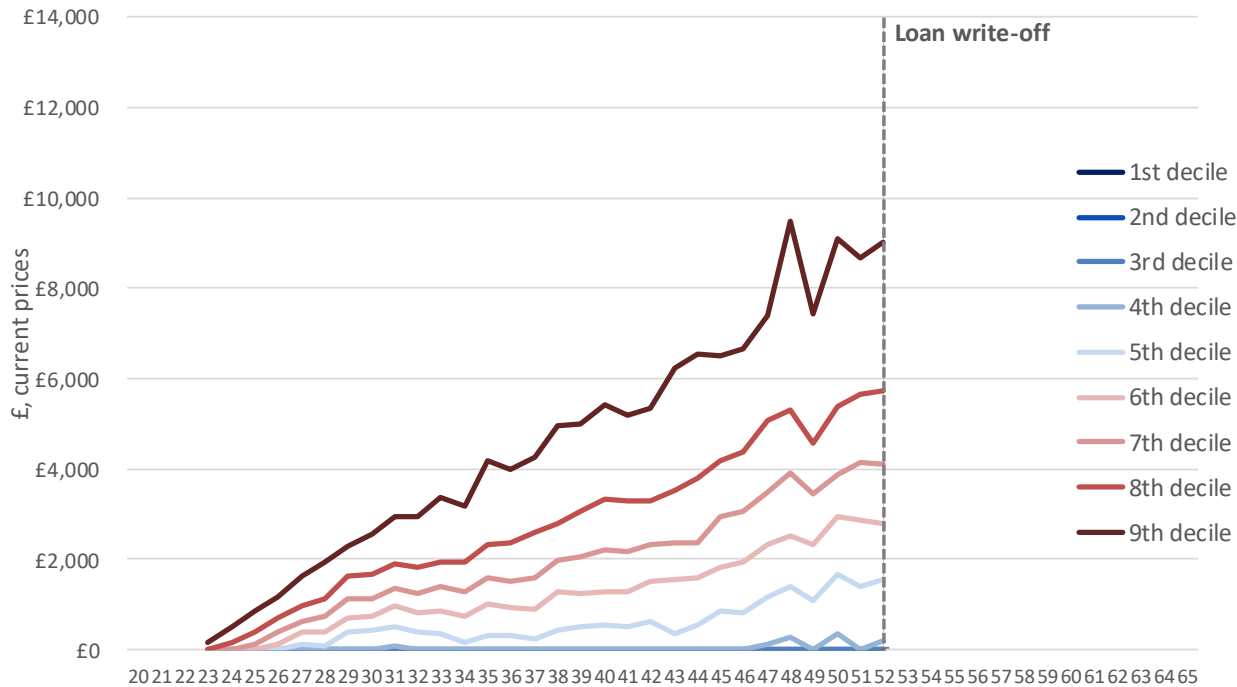
Impact of the Augar Review: Students/graduates

Annual loan repayments by full-time undergraduate degree graduates (£ in current prices, cash terms),
by age and decile

Women

Baseline

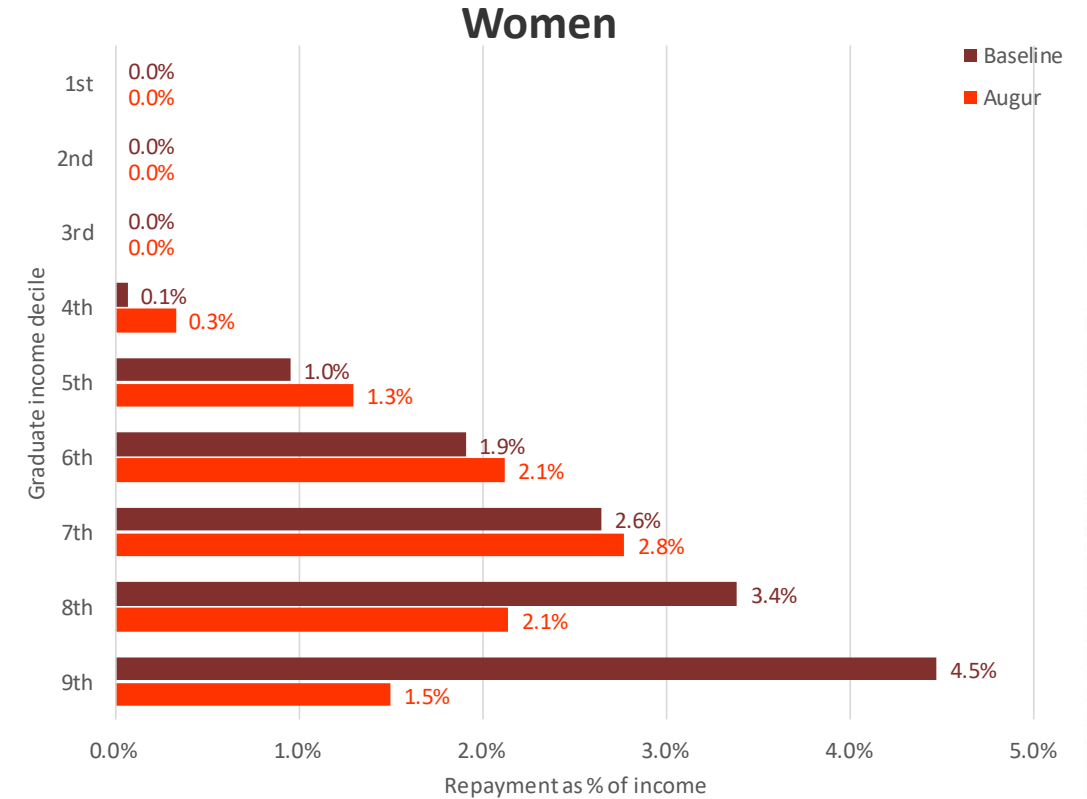
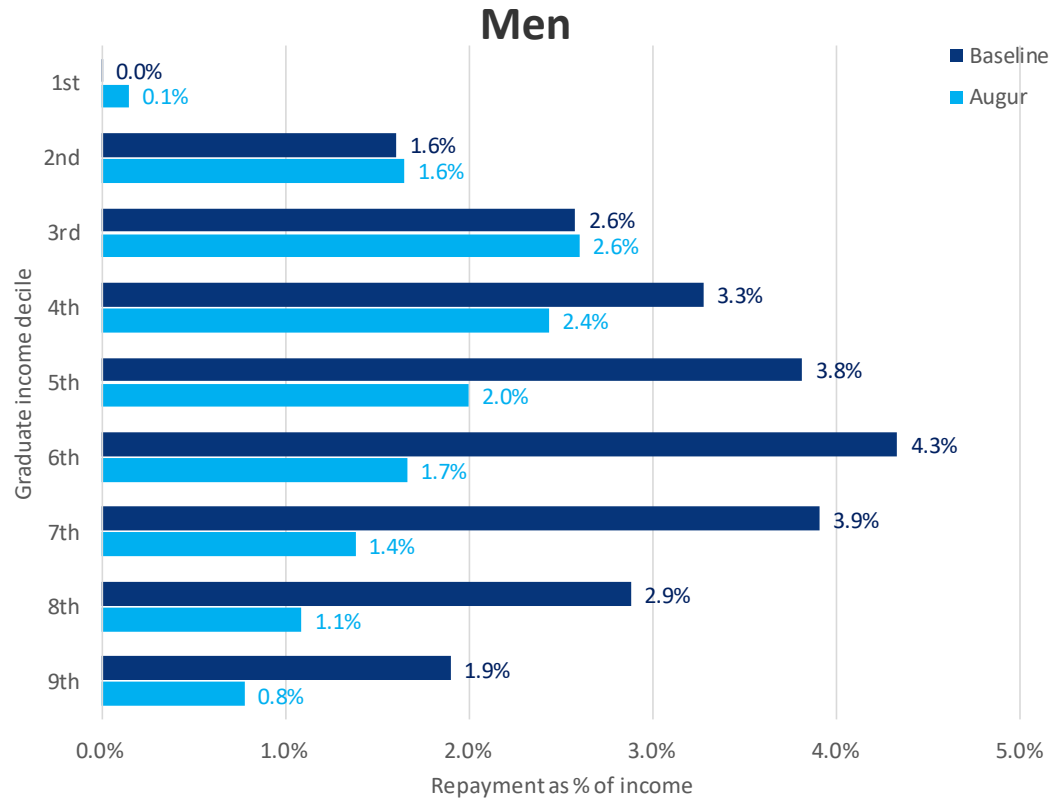
Augar



- Almost all female graduates (8th decile and below) contribute more and for longer – i.e. **almost all female graduates are worse off.**

Impact of the Augar Review: Students/graduates

Loan repayments by full-time undergraduate degree graduates, as a % of income, by decile and gender



- The removal of real interest rates during study, the extension of the repayment period and the repayment cap make the Augur system even *less* progressive than is currently the case.
- Moderate and low earning graduates will make larger contributions as a proportion of their lifetime earnings than high earning graduates.



So, who are the winners?

High earning (predominantly male) graduates

- The combination of smaller loans that are repaid more quickly, alongside capped repayments – will result in lower lifetime repayments for the highest graduate earners.

Less well-off students entering HE

- Additional funding for their studies due to the reintroduction of maintenance grants. However, this needs to be set against a potential reduction in widening participation activities and funding to support progression by HEIs (due to lower fees).

STEM focused HEIs (*relatively speaking* - maybe)

- *Potentially*, there will be some Teaching Grant reimbursement for lost tuition fee income. However, the details are unclear, and some of the potential T Grant reimbursement may be paid to HEIs for other purposes.

Employers

- Relatively limited mention of employers (in respect of higher education). No discussion of potential employer contributions within the Review – despite employers are one of the primary beneficiaries of more productive graduates (over and above any additional wage income (which the Review mentioned repeatedly)).



So, who are the losers?

Low earning (male) graduates and most female graduates

- Although average debt on graduation will decline, **repayments** for these graduates **are expected to increase year on year - and will take place for longer**. This results in higher lifetime repayments.

Students from non-traditional / disadvantaged backgrounds no longer entering HE

- Potential reduction in widening participation activities and funding to support progression** by HEIs (due to lower fees), impacting prospects for those from the least well-off backgrounds.

Arts, Humanities and Social Sciences (AHSS) focused HEIs

- Significant decline in tuition fee income**. HEIs with a low incidence of Band A, B and C1 subjects will face **funding shortfalls**. This is likely to lead to a reduction in expenditure – impacting activities and likely leading to job losses.

HEIs with high volumes of debt

- Some HEIs have issued **large volumes of debt with negative covenants**. If the core operations of these institutions are not robust, posting ongoing deficits may result in very serious consequences (i.e. immediate debt repayment).

HEIs outside of England

- Unless there is some top-up T Grant funding for English-domiciled students studying outside England, HEIs in **Scotland, Wales** and **Northern Ireland** will see a fall in income. Significant pressure to lower fees for **Welsh students studying in Wales**

The Welsh Government

- Potential pressure to lower fees for **Welsh students in Wales** might result in pressure to reimburse the lost fee income for Welsh HEIs through T Grants. Threat to the implementation of the Diamond Review recommendations



So, who are the losers?

The general taxpayer

- The increase in Exchequer cost (**£0.65 billion per cohort, 8%** compared to the Baseline) means **the recommendations are not cost-neutral**.

The public deficit

- The Augar recommendations **increase the deficit during the first three years** (by **£0.3-0.4 billion** per annum), and up to **£0.2 billion** per annum thereafter.

The National Health Service

- The reduction in fees *might* be offset by additional T Grant funding (for high priority subjects in Band C1). However, there is still some uncertainty about this, and as such, **the delivery of Subjects Allied to Medicine may become more challenging**.

HEIs overall (due to PG fee pressure)

- Following the increase in UG fees to £9,000 in 2012/13, there was a corresponding increase in PG fees. It is likely that there will be some **downward pressure on PG fees**, potentially resulting in lower fee income for HEIs.

The year before implementation

- There is likely to be **a significant dip in the numbers entering higher education in 2020/21**. Planning for this dip, followed by a demographic surge, will be highly problematic for all HEIs.

The Student Loans Company

- **An already complex system will become even more complex** (e.g. the **repayment cap**)
- **Significant additional burden** on an organisation already facing numerous challenges.

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Annex

Supplementary information



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Assumptions and methodology

- The model considers the total number of full-time and part-time **English domiciled** first-year students undertaking undergraduate qualifications **at any institution in the UK**, as well as full-time and part-time **EU students** engaged in undergraduate education **studying at English institutions**. We use information from the Higher Education Statistics Agency (HESA, [here](#)) for 2017-18 (i.e. the most recent academic year for which this data is currently available), and assume that the size and characteristics of the relevant cohort have **remained unchanged** between 2017-18 and 2018-19. See the '[Overview of the 2018-19 cohort](#)' slide for more information.
- Based on the same HESA data, we assume the following distribution of students by **qualification level**:

Qualification level	Full-time	Part-time
Other UG	3%	57%
HNC/HND	1%	3%
Foundation Degree	2%	3%
First degree	94%	38%
Total	100%	100%

- Part-time students are estimated to study at **40%** full-time equivalence (FTE).
- Again based on HESA data ([here](#)), we assume an annual continuation rate of **92.5%** for full-time students and **82.5%** for part-time students.
- The analysis is undertaken separately by gender. Based on HESA information on graduates by gender and qualification level ([here](#)), we assume the following **gender split**:

Qualification level	Full-time		Part-time	
	Male	Female	Male	Female
Other UG	47%	53%	38%	62%
HNC/HND	47%	53%	38%	62%
Foundation Degree	47%	53%	38%	62%
First degree	42%	58%	43%	57%

- We assume the following **average age at enrolment** (based on HESA information) and **average duration of qualification attainment** (by qualification level and study mode):

Age at enrolment

Qualification level	Full-time	Part-time
Other UG	28	36
HNC/HND	21	27
Foundation Degree	25	30
First degree	20	31

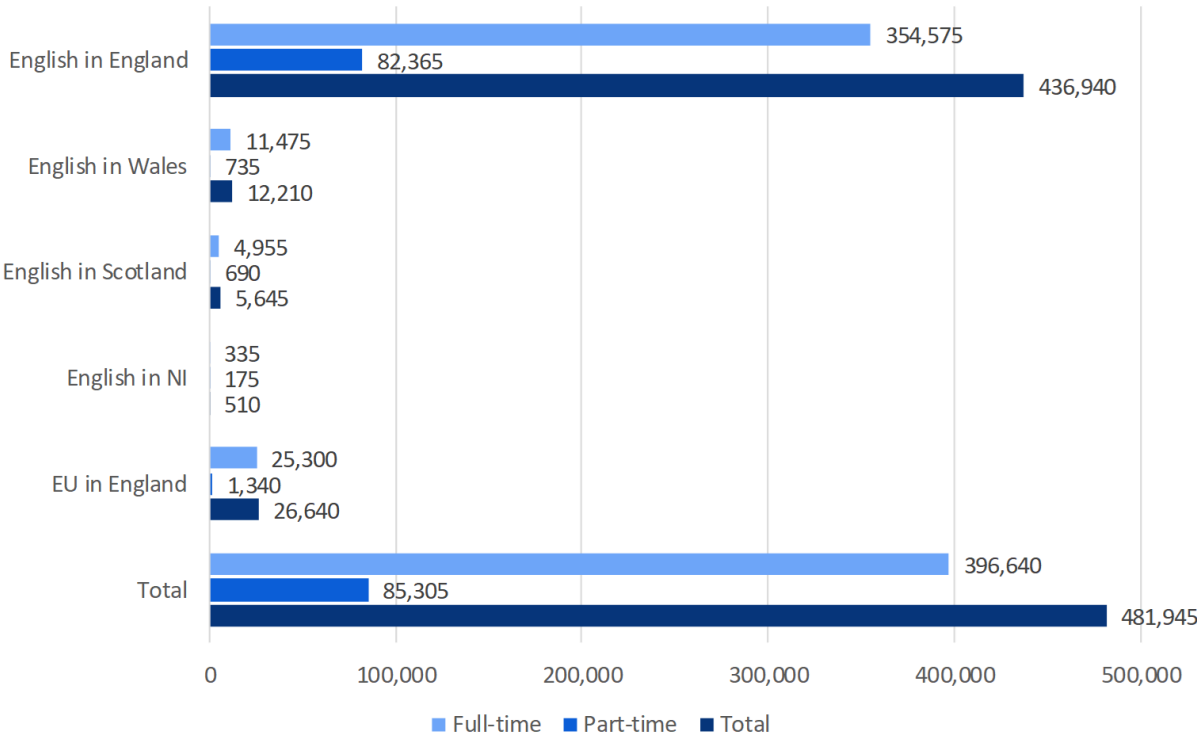
Duration of study

Qualification level	Full-time	Part-time
Other UG	1	2
HNC/HND	2	5
Foundation Degree	2	5
First degree	3	7

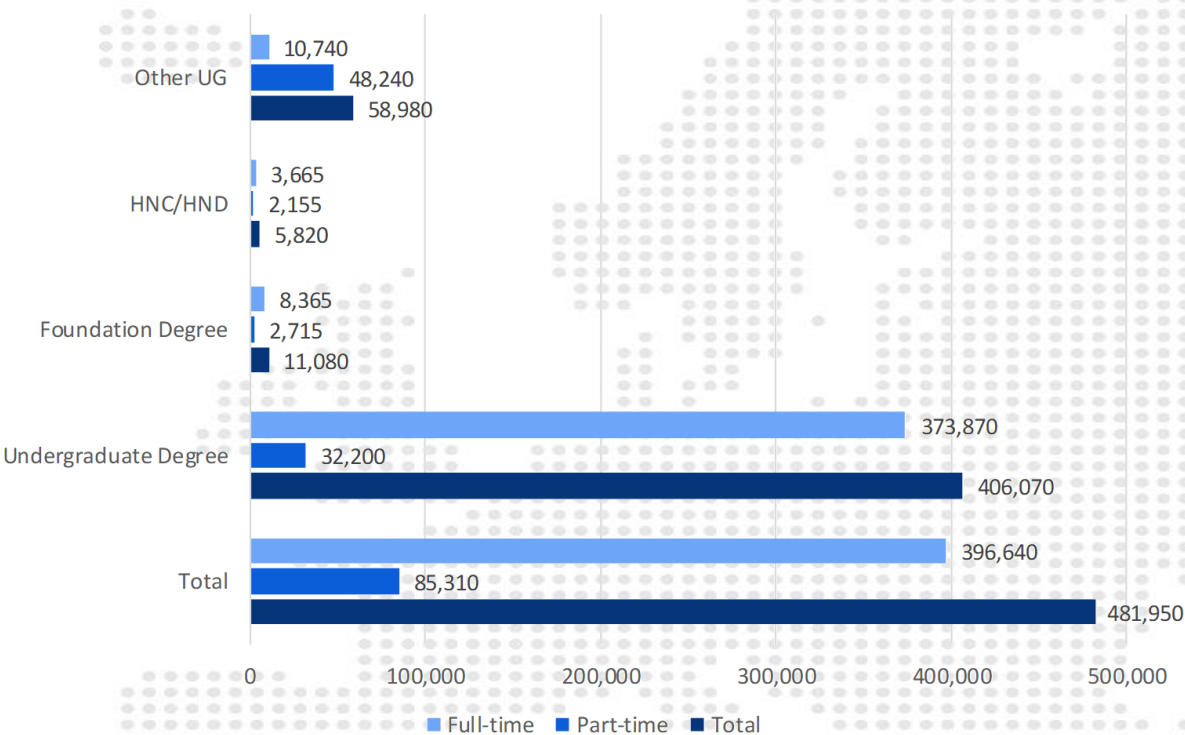
Assumptions and methodology

- The analysis is based on a total of 481,945 first-year undergraduate English-domiciled students studying anywhere in the UK and EU-domiciled students studying in England.

Breakdown by domicile, location of study and mode of study



Breakdown by level and mode of study



Note: All student numbers are rounded to the nearest 5. The information is based on the 2017-18 academic year (since information for 2018-19 is not yet available at the point of writing); hence, we assume the same size and characteristics of the 2018-19 cohort as for the 2017-18 cohort.
Source: London Economics' analysis based on data provided by the Higher Education Statistics Agency ([here](#))

Assumptions and methodology

- In the **baseline** (i.e. the current funding system in 2018-19), the maximum (gross) tuition fee in 2018-19 is **£9,250**, with an average fee charged of approximately **£9,120** (rounded to the nearest £10, based on OFFA data, [here](#)). As a result of Access agreements and the provision of bursaries and fee waivers by HEIs, the net tuition fee is lower (approximately **£8,960**). Based on average study intensity, the average part-time tuition net tuition fee was estimated to be **£3,530** per annum.
- Under the **Augur Review recommendations**, the maximum (gross) tuition fee stands at **£7,500**, with an estimated average fee of approximately **£7,400** (again using OFFA data). Assuming that institutions spend the same proportion of the difference between the fee charged and the baseline fee (**£6,165**) on bursaries and fee waivers as in the Baseline, the net tuition fee is estimated at **£7,330**. The average part-time tuition net tuition fee was estimated to be **£2,890** per annum.
- Based on the **current funding system**, we have modelled **maintenance loan eligibility** (applicable to full-time students only) by **students' living conditions**, for students living at Home (LAH, **21%** of full-time students), living away from home outside of London (LAFHOL, **67%** of full-time students) and living away from home in London (LAFHIL, **12%** of full-time students) - using the current household income thresholds applied by Student Finance England.
- To determine the **size of maintenance loans received**, students in the cohort are categorised by gender, location of study, study intensity and living arrangements whilst in study. We assume that **all students take out the maximum available loan to which they are entitled**, and we base eligibility for loans using information from the Student Loans Company (SLC, [here](#)) on the distribution of students by household income, based on the proportion of students that were previously in receipt of full or partial maintenance grants (in 2015-16). We thus estimate that the average maintenance loan received per full-time undergraduate student in the 2018-19 cohort stands at **£6,750** per student per year.
- We assume that fees and maintenance loans do not increase over the duration of students' courses.

- In modelling the impact of the **Augur Review recommendations** on maintenance, we assume a maximum **maintenance grant** of **£3,000** per student per annum for students with household income of less than **£25,000**, tapering out to £0 towards a household income of approximately **£46,300** (based on the proposed threshold of £42,620 (in 2015/16 prices), adjusted to 2018/19 prices using OBR estimates of RPI inflation).
- Based on the recommendation to lower the maximum **maintenance loan** to the National Minimum Wage for age 21 to 24, we assume that the maximum maintenance loan (for LAFHOL, LAH and LAFHIL) would **decline** by approximately **3.1%** per student per year, respectively (based on the difference between the current maximum loan of £8,944, and the proposed lower loan of £8,663 (see Figure 7.5 in the Augur Review report)).
- In terms of the interplay between the new maintenance grants and loans, we assume that the new **maintenance grant replaces maintenance loans for students from the lowest household incomes**. Hence, we assume that the maintenance loan *increases* while the maintenance grant tapers out between household income of £25,000 and £46,300. We then assume that the minimum maintenance loans are applied for the same household income thresholds as in the current baseline system (again depending on living cost conditions).

Assumptions and methodology

- For the **baseline**, the average **Teaching Grant** per student studying in **England** in 2018-19 is derived by combining assumptions on the rate per FTE student by subject band with information on the distribution of students by subject band (both provided by the Office for Students, [here](#)), as follows:

Subject Band	Funding per FTE, £	% of FTE students
Band A	£10,100	2%
Band B	£1,515	22%
Band C1	£253	21%
Band C2	-	20%
Band D	-	35%
Total	-	100%

- Combining this with the average ‘other targeted allocations’ funding per student (e.g. including premium funding to support retention), the average total Teaching Grant per full-time student studying in England amounts to approximately **£1,090**. Based on average study intensity, the average funding per part-time student was estimated at **£430** per annum.
- For studying in **Scotland**, we divide the total Teaching Grant funding provided by the Scottish Funding Council in 2018-19 by the number of funded FTE students in that year ([here](#)). We thus estimate that the average Teaching Grant per full-time student stands at **£5,630** per year, with the assumed part-time rate (again based on study intensity) standing at **£2,230**.
- For students studying in **Wales or Northern Ireland**, we make use of HESA financial data ([here](#)) and student data ([here](#)) for 2017-18 (assuming the same level of Teaching Grant in 2018-19). We divide the total Teaching Grant funding in each of these Home Nations by the total number of UK and EU students undertaking undergraduate or postgraduate taught qualifications (excluding postgraduate research and non-EU students). Adjusting for study intensity, the average Teaching grant per full-time student in Wales and Northern Ireland is estimated to be **£300** and **£3,030** per student per annum respectively. The corresponding estimates for part-time students stand at **£120** and **£1,200** per student per annum.

- For modelling the **Augur Review recommendations**, we assume that institutions in **England** will be fully compensated for the loss in tuition fee income resulting from the proposed lower maximum fee. In other words, we assume that the *average* Teaching Grant funding per student *across all subject bands* will increase by the difference in the average fee charged (rather than the maximum) between the current system and the Augur proposals.
- We assume that the top-up funding applies to students in **subject Bands A, B and C1 only**. Assuming the top-up per student across each of these bands, based on the distribution of students by band, we estimate that the additional Teaching Grant funding per student in Bands A, B and C1 stands at approximately **£3,820** per student (in FTE) per annum.
- We assume that there is **no such top-up funding provided to institutions in Wales, Scotland or Northern Ireland**.

Assumptions and methodology

- Under the **current funding system**, tuition fee and maintenance loans accumulate **interest** at 3% + RPI during the period of study. After graduation, loans accumulate interest depending on earnings, with individuals earning **£25,000** incurring interest at 0% + RPI, increasing to 3% + RPI for individuals with earnings of **£45,000** per annum or above. For part-time students, we apply current SLC rules in relation to the accumulation of interest during study.
- We assume that loan repayment is **9%** of earnings in excess of **£25,000** per annum, that all loans are written off 30 years from the Statutory Repayment Due Date (SRDD).
- We assume that the relevant earnings **thresholds** for interest accumulation and loan repayment (of £25,000 and £45,000) increase with the rate of average nominal earnings growth per year.
- We use the most recent Office for Budget Responsibility long-term forecasts in relation to the expected **Retail Price Index** per annum, as well as expected **nominal average earnings growth** per annum ([here](#)).
- In relation to the estimation of the **RAB charge and lifetime loan repayments (in NPV)**, we assume a real discount rate of **0.7%** as used in the governmental accounts, with the nominal discount rate amounting to **0.7% + RPI**.
- In relation to the estimation of aggregate financial flows across the cohort, we assume the standard HMT Green Book real discount rate of **3.5%** (see [here](#)), with the nominal discount rate amounting to **3.5% + RPI**.
- To model the impact of the Augur Review, in line with the relevant recommendations on student contributions, we assume that tuition fee and maintenance loans accumulate **interest** at **RPI only** during the period of study – i.e. that zero real interest is charged during study.
- The Review further recommends lower interest thresholds, with individuals earning **£23,000** incurring interest at 0% + RPI, increasing to 3% + RPI for individuals with earnings of **£43,000** or above (both in 2018-19 prices). It is recommended that the earnings threshold for loan repayment is also lowered to **£23,000** accordingly. We again assume that these new thresholds increase with the rate of average nominal earnings growth per year.
- In line with the recommendations, our modelling further assumes an extension of the repayment period to **40 years**.
- To model the impact of the proposed **repayment cap**, we assume that the **cumulative loan repayments per graduate in constant 2018-19 prices** (adjusted for inflation using OBR RPI estimates, *not* discounted to NPV) are capped at 1.2 times the initial total loan outlay per graduate (i.e. excluding interest, and in cash terms).

Assumptions and methodology

- To estimate graduates' lifetime loan repayments (by qualification level (i.e. first degrees, Foundation Degrees, HNCs/HNDs and other undergraduate qualifications), gender, study mode and decile), we make use of **pooled UK Quarterly Labour Force Survey data for the period 2004-2017**.
- Using this data, we estimate the **average earnings** (in 2018 prices) among individuals in possession of each of the different qualifications as their highest level of attainment, separately by age (for first degrees) or age band (for qualifications below degree level (due to sample size)), gender, and income decile. To assess loan repayments for part-time students (who typically start repaying their loans *during study*), we further estimate the average earnings of individuals in possession of Level 3 qualifications as their highest level of attainment (used as part-time students' assumed earnings during study), separately by age, decile and gender.
- We also estimate the **average probability of being in employment**, again by qualification level, age or age band, and gender.
- Based on the above, we then estimate the **employment-adjusted annual earnings profiles** of graduates associated with each qualification, by study mode, gender and decile. We adjust these age-earnings profiles to account for the fact that earnings are expected to increase over time (again using Office for Budget Responsibility forecasts of average nominal earnings growth per year ([here](#))).



Public deficit accounting:

Previous approach vs. new ‘Hybrid’ approach

The **public deficit** represents **[income]** minus **[expenditure]**:

Approach	Income [+]	Expenditure [-]
Old approach	Interest <i>receivable</i> each year	<ul style="list-style-type: none"> • Loan write-offs (interest + principal) occurring intermittently over the 30 year repayment period (because of death and disability), as well as at the end of the repayment period • Teaching grants paid during study • Tuition fee and maintenance grants paid during study (if any)
New approach: ‘Hybrid treatment of loan extension’	Interest <i>receivable on loans expected to be repaid</i> each year	<ul style="list-style-type: none"> • Proportion of loan principal expected to be written off counted as an <i>immediate transfer</i> to students during study (i.e. the value of loan principal expected not to be repaid) • Teaching grants paid during study • Tuition fee and maintenance grants paid during study (if any)

- The previous treatment of student loans in the deficit counted **interest *receivable*** (rather than actually repaid) throughout the repayment period, and only counted the costs associated with loan write-offs **at the end of the 30 year repayment period**.
- Hence, while the Higher Education Funding system looked expensive to the Exchequer from an **economic cost** perspective (see above), the old treatment in the national accounts created a **fiscal illusion**, since the loans ***appeared to generate surplus*** throughout almost the entire repayment period.

Public deficit accounting:

Previous approach vs. new ‘Hybrid’ approach

The **public deficit** represents **[income]** minus **[expenditure]**:

Approach	Income [+]	Expenditure [-]
Old approach	Interest <i>receivable</i> each year	<ul style="list-style-type: none"> Loan write-offs (interest + principal) occurring intermittently over the 30 year repayment period (because of death and disability), as well as at the end of the repayment period Teaching grants paid during study Tuition fee and maintenance grants paid during study (if any)
New approach: ‘Hybrid treatment of loan extension’	Interest <i>receivable</i> on loans <i>expected to be repaid</i> each year	<ul style="list-style-type: none"> Proportion of loan principal expected to be written off counted as an <i>immediate transfer</i> to students during study (i.e. the value of loan principal expected not to be repaid) Teaching grants paid during study Tuition fee and maintenance grants paid during study (if any)

- The new Hybrid treatment splits loans into a **grant** and a **loan element** (hence the ‘hybrid’ approach).
- The **grant** element refers to the **proportion of the loan principal expected to be written off**, recorded as upfront spending (i.e. during study).
- The **remaining loan principal** (expected to be fully repaid) is still treated as a **loan**, with only **interest *receivable* on *this* loan element** recorded as income*. Given that this loan element is expected to be fully repaid, there are **no more loan write-offs recorded after 30 years**.

* As outlined by the Office for National Statistics ([here](#)), ‘adjusting the estimates to exclude interest [on loans expected *not* to be repaid] could be a very difficult task’. Here, we calculate the proportion of the loan expected to be written off by dividing the expected total loan write-offs after 30 years by the total principal and interest accrued during the 30 years (again, separately by qualification level, mode, gender and graduate income decile). We then calculate the interest that is accruable only on the remaining proportion of the principal.