

**EXPLANATORY MEMORANDUM TO**  
**THE STUDENT FEES (INFLATION INDEX) REGULATIONS 2006**

**2006 No. 507**

**1.** This explanatory memorandum has been prepared by the Department for Education and Skills and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 These Regulations set the index of prices to be used for uprating the basic and higher amounts of variable tuition fees in order to maintain the value of these amounts in real terms. The index to be used is the All Items Retail Price Index Excluding Mortgage Interest Repayments (RPI-X); the same measure of inflation used to uprate the amount of student loans and grants.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

**4. Legislative Background**

4.1 These Regulations are made under sections 26(3) and 47 of the Higher Education Act 2004 which give the Secretary of State the power to set an index of prices to which she must have regard when increasing the basic and higher amounts of variable tuition fees in order to maintain, but not to exceed, their value in real terms.

4.2 Under the 2004 Act, the tuition fee cap amounts for academic year 2006/07 were prescribed by the Student Fees (Amounts) Regulations (England) 2004. The Regulations set the basic amount for the tuition fee cap at £1,200, the higher amount at £3,000 and the half-rate amounts for certain specified courses. Section 26(2) of the Higher Education Act 2004 stipulates that the basic amount cannot be increased above the amount required to maintain its value in real terms unless affirmative regulations are passed through Parliament; the higher amount cannot be increased by more than inflation until 2010.

4.3 The Student Fees (Inflation Index) Regulations 2006 are being made to set the RPI-X as the index to which the Secretary of State must have regard when increasing the variable fee caps.

**5. Extent**

5.1 This instrument applies to England.

**6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 The Student Support Regulations are updated on an annual cycle. Reviews are therefore undertaken annually to determine whether changes are required to the student support products and to tuition fee caps so that they keep pace with inflation and maintain their value in real terms. No commercial interest is applied to student loans and no profit is made from this lending.

7.2 The Higher Education Act 2004 gives the Secretary of State the power to set an index of prices for which she must have regard when increasing the basic and higher amounts of variable tuition fees in order to maintain their value.

7.3 The current practice uses forecasts of inflation for the period in question to set future tuition fee contributions and levels of student support (e.g. for loans and grants), rather than the most recent actual inflation figures. The All Items Retail Price Index Excluding Mortgage Interest Repayments (RPI-X) is the index used for this purpose. Its use is long established and recognised by students and the public. By using the forecast rate for the year ahead the amounts are increased as closely as possible to inflation for the period in question in real time. RPI-X is deemed closest to the type of costs students are most likely to incur.

7.4 The intention is to continue this recognised practice and to set RPI-X as the index for any uprating of the basic and higher amounts of variable tuition fees. .

### **7.5 Consultation**

There is no statutory requirement to consult on these Regulations. However, key stakeholders in the Higher Education sector were consulted in January 2006 on the proposal to use RPI-X as the index, including the Higher Education Funding Council for England, Universities UK, the National Union of Students and the National Association of Student Money Advisers. Responses received to the written consultation did not raise concern about RPI-X being the index used.

## **8. Impact**

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The impact on the public sector is minimal.

## **9. Contact**

Suzanne Farrell at the Department for Education and Skills Tel: 020 7925 5152 or e-mail: Suzanne.farrell@dfes.gsi.gov.uk can answer any queries regarding the instrument.