Department for Business, Innovation & Skills

The RAB charge

The Resource Accounting and Budgeting (RAB) charge is the estimated cost to Government of borrowing to support the student finance system. It is based on future loan write-offs and interest subsidies in net present value terms. For convenience, we express these costs as a proportion of the initial loan outlay.

The RAB charge is calculated by taking repayment forecasts for income contingent repayment (ICR) loans, and discounting them back to the period that the loan is issued using the discount rate provided by Treasury (previously RPI+2.2%, now revised to RPI+0.7%). This gives us a net present value (NPV) of the future repayments and the cost is the difference between the loan issued and the NPV of the repayments.

The purpose of the BIS student loan repayment model, which is called StEP, is to assist in valuing the existing ICR student loan book, and to provide forecasts for budgeting purposes.

The RAB charge for Higher Education has been updated, and the most recent value is given here: http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2016-01-18/HL5098/

The annual update of the RAB charge will be published in the summer at the same time as BIS accounts, in accordance with our stated publication schedule.

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