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Eóin Murphy

Budget 2015/16: Implications for Undergraduate Student Support

1 Introduction

The following paper discusses the potential implications of the announced budget cuts on student support in Northern Ireland.

Please note, throughout this paper the Department for Employment and Learning is referred to as “the Department” and Departmental Expenditure Limits as DEL.

2 Key Points

- The Draft Northern Ireland Budget for 2015/16 has introduced widespread cuts across Government Departments. Funding for 2015/16 comprises:
 - **Non Ring-fenced Resource Departmental Expenditure Limit:** A reduction from a 2015/16 baseline of £756.2 million to **£674.4 million**. This is a reduction of 10.8%;
 - **Ring-fenced Resource Departmental Expenditure Limit:** This has a draft budget position of **£158.1million**;

- **Capital Departmental Expenditure Limit:** The capital allocations are based on an assessment of the contractual or inescapable commitments within departments, the necessary level of recurrent spending, with additional funding being provided for new programmes and projects where possible. For the Department, this allocation is **£33.2 million**;
 - **Together: Building a United Community (Shared Housing/Education Schemes):** The Executive has negotiated £100 million of additional borrowing power that can be utilised for shared housing or education schemes. As part of this, **£5 million** has been provided for Craigavon Further Education College;
 - **Annually Managed Expenditure:** Forecasted Student Loans AME of **£215.2 million**;
- Departmental Resource Budgets are classified as either Departmental Expenditure Limits (DEL) or Annually Managed Expenditure (AME);
 - All budgets are DEL unless the Treasury has determined that they should be in AME;
 - As AME is demand led, budgets are forecasted rather than set. As stated by HM Treasury:

The AME element of the budget is reviewed twice annually, and forecasts are made for a number of years ahead.

- Student Support is funded from both DEL and AME. Maintenance Loans and Tuition Loans are funded via AME;
- Both Queen's University of Belfast (QUB) and Ulster University (UU, the recently rebranded University of Ulster) have stated that as a result of the expected budget cuts they will be reducing student in-takes by 1,100 students (broken down to 550 students each);
- Based on 2012/13 student intakes (the most recent figures available), this would reduce first year student numbers in total at both Universities from 8,645 to 7,545;
- It should be noted that the Department has yet (at the time of writing) to announce what cuts will be passed on to the HEI sector;
- In addition, details on how the places will be cut have also to be provided by QUB and UU. For example, will there be a general reduction in course size or will whole courses be cut?;
- There are also potential implications for the NI Economy as a result of skill losses and to the local economy in the short term due to smaller student numbers contributing to the local economies surrounding University campuses;
- The Vice-Chancellor of Ulster University, Professor Richard Barnett, stated that:

Many of the people that we will end up not being able to offer places to will end up going to England where they will have to pay £9,000 in fees, but the ridiculous thing is that the government here will pay for student support. So

what we will actually be doing is, the money that is coming from London will end up being sent straight back in the form of student support.

- Further clarification of this remark may be needed as the majority of student support is provided via tuition fee loans and maintenance loans. This is funded via Annually Managed Expenditure and as such is demand led funding provided by HM Treasury;
- As such it does not impact on Departmental Budgets and is not an additional cost to the NI Executive or the Department for Employment and Learning;
- Universities and colleges in the Republic of Ireland (ROI) charge an annual fee contribution;
- In 2012/13 628 students from Northern Ireland enrolled in Higher Education courses at Universities, Colleges and Institutes of Technology in the ROI; and
- Students can get a repayable Student Contribution Loan to cover this upfront cost. For academic year 2014/15 this is €2,750. This is paid directly to the university or college after a student registers on their course. As this is a loan it is paid for via AME.

3 Budget 2015/16

The Draft Northern Ireland Budget for 2015/16 has introduced widespread cuts across Government Departments.

As stated in the Budget document:¹

The Executive had the difficult undertaking of constructing a draft Budget in a constrained public expenditure environment. The draft Budget has demanded tough choices and difficult decisions and the task of the Executive has not been one of making decisions on how to allocate surplus funding but rather one of prioritising funding which underpins key services. In this respect the draft Budget will not cover all that the Executive aspires to do, but rather has its focus on supporting critical public services.

Based on the draft budget, the Department for Employment and Learning has the following allocations:²

- **Non Ring-fenced Resource Departmental Expenditure Limit:** A reduction from a 2015/16 baseline of £756.2 million to **£674.4 million**. This is a reduction of 10.8%;
- **Ring-fenced Resource Departmental Expenditure Limit:** This has a draft budget position of **£158.1million**;
- **Capital Departmental Expenditure Limit:** The capital allocations are based on an assessment of the contractual or inescapable commitments within departments, the necessary level of recurrent spending, with additional funding being provided for

¹ Northern Ireland Executive, Draft Budget 2015/16, <http://www.northernireland.gov.uk/draft-budget-2015-2016.pdf>

² Ibid

new programmes and projects where possible. For the Department, this allocation is **£33.2 million**;

- **Together: Building a United Community (Shared Housing/Education Schemes):** The Executive has negotiated £100 million of additional borrowing power that can be utilised for shared housing or education schemes. As part of this, **£5 million** has been provided for Craigavon Further Education College;
- **Annually Managed Expenditure:** Forecasted Student Loans AME of **£215.2 million**;

The Department has a total forecasted AME allocation of **£222.4 million**, the vast majority of which is made up of Student Loans.

4 Student Support Costs

This section of the paper will provide a brief discussion regarding Departmental Expenditure Limits and Annually Managed Expenditure before moving on to discuss the current costs for Undergraduate Student Support.

Departmental Resource Budgets are classified as either Departmental Expenditure Limits (DEL) or Annually Managed Expenditure (AME).

DEL budgets form part of the Northern Ireland block grant allocations.³ DEL sets firm, multi-year spending limits with devolved administrations having full discretion over their spending priorities.⁴

All budgets are DEL unless the Treasury has determined that they should be in AME.

Treasury may agree to put some programmes into AME if (as with student loans and welfare payments) they are demand-led or exceptionally volatile in a way that could not be controlled by the Department and where the programmes are so large that Departments could not be expected to absorb the effects of volatility in their DELs.⁵

As AME is demand led, budgets are forecasted rather than set. As stated by HM Treasury:⁶

The AME element of the budget is reviewed twice annually, and forecasts are made for a number of years ahead.

It should be noted that:⁷

³ Stuart, J, March 2010, Independent Review of Variable Fees and Student Finance Arrangements

⁴ HM Treasury, October 2010, Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy, http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/sr2010_fundingpolicy.pdf

⁵ Stuart, J, March 2010, Independent Review of Variable Fees and Student Finance Arrangements

⁶ HM Treasury, October 2010, Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy, http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/sr2010_fundingpolicy.pdf

⁷ Ibid

Increases in Annually Managed Expenditure programme spending, which arise from policy decisions taken by the respective devolved administrations, will be met from their respective budgets.

Student support is funded via DEL and AME in Northern Ireland:⁸

- The DEL aspect relates to implied subsidies (this is effectively the difference between the cost to government for the loan and the expected amount of return) and includes a provision for potential bad debts; and
- AME for Issue of loans (the actual provision of the loan to students) and the repayment of principal (the loan itself, not including any interest) of Student Loans.

AME loan costs for the period 2006/07 to 2012/13 are provided in Table 1:⁹

Table 1: Total Loan Funding AME 2006/07 to 2012/13

Type	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total (2006/07 to 2012/13)
Tuition Fees Loan (Income Contingent Repayment ICR)	16,881,000	46,291,000	67,021,000	87,655,000	97,809,000	104,052,000	123,660,000	543,369,000
Maintenance Loan (ICR)	105,400,000	108,724,000	111,834,000	116,161,000	122,512,000	122,521,000	127,815,000	814,967,000
Total AME Loan Funding	122,281,000	155,015,000	178,855,000	203,816,000	220,321,000	226,573,000	251,475,000	1,358,336,000

Total AME loan funding consists of:

- **Income Contingent Repayment Tuition Fee Loans:** Introduced in 2006/07 Tuition Fee Loans are used to cover all or part of a student's tuition fees and it needs to be paid back after a course is completed. Interest is charged on the amount borrowed and they are paid directly to a student's University or College. As stated by the Department:¹⁰

There are incremental annual demand led increases until 2012/13 when variable fees first impact on NI domiciles studying elsewhere in GB raising the loans significantly.

- **Maintenance Loans:** Helps with living costs. It must be paid back after a course is completed and interest is charged on the amount borrowed. It is paid directly to the student. The Department states that:¹¹

⁸ Ibid

⁹ It should be noted that: Tuition fees do not include loans paid to EU Nationals studying in NI; 07/08 and 08/09 figures have been adjusted to reflect an accounting provision which skewed the payments. In addition, the figures may not add up as a result of ??

¹⁰ Correspondence with DEL, 8 April 2014.

¹¹ Ibid

There are relatively small annual increases due to demand lead increases in overall student numbers and the downturn in the economy.

It should be noted that the AME expenditure by programme for 2015/16 (as discussed in Section 2) is forecast at £215.2 million. This is significantly lower than the total AME Loan funding in 2012/13 of £251,475,000.

The Committee may wish to ask the Department for clarification regarding the forecasting of the 2015/16 AME Loan funding, including what assumptions have been made regarding expected demand for student loans during this period – although it should be noted that as AME is demand led, the forecast amount will be subject to change in any regard.

Table 2 details the total undergraduate grant funding (paid via the Departmental Expenditure limit).

Table 2: Total Undergraduate Grant Funding (DEL) 2006/07 to 2012/13

Type	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total (2006/07 to 2012/13)
Maintenance Grant/Special Support Grant	23,338,000	48,317,000	42,956,000	59,247,000	66,925,000	67,784,000	71,884,000	380,451,000
Tuition Fee Grants	15,107,000	9,146,000	3,688,000	2,149,000	484,000	146,000	36,000	30,756,000
Childcare, parents learning allowance and adult dependents grants	2,789,000	2,503,000	2,199,000	2,887,000	3,156,000	3,199,000	2,409,000	19,142,000
Full Time DSA	919,000	1,845,000	2,117,000	2,312,000	2,701,000	2,601,000	2,822,000	15,317,000
Total Undergraduate Grant Funding (DEL)	42,153,000	61,811,000	50,960,000	66,595,000	73,266,000	73,730,000	77,151,000	445,666,000

Undergraduate grant funding consists of:

- **Maintenance Grant/Special Support Grant:** The Maintenance grant and the special support grant helps with living costs and does not need to be paid back. The Special Support Grant is based on a student's eligibility for income support or other means-tested benefits such as Housing Benefit. The Department states that:

Unlike maintenance loans these grants are fully means tested and the steady annual increase is down to an overall increase in student numbers and the economic downturn bringing more families within the household income thresholds eligible for grant support.

- **Tuition Fee Grants:** With the introduction of tuition fee loans these grants have begun to be phased out as can be seen in the reduction in funding;
- **Childcare, parents learning allowance and adult dependent grants:** As stated by the Department:

These three support items are grouped together because while the five Education and Library Boards separately identify each of these items they inform the Student Loans Company to make a payment from a single cost centre which covers all three, given their relatively small size. As would be expected for demand led [sic] support of this kind undergoes annual increases and decreases.

- **Full Time Disabled Students Allowance:** Available to students who have extra costs because of a disability, mental-health condition or specific learning difficulty. It is paid directly to the equipment supplier or into the student's bank account (only if the student is claiming a reimbursement).

5 Potential Implications of the Budget Cuts for Undergraduate Student Support

5.1 Reduction of Student Intakes

Both Queen's University of Belfast (QUB) and Ulster University (UU, the recently rebranded University of Ulster) have stated that as a result of the expected budget cuts they will be reducing student in-takes by 1,100 students (broken down to 550 students each).¹²

The following information may be of note:

- In 2012/13 (the most recent figures available) there were 38,730 undergraduate students enrolled in QUB and UU (18,075 and 20,655 respectively);¹³
- In 2012/13 70% of Northern Ireland full time, first degree undergraduate students enrolled in a HEI in Northern Ireland (9,110), with 3,905 NI students studying elsewhere in the UK (England 2,880, Scotland 875 and Wales 150);¹⁴
- In 2012/13, 77% of all (full time and part time) Northern Ireland domiciled first year undergraduates studied at Northern Ireland HEIs; and¹⁵
- In 2012/13 there were 9,110 full time first degree entrants to NI HEIs.

Table 3 on the page following details the intake of students in 2012/13 and the impact of the proposed reduction on student numbers for QUB and UU based upon the Universities joint statement regarding student intakes in September 2015.¹⁶

¹² BBC News, 5 November 2014, QUB and UU warn of plans to cut 1,100 student places, <http://www.bbc.co.uk/news/uk-northern-ireland-29911353>

¹³ HESA, All students by HE institution, level of study, mode of study and domicile 2012/13,

¹⁴ HESA, UK domiciled, first year student enrolments on HE courses by level of study, mode of study, domicile and location of HE institution 2011/12 & 2012/13, <https://www.hesa.ac.uk/sfr197#tables> and Table T1a, Participation of under-represented groups in higher education: UK domiciled young full-time first degree entrants 2012/13, <https://www.hesa.ac.uk/free-statistics>

¹⁵ Ibid

¹⁶ HESA, Table T1a, Participation of under-represented groups in higher education: UK domiciled young full-time first degree entrants 2012/13, <https://www.hesa.ac.uk/free-statistics>

Table 3: Potential impact on student intake (based on 2012/13 figures)

	2012/13 Intake	Proposed reduction	Student Intake post reduction
Queen's University of Belfast	4,585	550	4,035
Ulster University	4,060	550	3,510
Total	8,645	1,100	7,545

Please note, 2012/13 figures have been used as these are the most recent available.

It should be noted that the Department has yet (at the time of writing) to announce what cuts will be passed on to the HEI sector (which may impact on QUB, UU, St. Mary's University College, Stranmillis University College and on Regional Colleges which provide HE courses).

In addition, details on how the places will be cut have also to be provided by QUB and UU. For example, will there be a general reduction in course size or will whole courses be cut?

Implications of a reduction in student numbers are not yet known but it has been suggested by QUB and UU that there could be an increase in the number of students leaving NI to pursue higher education courses elsewhere in the UK or ROI, with potential for some students not returning to NI.¹⁷

There are also potential implications for the NI Economy as a result of skill losses (although this may be determined by how the cut in numbers is implemented, such as being restricted to non-STEM or STEAM subjects). As stated by the Minister for Employment and Learning:¹⁸

The cuts to my department will affect our capacity to provide the high level skills and qualifications necessary to grow the economy...Potential investors and companies wishing to locate to Northern Ireland are doing so because we have shown that we can provide the types of graduates that they can employ.

A lower number of students may also have implications at a local economy level with less students spending in local shops and renting properties.

Importantly, the reduction of student numbers may have knock on effects for University staff, with fewer students resulting in a need for fewer lecturers, teaching assistants

¹⁷ Ibid

¹⁸ Belfast Telegraph, 6 November 2014, Stormont now faces pressure to rethink university budget cuts, <http://www.belfasttelegraph.co.uk/news/education/stormont-now-faces-pressure-to-rethink-university-budget-cuts-30722611.html>

and support staff. As such, whilst it is too early to say, a reduction in student numbers may result in a reduction of staff.

5.2 Provision of Student Support to GB HEIs

The Vice-Chancellor of Ulster University, Professor Richard Barnett, stated that:¹⁹

Many of the people that we will end up not being able to offer places to will end up going to England where they will have to pay £9,000 in fees, but the ridiculous thing is that the government here will pay for student support. So what we will actually be doing is, the money that is coming from London will end up being sent straight back in the form of student support.

Further clarification of this remark may be needed as the majority of student support is provided via tuition fee loans and maintenance loans. This is funded via Annually Managed Expenditure, not out of the block grant, and as such is demand led funding provided by HM Treasury.

As a result it does not impact on Departmental Budgets and is not an additional cost to the NI Executive or the Department for Employment and Learning.

Indeed, based on the current understanding of the student loans system, students from NI attending GB Universities will be fully funded by tuition fee loans and maintenance loans, unlike NI domiciled students attending NI HEIs who will have part of the cost of their tuition met by the Teaching Grant paid to the Universities by the Department.

Discussions with Departmental Officials have not identified any additional costs to the Department or the Executive of NI students attending HEIs in Great Britain.²⁰

6 Support for Students Studying in the Republic of Ireland

Universities and colleges in the Republic of Ireland (ROI) charge an annual fee contribution. In 2012/13 628 students from Northern Ireland enrolled in Higher Education courses at Universities, Colleges and Institutes of Technology in the ROI.²¹

The finance around this depends on if a student has:²²

- Started their course before AY 13/14 – The students Education and Library Board will continue to pay the Contribution Charge directly to the university or college as a grant payment. This does not need to be repaid; or
- Started their course from AY 13/14 – Students can get a repayable Student Contribution Loan to cover this upfront cost. For academic year 2014/15 this is

¹⁹ Ibid

²⁰ Discussions with DEL Officials, 18 and 18 November 2014.

²¹ Higher Education Authority, Full time enrolments by county, http://www.hea.ie/sites/default/files/full-time_enrolments_by_county_irish_2012-13.xlsx

²² Student Finance NI, Financial support for new students in 2014/15, http://www.studentfinancenl.co.uk/portal/page?_pageid=54.1266217&_dad=portal&_schema=PORTAL

€2,750. This is paid directly to the university or college after a student registers on their course. As this is a loan it is paid for via AME.

Students are also able to apply for all other financial support, except the Tuition Fee Loan.