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January 2011 update to

Independent Review of Variable Fees & Student Finance Arrangements

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Independent Review of Variable Fees and Student Finance Arrangements

Update to Minister for Employment and Learning January 2011

Joanne Stuart, Review Chairperson

Update to Chairperson's Foreword

Dear Minister,

I am pleased to present my update to the Review on Variable Fees and Student Finance Arrangements.

As you are aware, in March 2010, my report on the Independent Review of Variable Fees and Student Finance Arrangements[1] was submitted to the then Minister for Employment and Learning, Lord Empey of Shandon MLA. At this time, Lord Browne was conducting his Independent Review in England[2] and I recommended that my report, and in particular my recommendations should be re-examined in light of Lord Browne's review once completed.

The Minister published my report immediately following the publication of Lord Browne's Review on 12 October 2010 and asked me to undertake my proposed update.

The environment within which my update is taking place has undoubtedly changed and I have considered additional external factors that were unknown or incomplete when my original review was completed in March 2010. There are:

- The UK Government's changes to the fee structure and repayment terms in England, following the Browne Review;
- The Welsh Assembly Government's changes to the fee structure in Wales, following the Browne Review; and
- The UK Government's Comprehensive Spending Review and the subsequent Northern Ireland (NI) Assembly's draft budget proposals for 2011/12 through to 2014/15 particularly relating to the Department for Employment and Learning.

[1] http://www.delni.gov.uk/index/publications/pubs-higher-education/variablefeesreview.htm
[2] http://www.bis.gov.uk/assets/biscore/corporate/docs/s/10-1208-securing-sustainable-higher-education-browne-report.pdf

Purpose of this Review

The purpose of this review is to update my original report, not to replace it. For ease of reference and clarity, Sections 2 (from paragraph 35), 4, 5 and 6 have been updated. In addition, the majority of tables included in the original report have been updated to include a further year's information where that is now available.[3]

Northern Ireland Specific Solution

My original report and this update seek to identify, outline and address the details and complexities surrounding tuition fees and student finance arrangements, to set out the impact and costs associated with fees and student financial support, to recommend a tuition fees and student finance package for Northern Ireland (NI), and to help inform the public debate and consultation on the future student finance policy for NI.

Having conducted my update and examined available and relevant information, evidence and factors in consultation with key stakeholders[4] , I am recommending the adoption of a model which is specific and tailored to the needs and unique circumstances of NI which include:

- The highest participation rate in the UK regions for lower socio-economic groups;
- A high number of NI domiciled students studying outside of NI (31%);
- A low number of students from the rest of the UK studying at NI Higher Education Institutions (HEIs) (2%); and
- Significant cuts in public expenditure for at least the next four years.

[3] The updated tables are detailed in Annex 11 of this update
[4] Annex 1 and Annex 2 details the members of the Stakeholder Group and Consultees

Recommendation

My overall recommendation is that the NI Student Tuition Fees and Financial Support model should incorporate the three elements of tuition fees, maintenance grants (and loans) and repayment terms and be treated as a complete package. In particular, I recommend the following, to be implemented for new full-time undergraduates from academic year 2012/13, the rationale for which is outlined in Section 6:

- Retention of the basic fee at the current level (£1,310);
- Increase of the fee cap to between £5,000 and £5,750 from the current cap of £3,290;
- Align the maintenance grant thresholds for household income levels to those in England and maintain the higher maximum grant of £3,475;
- Increase the repayment threshold to £21,000 from £15,000 (to take effect from 2016); and
- Adopt the UK Government fee structure for non-NI domiciled students studying at NI HEIs – basic fee level of £6,000 with a maximum fee cap of £9,000.

It is not possible to recommend a more specific maximum fee cap, due to a number of variable factors which are set out in Section 6.

The other recommendations from my original report which cover loan recovery, students studying in the Republic of Ireland (RoI), school pupils and communication, are detailed in Section 6 of this update.

My updated recommendations do not include provision for NI students who choose to study in England or Wales to be provided with a tuition fee waiver/grant. However, I have included this as an option for further consideration and the details are outlined in Section 6 of this update.

I believe that these recommendations provide a fair and sustainable funding model for students, HEIs, government and taxpayers.

For students, the fee structure proposed is lower than that being introduced in Wales and England and an additional 2,776 students will benefit from the maximum maintenance grant of £3,475, with no students, currently eligible for maintenance grants, having their grants decreased. This is particularly important to ensure that we continue to have better than average (in the UK) levels of participation from lower socio-economic groups.

In addition, no fees or maintenance loans will have to be repaid until students have completed their studies and are earning £21,000 or above. The repayment amount per month, is related to earnings and not to the value of the student loan incurred, ensuring that access to higher education continues to be based on ability and not affordability.

For HEIs, the level of efficiency saving required should be less than that for HEIs in England and Wales and flexibility is provided within the fee structure to enable variability to be introduced. This is of particular importance to further education colleges (FECs) which in a majority of cases charge less than the maximum cap for HND and Foundation Degrees[5].

In addition, there is scope to generate additional fee income by increasing the number of students from the rest of the UK who study in NI. This is currently restricted by the Maximum Student Number (MaSN) cap, and although not part of this review, it is one of the areas included in the 'Development of a Higher Education Strategy for Northern Ireland' consultation document which was published by the Department on January 20 2011.

[5] Annex 3 in the original report details the fee levels currently charged in HEIs and FE colleges

Ultimately, it is for the NI Assembly to decide the model and funding mechanisms for Student Tuition Fees and Financial Support with which we proceed. I trust that my original report and this update will help to inform the public debate in the important and challenging area of how we support our students in a fair and sustainable way.

Joanne Stuart
Independent Chairperson
Review of Variable Fees and Student Finance Arrangements
January 2011

Update to Section 2

Overview of Current Finance Arrangements

Paragraphs 35 to 45 – Position in Other Regions of UK and RoI

Position in England

35. Following the publication of the Browne report on 12 October 2010, the Coalition Government indicated in its initial response that it agreed with the broad thrust of Browne's proposals. A more detailed response, in a statement from David Willetts, Minister of State for Universities and Science, on 3 November 2010, set out key elements of the Government's intended way forward. This includes:

- A basic fee of £6,000 per annum.
- In exceptional circumstances, an absolute fee limit of £9,000.
- Enhanced focus on widening participation with a tougher regime of sanctions for those charging above £6,000.
- Repayment threshold increased to £21,000.
- Outstanding repayments to be written off after 30 years.
- Introduction of a real interest rate.
- An increase in the maintenance grant from £2,906 to £3,250.
- Partial grant support for families with incomes up to £42,000.
- Eligible part-time students to be entitled to loans for tuition (presently only means-tested grants in certain circumstances).

36. The increase to the basic fee and absolute fee limit has been endorsed by Parliament.

Position in Wales

37. On 30 November 2010, Leighton Andrews, Minister for Children, Education and Lifelong Learning, announced the Welsh Government's proposed changes in higher education funding from 2012/13. The announcement reflected the following proposals:

- The basic tuition fee in Wales will increase to £6,000 per annum from 2012/13 and HEIs will be able to charge up to £9,000 per annum, providing they can demonstrate a commitment to widening access and other strategic objectives;
- The Welsh Assembly Government will provide, for Welsh students, a non-means-tested tuition fee grant for the balance over and above current fee levels of £3,290. This grant will be payable for Welsh domiciled students wherever they study in the UK;
- The income repayment threshold for student loans will increase from £15,000 to £21,000, with variable progressive rates of interest charged depending on income;
- Part-time students will be able to access a tuition fee loan depending on the level of intensity of their course; and
- To help control the total cost of higher education to the Assembly Government's budget a cap on student numbers will be introduced from September 2011.

Position in Scotland

38. On 16 December 2010, Education Secretary, Michael Russell MSP, published the Scottish Government's Green Paper – 'Building a Smarter Future: Towards a Sustainable Scottish Solution for the Future of Higher Education.'

39. In relation to student support and funding for higher education, the paper sets out possible options and seeks views on them. In the chapter on funding, one of a number of options considered is the possibility of seeking some form of graduate contribution to bring in additional funds.

40. In relation to cross border flows, the paper highlights the number of students from the rest of the UK that study in Scottish universities (approximately 28,000 in 2008/09) and that, when the fee level of £3,000 was first set in England, the fees in Scotland were set at £1,700 (£2,700 for medicine) on the basis that this was broadly similar to England (Scottish degrees tend to be one year longer). The Green Paper queries whether fees should now be increased to £4,500 (similar to the £6,000 fee in England) or, given that two thirds of the incoming students go to ancient universities whose English competitors are likely to set £9,000 fees, if fees be set at around £6,500. The Paper also queries whether there should be an alternative approach, whereby universities could decide what fee to charge these incoming students (i.e. unlimited).

41. The consultation process is due to end on 25 February 2011, with the new policy proposals to be agreed following the May 2011 elections.

Position in the Republic of Ireland

42. The budget proposals, announced on 7 December, indicate that the registration fee will rise from the current level of €1,500 per annum to €2,000 per annum. This increase will be implemented for academic year 2011/2012, one year earlier than the fee increases in England and Wales.

43. There is no change to the existing free fees policy in RoI.

Update to Section 4

Future Fee Scenarios for Northern Ireland

Context

1. The original report which was submitted to the then Minister for Employment and Learning, Lord Empey of Shandon MLA in March 2010, considered three options in relation to student fees:

    (1) Maintain the status quo in relation to fees;

    (2) Abolish fees at NI HEIs; and

    (3) Increase the fee cap (scenario was based on an increase to £5,000).

2. The review and recommendations were evidence based, however, the outcome and impact of a number of external factors, which were identified in the report, were unknown. These were the proposals from the Browne Review and the Comprehensive Spending Review.

3. On 12 October 2010, the proposals from the Browne Review were published. The statement from Minister of State, David Willetts on 3 November 2010, set out key elements of the Government's intended way forward, including an increase in the basic fee to £6,000 with a maximum cap of £9,000. The fee increases were endorsed by Parliament.

4. One of the other proposals, which are being introduced from 2016, is to change the current repayment terms.[6] The changes include an increase in the repayment threshold from £15,000 to £21,000 with any outstanding debt to be written off after 30 years rather than 25 years. The mechanism for implementing other elements of the repayment terms will be subject to public consultation such as the implementation details to introduce a real rate of interest reaching 3% for earnings of £42,000 and above and the introduction of an early repayment fee.

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[6] Details of the current repayment terms are outlined in Section 2, paragraphs 7 to 10 in the original report

5. Increasing the value of student loans and the threshold at which repayment commences will increase the notional loan subsidy charge, though this is likely to be offset over time by the introduction of the real rate of interest.

6. On 30 November 2010, Minister Leighton Andrews announced the Welsh Government's proposed changes in higher education funding from 2012/13. Tuition fees in Wales would be set at the same levels as England, but Welsh domiciled students would be protected through a non-means tested tuition fee waiver to cover the balance over and above the current fee level of £3,290.

7. A more detailed overview of the English and Welsh positions can be found in the update to Section 2.

8. The impact of these changes mean that any NI domiciled students who decide to study in England or Wales will have to pay fees of between £6,000 and £9,000 from 2012/13. In 2008/09, 23% of NI domiciled students studied at universities in England and Wales. The additional cost of supporting student loans for the increased level of tuition fees for NI domiciled students studying at universities in England and Wales will have to be borne by the Department.

9. On 16 December 2010, Education Secretary, Michael Russell MSP, published the Scottish Government's Green Paper – 'Building a Smarter Future: Towards a Sustainable Scottish Solution for the Future of Higher Education'. Proposals include an increase in tuition fees for non-Scottish domiciled students studying at Scottish universities. The consultation process is due to end on 25 February 2011, with the new policy proposals to be agreed following the May 2011 elections. Again, any tuition fee increases adopted will have a cost implication for the Department.

10. The impact of the Comprehensive Spending Review to the NI Block Grant was set out in the draft budget, published on 16 December. In the draft spending plans

published by the Department of Employment and Learning on 10 January 2011, the consequences for higher education (HE) funding were clearly apparent. One of the key issues /challenges stated:

> "*given the need for the Employment Service and training capacity to be maintained as far as possible, it is inevitable that in line with decisions elsewhere higher education must bear a significant proportion of the necessary reductions in expenditure"*

11. Over the four years, the spending plans show a reduction of £144m from the Department's budget with the HE budget accounting for £68m. This level of reduction cannot be borne by the individual HEIs if we are serious in our aim to promote and sustain the development of an internationally competitive higher education sector which is accessible to all based on ability, a driver for economic growth and a key contributor to the cultural and social well-being of our society.

12. Given the additional information now available, this update to the original report focuses on two scenarios:
    (1) Maintain the status quo; and
    (2) Increase the maximum fee cap.

13. This does not preclude other options becoming available for consideration as the review progresses through consultation stage.

Costing Assumptions

14. Projected costings within the options are based on internal analysis undertaken by the Department for Employment and Learning. Costing assumptions are outlined in Annex 6. For clarity, Departmental Resource Budgets are classified as either Departmental Expenditure Limits (DEL) or Annually Managed Expenditure (AME).

DEL budgets form part of the NI Block Grant allocation and are firm four year plans set in the Comprehensive Spending Review (CSR).

15. All budgets are in DEL unless the Treasury has determined that they should be in AME. The treasury may agree to put programmes into AME if (as in the case of student loans) 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.

16. The decisions made in England and Wales to increase tuition fees from 2012/13 and the decision in the RoI to increase the registration fee from 2011/12, each has a cost implication to the NI budget. In the case of increased fees, there will be additional costs relating to the provision of higher tuition fees in the form of a notional loan subsidy (NLS). It is difficult to estimate the total additional costs as these will be based on the number of NI domiciled students who decide to study in England and Wales and the fee level set at the universities, which will be between £6,000 and £9,000. Any additional costs for NI domiciled students in Scottish universities (currently around 1,100) will not be known until after the consultation on the Scottish Green Paper concludes.

17. In 2008/09 there were 8,500 NI domiciled full-time undergraduate students at English and Welsh universities. Based on these numbers, and assuming 100% of students take out a student loan for tuition fees, the additional NLS charge would be anywhere between £9m (if fees set at £6,000) and £19m (if fees set at £9,000), if the proposed changes to the repayment terms are adopted, as detailed in paragraph 4. If the current repayment terms are retained, the costs would be between £7m (if fees set at £6,000) and £14m (if fees set at £9,000) per annum upon roll-out to a full three year cohort.

18. The cost of the NLS charges are calculated as a percentage of the value of student loans taken out. The percentage is the same for tuition and maintenance loans.

This percentage is determined by the repayment terms being used. For the current repayment terms 30% has been used and for the new repayment terms, being introduced in England and Wales in 2016, 40% has been used.

19. It should be noted that the 40% reflects an increase in the repayment threshold to £21,000, and an increase to the payback period from 25 years to 30 years. As detailed in paragraph 4, other elements are subject to a public consultation and it is anticipated that if these are adopted the charge will reduce.

20. In Annex 6, details are provided of the take up rates for tuition fee loans. Due to the complexity of forecasting future take-up rates in the scenario of an increased maximum fee cap, the assumption for costing the NLS charge is that 100% of students take out student loans for the maximum amount.

21. In 2008/09 there were 765 NI domiciled full-time undergraduate students studying at universities in the RoI. Based on these numbers, the additional cost to meet the increase of €500 in the registration fee would be approximately £325k per annum upon roll-out to a full three year cohort.

22. These additional costs have to be factored in to the overall HE funding requirement.

23. The remit[7] of this review was to specifically look at the impact of the increase to student fees and did not extend to looking at current expenditure of HEIs or the ability to raise additional revenue through areas such as; Research & Development and/or increasing the number of international students. Therefore it is not possible to ascertain the level of efficiency savings that could potentially be made or the income that could be raised from different revenue streams that could be offset

[7] The Terms of Reference for the review are set out in Section 1, paragraph 13-16 in the original report

against the fee level. It should be noted that in the draft spending plans issued by the Department, a 22% real terms operational efficiency has been proposed.

24. The following options consider the effect of the proposed policy on both types of budget – DEL and AME.

Option 1: Maintain Status Quo (Fees)

25. This option would see fees remaining capped at their current levels with only inflation-linked increases each year and no changes to the current repayment terms. In terms of student finance, for NI domiciled students studying in NI, this would mean no additional budget implications (beyond the inflationary increase) for either AME or DEL budgets with the cost, per annum, of financing the fee system remaining at current levels. Out-turn figures for 2009/10 show that just under £98m (AME) was required for the provision of loans and approximately £27m (DEL) was required to subsidise them. This £27m is a portion of the total NLS required for both fee and maintenance loans.

26. Currently, based on anecdotal evidence, approximately 20% of students are 'self-payers', i.e. they do not avail of the student loan facility and pay their fees up front. If this percentage reduces, there will be an increase to the NLS. For each additional student who takes out a student loan for tuition fees there is an additional charge to the Department of approximately £1,000 per annum/per student to subsidise the loan based on the current repayment terms schedule.

27. As detailed in the 'Costing Assumptions', there will be an additional cost to support those NI domiciled students who decide to study at a university in England, Wales or the RoI.

28. If the current fee level is maintained, there will be a significant difference between tuition fees in NI to that in England and Wales. Currently, approximately 95% of students studying in NI HEIs are NI domiciled students. By having lower fees, there

is a risk that local students could be displaced by students from England and Wales. One option to mitigate this is to introduce a different fee structure for non-NI domiciled students, matching the tuition fees in England and Wales. Due to European Union (EU) legislation, this would apply only to students from England, Wales and Scotland.

29. This would also have the benefit of raising additional fee income for the HEIs, however based on current inflow levels, the impact would be minimal, raising between £530k and £1.1m per annum.

30. It should be noted that if graduate unemployment rises there may be additional budget required to support the longer period of time before graduates are in a position to start repaying their student loan.

31. This option does not address the deficit in HE funding set out in the draft budget proposals. Assuming that the 22% real terms operational efficiency proposed by the Department is implemented, and the fees are capped at their current level of £3,290, there will still be a shortfall of between approximately £40m (if the current repayment terms are retained) and £65m (if the new repayment terms are adopted) in the budget per annum, upon roll-out to a full three year cohort. These figures are based on the assumptions set out in paragraph 13 to 22 in this section.

Option 2: Increase the Maximum Fee Cap

32. In the original report, this option was based on an increase in the maximum fee cap to £5,000. In this update, two additional increases have also been considered. These options have been costed on the basis that the basic fee level is maintained and the maximum fee cap is raised to £5,000, £5,750 and £6,000. The maximum fee cap will rise in line with inflation over a pre-determined time-scale.

33. Table 18 shows the impact of the tuition fee maximum cap increases upon full roll-out i.e. a three year cohort. These estimates are based on:

- A student population of 10,000 students per year with the assumption that fees are charged at the maximum amount.

- The increased fee is the difference between the proposed maximum fee cap and the current maximum fee level of £3,290 for academic year 2010/11. Any students currently enrolled would complete their studies on their current fee level.

- The costs of subsidising the additional amount of tuition loans have been calculated for both the existing repayment terms and the repayment terms being introduced in England and Wales in 2016. These costs are based on 100% take up of the loan facilities by NI domiciled students studying in NI HEIs, who currently make up 95% of the student population.

Table 18 – Estimated Additional Income Generated from a Potential Increase to the Fee Cap

Fee Cap (£)	Student Numbers 3 yr cohort	Increase (£)	Additional Income (£m)	NLS Existing Repayment Terms (£ m)	NLS New Repayment Terms (£ m)
5,000	30,000	1,710	51.3	14.6	19.5
5,750	30,000	2,460	73.8	21.03	28.04
6,000	30,000	2,710	81.3	23.17	30.89

34. As detailed in the ‘Costing Assumptions’, there will be an additional cost to support those NI domiciled students who decide to study at a university in England, Wales or the RoI.

35. This option sets the maximum fee cap level lower than that being set in England and Wales and therefore the alternative fee structure set out previously in paragraph 28 and 29 is also relevant.

36. This option does not address the deficit in HE funding set out in the draft budget proposals. In the worst case scenario, which includes the costs to provide tuition fee loans to NI domiciled students studying in England or Wales paying fees of £9,000, there will be a budget shortfall of between approximately £35m (fee cap of £6,000) and £55m (fee cap £5,000).

37. Significant efficiency savings will be required to address the shortfall. Assuming that the 22% real terms operational efficiency proposed by the Department is implemented and the fee cap is set at £5,000, there could still be a shortfall of between approximately £4m and £20m in the budget.

38. As detailed in the original report, if increasing the fee cap is to be considered there are a number of other areas that need to be reviewed before any decision could be made with regard to increasing student fees.

39. **Employability Skills** – More emphasis needs to be given to increasing employability skills and students' understanding of the workplace environment, as part of students' educational experience.

40. **Financial Support from Business** – If fees are to be increased, business, as one of the beneficiaries of HE, should look at ways to provide more financial and non-financial support to students. This could be in a number of different ways:
    - Bursaries and scholarships;
    - Payment or part payment of student loan as part of the salary and benefits package;
    - Sponsorship of resources required to study particular degrees;
    - Providing work placements; and/or
    - Supporting the Graduate Acceleration Programme.

41. The 'Consultation Document on the Development of a Higher Education Strategy for Northern Ireland', published by the department on 20 January, includes a section which focuses on 'Higher Education and the Economy'. This sets out the importance of the sector to business and the NI economy.

42. **Better Informed Career Advice** – Students need to have a better understanding of the career opportunities available and the qualifications and skills that employers are looking for. This will enable students to make more informed decisions about their subject choices, decide on the right educational route and weigh up the opportunity costs and future financial and career benefits of choosing a particular degree.

43. **Quality of Teaching and Resources** – If students are going to pay more towards their study costs, then the HEIs will need to be able to show the improvements to the quality of the students' educational experience. In essence, students are customers and will rightly demand a high level of service and the ability to see how their money is being spent. Currently, the income generated through the increase

in student fees in 2006 has not been ring fenced for reporting purposes, so it is difficult to report exactly on how the revenue has been spent, and the improvements that have been made as a result of the additional income.

44. **Financial Management** – By increasing the maximum fee cap, the level of student debt will increase. The latest figures from the Student Loans Company[8] detail the level of debt[9] for those students who completed their degree in 2009 and 2010, and are now liable to repay fees;

- 2009 completion – the average NI domiciled student debt is £9,710
- 2010 completion – the average NI domiciled student debt is £12,610

45. More support must be provided to students, young people considering HE and parents to understand the deferred fees facility and the repayment terms along with basic financial management. This is important to ensure that prospective students are not put off entering higher education due to perceived affordability issues.

46. A good example of how this might be provided is the initiative introduced by Queens University Students, Money+ (http://www.moneyplusni.com/index.asp) This is a student led project that aims to help students in HE become financially competent, encouraging them to confront debt and take control of their finances before they get into difficulties. The project provides practical financial skills to students as they embark upon university life, allowing for a more enjoyable university experience and increased financial confidence which will be carried forward beyond graduation.

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[8] Source: Income Contingent Repayments by Repayment Cohort and Tax Year 2000/01 to 2008/09 (www.slc.co.uk/statistics/official_statistics.html)
[9] The figures include debt relating to both tuition fees and maintenance

47. Money+ also takes its work out to post-primary schools throughout NI in order to provide 16-18 year olds with an insight into university life and advice on managing money on a student budget.

48. **Student Numbers –** According to the NISRA NI Population Projections (based on 2008 numbers), over the next ten years, the numbers of young people (18-20 year olds) who represent the majority of entrants into HE, are estimated to reduce by 15%, which could have an impact on the profile of students studying at HEIs.

49. **Retention Rates –** Tables 8 and 9[10] have been updated to include the latest figures available for 2007/08 which show that NI is the only UK nation to show an increase in non-continuation rates, albeit small, from 2006/07. As detailed in my original report, the Department has established a working group to look at improving retention rates for all students, including those from under-represented groups.

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[10] All updated tables are included at Annex 11 of this report

Update to Section 5

Future Maintenance Grant Entitlement Options

1. The remit of this review also extends to the consideration of the current student finance support arrangements for NI students in light of the introduction of variable fees.

2. During the engagement with stakeholders as part of this update, the level of student support in relation to the graduate contribution in fees was discussed. It is worth noting for clarity the breakdown of student support and the impact on the Department's HE budget, using the 2009/10 outturn figures:

   - Maintenance Grant - £60m – Departmental HE Budget
   - Notional Loan Subsidy - £59m – Departmental HE Budget
   - Widening Participation - £2.4m – Departmental HE Budget
   - Tuition Fee Loans - £98m – Annually Managed Expenditure (no impact on Departmental HE Budget and are paid back over time)
   - Maintenance Loans - £116m - Annually Managed Expenditure (no impact on Departmental HE Budget and are paid back over time)

3. In terms of the maximum grant available, NI students have benefited for a number of years from an additional £500 per annum compared to that which was available to their English counterparts. In academic year 2010/2011 the differential increased to £569 with the maximum NI maintenance grant of £3,475 compared to England's £2,906.

4. However, the means-testing arrangements for this grant differ and, in England, higher household income levels for means-testing have applied since academic year 2008/09 meaning that more students can benefit from non-repayable public support.

5. Under the current NI arrangements, students from households with incomes in excess of £41,065 are not entitled to maintenance grant support. In England, the higher cut off point is currently at household income levels in excess of £50,020 (though this will be revised to approximately £42k from 2012/13). In addition, the lower cut off point for full grant entitlement is higher in England at £25,000 compared to £19,203 in NI.

6. In the original report, two options were considered:

- Option 1 – Increase thresholds and remove the differential
- Option 2 – Increase thresholds and retain the differential

7. Since submission of the report in March 2010, the UK Government proposals to change the support for students through maintenance grants have been published. Two new options have been considered for maintenance support in NI:

- Option 1 – Adopt fully the UK Government's proposals (following the Browne Review - £3,250 grant and income threshold of £25k)

- Option 2 – Align income thresholds (i.e. increase the lower threshold to £25k from £19k) and retain the higher maximum grant of £3,475

8. Table 19 illustrates the impact of the options above on maintenance grant levels at various income levels. Please note that the grant levels are indicative only.

Table 19 – Comparative Grant Entitlement at Indicative Thresholds

Income Threshold	NI System 2010/11	Option 1 UK Govt Proposal	Option 2 Align Thresholds and maintain higher maximum grant of £3,475
18,000	3,475	3,250	3,475
20,000	3,300	3,250	3,475
25,000	2,201	3,250	3,475
30,000	1,215	2,341	2,502
35,000	689	1,432	1,529
40,000	162	523	556
42,000	NIL	159	167

9. Adopting Option 1 would result in approximately 16,500 students from the lowest household incomes receiving a reduced grant. However, adopting Option 2 would result in an additional 2,776 students benefiting from the maximum maintenance grant of £3,475, with no students, currently eligible for maintenance grants, having their grants decreased.

10. Using existing data on household income for NI domiciles applying for student support in academic year 2008/09 and moving forward to proposed student support arrangements for academic year 2010/11, table 20 below estimates the resource requirement and the effect on student numbers benefiting from increased support.

Table 20 – Potential Effect of Changes to Maintenance Grant Entitlement Rules

	Cost £m	Impact £m	No. of additional students receiving maximum grant	No. of students with increased grants	No. of students with decreased grants
Existing NI arrangements	69.9	N/A			
Option 1 – Adopt fully the UK Govt proposals (from the Browne Review)	73.6	3.7	2776	Approx 1 in 3	Approx 2 in 3
Option 2 – align income thresholds with England and retain the higher maximum grant of £3,475	78.6	8.7	2776	Almost 2 in 5	N/A

Source: Department for Employment and Learning

11. It can be seen from the estimations above that to align fully the income thresholds and maintenance grants with those that currently apply in England and maintain the higher maximum grant would cost approximately an additional £8.7m per annum from 2010/11.

12. In addition, as part of the consideration of the total student finance proposals, the Department for Employment and Learning is also considering the relationship between the maintenance grant and the maintenance loan, including issues such as the rate of maintenance loan, entitlement and repayment arrangements. This will be addressed within the Department's forthcoming Widening Participation consultation paper.

Update to Section 6

Recommendations

1. The original report submitted to the then Minister for Employment and Learning, Lord Empey of Shandon MLA, in March 2010 and published in October 2010, recommended that the position for NI was re-examined in light of the outcomes of the Browne review in England, particularly if the recommendations of that review could impact significantly on student flows between NI and England.

2. This update has considered the external factors that were unknown at the time the NI review was completed. These factors are:
   - The UK Government changes to the fee structure and repayment terms in England, following the Browne Review;
   - The Welsh Assembly Government changes to the fee structure in Wales; and
   - The impact of the Comprehensive Spending Review and the draft budget proposals for 2011/12 through to 2014/15 for the Department of Employment and Learning.

3. The evidence base of the NI review has been updated to include further information which has become available in the last nine months. This additional information has not altered the original conclusion. There is no evidence of an adverse impact on participation or in subject areas as a direct result of the introduction of variable fees in 2006/07. All the updated tables from the original report are included at Annex 11 in this document.

4. The financial implications of the external factors have created a challenging economic environment for students, HEIs and the Department.

5. The underlying premise for funding in NI remains that access to HE is based on ability and not affordability and any funding model for NI must seek to, at the very minimum, maintain the better than average participation rates, in comparison to the rest of the UK, especially among the lower socio-economic groups.

6. The UK Government has effectively changed the balance of funding for HE from one which is mainly funded through the public purse, to one which is mainly privately funded through an increase in student fees.

7. It has been very clear through further stakeholder engagement during the last two months, that there is no support for such a major shift in the source of funding for HEIs in NI.

8. The public debate has focused on the level of tuition fees, and in particular on the maximum cap of £9,000. Obviously, the level of debt that graduates could incur is a major concern. However, in the original report, the issue of 'in-year' costs[11]; for example, living costs and additional course related costs; was highlighted, and it is important that we look at the funding model as a whole – tuition fees, maintenance grants and repayment terms – and not consider the level of tuition fees in isolation.

9. We also need to understand the limitations of what can be achieved in NI given the profile of our student base and the number of NI domiciled students who make the decision to study at HEIs outside of NI.

10. In Wales, for example, they have adopted the same fee structure as England. Due to the high numbers of non-Welsh domiciled students, from the rest of the UK, who study at Welsh universities, this model will generate significant additional fee income for the universities enabling the Welsh Assembly Government to implement a tuition fee waiver for Welsh domiciled students protecting them from any fee increase, with a lower reduction in the level of public funding to the Welsh universities compared to the reduction proposed in England.

[11] Further details on 'in-year' costs contained in Section 3 of the original report

Table 21 – Number of First Year, Full-Time, Undergraduate UK Domiciled Enrolments by Country of Domicile and Country of Institution - 2008/09

Domicile	Country of Institution				
	England	Wales	Scotland	NI	Total
England	338,615	8,595	4,375	165	351,745
Wales	5,405	14,450	105	10	19,965
Scotland	1,865	60	31,400	20	33,340
Northern Ireland	2,965	115	1,110	9,430	13,620
Total	348,845	23,215	36,990	9,625	418,675

Source: HESA

11. Table 21 clearly shows that the current profile of the student landscape in NI could not support the same model. In addition, with NI having the largest percentage outflow of the UK regions (England, Scotland and Wales), we have to factor into our model the additional cost for NI domiciled students studying in other regions of the UK.

12. In the costing assumptions set out in Section 4, the impact of the UK Government proposals for changing the repayment terms of student loans is detailed. The Department has checked with HMRC and has received confirmation that there is the flexibility to decide in NI whether to retain the current repayment terms or move to the new repayment terms. The Department is currently checking whether there is any flexibility on the rate of interest charged in regard to the new repayment terms. It should be noted that the existing repayment terms incur a NLS charge of 30% of the value of the loan and the new repayment terms incur a NLS charge of 40% of the value of the loan. The latter is based on an estimate currently being used by the Department which does not include the proposed increase in interest charged.

13. Feedback from students has been mixed with regard to the proposed repayment terms. The increased threshold and lower monthly repayments are attractive, but the introduction of higher rates of interest, a longer payback period and an early payment settlement has raised concerns.

14. Within the current budget constraints and the additional costs that will have to be borne to support students studying outside of NI, it is difficult to see how the recommendation from the original report to maintain fees at their current levels could be sustained without a significant increase in the budget for HE, a reduction in the number of NI students studying at NI HEIs or delivery of over 40% efficiency savings by the HEIs.

15. In terms of budget shortfall, assuming that the 22% real terms operational efficiency proposed by the Department is implemented, the NI Executive would have to allocate additional funds to the HE budget of between approximately £40m and £65m per annum upon roll-out to a full three year cohort. This does not take into account any increase in the maintenance grants.

16. Having examined available and relevant information, evidence and factors in consultation with key stakeholders[12] , I am recommending the adoption of a model which is specific and tailored to the needs and unique circumstances of NI which include:

- The highest participation rate in the UK regions for lower socio-economic groups;
- A high number of NI domiciled students studying outside of NI (31%);
- A low number of students from the rest of the UK studying at NI HEIs (2%); and
- Significant cuts in public expenditure for at least the next four years.

17. My overall recommendation is that the NI Student Tuition Fees and Financial Support model should incorporate the three elements of tuition fees, maintenance grants (and loans) and repayment terms and be treated as a complete package. In particular, I recommend the following, to be implemented for new, full-time undergraduates commencing their degrees in academic year 2012/13:

[12] Annex 1 and Annex 2 details the members of the Stakeholder Group and Consultees

- Retention of the basic fee at the current level of £1,310;
- Increase the maximum fee cap to between £5,000 and £5,750 from the current cap of £3,290;
- Alignment of the maintenance grant thresholds for household income levels to those in England and maintain the higher maximum grant of £3,475 ;
- Increase the repayment threshold to £21,000 from £15,000 (to take effect from 2016); and
- Adopt the UK Government fee structure for non NI domiciled students studying at NI HEIs – basic fee level of £6,000 with a maximum fee cap of £9,000

18. It is not possible to recommend a more specific maximum fee cap, as this will be dependent on a number of variable factors:

    - **Repayment Threshold**:
      Currently the UK Government have announced that the repayment threshold will rise to £21,000 and the length of time to repay will be increased to 30 years. The mechanism for implementing other elements of the repayment terms such as an introduction of a real rate of interest reaching 3% for earnings of £42,000 and above and the introduction of an early payment fee will be subject to public consultation. Further discussion between the Department and the UK Government is required to determine whether NI could decide to increase the repayment threshold only.

    - **Notional Loan Subsidy (NLS)**
      The costs used in Section 4 are based on the assumption that there will be maximum take-up of loans at the maximum value. This is due to the difficulty forecasting the impact the introduction of an increase in the maximum fee cap and the introduction of higher fees in Wales and England will have on our outflows. It is also not possible to predict how many Welsh and English universities will charge more than the basic fee of £6,000, and which universities NI students will attend. Further analysis is

required to give a better indication of costs and there is the potential for the upper cost levels to be less than currently being estimated.

- **HEI Efficiency Savings**
  The remit of this review was specifically the impact of the increase to student fees and did not extend to looking at current expenditure of HEIs or the ability to raise additional revenue through areas such as, Research & Development and/or increasing the number of international students. Therefore it is not possible to ascertain the level of efficiency savings that could potentially be made or the income that could be raised from different revenue streams that could be offset against the fee level.

19. For students, the fee structure proposed is lower than that in Wales and England and an additional 2,776 students will benefit from the maximum maintenance grant of £3,475, with no students, currently eligible for maintenance grants, having their grants decreased. This is particularly important to ensure that we continue to have better than average (in the UK) levels of participation from lower socio economic groups.

20. In addition, no fees or maintenance loans will have to be repaid until students have completed their studies and are earning £21,000 or above. The repayment amount per month is related to earnings and not to the value of the student loan incurred; ensuring that access to HE is based on ability and not affordability.

21. For HEIs, the level of efficiency saving required should be less than that for HEIs in England and Wales and flexibility is provided within the fee structure to enable variability to be introduced. This is of particular importance to FECs who in a majority of cases charge less than the maximum cap for HND and Foundation Degrees[13].

22. In addition, there is scope to increase additional fee income by increasing the number of students from the rest of the UK who study in NI. This is currently

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[13] Annex 3 of the original report details the maximum tuition fees charged by HEIs and FE Colleges

restricted by the MaSN cap, and although not part of this review it is one of the areas included in the 'Development of a Higher Education Strategy for Northern Ireland' consultation which was published on 20 January 2011.

23. I believe that these recommendations provide a fair and sustainable funding model for students, HEIs, government and taxpayers.

24. An option that is worth consideration, although not included in my recommendation, is the provision of top-up grant or tuition fee waiver for NI domiciled students studying in England or Wales so that they pay the same fees as NI domiciled students studying at NI HEIs. In 2008/09 there were 8,500 NI domiciled full-time undergraduate students at English and Welsh universities. Based on these numbers the additional costs to subsidise the difference in fees would be:

- For a NI maximum fee cap of £5,000 – between approximately £8.5m (if all English and Welsh HEIs charged £6,000) and £34m (if all English and Welsh Universities charged £9,000).

- For a NI maximum fee cap of £5,750 - between approximately £2m (if all English and Welsh HEIs charged £6,000) and £28m (if all English and Welsh Universities charged £9,000).

25. Providing this subsidy would reduce the estimated NLS, as the value of tuition fee loans required would be reduced. This could be in the region of between £850k and £13.6m dependent on NI maximum fee cap and level of fees charged in English and Welsh universities.

26. Further analysis is required to forecast the impact on student flows. There is already concern expressed about the number of NI domiciled students opting to leave NI to study and providing this waiver may encourage more to study outside of NI which will also increase the costs. In addition, if the increased outflow of NI students were not balanced by an increased number of non-NI domiciled students opting to study in NI it could have a detrimental impact on the NI HE sector.

Other Recommendations

27. Loan Recovery – Since the original report was submitted, the Student Loans Company has produced a report – 'Income Contingent Repayments by Repayment Cohort and Tax Year[14]' – which provides a detailed analysis of the repayment statistics for income contingent repayment (ICR) loans. This report will enable the levels of student loan debt and repayments to be monitored.

28. Students in RoI (*this recommendation is unchanged)* - The policies regarding maintenance grant and fee payment for NI students studying in the RoI should be reviewed, as they are currently out of step with those which apply to NI students studying at HEIs in the UK.

29. School pupils (*this recommendation is unchanged)* - It is difficult to ascertain whether the introduction of variable fees impacted on the decisions school pupils made with regard to entering higher education, particularly within the lower socio economic groups. Although the data from the School Leavers survey indicates an increase in the numbers continuing into higher education and there has been no significant decrease in participation rates it is important that the views of this stakeholder group are included in the consultation process.

30. Communication (*this recommendation is unchanged)* - Throughout the evidence gathering of the review it was apparent that the student finance arrangements, in particular the terms of the subsidised loans are not widely understood. It is recommended that the detail of the student finance package and the benefits within, for example subsidised loans, are better communicated to parents, careers teachers and prospective students. It is critical that those deciding on their educational future understand that they do not have to pay for their higher education until they have completed their studies and are earning above the repayment threshold and therefore the decision should not be based on

[14] Source: www/slc.co.uk/statistics/official_statistics.html

affordability. In addition, further work needs to be carried out to ensure that all students eligible for a maintenance grant apply for the grant.

Other Higher Education Consultations

31. There are two other consultations on HE:
    (1) The consultation document on the ‘Development of a Higher Education Strategy for Northern Ireland’ – published on 20 January 2011
    (2) Widening Participation in Higher Education – due to be published late February/early March 2011

32. The output of both these consultations will need to be considered in conjunction with the output from the consultation on Tuition Fees and Student Finance Arrangements to ensure that all strategies are aligned.

33. Throughout the original review and in discussion with stakeholders as part of this update, wider issues within HE, which could impact the fees and student support were raised and discussed. These areas did not fall into the remit of this review but are included in the other two consultations.

- **Student Numbers** - in terms of (a) demographic trends and (b) the MaSN cap on student numbers.
- **Type of Study** - in the context of the balance between part-time and full-time provision.
- **Incentives for Students**– for example bursaries for science, technology, engineering and mathematics (STEM) and other economically relevant subjects.
- **Quality of Teaching and Resources**– in terms of the transparency between fee income and improvements in the quality of teaching and the student experience.
- **Maintenance Loan** - rate of loan, entitlement and repayment arrangements.

Update to ANNEX 2

Organisations who responded to the evidence gathering for the Review

- Adult Learner's Finance Project
- Education and Library Boards
- National Association of Student Money Advisers
- National Union of Students/ Union of Students in Ireland
- Queen's University, Belfast
- Open University
- Sinn Féin
- Social Democratic and Labour Party
- St. Mary's University College
- Stranmillis University College
- Students' Union, QUB
- University of Ulster

Organisations consulted with as part of the update to the Review

- Queens University Belfast
- University of Ulster
- Open University
- National Union of Students
- Assembly Committee for Employment & Learning
- University & Colleges Union

Update to ANNEX 5

The information in Annex 5, in general, remains the same, save for a few exceptions. In England, Wales and NI the maximum higher tuition fee increased in academic year 2010/11 to £3,290.

In Wales, the Welsh Assembly Government introduced changes to the maximum Assembly Learning Grant. Welsh domiciled students entering higher education in academic year 2010/11 could receive a grant of up to £5,000 where the household income was less than £18,370, reducing to nil beyond £39,329.

In NI, the maximum maintenance grant increased to £3,475 for NI domiciled students from households where the income was less than £19,203, reducing to nil beyond £41,063

Update to ANNEX 6

The assumptions in the original report stand in terms of the profiling of costs at that time.

In terms of this update the, assumptions have been outlined at the relevant sections therein.

ANNEX 11

The information in the tables in this Annex has been updated with data that has become available since the original report was submitted to the Minister.

Table 1 – Public Expenditure on Higher Education

UK Country	2008-09	2008 mid-year population estimate	Expenditure per Capita
	£million	('000)	£
England	9,255	51,465	180
Northern Ireland	322	1,775	187
Scotland	1,411	5,169	273
Wales	537	2,990	180
UK total	**11,535**	**61,398**	**190**

Source: Public Expenditure Statistical Analysis (HM Treasury)
Source: NISRA

Table 2 – Budget Outturn 2009/10

	Budget Outturn (£m) 2008/09	**Budget Outturn (£m) 2009/10**
Tuition Fee Loans (AME Budget)	76.105	**97.848**
Maintenance Loans (AME Budget)	111.819	**116.162**
Notional Loan Subsidy (DEL Budget)	57.004	**59.490**
Maintenance Grant (DEL Budget)	51.970	**60.218**

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Table 3 - Institutional Funding (Teaching Grant) to NI Higher Education Institutions

	Academic Year (£m)					
	04/05	05/06	06/07	07/08	08/09	**09/10**
Queen's University	58.515	61.318	64.022	67.253	72.083	**75.008**
University of Ulster	61.537	63.872	65.982	67.786	69.611	**71.319**
Stranmillis University College	4.783	5.419	5.572	5.572	5.722	**5.601**
St. Mary's University College	4.772	5.204	5.319	5.319	5.456	**5.445**
Total Teaching Grant - £m	129.607	135.813	140.895	145.93	152.872	**157.373**
Annual % increase	N/A	4.78%	3.74%	3.57%	4.75%	**2.86%**

Source: Department for Employment and Learning

Table 4 – Monthly Repayment Profile

Gross taxable income	Existing Monthly repayment	Repayment as a percentage of income	Repayment – at 9% of earnings over £21k	Repayment as a percentage of income
up to £15,000	0	0%	**0**	**0%**
£16,000	£ 7.50	0.6%	**0**	**0%**
£17,000	£ 15.00	1.1%	**0**	**0%**
£18,000	£ 22.50	1.5%	**0**	**0%**
£19,000	£ 30.00	1.9%	**0**	**0%**
£20,000	£ 37.50	2.3%	**0**	**0%**
£21,000	£ 45.00	2.6%	**0**	**0%**
£22,000	£ 52.50	2.9%	**£ 7.50**	**0.4%**
£23,000	£ 60.00	3.1%	**£ 15.00**	**0.8%**
£24,000	£ 67.50	3.4%	**£ 22.50**	**1.1%**
£25,000	£ 75.00	3.6%	**£ 30.00**	**1.4%**
£30,000	**£112.50**	**4.5%**	**£ 67.50**	**2.7%**
£35,000	**£150.00**	**5.1%**	**£ 105.00**	**3.6%**
£40,000	**£187.50**	**5.6%**	**£ 142.50**	**4.3%**

Table 6 – Investment in Widening Participation Initiatives

Widening Participation Initiative	Academic Year (£m)			
	2006/07	2007/08	2008/09	2009/10
Widening Participation - Disadvantaged Backgrounds	1.363	1.398	1.439	1.468
Widening Participation – Disabilities	0.396	0.391	0.342	0.262
University of Ulster - Step Up	0.620	0.416	0.464	0.465
Discovering Queens	0.204	0.231	0.235	0.235
Total	2.583	2.436	2.480	2.430

Source: Department for Employment and Learning

Table 8 – Non-Continuation Rates (%) for Young Entrants After Year One at HEI

	Young entrants					
	2002/03	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
UK	*7.8*	*7.7*	*7.2*	*7.1*	*7.4*	***7.2***
England	*7.3*	*7.2*	*6.8*	*6.7*	*7.1*	***6.9***
Wales	*8.0*	*8.5*	*8.2*	*7.8*	*8.9*	***7.4***
Scotland	*10.7*	*10.0*	*9.0*	*8.7*	*9.0*	***8.3***
Northern Ireland	*9.7*	*11.2*	*10.1*	*11.0*	*8.8*	***9.9***

Source: Higher Education Statistics Agency

Table 9 – Non-Continuation Rates (%) for Mature Entrants After Year One at HEI

	Mature entrants					
	2002/03	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
UK	*15.4*	*15.6*	*14.4*	*14.3*	*14.8*	14.0
England	*15.1*	*15.4*	*14.0*	*14.2*	*14.5*	13.9
Wales	*17.2*	*17.2*	*16.7*	*15.2*	*17.1*	14.9
Scotland	*17.3*	*16.9*	*17.0*	*15.1*	*16.0*	15.0
Northern Ireland	*11.9*	*12.1*	*11.3*	*12.3*	*11.3*	11.7

Source: Higher Education Statistics Agency

Table 11 – NI HEI Fee Income from 2005/06

Fee income to NI institution since 2005/06
- paid by SLC on behalf of assessed students (Home and EU)

Institution	Academic year £ m				
	2005/06	2006/07	2007/08	2008/09	**2009/10**
Queen's	6.093	13.214	19.352	23.658	**26.526**
University of Ulster	9.131	16.571	22.256	28.884	**34.377**
St. Mary's	0.716	1.407	1.653	1.998	**2.387**
Stranmillis	0.621	1.209	1.526	1.790	**2.144**

Table 14 - Enrolments at NI HEIs by Domicile (F/T undergraduates)

	Domicile			
Academic Year	NI	GB (exc NI)	ROI	Other EU
2003/04	27575	265	1615	95
2004/05	28750	280	1675	110
2005/06	29105	295	1695	90
2006/07	28320	305	1415	130
2007/08	27795	370	1210	125
2008/09	27735	450	1060	90

2009/10 – enrolment data published by the Department for Employment and Learning in February 2011

Source: HESA

Table 15 – Analysis of enrolments for NI domiciles by mode on first degree courses in UK and RoI from 2005/06;

Year	Full-Time		Part-Time		Total
2005/06	40775	85.9%	6685	14.1%	47,460
2006/07	40390	86.7%	6200	13.3%	46,590
2007/08	40370	86.7%	6215	13.3%	46,585
2008/09	40960	87.3%	5945	12.7%	46,905

2009/10 – enrolment data published by the Department for Employment and Learning in February 2011

Table 16 – NI graduate unemployment rates and median salary for employed graduates

Year	% Unemployed	Median Salary for those in employment
2005/06	4%	£17,000
2006/07	5%	£19,000
2007/08	7%	£19,000
2008/09	**8%**	**£20,000**

Source –Department for Employment and Learning/HESA - Destination of Leavers from Higher Education Survey