



PUBLIC CONSULTATION DOCUMENT

**Future policy on
higher education
tuition fees and
student finance
arrangements
in Northern Ireland**

MINISTERIAL FOREWORD

Northern Ireland's higher education sector makes an essential contribution to the economy and wider society. Our higher education institutions are well respected and benchmark well against their counterparts throughout the world. Yet, in common with all United Kingdom universities, they are required to compete in a global market for the best staff and students so that they can maintain these high standards.

Their success is critical to the performance of the local economy. Often regarded as the engine of research and innovation, their activities support wider initiatives to attract inward investment and create high quality sustainable jobs.

Over the years, they have produced most of the graduates on whom our businesses, professions and services rely. They have been particularly successful in widening participation for those from lower income families to the extent that Northern Ireland now has, by some margin, higher participation rates than England, Scotland or Wales.

There are, however, a range of challenges ahead for higher education, including the financing of the sector. Given the financial climate in which we now live, and the public expenditure challenges faced by the Executive, it is right that we look at options around the possible level of tuition fees and how much government contributes to the sector. This consultation document, which I encourage you to read in full, sets out a range of potential options.

It is widely acknowledged that tuition fees is a contentious issue but it is also very important to recognise all of the elements of the student support package, including maintenance grants and loans and the repayment arrangements. The underlying principle in bringing forward options in this consultation is that access to higher education is based on the ability to learn, not the ability to pay.

Moving forward, and in the context of the public expenditure challenges faced by the Executive, I feel that it is important to strike the correct balance between public (taxpayer) and private (graduate) funding of higher education. So, in developing these options, a key influence has been maintaining access for those from socially disadvantaged backgrounds, allowing our institutions to remain internationally competitive and ensuring that the share of the funding attributable to the public purse remains affordable.

I am grateful to Joanne Stuart for her work in producing the independent review of variable tuition fees and student finance arrangements and its subsequent update. In addition, I also acknowledge the contributions of the key stakeholders whose views and expertise have informed our thinking as the Department developed the proposals contained in this public consultation document.

It is my strong view that we now need to let all those interested in this important issue have their say through a public consultation so that we can develop a 'made in Northern Ireland' model which will strike the right balance between maintaining access to higher education for those from lower income backgrounds, securing the excellence of our institutions and ensuring that affordability is guaranteed.



Danny Kennedy MLA

Minister for Employment and Learning

EXECUTIVE SUMMARY

1. This consultation document sets out the background, context and details of a range of issues related to the future policy on higher education tuition fees and student finance arrangements in Northern Ireland. Importantly, the financial implications for individuals, institutions and government are also set out.
2. It is recognised, at the outset, that tuition fees are an emotive issue and cause strong opinions to be expressed. It is also recognised that the whole area of tuition fees and the associated student support can be technically complex and this consultation document seeks to set out, in the simplest way possible, how different options and packages may impact on the key stakeholders – the individual student, the institutions and government.
3. Northern Ireland's higher education sector makes an essential contribution to the economy and wider society. Our higher education institutions (HEIs) are well respected and benchmark well against their counterparts throughout the world. Yet, in common with all United Kingdom universities, they are required to compete in a global market for the best teachers and researchers so that they can maintain these high standards.
4. Their success is critical to the performance of the local economy. Often regarded as the engine of research and innovation their activities support wider initiatives to attract inward investment and create high quality sustainable jobs.
5. Over the years, they have produced most of the graduates on whom our businesses, professions and services rely. They have been particularly successful in widening participation for those from lower income families to the extent that Northern Ireland now has, by some margin, higher participation rates and more students from socio-economic groups 4-7 than England, Scotland and Wales.
6. The funding arrangements for higher education do not only impact on the existing cohort of students and the HEIs. They also impact on the future prospects of all our children, for whom we have a responsibility to put in place a sustainable, accessible, higher education infrastructure, so that when their time comes they have the same or better opportunity as the current generation of students to maximise their potential.
7. The funding arrangements impact too on the future prospects of our economy. A critical consideration in any revision of the existing arrangements will be to safeguard and support the contribution our institutions make to the local economy. This means they must be enabled to preserve and build their international reputation and promote excellence in teaching and research so that we continue to have a higher education system which compares favourably with the top performing economies throughout the world. The funding arrangements impact on

the taxpayer as well who, until tuition fees were introduced, met the full cost of graduates' tertiary education. The future balance between public (taxpayer) and private (graduate) funding of tertiary education is a key consideration in any revised arrangements, particularly as many of the taxpayers will earn less than the graduates for whose education they pay.

8. In developing the proposals set out in this consultation document, care has been taken to emphasise that tuition fees and student support should be viewed as a “package” – very often the focus is on the level, or potential level, of the tuition fee. The associated student support is, however, a key component and you are encouraged, when responding to this consultation, to do so while reflecting on the four elements of the “package”. These are:

- The level of the tuition fee and the loan associated with it.
- The level of, and eligibility for, the maintenance grant.
- The level of the maintenance loan.
- The repayment threshold (the earnings level at which students who have taken out loans begin to repay).

9. In addition to recognising the importance of the “package” as set out above, there are also some key points to be borne in mind in relation to the consultation proposals:

- No-one will be required to pay tuition fees up front or repay loans during their course of study.
- If you earn less than, or your earnings fall below, the repayment threshold, you will not enter repayment, or your repayment will be postponed.

10. The consultation document is set out in eight sections. A short summary of each section is set out below:

Section One:	This section sets out the background and context to the issue of tuition fees and student finance arrangements.
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Section Two:	This section sets out the findings of the Independent Review of Variable Student Finance Arrangements (the Stuart Review) and its subsequent update. The section also details related issues such as the Department's proposed budget position for the next four years.
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Section Three:	This section details developments on tuition fees and student support in England, Scotland, Wales and the Republic of Ireland.
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Section
Four:

This section sets out five potential options relating to the four areas of the “package” referred to above. Options are, therefore, put forward in relation to each of the following:

- The level of the tuition fee.
- The level of, and income thresholds for, maintenance grant.
- The level of the maintenance loan.
- The earnings threshold at which students who have taken out loans would start to repay.

The potential cost of these options is also highlighted.

The options for future fees include:

- The abolition of fees.
- Maintain the fee level at the current rate of £3,290, subject only to annual increases to deal with inflation. The current arrangements have allowed Northern Ireland to deliver the best participation rates in higher education in the UK, including those from low income backgrounds, and enabled our universities to sustain and enhance the quality of their academic offering and research capability.

However, given the financial challenges faced by the Executive, this option would either require the universities and the university colleges to reduce their services by the equivalent of £40m per year or require the Department to reduce other programmes by a similar amount.

- Raise fees to £4,500 a year, subject to annual inflationary increases. This option would mean that some 3,000 more students would qualify for full grant support, with no student receiving less grant.
- Raise fees to between £5,000 and £5,750. This option would provide for slightly more generous rates of grant support than the previous option.
- Raise fees to between £6,000 and £9,000 as in England and Wales.

The proposals also include:

- Continuing to support students who study in other parts of the UK

through the provision of loans to the full value of the fees charged by the HEI at which they are studying.

- The repayment of loans to commence at an earnings threshold of £21,000, rather than £15,000 at present.

Section Five: This section brings together the options for capping fees, providing maintenance support (loan and grant) and repayment terms, and sets out potential packages of fees and student support for consideration.

Section Six: This section sets out details on a number of other elements of the existing student support package on which the Department is seeking views. These elements include:

- Tuition fees for students attending Northern Ireland HEIs from Scotland, England and Wales.
- Fee/loan support for higher education students studying at Further Education Colleges (FECs).
- Access agreements and bursary arrangements.
- Fee/loan support for Northern Ireland students studying in the Republic of Ireland.
- Part-time study arrangements.

Section Seven: This section sets out a range of issues in relation to the quality of teaching and learning, particularly in light of the potential for increased income as the result of any increase in tuition fees.

Section Eight: This section refers to the equality impact assessment which has been prepared by the Department and which will be available for public consultation for the same period as this consultation paper.

11. The issue of the future policy on tuition fees and student finance arrangements in Northern Ireland is a significant one for many people in our society. The consultation document sets out the background and context and puts forward a number of options. It is important that you submit your views on these key issues and we look forward to hearing from you.

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HOW TO RESPOND TO THIS CONSULTATION

This consultation is available online on the Department's website:

<http://www.delni.gov.uk/consultation-zone>

It runs from 15 March 2011 to 10 June 2011 and applies to Northern Ireland. Information on how to respond can also be found on the Department's website. Correspondents are asked to submit their views as early as possible during this period to allow as much time as possible for consideration.

A number of questions have been asked throughout this consultation paper. These questions are contained in sections 5-8 and also separately in a supplementary questionnaire. The questionnaire can be downloaded in Word format from the Department's website.

If a printed copy of the consultation document or the questionnaire is required, they can be requested from the contact details provided in this section. Requests for this paper in different formats and languages will also be considered.

All responses not submitted electronically must be made in writing and attributable so that there is an objective record of the view expressed. Your name, address and organisation name, if applicable, should be clearly stated. Responses should be submitted before the closing date.

FREEDOM OF INFORMATION

The Department will publish a summary of responses following completion of the consultation process. Your response, and all other responses to the consultation, may be disclosed on request. The Department can only refuse to disclose information in exceptional circumstances. Any automatic confidentiality disclaimer generated by your IT system will be taken to apply only to the information in your response for which confidentiality has been specifically requested. Before you submit your response, please read the paragraph below on the confidentiality of consultations and it will provide you with guidance on the legal position regarding any information given by you in response to this consultation.

The Department will handle any personal data you provide appropriately in accordance with the Data Protection Act 1998. The Freedom of Information Act gives the public a right of access to any information held by a public authority, namely, the Department in this case. The right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential, any information supplied to it in response to a consultation. However, the Department does have the responsibility to decide whether any information about your identity, should be made public or treated as confidential.

This public consultation document will be distributed in accordance with guidance from the Machinery of Government Division of the Office of First Minister and deputy First Minister, and the Equality Scheme of the Department for Employment and Learning.

Responses should be sent to:

Patrick Smith
Student Finance (Future Policy) Branch
Department for Employment and Learning
Adelaide House
39-49 Adelaide Street
Belfast
BT2 8FD

by 3.00pm on Friday 10 June 2011

For further information:

Tel: (028) 902 57756
Fax: (028) 902 57747
Email: patrick.smith@delni.gov.uk
Website: <http://www.delni.gov.uk/consultation-zone>

The Department cannot accept responses by telephone. General enquiry calls may be made to the above number.

SECTION ONE: BACKGROUND AND CONTEXT

INTRODUCTION

- 1.0 The purpose of this document is to seek views on the future financial arrangements for the funding of higher education and the associated student support costs.
- 1.1 Northern Ireland's higher education sector makes an essential contribution to the economy and wider society. Our HEIs are well respected and benchmark well against their counterparts throughout the world. Yet, in common with all UK universities, they are required to compete in a global market for the best teachers and researchers so that they can maintain these high standards.
- 1.2 Their success is critical to the performance of the local economy. Often regarded as the engine of research and innovation their activities support wider initiatives to attract inward investment and create high quality sustainable jobs.
- 1.3 Over the years they have produced most of the graduates on whom our businesses, professions and services rely. They have been particularly successful in widening participation across all socio-economic groups to the extent that Northern Ireland now has, by some margin, higher participation rates and more students from socio-economic groups 4-7 than England, Scotland and Wales.
- 1.4 The funding arrangements for higher education do not only impact on the existing cohort of students and the HEIs. They also impact on the future prospects of all our children, for whom we have a responsibility to put in place a sustainable, accessible, higher education infrastructure so that when their time comes they have the same or better opportunity, as the current generation of students, to maximise their potential.
- 1.5 The funding arrangements impact too on the future prospects of our economy. A critical consideration to any revision of the existing arrangements will be to safeguard and support the contribution our HEIs make to the local economy. This means they must be enabled to preserve and build their international reputation and promote excellence in teaching and research so that we continue to have a higher education system which compares favourably with the top performing economies throughout the world. The funding arrangements impact on the taxpayer as well who, until tuition fees were introduced, met the full cost of graduates' tertiary education. The future balance between public (taxpayer) and private (graduate) funding of tertiary education is a key consideration in any revised arrangements particularly as many of the taxpayers will earn less than the graduates for whose education they pay.

Current Funding arrangements for Higher Education Institutions and students

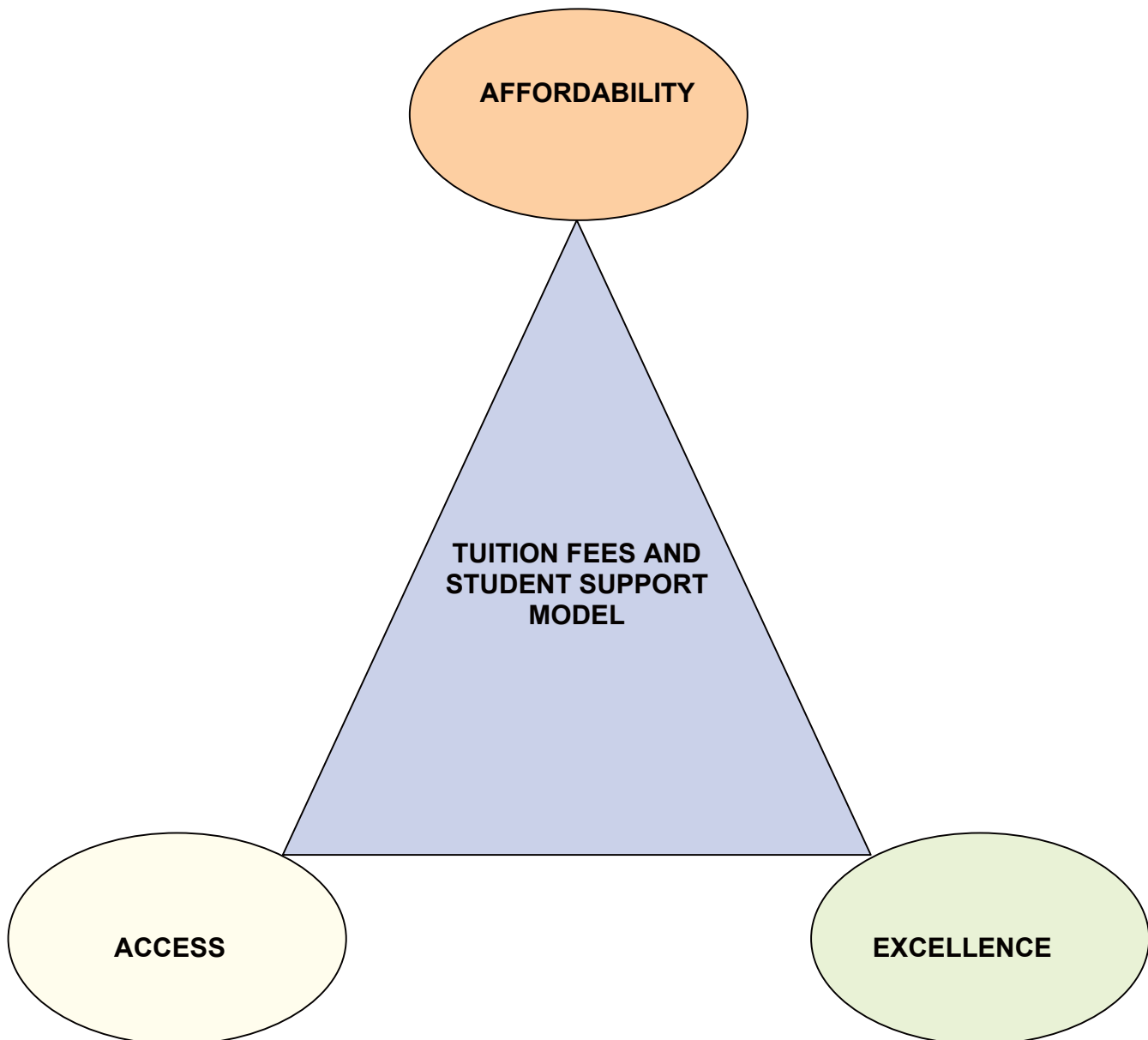
- 1.6 In 2008/09 the combined income of the universities and university colleges in Northern Ireland was approximately £500m of which over £200m was provided directly by the Department for Employment and Learning (the Department) in the form of teaching grant and funding for research. The Department also funds the provision of higher education in the Further Education Colleges (FECs). In 2008/09, some £25m was made available for the delivery of higher education in FECs.
- 1.7 In addition to direct grant support from government, a key source of funding for the HEIs and FECs is through tuition fee income. Variable tuition fees and new enhanced student finance arrangements were introduced in September 2006, at the same time as they were introduced in England. In introducing these arrangements, it was acknowledged that graduates as beneficiaries, would have to bear a greater share of the cost of their higher education if the Northern Ireland higher education sector was not to be progressively disadvantaged compared to England. HEIs and FECs in Northern Ireland needed to have the same opportunity to secure the additional funding which variable fees would bring to help meet long term challenges to maintain and improve standards, widen access, strengthen links with business and become more internationally competitive. In 2008/09, Northern Ireland's universities generated some £80m from tuition fees.
- 1.8 Although students are required to pay fees to the HEIs (and FECs), the Department provides an extensive range of financial measures to support full-time undergraduate higher education students. There is often an emphasis or focus on the level at which tuition fees are set. However, it is important to recognise that the student support arrangements provide a 'package' of support, which encompasses Tuition Fee Loans, Maintenance Grants, Maintenance Loans and the Repayment Arrangements.
- 1.9 The cost of tuition fee loans and maintenance loans is met in full by HM Treasury under the 'annually managed expenditure' arrangements and do not represent a charge against the NI Block grant. However, the Department for Employment and Learning does bear the cost of subsidising the loans and this equates to about 35% of the loan value. The Department also bears the cost of all student grants.
- 1.10 Tuition fees are currently capped at £3,290 per annum. Although these fees must be paid by all students, they do not have to pay them upfront. Instead, the fees can be paid by way of a tuition fee loan. All students can apply for a tuition fee loan, as well as other support depending on their individual circumstances. Eligible part-time undergraduate students can also apply for student support in the form of a fee and course grant.

- 1.11 Tuition fee loans, along with the maintenance loans that assist students in meeting their living cost, are currently repayable only when the recipient is earning in excess of £15,000 and are repaid at the rate of 9% of the income over the threshold. Details of the current student support arrangements are provided at Annex 1.
- 1.12 In 2009-10 tuition fee loans and maintenance loans amounting to some £214m were issued to students from Northern Ireland. Non repayable maintenance grant support of some £60m was also provided. The student loans that are provided are heavily subsidised by Government, primarily to keep interest rates low and to allow for write off in certain circumstances and the costs of this subsidy also amounted to some £60m. This subsidy is commonly referred to as the “notional loan subsidy”.

CONSULTATION PROPOSALS

- 1.13 As Joanne Stuart recognised in her independent report and update, it is important that the tuition fee and financial support model developed for Northern Ireland is considered and treated as a complete package rather than as single or separate elements. As indicated above, the four key elements are:
- Tuition fees and tuition fee loans;
 - Maintenance grants;
 - Maintenance loans; and
 - Repayment arrangements.
- 1.14 In this context, this consultation paper outlines a number of options and seeks views in relation to the following policy areas:
- Fee levels and tuition fee Loans;
 - Maintenance support – grant and loan arrangements;
 - Loan repayment terms;
 - HEI bursary;
 - Northern Ireland domiciles studying in Great Britain and the Republic of Ireland;
 - Funding of part-time students; and
 - Quality.

- 1.15 In developing the proposals, a key influence has been ensuring that a balance is maintained between access, excellence and affordability. The policy intention therefore is to bring forward proposals that seek to continue our proud record of having the best higher education participation rates in the UK for those from socially disadvantaged backgrounds, allow our HEIs to remain internationally competitive and ensure that the share of the funding attributable to the public purse remains affordable. This is illustrated below.



In considering the various options that are available there are two key drivers:

- Policy: the degree to which it is considered appropriate for graduates to contribute to the costs of their higher education given the lifelong benefits that it conveys, rather than having the taxpayer (many of whom would be on lower incomes than graduates) meet the full costs.
- Finance: the degree to which further contributions from graduates are required if existing capacity, service quality, and levels of student support are to be maintained or potentially enhanced.

SECTION TWO: INDEPENDENT REVIEW OF VARIABLE TUITION FEES AND STUDENT FINANCE ARRANGEMENTS (THE STUART REVIEW)

- 2.1 In 2008, the Employment and Learning Minister, Lord Empey of Shandon MLA, committed to an independent review of the variable tuition fee and student finance arrangements. The review was formally launched in December 2008 with Joanne Stuart (Chair of the Institute of Directors in Northern Ireland) appointed as its chairperson and, consequently, this piece of work became known as the Stuart Review.
- 2.2 As part of the review process, the Department also commissioned an independent research project entitled “Utilisation of existing data sources to contribute towards an evidence base for the review of variable fees in Northern Ireland”.
- 2.3 The scope of the Stuart Review included consideration of:
- The impact of the current undergraduate fee arrangements on HEIs in Northern Ireland;
 - The impact of the current undergraduate fee arrangements on existing and prospective students domiciled in Northern Ireland; and
 - To inform future undergraduate fee and student finance policy for Northern Ireland.

IMPACT OF FEES TO DATE

- 2.4 The research project that contributed to the evidence base for the Stuart review was conducted by Dr Alessandra Faggian, a research fellow with the Economic and Social Research Council (ESRC). The full project report can be found on the DEL website <http://www.delni.gov.uk/effect-of-variable-tuition-fees-interim-report.pdf>. It considered the following issues:
- The impact of the introduction of variable fees on student participation;
 - The impact of the introduction of variable tuition fees on student retention (both in terms of drop-outs and migration patterns to and from the rest of the UK and possibly the Republic of Ireland); and
 - The impact of the introduction of variable tuition fees on student finances (uptake and repayment of loans, uptake of maintenance grants, uptake of institutional bursaries, overall debt levels).
- 2.5 The project concluded that there was little evidence to suggest that the introduction of variable fees had any impact on higher education participation

rates. Given its timing, this research was limited to the use of data for the two academic years post the introduction of variable fees, ie 2006/07 and 2007/08.

- 2.6 The final report from the Stuart Review, which had access to a further year's data (2008/09), concluded similarly that the introduction of variable fees had little impact on participation rates.

THE BROWNE REVIEW IN ENGLAND – KEY DIFFERENCES IN SCOPE

- 2.7 In England, the previous government had also committed to a review led by an independent commission to examine the variable tuition fee regime once data was available about the first years of operation of variable tuition fees. This review, which included funding of the higher education sector and student finance in England, was chaired by Lord Browne of Madingley and commenced in November 2009.
- 2.8 Unlike the Stuart review, which was restricted to variable fees i.e. full-time undergraduate study, Lord Browne was tasked with making recommendations to Government on part-time and postgraduate study and the funding of the higher education sector in general.

KEY RECOMMENDATIONS OF THE STUART REVIEW AND UPDATE

- 2.9 As indicated previously, the independent review of variable fees and student finance arrangements commenced in December 2008 and reported during 2010. In keeping with her original recommendations, which anticipated a need to consider the outcome of the review in England, in October 2010, Joanne Stuart was asked to update her report to take account of the Browne Review and also the outcome of the Comprehensive Spending Review. The update was submitted to the Minister in January 2011.
- 2.10 Throughout the review and update process, Joanne Stuart was supported by a steering group comprising of key stakeholders within the HE sector to ensure their interests were represented. These were:
- National Union of Students/Union of Students Ireland
 - National Association of Student Money Advisers
 - Queen's University Belfast
 - University of Ulster
 - St. Mary's University College
 - Stranmillis University College
 - Colleges Northern Ireland (formerly Association of Northern Ireland Colleges)
 - Open University

- Department of Health and Social Services and Public Safety
 - Department of Finance and Personnel
 - Department of Agriculture and Rural Development
 - Department for Social Development
 - Department of Education
- 2.11 The original report from the Stuart Review was submitted to the Minister in March 2010. It was not published immediately due to the Westminster elections and subsequently because the publication of the Browne report, which was clearly of relevance, was anticipated in England. The report was published in October 2010, to coincide with the release of Lord Browne's report. The key recommendations in the Stuart report were:
- to maintain fee levels at the current levels in real terms but that this position should be reviewed 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 Northern Ireland and England;
 - to align the maintenance grant thresholds for means-testing closer to those which currently apply in England and retain the current higher differential in maximum amount paid to students from Northern Ireland. It further recommended that, as in the case of fee levels, it would be prudent to review the maintenance grant package for NI students once the Browne review has reported, particularly if that review makes recommendations with regard to income thresholds; and
 - to review the current registration fee grant and maintenance support for Northern Ireland domiciles studying in the Republic of Ireland. The current arrangements are currently out of step with those which apply to students studying at HEIs in the UK.
- 2.12 As the Browne report in England and the outcome of the comprehensive spending review were made public, and in keeping with the original recommendations of the Stuart report, the Minister asked Joanne Stuart to review her report and recommendations and update them if appropriate. This recognised, among other things, that the financial environment was now very different to that which existed when Joanne Stuart originally commenced the independent review of tuition fees and student finance arrangements in January 2009.
- 2.13 Joanne Stuart's update was received and published on 8 February 2011. It was clearly indicated within the document that it updated (but did not replace) the original report. The update considered the external factors that were unknown at the time the original review was completed. These factors were:

- 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 on the NI Block grant and the Executive's draft budget proposals for 2011/12 through to 2014/15 for the Department for Employment and Learning.
- 2.14 As a result of the impact of the factors stated above, the update proposed a model which incorporates tuition fees, maintenance grants and repayment terms. The approach recommended by Joanne Stuart is –
- 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 Maintenance Grant Thresholds with England and maintain higher maximum grant of £3,475;
 - Increase the repayment threshold to £21,000; and
 - Adopt the UK Government fee structure of a basic fee of £6,000 and a maximum fee cap of £9,000 for non NI domiciles studying at NI HEIs.
- 2.15 In her update, Joanne Stuart reflects that the 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 estimated 3,000 additional students would 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 NI continues to have better than average (in the UK) levels of participation from lower socio-economic groups.
- 2.16 In addition, under her recommended model, 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. (This is illustrated in the table at paragraph 4.50).
- 2.17 For HEIs, the reduction in the teaching grant would be less than that for HEIs in England and Wales and flexibility is provided within the fee structure to enable variability to be introduced. Joanne Stuart suggests that this is of particular importance to FECs which, in a majority of cases, charge less than the maximum cap for HNDs and foundation degrees.
- 2.18 In addition, Joanne Stuart suggests that there is scope to generate additional fee income by increasing the number of students from the rest of the UK who study in NI. Relaxation of the Maximum Student Number (MaSN) cap could create

additional places, some of which could be filled by students from the rest of the UK. The MaSN is one of the areas included in the 'Development of a Higher Education Strategy for Northern Ireland' consultation document (see paragraphs 2.27 to 2.29 for more information).

- 2.19 The Stuart report and update also make other recommendations, a number of which are being considered in the context of the consultation on the development of a Higher Education Strategy for Northern Ireland and the consultation on a Regional Strategy for Widening Participation in Higher Education. Both of these documents are available on the Department's website.
- 2.20 The full report and update from the Stuart Review can be downloaded at <http://www.delni.gov.uk/index/publications/pubs-higher-education/variablefeesreview.htm>.

RELATED DEVELOPMENTS

Draft Budget 2011 – 2015

- 2.21 Following the outcome of the UK's Comprehensive Spending Review in October 2010, the Northern Ireland Executive's Draft Budget 2011-15 was announced in mid December 2010 and published for a public consultation until mid February 2011. The Department for Employment and Learning subsequently published a consultation document setting out the impact of the draft Northern Ireland budget for the Department, and identifying the issues and challenges that it faces over the budget 2010 period (2011/12-2014/15).
- 2.22 The Executive's proposed budget settlement means that, on a like for like basis, the Department will face a reduction in funding compared to 2010-11 of between £20m and £30m in each of the four years of the spending review period. It also faces significant unfunded inescapable pressures associated with the existing student support arrangements, the costs falling to the employment service associated with the economic downturn and welfare reform, the cessation of time limited funding currently used to support a number of important research and innovation programmes. To address these and other pressures the Department will need to make savings across its budget of some £140m per year by 2014-15.
- 2.23 The Department's strategy to deliver these significant reductions in spend has been based on the following four principles:
- squeezing out unnecessary bureaucracy and concentrating resource on front line services;
 - bearing down on pay and price inflation;
 - while recognising the benefit of public investment in services, seeking greater contributions from service users and beneficiaries; and

- looking for improvements in efficiency from the Higher Education Sector.
- 2.24 If the Department is to preserve capacity in the further education sector, the employment service and in skills provision, higher education will have to bear a significant proportion of the necessary reductions in expenditure. All organisations funded by the tax payer must expect to do more with less in this period of austerity. This also applies to HEIs.
- 2.25 The Department's proposals therefore assume a contribution of some £68m from the higher education sector towards the savings target of some £140m by 2014-15. This is approximately a 50% share of the savings target and is consistent with the fact that just over 50% of the Department's budget is spent on support to students and the block grant to the universities and university colleges. Plans assume that some £28m of the total reduction of £68m will be delivered by a 14% cash terms operational efficiency from the sector over the four year period. This will be a challenging target but the sector will be expected to deliver this without impacting on the quality of services offered.
- 2.26 Without an increase in the budget allocation, it is almost inevitable that the balance of resources will need to be found either from a reduction in capacity or an increase in student fees. It is important to recognise, however, that even with these proposed budget reductions, the Department is committed to government remaining the primary funder of higher education teaching in Northern Ireland. This contrasts with England where the balance is moving towards contributions from the individual.

Development of a Higher Education Strategy for Northern Ireland

- 2.27 The Department is leading on the development of a Higher Education Strategy for Northern Ireland, the aim of which is to maximise the contribution of higher education to the economy and wider society in Northern Ireland. The Strategy will make recommendations on the future of higher education in the period up to 2020. Sir Graeme Davies, Vice Chancellor of the University of London, chaired the Steering Group, which comprised key HE stakeholders. Five Expert Groups were also established to inform the process and they reported to the Steering Group on the following key themes: Economy, Finance/Governance, International, Learning and Society/People.
- 2.28 Following this process, a consultation paper was prepared and launched on 20 January 2011, providing all stakeholders with an opportunity to make their views known and to influence the development of the Higher Education Strategy for Northern Ireland

- 2.29 The consultation paper can be accessed on the Department's website at <http://www.delni.gov.uk/hestrategy>. Responses to the consultation should be submitted to the Department by 15 April 2011.

Consultation on a Regional Strategy for Widening Participation in Higher Education

- 2.30 The Department is also leading on the development of a Northern Ireland integrated regional strategy to widen participation in higher education by students from disadvantaged backgrounds, those with disabilities or learning difficulties and from groups which are currently under-represented in higher education. A Higher Education Widening Participation Regional Strategy Group and four expert working groups were established to help inform this work by advising and making recommendations on matters affecting widening participation in higher education in Northern Ireland and to assist with the development of a regional strategy and action plan. The work has led to the identification of a number of proposals in relation to, for example, raising aspiration and attainment, enhancing recruitment and selection, and retention and progression. A public consultation on these issues commenced on 8 March 2011.

SECTION THREE: DEVELOPMENTS IN THE OTHER ADMINISTRATIONS

- 3.1 In broad terms, the student funding regimes in England and Northern Ireland have been similar since variable tuition fees were introduced in 2006 (in Wales since 2007), with each of the administrations currently having a maximum fee cap of £3,290 per annum (2010/11). In Scotland, there are no tuition fees for Scottish domiciled students and fees of £1,820 (or £2,895 for medicine) for students from the rest of the UK. However, as in Northern Ireland, the other devolved administrations have also been considering changes to the existing arrangements.

England

- 3.2 As indicated previously, Lord Browne's Independent Review of Higher Education Funding and Student Finance - Securing a Sustainable Future for Higher Education – was published on 12 October 2010. It can be accessed at - <http://hereview.independent.gov.uk/hereview/>
- 3.3 Among Lord Browne's recommendations were:
- Removal of the cap on student fees;
 - HEIs to pay a levy to Government on all fees over £6,000 per annum;
 - An annual living / maintenance loan of £3,750 should be available to all (whether the student is living at home, away from home, or in London);
 - Increased support of up to £3,250 in grants for students from families with an income below £60,000 per year (the full grant will be available up to household income of £25,000);
 - Borrowers would begin to repay their loans when they are earning £21,000, with repayment at a rate of 9% of income over the £21,000 threshold; and
 - Borrowers with higher earnings after graduation should pay a real interest rate on the outstanding balance of their loans (equal to the Government's cost of borrowing - inflation plus 2.2 per cent). Borrowers earning below the repayment threshold would pay no real interest rate (their loan balance would increase only in line with inflation) while those earning above the threshold whose payments do not cover the costs of the real interest would have the rest of the interest rebated to them.
- 3.4 Lord Browne also proposed that part-time students should be treated the same as full time students for the costs of learning (tuition fees) by being given proportionate access to funding to those studying full time.
- 3.5 The detailed UK Government response to the Browne proposals was set out in a statement from David Willetts MP, Minister of State for Universities and Science, in early November 2010. Key elements of the UK Government's way forward include:

- A basic fee of £6,000 per annum from 2012/13;
- An absolute fee of £9,000 (in exceptional circumstances and subject to certain conditions);
- Enhanced focus on widening participation with a tougher regime of sanctions for those HEIs 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 (of up to Retail Prices Index (RPI) plus 3%);
- An increase in the maintenance grant from £2,900 to £3,250;
- Partial grant support for families with incomes up to £42,000; and
- Eligible part-time students to be entitled to loans for tuition.

3.6 During December 2010, the increases in the fee cap were endorsed in Parliament.

3.7 The Browne Review also made a number of recommendations in relation to longer term issues. The UK Government has advised that a White Paper addressing a number of these issues is expected in the coming months.

Wales

3.8 In response to the Browne review and the UK Government changes proposed for higher education in England, the Welsh Assembly Government also announced its proposed changes from 2012/13 in November 2010. These included the following:

- A basic tuition fee of £6,000 per annum from 2012/2013 ;
- 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;
- Welsh domiciled students will continue to be eligible for tuition fee loans to meet the cost of fees up to the current level (£3,290);
- 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;
- The non repayable fee waiver or grant will be payable for Welsh domiciled students wherever they study in the UK;
- Repayment threshold increased to £21,000;
- 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
- There will continue to be a cap on the number of publicly-funded student places in Wales.

Scotland

- 3.9 In mid-December 2010, the Scottish Government published a Green Paper - Building a Smarter Future: Towards a Sustainable Scottish Solution for the Future of Higher Education.
- 3.10 The Green Paper reflects an assumption that the State should have primary funding responsibility for higher education and it reiterates the Scottish Parliament's rejection of tuition fees for Scottish students. It is a wide ranging paper raising a number of issues in relation to the purpose of higher education, how it is delivered, the role of research, the international dimension, funding and student support.
- 3.11 On student support and funding, the paper sets out possible options and seeks views on them. It includes consideration of a graduate contribution to generate additional income. Questions are also included, for example, in relation to possible fee levels, such as £4,500 or £6,500 for students from the rest of the UK (excluding Scotland).
- 3.12 The consultation process is due to end in late February 2011, with the new policy proposals to be agreed following the May 2011 elections.

Republic of Ireland

- 3.13 Tuition fees were phased out and ultimately removed in the Republic of Ireland during the mid 1990s and that policy continues to be the position. Since then, a registration fee has been payable to cover the cost of registration, student services and examination fees. The Budget 2011 proposed an increase in the registration fee (known as a student contribution) from the current level of €1500 per annum to €2000 per annum (from 2011/12).
- 3.14 In addition, a reduction of 4% has been applied to the rates of all student grants and the qualifying distance criterion for entitlement to the higher non-adjacent grant (distance from home to HEI) has been increased (thus reducing the number of students eligible for this support).

SECTION FOUR: OPTIONS FOR FEE/LEVELS, MAINTENANCE SUPPORT AND LOAN REPAYMENT TERMS

FEE LEVELS

- 4.1 As indicated previously, the Stuart review considered a number of options in relation to future fee scenarios for Northern Ireland. The options considered included:
- Maintain the status quo;
 - Abolish fees at NI HEIs; and
 - Increase the fee cap.
- 4.2 The original Stuart report recommended maintaining the status quo but clearly reflected that this should be reviewed as soon as Lord Browne reported in England. In her update, Joanne Stuart considered the same fee options but, with the very different financial and economic climate to that in existence when the review was originally commissioned, the update focused on:
- Maintaining the status quo, or
 - Increasing the fee cap.
- 4.3 As the Stuart report recognised, in introducing variable tuition fees the Department's aim was to increase the level of funding available to higher education in Northern Ireland and to do so in a way that took account of two essential principles. Firstly, that a larger share of the cost of higher education should fall to graduates as direct beneficiaries. Research studies show that better jobs and higher pay are among the advantages that graduates derive from higher education. On average, Northern Ireland graduates earn £13,000 per year more than non graduates (Department of Enterprise, Trade and Investment, Labour Force Survey). However, the Department also wanted to ensure that the mechanisms for enabling graduates to contribute should be fair – hence the fee loan deferral system with repayment linked to income.
- 4.4 Secondly, the government wanted to ensure that a first rate system of higher education in Northern Ireland would continue to be available to all and that HEIs here should not be allowed to become underfunded or progressively disadvantaged compared to the English HE sector.
- 4.5 In developing options for the way forward, the desire to ensure an appropriate balance between the public and private contributions to higher education and the importance of continuing to enable a first rate system of higher education in Northern Ireland remain key considerations for the Department. It is also important to ensure that the Department, in developing a 'made in Northern

Ireland' solution, operates within the context of the current financial and economic realities.

4.6 Five options are considered below. These are:

Option A	Abolish fees
Option B	No Change - maintain fees at existing rates with inflationary increases only
Option C	Increase fees to £4,500
Option D	Increase fees to between £5,000 and £5,750
Option E	Increase fees to between £6,000 and £9,000

Options

Option A - Abolish fees

- 4.7 This option, which was rejected by the Stuart review, would see the abolition of tuition fees for all UK and eligible EU students at Northern Ireland HEIs, in essence a "free fees" policy. It would reflect a shift in government policy from the current approach which assumes that the individual beneficiaries of higher education should make a contribution towards their higher education, to a policy where the taxpayer would be responsible for funding the full cost of higher education for those who participate.
- 4.8 If fees were abolished, the Department would need to compensate the Universities and University Colleges for lost income by way of an enhanced core grant to ensure that they could continue to accept the same number of students and retain current standards. On the basis of current costs, this would create a resource pressure for the Department in the region of an additional £80m per annum based on a full cohort of students. This would be in addition to the £68m contribution sought from the sector in the Budget 2010 proposals. Assuming that £28m of this would be delivered by efficiency savings, the full costs of abolition of fees would amount to £120m per year by 2014-15 (at 2009-10 prices).
- 4.9 Another clear disadvantage in this approach, as the Stuart report recognised, is that under such a model Northern Ireland students who would otherwise seek to study in GB may decide to study in Northern Ireland as they would be financially better off. This has the potential to displace other students, with the greatest impact likely to be on those with lower grades. This would, in turn, have the potential to impact negatively on widening participation efforts as students from

lower income families are over represented in this sub-group. From a cost perspective, Northern Ireland's HEIs would become much more attractive to students from the rest of the UK and EU which may result in the further displacement of Northern Ireland students.

Option B – No Change: maintain current fee levels in real terms

- 4.10 This option would maintain the existing fee structures at the current level of £3,290 (subject only to inflation).
- 4.11 No additional income would be generated by this option to enable the Department to reduce the University teaching grant, whereas the costs of subsidising the loans would increase by about £6m by the end of 2014-15 as a result of inflation.
- 4.12 As with the 'no fees' option, this approach could result in students from lower socio-economic groups being squeezed out as lower fees here would make Northern Ireland much more attractive to students from GB or indeed to NI students who would otherwise study in GB.
- 4.13 There would remain a deficit in the Department's budget of some £40m which could only be filled by reducing capacity in the higher education sector or reducing services elsewhere.

Option C - Increase fees to £4,500

- 4.14 This option would cap fees at £4,500 – about 50% lower than in England and Wales. This would generate some £30m of additional income by 2014/15 largely addressing the Department's resource position associated with the Budget 2010 proposals.
- 4.15 From a policy perspective, this option would build on the existing approach of a shared private and public investment in higher education. It would adjust the balance to require graduates, as the main beneficiaries of higher education, to make a greater contribution to the costs of that education, but would retain the current approach which involves a significant and majority public contribution towards higher education through the core teaching grant to the HEIs.
- 4.16 This option would help maintain Northern Ireland's position of having the highest participation rate in the United Kingdom of those from lower socio-economic backgrounds.

Option D – Increase fees to a level between £5,000 and £5,750

- 4.17 In her update, Joanne Stuart recommended increasing the maximum fee cap to a figure of between £5,000 and £5,750. She has concluded that 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 higher education, or a reduction in the number of NI students studying at NI HEIs.
- 4.18 Joanne Stuart did not recommend a more specific maximum fee cap, as she considered that it would be dependent on a number of variable factors including a decision on the repayment threshold; the level of Notional Loan Subsidy (and take-up of loans); the uncertainty about the level of fees set by the HEIs in the rest of the UK; and, the level of efficiency savings that could potentially be made by the HEIs or the income that could be raised from different revenue streams that could be offset against the fee level.
- 4.19 This option would generate additional fee income of some £40m-£60m depending where the fee cap is struck. In support of this option, Joanne Stuart has reflected that, for students, the fee structure proposed is lower than that in Wales and England and it would allow for some increase in student support arrangements. Joanne Stuart reflects that 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.

Option E – Increase fees to between £6,000 and £9,000

- 4.20 As outlined in Section 3, the UK Government and the Welsh Assembly Government have announced increases in the basic fee cap in England and Wales to £6,000 from 2012/13, with a maximum fee cap of £9,000 if certain requirements are met. These arrangements will be applied differently in each administration, with English domiciles being required to pay the full fees, while the Welsh Assembly Government will provide a non repayable grant for Welsh students to cover the difference between the new and existing fee levels. The UK Government has announced extensive reductions in the core teaching grant for HEIs in England of up to 80%, while the Welsh Assembly Government has announced an overall reduction of 35% in its core teaching grant.
- 4.21 The approach in England will result in a significant realignment away from public funding for higher education (through the core grant) to private funding (through tuition fees), though with enhanced student support arrangements in place. It has the effect of releasing existing public resources which can be deployed elsewhere.

- 4.22 If this approach were to be followed in Northern Ireland, it would be a significant policy shift, signalling a clear move away from public funding of the higher education system in favour of a system where the beneficiary largely bears the cost of their tertiary education. Under this option fee income would increase in excess of £100m per annum creating a significant surplus for investment in other priority areas.
- 4.23 This option may potentially have a detrimental impact on Northern Ireland's record of participation in Higher Education for those from lower socio-economic backgrounds, although the increased student support package associated with this level of fees may mitigate any potential impact.

Tuition fee loans for NI domiciles studying in other UK jurisdictions

- 4.24 In addition to considering the fee levels and level of support for students in Northern Ireland, we also have to consider the implications for those studying in GB. While higher education is a devolved matter for each of the UK administrations, it is worth reflecting that decisions on what fee cap to set or how to support students in one administration can impact on the others. Almost 30% of Northern Ireland's full-time undergraduate students study in other parts of the UK, while there are significant flows of students between each of the other administrations as well.
- 4.25 Northern Ireland domiciles studying in HEIs in other parts of the UK are entitled to tuition fee loans to cover the fees charged by the HEIs that they attend, along with relevant maintenance support (loans and grants).
- 4.26 The increased fees in England and Wales, along with any changes to be introduced in Scotland, will have implications for the Department in terms of increased notional loan subsidy charges. Based on current student numbers, an average fee of £7,000 in England and Wales would result in additional fee loans of around £30m (funded by HM Treasury) for Northern Ireland domiciles and notional loan subsidy costs to the Department of between £10m and £12m per annum, though these estimates would increase significantly if the HEIs in England and Wales were to set higher fees. Similarly, if fees in Scotland were to increase to around £4,500 it would result in additional fee loans of approximately £11m for NI domiciles (funded by HM Treasury) and notional loan subsidy costs to the Department of over £3m per annum.
- 4.27 In considering the actual level of support to be made available to NI students studying in GB, the Executive may have discretion to:
- limit the level of support to the maximum available to NI students studying in NI, with students or their families financing any difference in fee levels between NI and GB;

- provide support up to the maximum fee levels set by the GB institution at which they are studying; or
- follow the Welsh Assembly Government model and provide a non repayable grant for NI students to cover the difference between the fee payable in NI and the fee set by the GB institution at which they are studying.

- 4.28 The latter option was highlighted, but not recommended, by Joanne Stuart in her update. She recognised that such an approach may impact on student flows, acknowledging that there is already concern expressed about the number of NI domiciled students opting to leave NI to study and providing this type of grant or waiver may encourage more to study outside of NI. She also acknowledged that it would increase costs by anywhere between £2m and £28m though there would be some reduction in Notional Loan Subsidy. In addition, it was recognised that, 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 higher education sector.
- 4.29 For the purpose of this consultation it has been assumed that students who study in other parts of the UK will be supported through the provision of loans to the full value of the fees charged by the university at which they are studying. This would help ensure that student choice is not inhibited by ability to pay. This is an issue on which the Department would welcome views in this consultation.
- 4.30 The previous sections have considered the potential costs and benefits of the fee cap options set out in paragraph 4.6. However, these can not be fully appraised without taking into account the other components of the student support package, including the level of maintenance grant and loan support and the repayment arrangements. These are discussed below.

MAINTENANCE SUPPORT ARRANGEMENTS

- 4.31 Widening participation and ensuring access to higher education for those from lower socio-economic backgrounds is a key issue for the Department and the HEIs. Ensuring that students can afford now to study full-time is of as much importance to the students and their families as the level of contribution they will be expected to make to their tuition fees in the future.
- 4.32 Current support arrangements for eligible students include access to non repayable Maintenance grants, as well as repayable Maintenance loans. In addition, support is available from other sources, e.g. HEI bursaries.
- 4.33 Prior to the introduction of variable deferred fees in 2006, a maximum maintenance grant of £2,000 was available to Northern Ireland domiciles from

low-income households of less than £10,500. This means tested grant reduced to nil where the household income exceeded £21,000.

4.34 To coincide with the introduction of the variable deferred tuition fee arrangements in 2006, a more favourable system of grants for living costs was introduced. At that time, the maximum grant increased to £3,200 where the income was below £17,500 and the threshold at which no entitlement to grant was determined, rose significantly to £37,425. Since then these thresholds have risen to £19,000 and £41,000 respectively. The full costs of maintenance support in Northern Ireland currently amount to approximately £80m per annum.

4.35 The table below reflects the current arrangements in Northern Ireland and shows how they compare to the existing arrangements in England as well as the revised arrangements that will apply in England from 2012/13.

	Northern Ireland	England	Arrangements in England 2012/13
Maintenance Grant	£3,475	£2,906	£3,250
Qualifying Household Income Threshold for Maximum Grant	£19k	£25k	£25k
Income threshold above which no maintenance grant is paid	£41k	£50k	£42k

4.36 Under the current means-tested arrangements 57% of the NI domiciled student population qualifies for maintenance grant. Of these, 65% are in receipt of the maximum grant available.

4.37 In addition to maintenance grant, assistance with living costs is also available through a maintenance loan. 75% of the maintenance loan is not means-tested, while the remaining quarter is subject to means testing. The loan is payable at three rates –

Students living away from home (London)	Up to £6,780
Students living away from home (elsewhere)	Up to £4,840
Students living at home	Up to £3,750

4.38 Students who receive the maximum maintenance grant will be entitled to reduced maintenance loan. Similarly, the entitlement of students whose household income is above approximately £42,000 is also reduced (to a minimum of 75% of the value of the total loan). Maintenance loan at this rate is, however, available regardless of the level of household income.

4.39 The Stuart Review recommends a twofold change with regard to entitlement to maintenance grant. This is:

- (i) Align the maintenance grant thresholds for household income levels to those in England; and
- (ii) Maintain the maximum grant of £3,475.

4.40 In looking forward, the Executive has, however, considerable discretion as to how it frames its maintenance support for students. It could maintain or even reduce the existing levels of support, or subject to affordability considerations:

- extend the scope of the arrangements so that more students benefit;
- increase the levels of grant support available; or
- increase the extent of loan support available.

4.41 Five options are considered below, each of which has different resource consequences. These are:

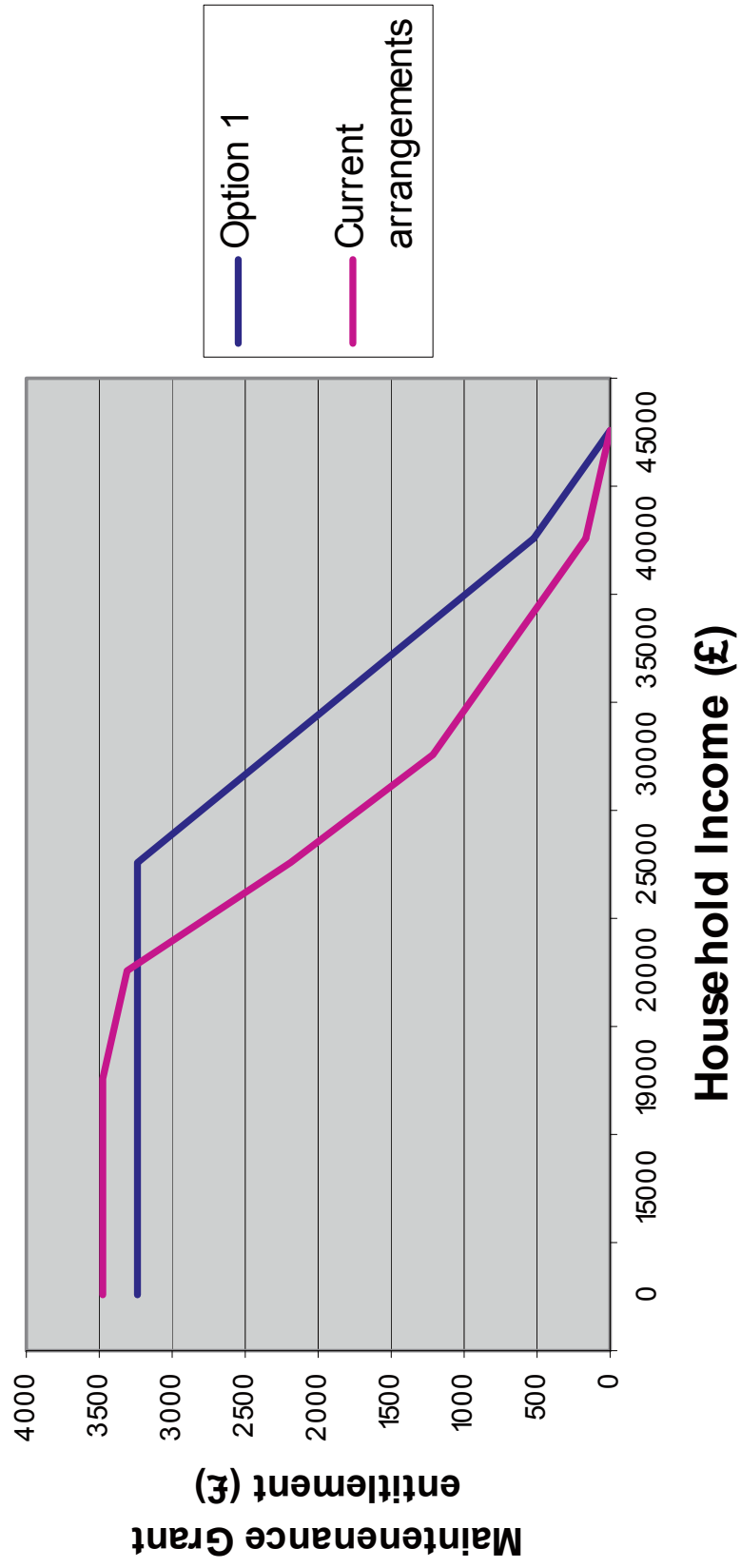
Option 1	Reduce the level of maximum maintenance grant from £3,475 to £3,250, to align the support available to that which will apply in England.
Option 2	No change in the current arrangements.
Option 3	As Option 2, but increase the income threshold at which students are eligible for full grant support from £19,000 to £25,000.
Option 4	Increase the income threshold for full grant support to £25,000 and increase the maximum level of grant to £3,750 per annum.
Option 5	As Option 4 but increasing the maximum total maintenance loan support from £4,840 to £5,500 (living away from home rate).

Option 1: Reduce the level of maintenance grant from £3,475 to £3,250, to align the support available to that which will apply in England.

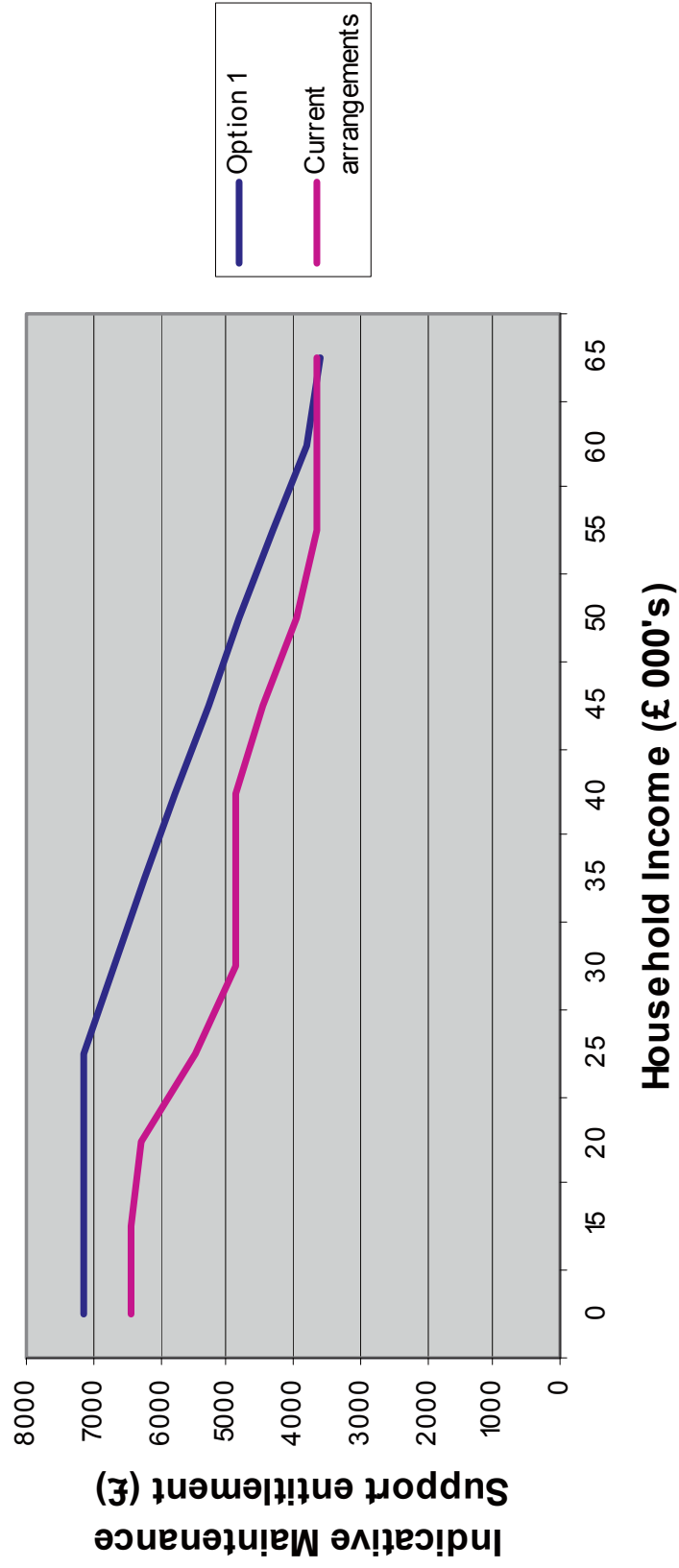
This option would introduce parity of treatment in the maintenance grant support available for NI domiciled students and students from England. It would generate savings of some £5m per annum, which could be used to offset any increase in fees by around £200 per year.

In her review, however, Joanne Stuart concluded that the current higher levels of support in Northern Ireland were significant contributing factors to higher levels of participation from low income families here, and a reduction in maintenance support could well impact adversely on access levels for disadvantaged students compromising the success Northern Ireland has achieved to date in widening participation.

Comparison of Maintenance Grant Entitlement - Option 1 with current arrangements



Comparison of Total Maintenance Packages - Option 1 with current arrangements



Option 2: No change in the current arrangements

This option would retain the existing thresholds for support with a full grant of £3,475 available to families with income below £19,000, with reducing means tested support available to families with income up to £42,000. No grant support would be available for students with family incomes above that level.

Maintenance loans would also be available to all students. The combination of maximum grant and maintenance loan would see those students from the lowest household incomes being entitled to approximately £6,430 per annum (based on the student living away from home rate).

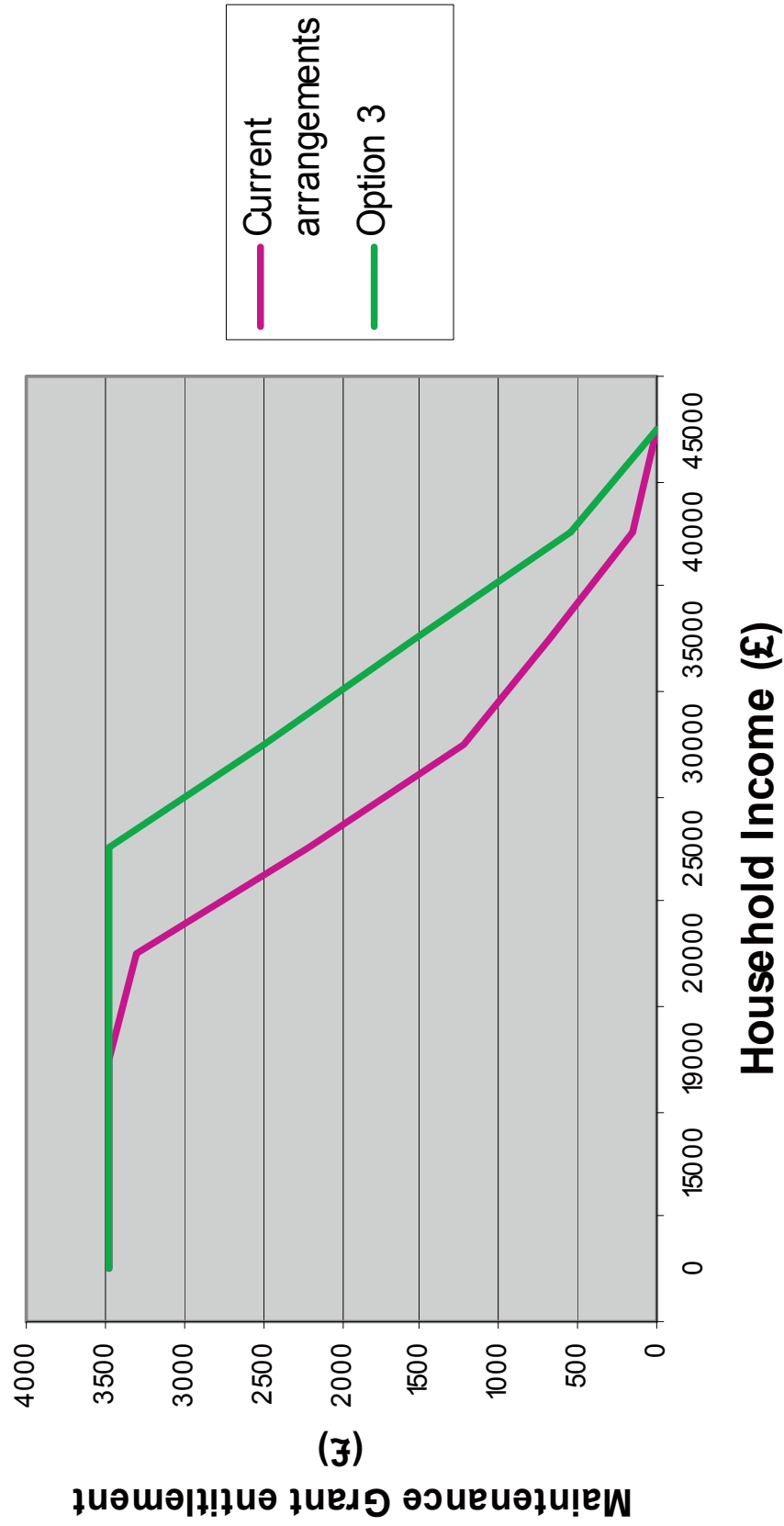
Although this option does not provide any additional support for individuals, the full costs are projected to increase over time as more families are expected to come within the eligibility criteria as a result of the economic downturn. Costs to government are expected to increase by up to £20m by 2014-15.

Option 3: As Option 2, but increase the income threshold at which students are eligible for full grant support from £19,000 to £25,000.

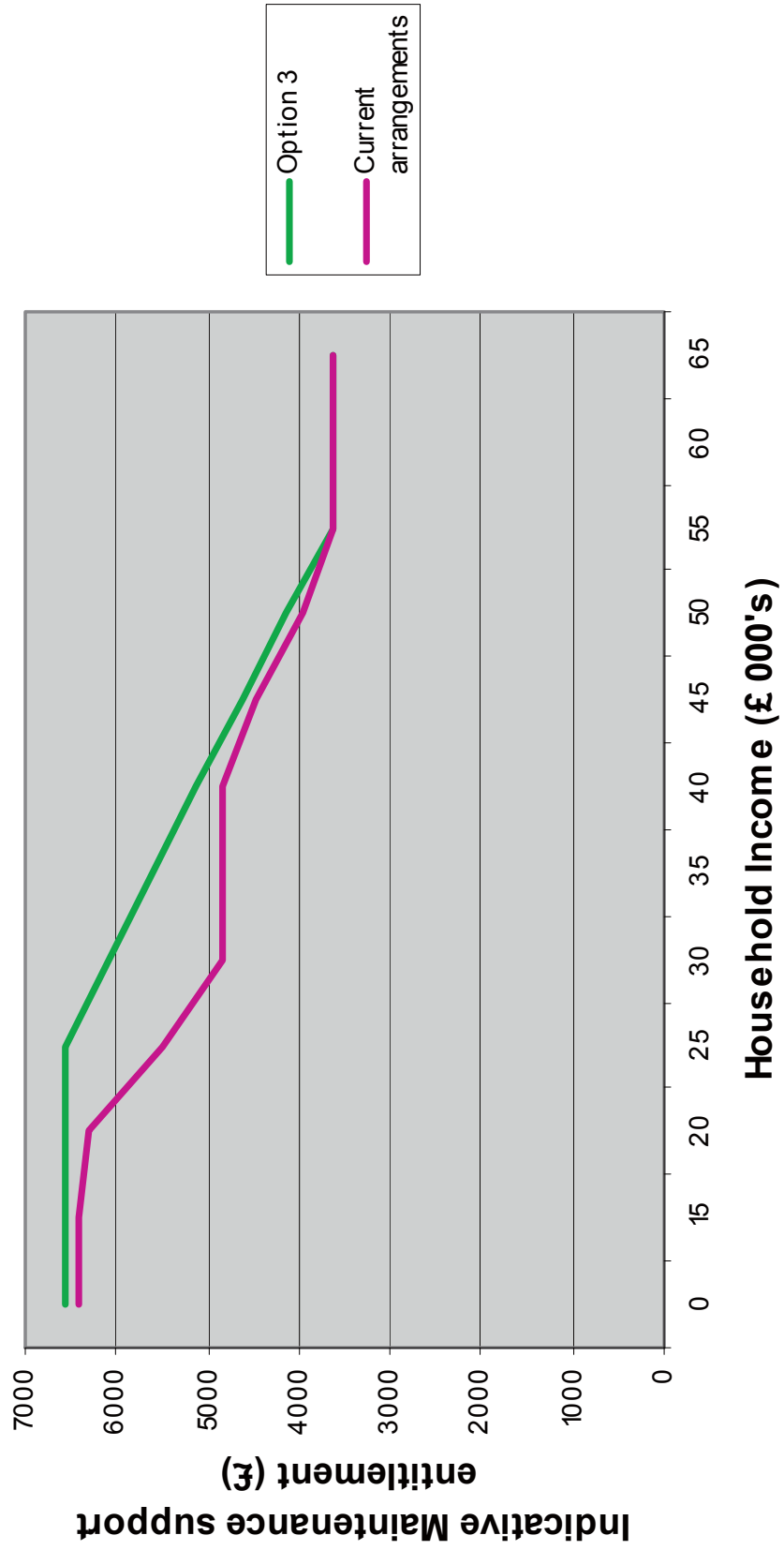
This would align the lower income threshold for full grant support with that which currently applies in England. It would require additional public expenditure of some £9m per year by 2014-15 above that of Option 2.

It would mean, however, that almost 3,000 additional students would have access to a full grant.

Comparison of Maintenance Grant Entitlement - Option 3 with current arrangements



Comparison of Total Maintenance Packages - Option 3 with current arrangements

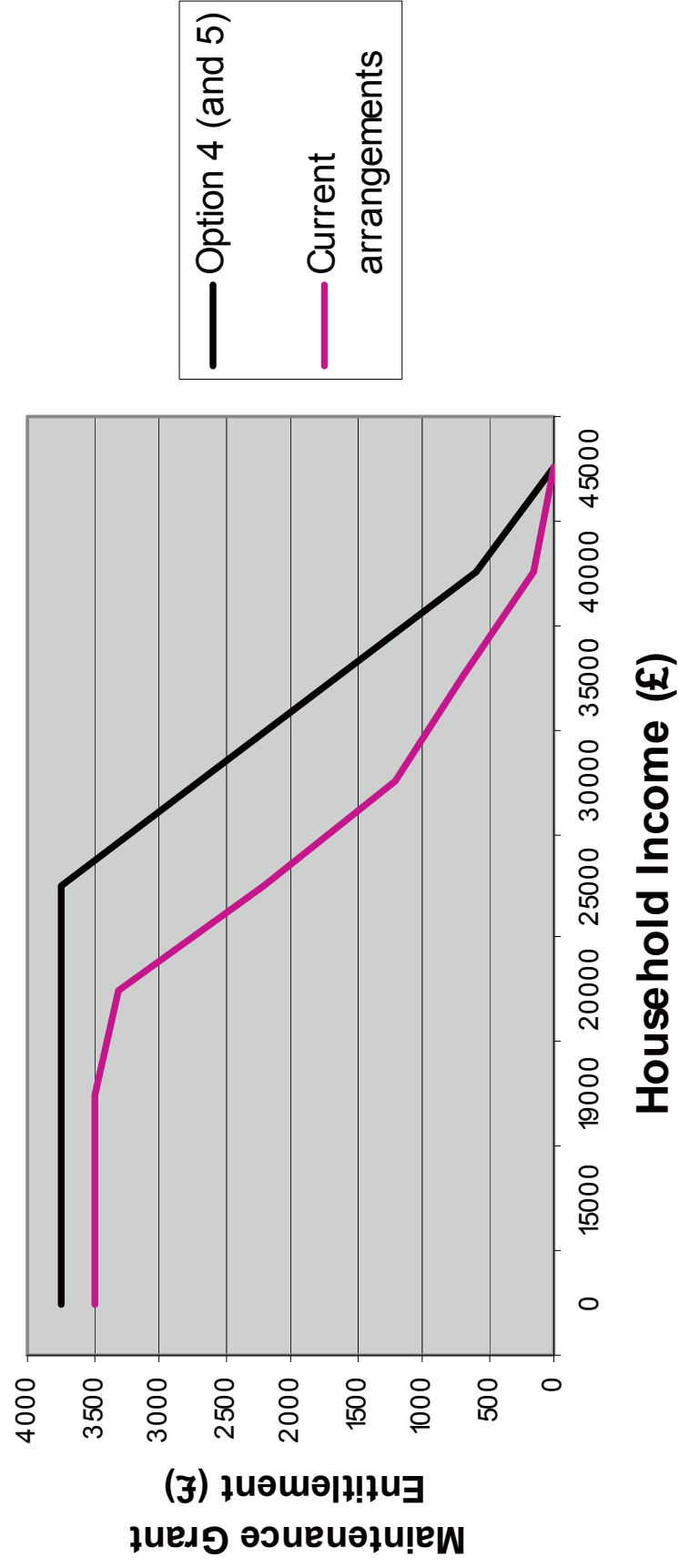


Option 4: Increase the income threshold for full grant support to £25,000 and increase the level of grant to £3,750 per annum.

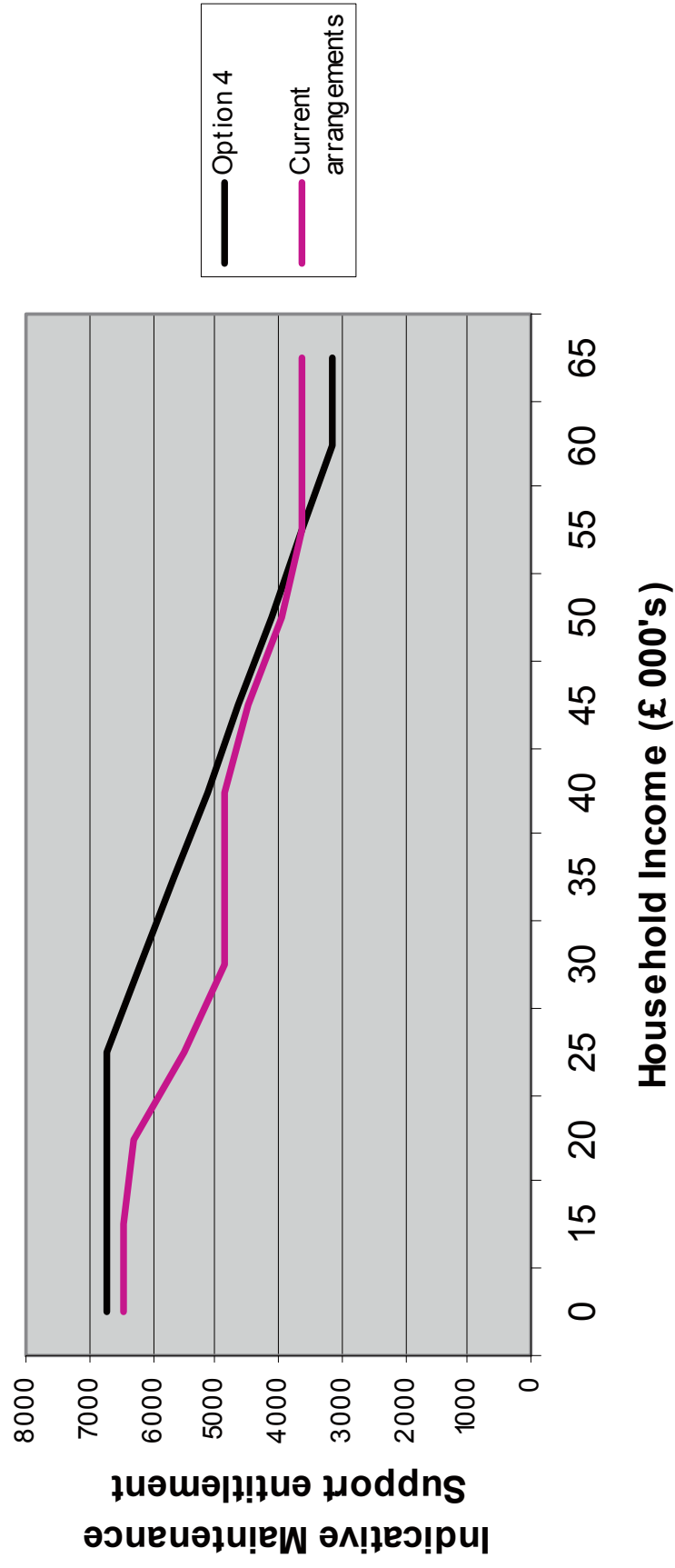
This option would align the lower income threshold for full grant support with that which applies in England and would also maintain a differential of some £500 per annum between the level of support available to students from Northern Ireland and those from England.

Increasing support in this way would cost a further £15m per year by 2014-15 above that of Option 2.

**Comparison of Maintenance Grant Entitlement -
Options 4 (and 5) with current arrangements**



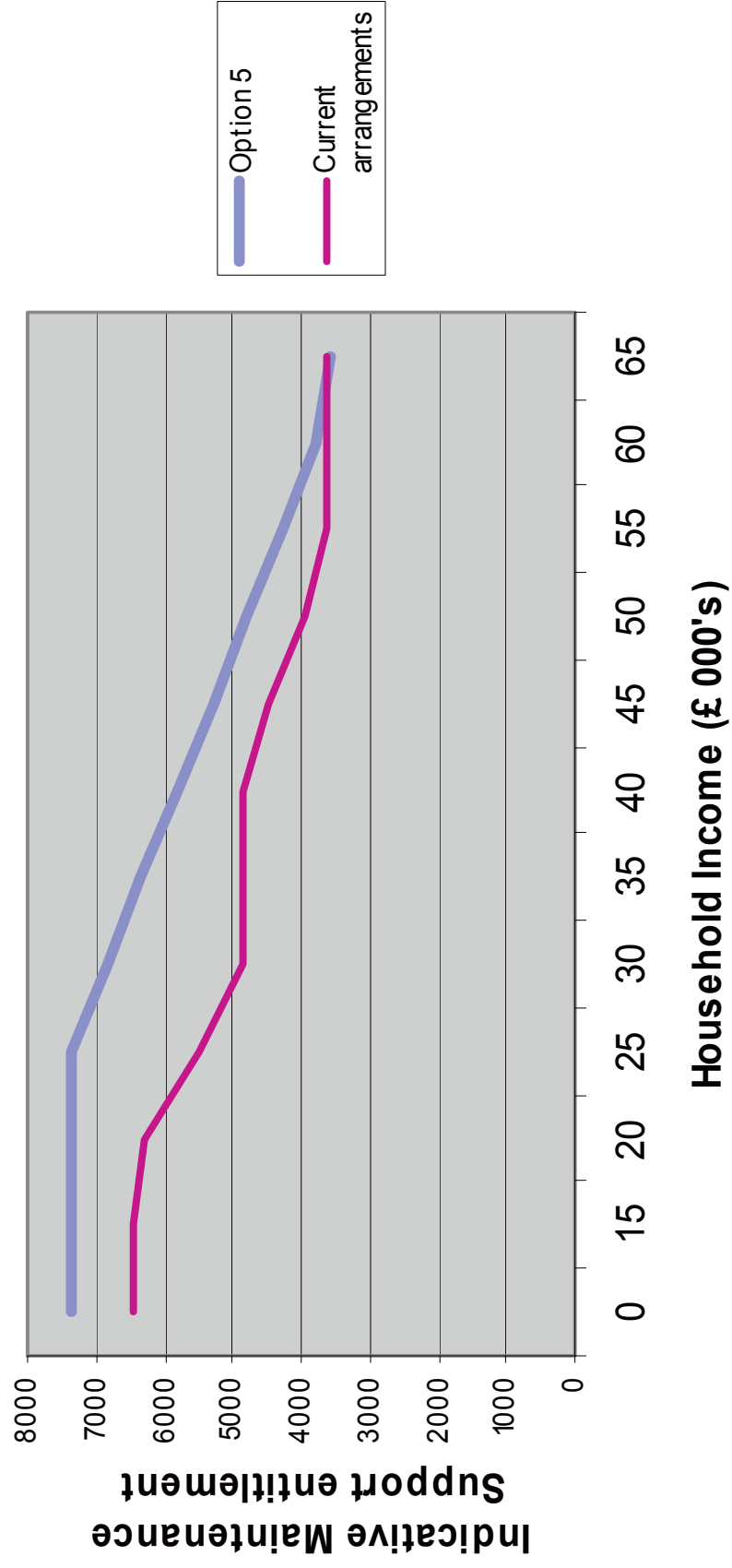
Comparison of Total Maintenance Packages - Option 4 with current arrangements



Option 5: As Option 4 but increasing the maximum total maintenance loan support from £4,840 to £5,500 (living away from home rate)

This option would align the NI level of loan support with that which will apply in England. It would cost a further £22m per annum compared to current costs. This would only be affordable in Northern Ireland with a very significant increase in tuition fees or in the Department's budget.

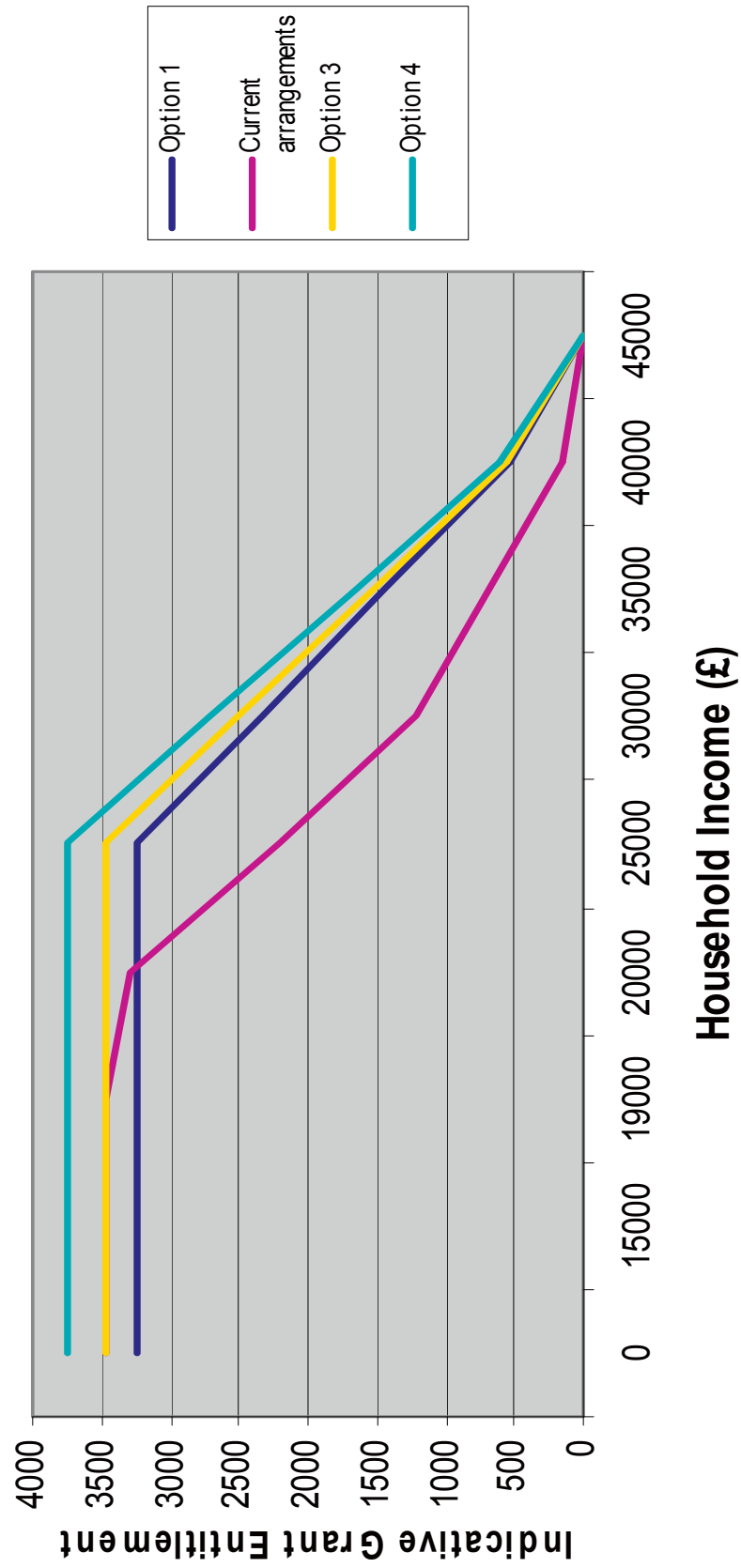
Comparison of Total Maintenance Packages - Option 5 with current arrangements



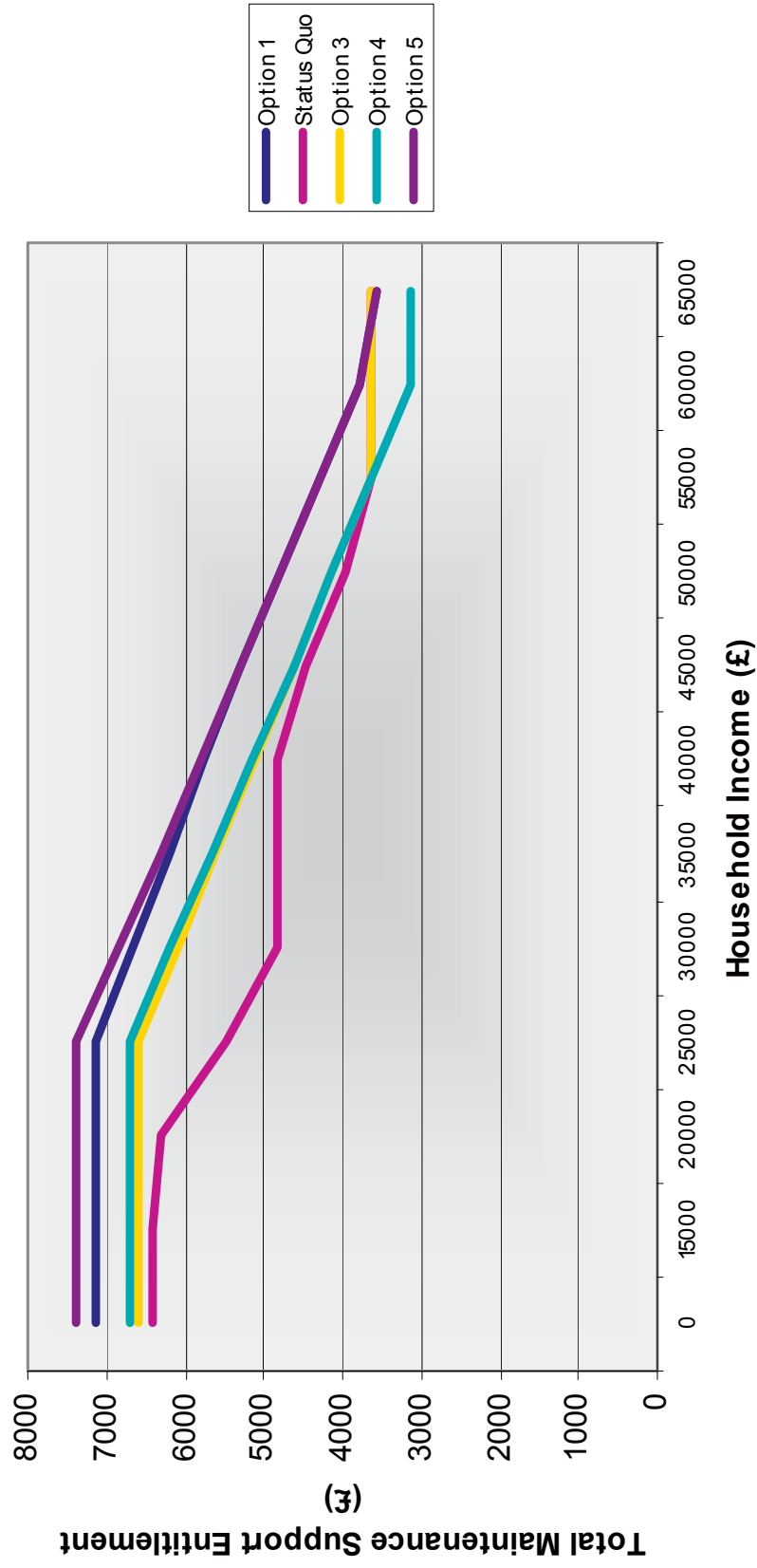
The differential impact of the various options are summarised in the table below.

	Cost £m	Additional cost compared to status quo (Option 2) £m	Estimated No. of additional students receiving maximum grant	Estimated No. of students with increased grants	Estimated No. of students with decreased grants
Option 1	73.6	3.7	3,000	9,300	16,500
Option 2	69.9	N/A	N/A	N/A	N/A
Option 3	78.6	8.7	3,000	9,300	None
Option 4	84.9	15	3,000	All students	None
Option 5	84.9	15	3,000	All students	None

Comparison of maintenance grant options



Summary of total maintenance support (grant plus loan) options



LOAN REPAYMENT TERMS

Current arrangements

- 4.42 Students who are currently in higher education are eligible for subsidised loans towards their tuition fees (tuition fee loans) and their living costs (known as maintenance loans). Repayment of these loans currently commences when the borrower's subsequent gross taxable earnings exceed £15,000 per annum. The amount repaid is not determined by the amount owed, instead it is 9% of the income earned above the £15,000 threshold. This equates to a monthly repayment of £7.50 per month for every £1000 earned per annum in excess of the repayment threshold.
- 4.43 Interest is charged on the loans from when the student receives their first payment until it is repaid in full (or the outstanding amount is written off after 25 years). However, the level of interest is significantly lower than the rate of interest that would be charged for a commercial loan (from a bank or building society) and is heavily subsidised by Government.
- 4.44 In relation to all tuition fee and maintenance loans provided, Government currently bears a charge of approximately 30p for every £1 - known as the notional loan subsidy - to reflect:
- the proportion of loans that will be written off due to death or the permanent disability of borrowers;
 - incomes not being sufficient to fully repay the loan (loans are written off after 25 years); and
 - the subsidised nature of student loans which are charged interest equivalent to the rate of inflation rather than at commercial rates.
- 4.45 The same arrangements are currently in place in each of the UK devolved administrations, with the repayments managed on a UK-wide basis through the tax system.

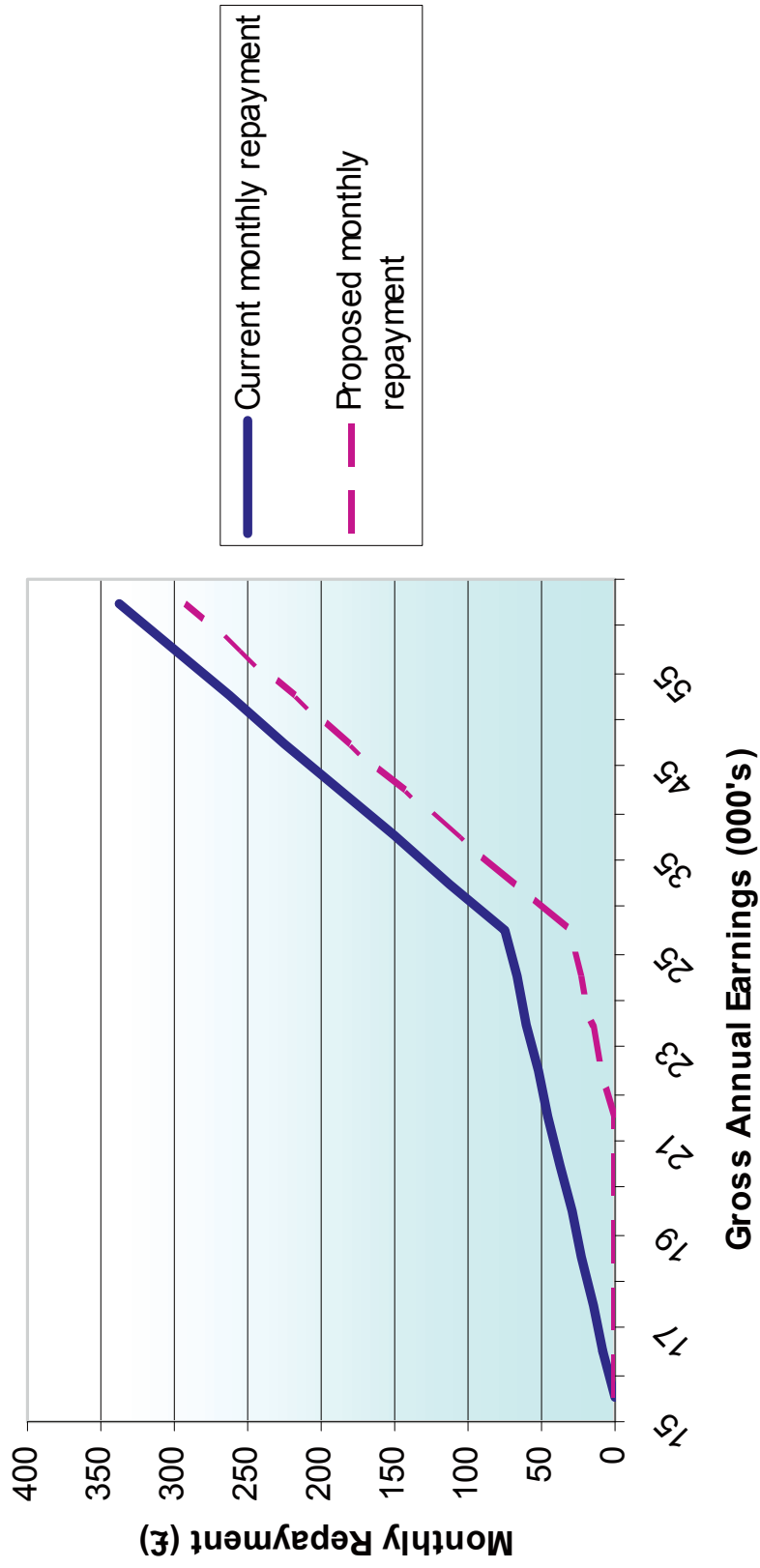
Proposed changes

- 4.46 New arrangements have already been announced for England and Wales for those entering higher education in 2012.
- 4.47 Under the new arrangements, repayment of loans will commence at £21,000 rather than £15,000 and it will continue to be on 9% of income above the threshold. If income drops below £21,000, repayment would be suspended. All outstanding repayments will be written off after 30 years.

- 4.48 In order to make the system financially sustainable, interest reflecting Retail Prices Index (RPI) plus 3% will be charged on loans whilst the student is studying. As soon as they become liable to repay, interest will vary from RPI for graduates earning up to £21,000 and will increase progressively up to RPI plus 3% for graduates earning above £41,000.
- 4.49 There are a number of protections built into this system for students from low income backgrounds and low-earners, such as part-time workers. If, for whatever reason, the graduate is unable to pay off the loan within 30 years, it is written off. In addition, interest charges for low earners will be kept as low as possible.
- 4.50 The table below illustrates the monthly repayments that would be made under the proposed rather than the existing system.

Gross taxable income	Current monthly repayment	Repayment as a percentage of income	Proposed monthly Repayment	Repayment as a percentage of income
up to £15,000	NIL	0%	NIL	0%
£16,000	£ 7.50	0.6%	NIL	0%
£17,000	£ 15.00	1.1%	NIL	0%
£18,000	£ 22.50	1.5%	NIL	0%
£19,000	£ 30.00	1.9%	NIL	0%
£20,000	£ 37.50	2.3%	NIL	0%
£21,000	£ 45.00	2.6%	NIL	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%
£45,000	£225.00	6%	£180.00	4.8%
£50,000	£262.50	6.3%	£217.50	5.2%
£55,000	£300.00	6.5%	£255.00	5.6%
£60,000	£337.50	6.75%	£292.50	5.8%

Student loan repayment options



- 4.51 The introduction of the new interest rate arrangements requires both primary and subordinate legislation.
- 4.52 Historically, HM Revenue and Customs (HMRC) has not been able to manage more than one repayment mechanism across the UK. However, it has now agreed to operate two models from 2012. In addition to the introduction of the new £21,000 model in England and Wales, existing students and graduates will continue to pay back under the old arrangements (with the £15,000 to be uprated for inflation each year from 2012). It appears that Northern Ireland could opt to adopt the model in England and Wales or remain on the existing regime.
- 4.53 The revised £21,000 threshold was included as part of the package recommended by Joanne Stuart in her update. For the purposes of this consultation it is assumed that Northern Ireland will adopt that model as it is more financially advantageous to the individual graduate. It is recognised however that there are also sound arguments in favour of the existing arrangements, particularly if lower fee levels here mean that overall student debt in Northern Ireland is lower than for students in the rest of the UK. This is an issue on which we would wish to take views during the consultation.

Other elements of the student support package

- 4.54 There are a number of other elements of the existing student support package on which the Department is seeking views.

These elements include:

- Tuition fees for students attending NI HEIs from Scotland, England and Wales;
- Fee/loan support for NI students studying in the Republic of Ireland;
- Fee/loan support for students studying higher education courses at FECs;
- Access agreements and bursary arrangements; and
- Part-time study arrangements.

These issues are considered in Section 6 below. Section 5 brings together the options for capping fees, providing maintenance support and repayment terms and sets out potential packages of fees and student support on which views are sought.

SECTION FIVE: CONSIDERATION OF OPTIONS FOR FEE LEVELS AND MAINTENANCE SUPPORT

Introduction

- 5.1 This section sets out a range of options that would/could be considered for the future, each with different resource implications and impacts. There are clearly a wide number of permutations and none of these can be considered in isolation.
- 5.2 To facilitate the consultation process, these various elements are brought together in a series of options to illustrate the costs and benefits of a range of packages of support, each of which includes fee levels, maintenance grants and maintenance loans.
- 5.3 The differential costs and benefits for students/graduates and the taxpayer/government are set out. The impact on the HEIs is also illustrated.
- 5.4 The options are not only differentiated by the level of fees, but by the level of maintenance support (either by grant or loan) available to students.

Details of each package are provided in the table below.

	Option A Abolish Fees	Option B Current arrangements	Option C Modest increase in fees and support	Option D Higher increase in fees and support	Option E Significant increase in fees
Basic fee	NIL	£1,310	£1,310	£1,310	£1,310
Fee cap	NIL	£3,290**	£4,500	£5,000- 5,750	£6,000- £9,000
Maintenance grant	To be determined depending on future policy and funding available	£3,475	£3,475	£3,750	£3,750
Income thresholds for minimum and maximum maintenance grant		£19,000 and £41,000	£25,000 and £41,000	£25,000 and £41,000	£25,000 and £41,000
Maintenance loan*	£4,840	£4,840	£4,840	£4,840	£5,500
Repayment threshold and terms	£15,000 25 years no interest	£15,000 25 years no interest	£21,000 30 years real interest rate	£21,000 30 years real interest rate	£21,000 30 years real interest rate

* based on living away from home rate

** subject to inflationary uplift

Options (C), (D) and (E) assume the adoption of revised loan repayment terms over 30 years, with an increase in the income threshold for loan repayment from £15,000 to £21,000 in line with the arrangements being implemented in GB.

Option A: Abolishing tuition fees

- 5.5 As part of the process of the development of the options, the Department considered the implications of abolishing fees. Additional resources of some £120m per annum would be needed to make up the lost revenue for the HEIs from tuition fees and the consequences of budget 2010. This could only be delivered at the expense of other government programmes.
- 5.6 The current arrangements provide for fees of £3,290. The research work conducted to inform the Stuart review indicated that this level of fee did not inhibit access to higher education by Northern Ireland students. Indeed, Northern Ireland has the highest participation rates in the UK by some margin. The case for abolition would therefore rest solely on a judgement that higher education should be made freely available to those who can benefit from it. Paradoxically, this would mean that all taxpayers, many of whom earn less than graduates, would bear the full cost of tertiary education.
- 5.7 It would also mean that the HEIs would be wholly dependent on the public purse for the financing of its teaching activities and the quality of the student experience. History has shown that government has found it difficult to find the resources necessary to finance the increasing number of students participating in higher education at a level consistent with sustaining the quality of teaching and research necessary to maintain the sector's international reputation. This was one of the key considerations in introducing fees in the first place.
- 5.8 As indicated in Section 4, the abolition of fees could also have the effect of displacing at least some NI students from local HEIs.

Option B: Maintaining the current fee and student support arrangements

- 5.9 This option would provide for fees to be capped at the current level of £3,290 per annum and subject only to inflation linked increases. Maintenance grants and loans would also be maintained at current levels.
- 5.10 As the Stuart report reflected, there is no evidence of an adverse impact on participation or in subject areas as a direct result of the introduction of variable fees. However, as has already been outlined, over the last two years there have been significant changes in the economic and financial environment. The Department's budget is under significant pressure and a reduction in support for the higher education sector is unavoidable. After meeting efficiency savings of some £28m and other inescapable pressures, there remains a funding requirement of some £40m by 2014-15.
- 5.11 If current participation rates, the quality of teaching and research and the levels of student support are to be maintained, then additional income for the sector has to

be found. Under this option this would have to be found from the public purse through reductions in other services. This would have serious implications for the levels of support that would be provided to people who are unemployed or young people wishing to access further education or training opportunities. The alternative would be a significant reduction in our higher education capacity which would undermine our widening participation achievements, the quality of our higher education system and its international reputation. Indeed, the financial viability and sustainability of the system would be threatened, with serious consequences for the local economy.

Option C: Increasing fees to £4,500 and increasing the threshold for Maintenance Grant.

- 5.12 Under this option, the increase in tuition fees would generate additional income of some £30m, which would largely address the financial pressures associated with the budget settlement.
- 5.13 As is the case now, no student would be required to pay tuition fees up front, instead loans would be available to meet the cost. These loans would not become repayable until the individual was earning £21,000 (compared to £15,000 under the current arrangement).
- 5.14 Compared to England, the public commitment to financing higher education would be significantly higher. The teaching grant in Northern Ireland would be reduced by some 20% compared to 80% in England and 35% in Wales.
- 5.15 It would also provide for an expansion of the income thresholds for full grant support from £19,000 to £25,000 meaning that almost 3,000 more students would qualify for full support, and none would have their grants reduced.
- 5.16 Notwithstanding the proposed fee increase, this option retains a significant majority public contribution towards the cost of higher education teaching recognising the public benefits of this. Importantly, it also provides for a fair and progressive loan and repayment system which is more generous than the current system and a maintenance grant system which provides a higher level of support than that available in England.
- 5.17 The impact of the proposals would be broadly neutral (after efficiency savings are taken into account) for the HEIs as the income surrendered from the teaching grant would be replaced by fee income from students.
- 5.18 This option would help maintain Northern Ireland's position of having the highest participation rate in the UK of those from lower socio-economic backgrounds.

Option D: Increasing fees to between £5,000 and £5,750, increasing the threshold for maximum Maintenance Grant and increasing the amount of maximum Maintenance Grant payable.

- 5.19 Under this option, the proposed increase in tuition fees would generate additional fee income of some £40-60m. This would be sufficient to address the financial pressure associated with the budget settlement.
- 5.20 As for the previous option, no student would be required to finance up-front fees as loans would be available to meet this cost. These loans would not become repayable until the individual was earning £21,000 (compared to £15,000 under the current arrangements).
- 5.21 Under this option, the reduction to the teaching grant for universities would be around 33% compared to 80% in England and 35% in Wales. This option therefore also maintains a significant public contribution to teaching recognising the public benefit of this.
- 5.22 It would also provide for an expansion of the income threshold for full grant support from £19,000 to £25,000 providing for almost 3,000 more students to receive full grant. No-one would have their grants reduced.
- 5.23 In addition, the additional fees would enable grant support to be increased by some £275 thus reinstating the £500 differential between grant support here and in England. This would benefit more than 15,000 students.
- 5.24 The increase in maintenance grant should help promote and sustain access to higher education from lower socio-economic groups.
- 5.25 As for the previous option the proposal would be broadly neutral, (after efficiency savings are taken into account) for the HEIs as the reduced income from the teaching grant would be replaced by tuition fee income.

Option E: Increase fees to between £6,000 and £9,000, increase the level of Maintenance Grant and the lower threshold for entitlement, and increase Maintenance Loans.

- 5.26 This option would be similar to the arrangement in England and would constitute a significant departure from the current policy under which the teaching element of the higher education system is largely funded by the public purse.
- 5.27 The option would generate net additional income in excess of some £100m per annum, which would address the financial pressures associated with the proposed budget settlement by some margin. It would provide for additional grant support in line with the previous option, allowing for a £500 differential between grant support here and in England.

- 5.28 In addition Maintenance Loan support could be increased from £4,840 to £5,500 (the proposed rate for England).
- 5.29 Notwithstanding the substantial increase in the student support arrangements, this option does pass a significant proportion of the costs of teaching to graduates. As with England, teaching grant would reduce by some 80%.
- 5.30 In addition to releasing funding to allow for enhanced grant and loan provision, this option also has the potential to release existing public resources which could be deployed elsewhere.
- 5.31 This may potentially have a detrimental impact on Northern Ireland's position of having the highest participation rate in the UK of those from lower socio-economic backgrounds, although the increased student support package associated with this level of fees may mitigate any potential impact.

SUMMARY OF OPTIONS

- 5.32 In considering the options above, the key criteria are the degrees to which the options are affordable, will maintain Northern Ireland's record on maintaining access to higher education for those from lower income backgrounds and protect the excellence of our higher education institutions.
- 5.33. The option to abolish fees completely would cost £120m. It would require expenditure to be reduced on other programmes to finance the replacement of the £80m annual income currently generated by fees and cover the additional annual requirement from the sector of £40m in the current budget settlement. Even if this were possible, there would be little quantifiable benefit in terms of improving access as Northern Ireland has the best participation rates in the UK under the existing fee structure.
- 5.34 Turning to the other end of the spectrum, raising the fees to between £6,000 and £9,000 would constitute a very significant change in policy for the funding of higher education. Fees of this level would generate additional income in excess of £100m and provide for increases in maintenance grant and loan support to students. It would also provide surplus funds of some £30m to £40m annually which could be deployed on other priorities.
- 5.35 Notwithstanding these benefits, however, an increase of this magnitude could potentially have a detrimental impact on access, particularly from lower income families, although the increased student support package may mitigate any impact. Ability to learn rather than ability to pay should determine whether an individual believes that higher education is the right course to pursue.

- 5.36 Turning to the options to increase fees to £4,500 or to between £5,000 and £5,750, the main difference is that the latter option would provide for a higher level of maintenance support to be paid to students.
- 5.37 Given that under the current system our participation rates from lower income families are already higher than elsewhere, that there is additional support available from the universities themselves, and that both options provide for a widening of the income threshold for full grant, the only significant difference is a further increase in grant support with a higher fee level. The option of £4,500 may, however, be more attractive to prospective students in terms of the overall amount of loan which may be required while still remaining affordable for the Department.
- 5.38 The existing student support arrangements have not impacted adversely on our participation rates and our HEIs have been able to sustain and improve the quality of their academic offering and their international standing under the existing funding arrangements. There is thus no internal impetus for change.
- 5.39 However, maintaining fees at their current level would either require our universities and university colleges to find some £40m of additional savings annually or the Department would have to reduce services elsewhere by a similar amount.
- 5.40 The consequences of asking the sector to absorb these costs would be a significant reduction in student capacity and the overall quality of the higher education system in Northern Ireland. The financial stability and future sustainability of the existing pattern of services would be threatened and more of our students would wish to pursue their education at what would be perceived as better quality institutions elsewhere.
- 5.41 If the Department were required to find the money elsewhere in its budget, it would mean cutting services to the unemployed and reducing the capacity and level of support available to our young people in further education and on skills training programmes.

Question

- 1. What are your views on the fee options put forward in paragraph 4.6 and further described in Section 5?**

Given the consequences associated with each option, what is your preferred option?

Please provide any comments

Question

- 2. What are your views on the Department continuing to pay maintenance grants of £3,475 or higher (e.g. to £3,750)?**
- 3. Alternatively, would you support a reduction in the maintenance grant to £3,250 (the same as England)?**
- 4. What are your views on increasing the threshold for entitlement to full non repayable grant to £25,000 (thus increasing the number of students eligible to receive the full non repayable grant) even though this may reduce the loan available for students from higher incomes?**

- 5. Alternatively, do you think the Department's priority should be to increase the funding available for repayable maintenance loans to all students rather than non repayable maintenance grants?**
- 6. Do you have any alternatives for funding the cost of living support for Northern Ireland students?**

Question

- 7. Do you agree with the proposal to introduce the new repayment arrangements set out in paragraphs 4.46 to 4.53?**
- 8. If not, would you support the continuation of the existing regime (with the threshold uprated annually in line with inflation)?**
- 9. Are there any alternative arrangements that you consider might be workable and affordable?**

Question:

- 10. What are your views on the level of tuition fee loans that should be available to NI students studying in the rest of the UK?**

SECTION SIX: OTHER COMPONENTS OF THE STUDENT SUPPORT PACKAGE

6.1 There are a number of other elements of the existing student support package on which the Department is seeking views. These elements include:

- Tuition fees for students attending NI HEIs from Scotland, England and Wales;
- Fee/loan support for students studying higher education courses at FECs;
- Access agreements and bursary arrangements;
- Fee/loan support for NI students studying in the Republic of Ireland; and
- Part-time study arrangements.

6.2 These issues are considered below.

Tuition fees for students attending NI HEIs from other administrations

6.3 At present, tuition fees for all UK and EU students attending NI HEIs are the same. If the Department were to set a maximum fee cap of, for example, £4,500 for NI HEIs, it would be considerably lower than the fee cap in England and Wales and students across the UK and EU may therefore regard NI as a more affordable option. While EU students must be treated the same as NI domiciled students in relation to tuition fees, it may be feasible to set different fee levels for students from other UK administrations.

6.4 Indeed, the update to the Stuart review has recommended that fees for students from the rest of the UK follow the English and Welsh fees model and are set at a basic level of £6,000 and a maximum of £9,000.

6.5 The underlying rationale for such an approach is to ensure that decisions on where to study are based on academic and related issues rather than simply being based on cost. Currently, less than 2% of places on full-time undergraduate courses in NI HEIs are filled by students from the rest of the UK. However, demand for places is already high and the Department, while not wanting to stifle mobility or diversity, is keen to ensure that any changes to the fees regime here would not result in the displacement of Northern Ireland students.

6.6 Joanne Stuart also referred to the potential to increase income to the HEIs by increasing the number of students from the rest of the UK to come to study in Northern Ireland. As she indicated, the number of full-time undergraduate places

in Northern Ireland institutions is subject to a 'cap' known as the Maximum Student Number (MaSN). While the MaSN has been used as a cap on student numbers, it is in reality a method of controlling two elements of expenditure, the block grant and student support. However, the MaSN only relates specifically to full-time undergraduate students who attend HEIs in Northern Ireland. Student support provided to Northern Ireland students who attend university in England, Scotland or Wales is not 'capped'. The consultation on the development of a Higher Education Strategy for Northern Ireland is currently seeking views on this issue and the future of MaSN. As part of this process the Department will wish to consider the implications of any changes in student flows associated with different fee arrangements throughout the UK.

Question:

- 11. What are your views on the use of different fee caps, such as £6,000 to £9,000 for students from other UK administrations?**

- 12. If you do not agree with a separate fee cap for students from other UK administrations, do you have any proposals for minimising the potential displacement of Northern Ireland students?**

BASIC FEES AND IMPLICATIONS FOR HIGHER EDUCATION IN FURTHER EDUCATION

- 6.7 Higher Education in Further Education (HE in FE) is the delivery of courses of higher education through the further education sector. In 1997, the Dearing Report recommended growth in full-time higher education in FECs, particularly at sub-degree level. In March 2006, the FE White Paper recommended that HE in FE should have a strong occupational and employment purpose and that the main area of expansion for HE in FE should be in Foundation Degrees.
- 6.8 The further education regional colleges make a distinctive contribution to the overall provision of higher education. They deliver the vast majority of intermediate level higher education provision including Higher National Diplomas and Foundation Degrees. Intermediate level higher education is essential to the future development of the Northern Ireland economy, as there is good evidence to suggest that the current skills gaps are most acute at a level that is represented by higher education qualifications below degree level, particularly the two-year work-focused provision. HE in FE, and in particular Foundation Degrees, offer progression opportunities from apprenticeship programmes to intermediate higher education courses through the provision of more flexible part-time higher education provision targeted at people already in the workforce.
- 6.9 HE in FE also plays a significant role in the Department's policy to widen participation in higher education by those groups which are currently underrepresented, in particular students from disadvantaged backgrounds and students with learning difficulties and disabilities, through the delivery of flexible, accessible, "close to home" higher education provision.
- 6.10 In academic year 2009/10, total enrolments for HE in FE were 10,134 (4,051 FT students and 6,083 PT students), representing around 18% of the total higher education enrolments in Northern Ireland.
- 6.11 As indicated previously, at present, variable tuition fees are set at two levels. The minimum or basic level is £1,310 and there are no specific requirements on HEIs should they wish to charge fees up to this level. If a HEI wants to set fees that exceed the basic fee level, they are required to put in place an Access Agreement. With an Access Agreement in place, fees can be set at any level up to the maximum fee cap (currently £3,290). At present, most of the FECs have Access Agreements in place and charge fees that are lower than the fees charged by the universities and university colleges but higher than the basic fee level.
- 6.12 Although the public and media interest on fees tends to focus on the higher fee cap, it is appropriate that the Department takes this opportunity to look at the basic fee cap as well. In England and Wales, the basic cap has been increased to £6,000 while the higher has been set at a maximum of £9,000.

- 6.13 In her report, Joanne Stuart has recommended retention of the basic fee at the current level. The Department has considered two possible options.

Option One - Leave basic fee cap at current level (with annual inflationary increases)

Option Two – Increase the basic fee cap by a similar % increase to that which applies to the higher fee caps

Option One - Leave basic fee cap at current level (with annual inflationary increases)

- 6.14 As indicated above, HE in FE plays a significant role in the Department's policy to widen participation in higher education by those groups which are currently underrepresented, in particular students from disadvantaged backgrounds and students with learning difficulties and disabilities, through the delivery of flexible, accessible, "close to home", higher education provision. Retaining the lower fee cap at its present level (subject to annual inflationary increases) may help contribute to this policy objective, therefore, it is reasonable to leave that cap at its current level with inflationary increases. FECs will be able to charge up to any higher fee level provided they have an Access Agreement in place.

Option Two - Increase basic fee cap by similar % increase as any increase to higher cap on fees

- 6.15 This option would see the basic level raised by a similar percentage to any increase in the higher level, which could mean an increase to approximately £2,000 or more. The rationale for this approach is that it would be consistent with any changes applied to the higher level fee and it would allow the FECs to raise more fee income.

Question

13. **What are your views on the option to leave the basic fee at its current level of £1,310, subject only to annual inflationary increase?**

ACCESS AGREEMENTS AND BURSARY ARRANGEMENTS

- 6.16 Since the introduction of variable tuition fees, HEIs that wanted to raise their full-time undergraduate tuition fees above the basic level were required to submit an Access Agreement to the Department for Employment and Learning.
- 6.17 The Department wanted to ensure that students from the poorest backgrounds were not put off applying to higher education because of the cost. The central safeguard is the fact that no fees need to be paid by the student or their families while they are studying, i.e. no upfront fees.
- 6.18 HEIs which charge higher fees must as a minimum, regardless of any other bursary, grant or other financial support offered, give a commitment in their Access Agreement to provide an access bursary to students from low income backgrounds. The amount of the access bursary would depend on the student's individual circumstances. When variable tuition fees of up to £3,000 were introduced in 2006/07, the Department expected that, as a minimum, HEIs charging £3,000 tuition fees would provide an access bursary of at least £300 to those students in receipt of the full means tested maintenance grant. HEIs were also expected to raise these bursaries in line with the inflationary increases in the fees limit. As is recognised in Joanne Stuart's report, Northern Ireland's HEIs are already offering bursaries that are significantly higher (more than three times) than the minimum requirement and they are also offering support to those in receipt of partial maintenance grant.
- 6.19 Along with the increased fees and maintenance support arrangements in England, the requirement to provide the bursaries detailed above has been removed. Instead, a new National Scholarship Scheme is due to be introduced, although the detail of how these schemes may operate is still to be finalised.
- 6.20 In Northern Ireland, the Department believes there is merit in requiring the HEIs to continue with the existing bursary arrangements as it helps contribute to our strong performance in widening participation. Depending on the final decision in relation to tuition fees, the minimum level for the bursary might need to be uplifted from 2012/13. Widening participation in higher education by students from those groups which are currently under-represented, in particular, students from disadvantaged backgrounds, and those with disabilities and learning difficulties, is one of the Department's key strategic goals. The Department is leading on the development of a new integrated Regional Strategy for Widening Participation in Higher Education and the aim of the associated public consultation is to obtain relevant stakeholder views on this issue. The public consultation document can be downloaded from the Department's website at:

www.delni.gov.uk/index/consultation-zone.htm

Question

- 14. What are your views on the proposal to retain the existing access bursary system?**

- 15. Would you support a proposal to increase the minimum access bursary in line with any increase to tuition fees?**

- 16. If not, do you have any other suggestions that would help support students from low income backgrounds while maintaining Northern Ireland's record on widening participation?**

REGISTRATION FEE FOR STUDY IN REPUBLIC OF IRELAND

- 6.21 At present, Northern Ireland domiciles studying in the Republic of Ireland (RoI) benefit from a non repayable grant to cover the cost of the registration fee, whereas repayable tuition fee loans are available to Northern Ireland students studying in Northern Ireland and anywhere else in the UK. At the outset, this registration fee was €150 per annum, it is currently €1,500 and is due to increase to €2,000 from 2011. The Stuart Review recommended that the current policies regarding maintenance support and registration fee payment for NI students studying in the RoI be reviewed, as they are out of step with the arrangements which apply for study in the UK and non-UK EU countries.

Background

- 6.22 Northern Ireland students have benefited in the past from special arrangements with the RoI. Under the former pre-1995 student support arrangements administered by the Education and Library Boards (ELBs), the cost of students' tuition fees were met in full by the Department of Education (which had responsibility for student support at that time). This arrangement applied only to Northern Ireland students studying in RoI and not to those who chose to study in any other non-UK EU country. Furthermore, NI students studying in the RoI were treated in the same way as NI students studying in UK institutions with regard to maintenance support.
- 6.23 Following a budget announcement from the Government of the Republic of Ireland, tuition fees for full-time undergraduate courses in publicly funded HEIs were withdrawn completely from 1996/97. This was known as the Free Fees initiative. In place of tuition fees, a charge of up to IR£150 per annum for registration, student services and examination fees was levied.
- 6.24 Under EU legislation, Northern Ireland students attending publicly funded institutions in the RoI were included in this arrangement. However, following the budget statement, from the 1996/97 academic year, the Department of Education (through the Education and Library Boards) paid the sterling equivalent of IR£150 directly to institutions in the RoI in respect of NI students studying there. This resulted in a significant saving to the NI budget as previously tuition fees in the RoI were significantly higher.

Current arrangements

- 6.25 Under the current arrangements, the Department of Education and Science (DES) in the RoI meets in full the cost of tuition fees for eligible students who are attending full-time undergraduate courses. Eligible students include those from RoI and also other EU Member states, including Northern Ireland. A registration fee of €1,500 is charged and this is due to increase to €2000 from 2011/12.

- 6.26 The Department currently awards a non means-tested grant to cover the full amount of the registration fee levied on students studying at HEIs in the Republic of Ireland.
- 6.27 In light of its own work in this area and in response to the Stuart Review, the Department considers it is important to review the current policies regarding maintenance support and registration fee payment for NI students studying in the Republic of Ireland. Three possible options for moving forward are detailed below.

Option 1 – Removal of support for NI domiciles in Rol

- 6.28 Removing support for NI domiciles studying in Rol would mean equity of treatment with other NI domiciles studying in other EU countries outside of the UK and there may be some financial benefit to Northern Ireland in that it would potentially save approximately £2.2m per annum, which is the current cost of supporting these students. However, this assumes that all the NI domiciled students choosing to study in Rol would continue to do so if all of the support was removed, whereas some, because of financial necessity, may in fact seek to study within NI or elsewhere in the UK. In such a scenario, the NI budget would still have to support these students and the full savings may not be realised. It could also be argued that a clear policy precedent for supporting Northern Ireland domiciles in Rol (in a different way to NI domiciles in any other EU member state) is already established, with various forms of financial support spanning over many years.

Option 2 – Maintaining the status quo

- 6.29 Under this option, NI domiciled students studying in ROI would continue to benefit from the “Free Fees” policy in place. NI domiciles would have the registration fee of €2000 paid in full by the ELBs and would be able to apply for a maintenance loan and means tested bursary.
- 6.30 While there would be benefits to retaining the status quo in terms of certainty and clarity for NI domiciles, the issue of equity remains. The recent Stuart Review recommended that the policy should be reviewed as it is out of step with the policy that applies to NI students studying at HEIs in the UK and in non-UK EU countries. Furthermore, the registration fee has just increased from €1500 to €2000 and it is conceivable that there may be further increases over the coming years. Such increases would bring into even sharper focus a sense that NI domiciles studying in Rol are being treated more favourably, in some respects, relative to counterparts going elsewhere, especially if the status quo was retained against the backdrop of potential tuition fee increases in Northern Ireland.

Option 3 - Students pay the full registration fee but have the option to defer by taking out a fee loan. Re-alignment of the means-tested bursary/maintenance grant as well.

- 6.31 Bearing in mind that the registration fee in the RoI is significantly higher than at the outset (previously €150), has been increasing incrementally and may continue to increase, the Department believes it is unfair to allow students attending RoI intuitions to have their registration fees paid in full, while requiring their counterparts attending UK institutions to meet their tuition fee costs, either through an upfront payment, or by deferring through a fee loan and repaying after leaving higher education.
- 6.32 This option, to allow eligible NI domiciles studying in RoI to avail of repayable fee loans to cover the upfront payment of their registration fee coupled with a re-alignment of the means-tested bursary/maintenance grant is therefore in line with the arrangements for NI students studying in the UK. It could be administered by the ELBs and the Student Loans Company (SLC) in the same way as for students at UK HEIs and although it would result in a cost in terms of administration, loan subsidy and increased maintenance grant payments, it would save money in the longer term as fee loans are repaid. It would also place the Department in a stronger policy position should the registration fee increase or tuition fees be introduced in future in the RoI.
- 6.33 This option would ensure a greater fairness in terms of the arrangements for NI domiciles studying in the UK or in RoI and is consistent with the recommendation on this issue made in the Stuart report.

Question

- 17. What are your views on the proposal to introduce a loan arrangement to cover the cost of registration fees for NI students at higher education institutions in the Republic of Ireland?**
- 18. If you do not agree, can you briefly explain your own proposals?**

PART-TIME STUDY ARRANGEMENTS

6.34 Under the current student support arrangements, eligible Northern Ireland domiciled students who undertake part-time undergraduate courses at publicly funded institutions in the United Kingdom can apply, depending on intensity of course study, for a means-tested tuition fee grant of up to £1,230 and a course grant of up to £265.

6.35 The current arrangements are summarised as follows:

Course intensity	Maximum fee grant	Maximum course grant	Total maximum support
Up to 59% of the equivalent full-time course	£820	£265	£1,085
60% to 74% of the equivalent full-time course	£985	£265	£1,250
75% or more of the equivalent full-time course	£1,230	£265	£1,495

6.36 Part-time students (single with no children) qualify for the maximum support available where the household income is below £16,844. The financial support available reduces to nil for students in the same circumstances with household income in excess of £28,065.

6.37 In academic year 2009/10, 1,893 Northern Ireland domiciled students were awarded grants for part-time undergraduate courses totalling almost £1.6 million. The latest enrolment figures show that in academic year 2008/09 the number of Northern Ireland domiciled students undertaking a part-time undergraduate programme in the United Kingdom, including the Open University, was 12,610.

Browne proposals and developments in other administrations

6.38 In England, the Coalition Government is currently considering how to amend the system of financial support that is given to English domiciled part-time students in light of the recommendations coming out of the Browne review of higher education funding. It intends to move away from the current system of non-repayable income-assessed fee grants to a system of repayable but non-income assessed loans for tuition fees for eligible students who start part-time courses from academic year 2012/13 onwards, with the loan being based on the proportion of a full-time course which is studied each year, with the lower limit being set at 25 per cent.

- 6.39 Under the current arrangements, tuition fees for part-time courses are unregulated and have no upper limit. However, in light of its decision to move to a loans based system, the Coalition Government is now considering the introduction of a cap, as is the case for full-time tuition fees.
- 6.40 It has been suggested that the upper figure for the cap will be calculated as 75% of the £9,000 'hard cap' that will be introduced in 2012/13 for full-time students. This gives a figure of £6,750 as the highest fee chargeable for part-time tuition. Accordingly, there would be a 'soft cap' of £4,500 (75% of £6,000).
- 6.41 HEIs which charge part-time tuition fees of between £4,500 and £6,750 will need to meet certain conditions on access for those students from lower socio-economic groups, as will be the case for full-time tuition fees between the maximum basic of £6,000 and the maximum higher of £9,000 from academic year 2012/13.

Public consultation on Higher Education Strategy for NI

- 6.42 The consultation document on the development of a Higher Education Strategy for Northern Ireland looks at the effectiveness of the current funding model used for higher education. Although the current model includes some limited funding for part-time students and recognises the additional cost to HEIs for such provision, it is predominantly dependent on full-time student numbers.
- 6.43 The Higher Education Strategy consultation document therefore proposes the need to change the funding model for higher education to a simplified system that better reflects the need for part-time, modular study to ensure flexibility, adaptability and responsiveness in higher education.

Question

- 19. What are your views on additional financial support being available to those participating in HE on a part-time basis? What type of support might be appropriate?**

- 20. Should the Department introduce a system of non means-tested loans to replace the current system of means-tested grants for part-time tuition fees?**

- 21. How can institutional funding be redesigned or developed to support and encourage increased flexibility and innovation in how institutions deliver higher education?**

SECTION SEVEN: QUALITY OF TEACHING AND LEARNING

- 7.1 The Stuart review has highlighted the need for greater transparency between the quality of teaching and the overall student experience, in light of the increased income brought about by higher tuition fees. The Stuart review also highlighted that students should be made more aware of how the additional fee income is being spent.
- 7.2 Lord Browne also made a number of proposals in relation to strengthening and streamlining the quality assurance regime, driving improvement in teaching quality and making it clearer what students can expect from their HE experience and giving students a greater voice so that they can act in cases where their experiences are short of expectations.
- 7.3 The Coalition Government will be bringing forward proposals on all of these issues in the coming months through a Higher Education White Paper, which will be issued for public consultation. Many of the issues will be of interest to Northern Ireland and the Department for Employment and Learning will be engaging with colleagues in the Department for Business, Innovation and Skills as they move forward.

National Students Survey

- 7.4 Students in Northern Ireland continue to enjoy a better university experience than their UK counterparts. Results of the sixth National Students Survey (NSS) once again showed that local students believe their overall experience at University to be more satisfying than their United Kingdom counterparts, with 83 per cent of respondents in Northern Ireland being satisfied with their course compared to 82 per cent across the United Kingdom.
- 7.5 Responses from the 2010 survey have indicated a rise in student satisfaction at St Mary's University College (94%) and Queen's University Belfast (85%), with St Mary's performance being particularly noteworthy as it was ranked fifth out of 292 UK institutions. The overall satisfaction rates for University of Ulster and Stranmillis University College were 82% and 73% respectively
- 7.6 Students in Northern Ireland were particularly content with the level of academic support (75%), available learning resources (83%) and personal development (82%). In all of the key assessment areas, Northern Ireland institutions were rated at equal to or higher than their United Kingdom counterparts.

Question

- 22. Have you any views on how higher education institutions might demonstrate improvements in quality as a result of any additional income generated by higher fees?**

SECTION EIGHT: EQUALITY IMPACT ASSESSMENT

- 8.1 An equality impact assessment (EQIA) to accompany this consultation paper has been prepared by the Department. It has been put out for public consultation for the same period as this consultation paper.
- 8.2 The EQIA can be downloaded from the DEL website at <http://www.delni.gov.uk/consultation-zone>

Question

23. In terms of the full equality impact assessment, the Department asks consultees to consider the following questions:

- i. Do you consider that there is any additional evidence in relation to adverse impact on any of the equality groups that the Department has not identified?**

- ii. Do you think that there are any alternative options which the Department could adopt to mitigate any potential for adverse impact?**

- iii. Do you agree with the Department's findings? If not, please indicate the reasons why and, if appropriate, provide the Department with any further relevant data to support your analysis?**

SECTION NINE:

ADDITIONAL INFORMATION

Stakeholder engagement

- 9.1 In order to facilitate further engagement and involvement on the proposals, it is intended to hold a small number of stakeholder events across Northern Ireland during the public consultation period. Further details of these events will be posted on the Department's website (www.delni.gov.uk).

Website

- 9.2 As indicated previously, this consultation document, the draft EQIA and the consultation response booklet can be downloaded from the Department's website at <http://www.delni.gov.uk/consultation-zone>
- 9.3 In addition, the report and update from the Independent Review of Variable Fees and Student Finance Arrangements, along with the ESRC research project on the effect of variable tuition fees on higher education participation in Northern Ireland, are also available at www.delni.gov.uk/index/publications/pubs-higher-education/variablefeesreview.htm

Implementation timetable

- 9.4 In line with the position in the rest of the UK, it is intended that any changes to variable tuition fees and student support arrangements will be introduced for the academic year 2012/13.
- 9.5 The key next steps are:
- Public consultation – from 15 March 2011 to 10 June 2011
 - Analysis of responses and formulation of Department's response
 - Assembly Debate and vote to increase fees beyond inflation, if this is the Department's policy decision following public consultation.

ANNEXES

1. Overview of student support and other support mechanisms.
2. Rural proofing screening document.
3. Scope of Independent Review of Variable Fees and Student Funding Arrangements.
4. Scope of Economic and Social Research Council project

Overview of student support and other support mechanisms

Student support product	Maximum (£) (per annum)
Tuition fee loan	3,290
Maintenance Loan – Living at parental home	3,750
Maintenance Loan – Living away from home	4,840
Maintenance Loan - Living in London	6,780
Maintenance Grant	3,475
Higher education bursary (for students who entered higher education prior to 2006)	2,000
Disabled Students Allowance - Specialist equipment allowance	5,266
Disabled Students Allowance - Non-medical helper	20,938
Disabled Students Allowance - General allowance	1,759
Disabled Students Allowance - Additional Travel Costs	N/A
Adult Dependants Grant	2,695
Parents Learning Allowance	1,538
Childcare Grant - for one child	7,735
Childcare Grant - for two or more children	13,260

Additional support funds

An additional source of financial support, funded by the Department, is available through higher education support funds. These discretionary funds are designed to assist students in financial hardship to meet particular course and living costs not met from other sources of statutory support. In the 2009/10 financial year over £1.8 m was allocated in support funds to the Northern Ireland HEIs.

The support funds allocation will be increased over the forthcoming financial years due to the redirection of funding identified from the closure by the Department of Finance and Personnel of its Rates Relief Scheme for those in education, training or leaving care.

Pastoral care – debt/money advice

The Stuart Report recommends that additional support is 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.

A good example of how this might be provided is the initiative introduced by Queen's 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.

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.

RURAL PROOFING

The Department has rural proofed the policy proposals set out in this public consultation document. It is not believed that there will be a direct or indirect impact on rural areas as a result of these policy proposals.

The conclusions are set out below, but the Department would welcome feedback as part of this consultation if respondents want to raise any issues.

Policy stage	Consultation on Future Policy on Higher Education Tuition Fees and Student Finance Arrangements in Northern Ireland
Design	<p>Policy background and objectives</p> <p>Variable tuition fees and the accompanying student support arrangements were introduced in 2006. When the legislation was introduced, a provision was put in place to restrict any increases in line with inflation until January 2010, which was identified as the earliest point at which the Assembly could vote to increase the cap beyond inflation.</p> <p>The Department's aim for higher education is to promote and sustain the development of an internationally competitive HE sector, accessible to all who are able to benefit and meeting the needs of the NI economy and wider society. In order to do this, HEIs need funding and the existing policy is designed to ensure that graduates, as direct beneficiaries, should contribute in a fair way to the cost of higher education.</p> <p>At the instigation of the Minister for Employment and Learning, an independent review of variable fees and student finance arrangements was carried out during 2009, at the same time as a similar review in England. These reviews, along with information on the Comprehensive Spending Review and other policy development activity, have informed the consultation document on options for change to the existing arrangements.</p>

	<p>Given the current economic climate, the context of public funding for HEIs has changed for the foreseeable future. In these circumstances, it may be necessary to re-balance how HEIs are funded by asking graduates to contribute more to their higher education while maintaining access for those from lower income backgrounds and preserving the international competitiveness of the institutions.</p> <p>In addition, significant changes are being made to the funding arrangements in other parts of the UK (and ROI) and it is important that the Northern Ireland higher education sector is not progressively disadvantaged against other sectors, such as England, where higher fees and different support and repayment arrangements are being introduced.</p> <p>Three of the options set out in the consultation document in relation to fee levels and tuition fee loans propose that the share of the cost met by graduates should increase, but that it should do so in a way that is fair and ensures participation in higher education is based on the ability to learn not the ability to pay. For this reason, the proposals are presented as a series of 'packages', encompassing fees, maintenance and repayment arrangements. Therefore, the options in the consultation paper that involve fee increases also include improvements to various elements of the student support package.</p> <p>Conclusion</p> <p>The policy on tuition fees and student funding arrangements apply throughout all of NI and the Department has concluded that there is no difference in application depending on where you live.</p> <p>The reasoning for reaching this conclusion is that all students, whether they live in urban areas or rural areas, will be similarly affected by the proposals and all will be subject to fees, and will be able to avail of the same support and repayment arrangements.</p> <p>As it is not believed that there will be direct or indirect impact on rural areas as a result of these policy proposals, rural proofing has been screened out.</p>
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Evidence	<ul style="list-style-type: none"> • N/A
Consulting	<ul style="list-style-type: none"> • The conclusions in this screening document will be included as an annex to the consultation paper and respondents will be able to comment if appropriate.
Monitoring and outcomes	<ul style="list-style-type: none"> • N/A

Scope of Independent Review of Variable Fees and Student Funding Arrangements

Scope of the Review

The review, which will be chaired independently and serviced by a steering group comprised of stakeholders including the NI university sector and NUS-USI, will work on the basis of evidence from the first three years' operation of the variable fee arrangements. It will report to the Minister for Employment and Learning who in turn will report to the Assembly. It is envisaged that it will cover the following three main areas.

1. The impact of the current arrangements on higher education institutions (HEIs):

Charging policies, and how far NI HEIs have varied their fees

The additional income HEIs have raised and how they have used it

The provision of bursaries and other financial support

Any effect on the range, mix and take-up of subjects and qualifications offered, including any effect on foundation degrees and courses lasting longer than three years.

A financial assessment of the relative impact on different parts of the higher education sector, and an analysis of future funding pressures.

2. The impact of the current arrangements on students and prospective students

Overall level of application and participation in higher education

Student support arrangements, including for those from the poorest backgrounds as well as those above the threshold for support

Student flows between Northern Ireland / Republic of Ireland and vice versa and flow of Northern Ireland domiciles to Scotland and rest of Great Britain

Choice of institution and course, mode of study (full time/part time).

Quality of teaching received, attainment, and likelihood of completing a course.

Levels of debt; students' assessment of the value of HE, and rates of return from gaining a degree

Patterns in subsequent employment - particularly recruitment to the public services - or decisions to go on to further study.

Any differential effect on particular groups; for example, lower socio economic groups; men and women; different ethnic groups; people with disabilities; people from different regions.

3. Future policy

Whether the existing student support package is fit for purpose

Whether any improvements should be made to the graduate contribution scheme and the upper limit for tuition fees.

What changes should be made to the arrangements for student support in order to ensure that students from the poorest family backgrounds on the most expensive courses receive support at a level equivalent to the maximum level of fees

The Department will consider review reports before submitting any recommendations to the Executive /Assembly on changing the upper limit of tuition fees.

Work to establish baseline data for the review will begin in the 2004–05 academic year. In addition a comparison will be made between the impacts of the introduction of tuition fees in 1998 with the introduction of variable fees in 2006.

Constraints

It has been acknowledged that a number of constraints will impact on the review, for example;

- Length of time to conduct the review
- Timing/availability of UCAS/HESA data
- It will only cover one full 3 year cohort since higher fees were introduced in 2006.
- Overriding national policies e.g. repayment of loans (HMRC) about which Northern Ireland cannot make unilateral decisions.

Scope of Economic and Social Research Council Project

“Utilisation of existing data sources to contribute towards an evidence base towards the 2008/09 review of variable fees in Northern Ireland”

Initial areas of investigation:

- Study to include analysis at the NI higher education institutions as well as NI domiciled students
- Trends in participation rates, to include:
 - Impact of changes on those particularly from lower socio-economic groups
 - Impact of changes on those from certain Section 75 groups (data only available on some categories for NI domiciles)
 - Impact changes have brought on those going outside NI to study/coming to NI to study
 - Impact on part-time/full-time participation
 - Impact on HE in FE provision
 - Impact on subject choices (such as Science, Technology, Engineering and Maths)
- Analysis of student support package being drawn down by students in new fees regime compared to old regime.
- How have the tuition fees impacted on applications to higher education?
- Have the fees resulted in any changes in accepted applicants' profile?
- Analysis of drop outs e.g. who is likely to drop out and in what subject areas
- Depending on data availability, changing student attitudes to debt.
- Are there any differences in the typical profile of those applying, those accepted, those enrolling and those dropping out? Has this changed since introduction of fees?
- Data allowing, analysis to incorporate comparison with other UK countries and Republic of Ireland.

Main groups relevant to the Section 75 categories for Northern Ireland purposes

Category	Main groups
Religious belief	Protestants; Catholics; people of non-Christian faiths; people of no religious belief
Political opinion	Unionists generally; Nationalists generally; members/supporters of any political party
Racial group	White people; Chinese; Travellers; Indians; Pakistanis; Black people
'Men and women generally'	Men (including boys); women (including girls); transgendered people
Marital status	Married people; unmarried people; divorced or separated people; widowed people
Age	Children under 16; people of working age (16/65); people over 65
'Persons with a disability'	Persons with a physical, sensory, mental or learning disability as defined in sections 1 and 2 and Schedules 1 and 2 of the Disability Discrimination Act 1995
'Persons with dependants'	Persons with personal responsibility for the care of a child; persons with personal responsibility for the care of a person with an incapacitating disability; persons with personal responsibility for the care of a dependant elderly person
Sexual orientation	Heterosexual people; homosexual people; bisexual people

people:skills:jobs:



Department for
**Employment
and Learning**
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THE DEPARTMENT:

Our aim is to promote learning and skills, to prepare people for work and to support the economy.

This document is available in other formats upon request.

Further information:

telephone: 028 9025 7756

email: patrick.smith@delni.gov.uk

web: www.delni.gov.uk/consultation-zone
www.nidirect.gov.uk