Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Student Fees (Amounts) (Amendment) Regulations (Northern Ireland) 2012

23 May 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Ms Michelle Gildernew
Mr David McIlveen
Mr Pat Ramsey

Witnesses:

Mrs Nuala Kerr	Department for Employment and Learning
Mr John Neill	Department for Employment and Learning
Ms Claire Thompson	Department for Employment and Learning

The Chairperson: Nuala, the floor is yours.

Mrs Nuala Kerr (Department for Employment and Learning): Thank you, Chair, for accommodating us. We had to withdraw some papers, and I am grateful to you for facilitating us. We got a bit ahead of ourselves.

We are here today to talk about a tuition fee inflationary increase for 2013-14. Following the close of the higher education fee and funding consultation last June, and in the context of the wider funding pressures faced by the higher education sector over the CSR period, the Employment and Learning Minister circulated a draft paper to Executive Ministers setting out the deficit in the higher education budget and the possible options for addressing it. Although the paper was not taken at an Executive meeting prior to the July recess, it resulted in sustained engagement between our Minister, the First Minister, the deputy First Minister and the Finance Minister over the summer months. That process culminated in two papers being presented to the Executive on 8 September 2011. The first was a DEL paper with options and recommendations on the future funding of the higher education sector. The second was a DFP paper on the financial implications of those proposals. The papers were considered jointly, and the Executive were asked to agree to five recommendations in relation to the papers. The first of those recommendations was that tuition fees for Northern Ireland residents studying in Northern Ireland should be subject to an annual inflationary increase only. All of the financial modelling in the Executive papers included, and explicitly referred to, an annual inflationary increase being applied.

The other recommendations related to the agreed funding to come from each of the contributing Departments, along with DEL and the HE sector, in order to meet that funding shortfall. The Employment and Learning Minister outlined those decisions, including the intention to give effect to an annual inflationary uplift in the fee levels throughout the CSR period, in a statement to the Assembly on 12 September 2011.

The Programme for Government also includes a commitment to:

> *"ensure there are no increases in student fees beyond the rate of inflation for Northern Ireland students studying here".*

If we do not proceed with the inflationary increase we have requested, we will not be able to fulfil a key part of the arrangement agreed with the Executive last September and outlined to the higher education sector in relation to the funding of the sector for the CSR period. The proposed increase adds £110 to the maximum fee next year, bringing the maximum fee to £3,575. If we do not provide the increase, the higher education sector will face a further funding shortfall of about £3·5 million in 2013-14 and, of course, that will roll forward. The Department does not have the resources to make up the shortfall of £3·5 million, nor does it seem reasonable to expect the HE sector to absorb it in addition to the other reductions that it is already facing.

The inflationary increase for the current academic year, 2012-13, was agreed by the Committee in October 2011, and the latest SL1 has been submitted to the Committee. That relates to the inflationary uplift for this financial year, 2013-14, and gives effect to the Executive decision that was taken in September 2011.

The Chairperson: What is the cost to the universities or to the Department if we do not make the inflationary uplift?

Mrs Kerr: It will be £3·5 million this year.

Ms Gildernew: Thank you, Nuala, for that presentation. It is interesting that it took three goes at this to find out how much it would cost the Department if the inflationary rise does not go through. I raised concerns about this a couple of weeks ago in response to the kind of things that I am hearing in my constituency about people who are struggling, who maybe have one, two or three young people going through higher and further education at the moment and for whom life is extremely tough. Between the cost of living rises and the price of fuel, which particularly affects rural communities, people are struggling.

This might seem like a small amount of money as an inflationary increase on a fee, but it adds to the already very difficult and heavy burden that families are facing. I felt that it was not unreasonable to suggest that we freeze the inflationary rise for a year in the hope that things would be better, and give people a bit of a break from the increase. I am still not overly convinced that that could not be done, and, at the cost of £3·5 million, which might seem a lot, I think it is manageable. Of course, that is only my opinion, but I think that it would send a very positive message to people that we do care and that we are doing our best to try to help them through what is a very difficult period. Anybody who has adult or teenage children is really struggling to make ends meet, and I feel that it would set that very supportive signal to people that we were freezing the rise for this year to take cognisance of the very difficult financial position that many families are in.

Mrs Kerr: I understand that people are finding things difficult financially these days, but this was a difficult and complex financial arrangement that we entered into last year. The inflationary increase is one piece of the jigsaw in making the funding arrangements work, and it will allow us to maintain our fees at low levels relative to those being charged in GB. It will allow us to maintain the funding arrangements to the universities and to fulfil the obligation that we entered into last year, and to which the Executive gave full approval. I do not feel that there is scope for us not to commit to this inflationary increase in those circumstances.

Ms Gildernew: I am sure that others will want to have their tuppence worth.

The Chairperson: I was just giving you the floor if you wished it.

Ms Gildernew: In fairness, this is not something that I was not expecting to hear, Nuala. I know that you are here to do a job. This is not personal, but I feel that families are struggling so much and it is very worrying.

The Chairperson: That is why I am giving you the floor.

Ms Gildernew: I do not want to repeat what I have already said. I would just like there to be more of a warm and cuddly feeling from the bottom of the room. *[Laughter.]*

The Chairperson: There may be a development issue there.

Mr Douglas: Thank you for your presentation, Nuala; it was very helpful. The Committee has visited all the universities. You mentioned the negative impact there will be if these regulations do not go through. Will you explain a wee bit more about that?

Mrs Kerr: We are already asking the universities to make year-on-year efficiencies, and they have made significant progress towards implementing those changes. A number of changes have been made to the universities' structures to allow them to meet their obligations. There are three parts to be played; the part played by the universities, the part played by students through the payment of their contributions and the part that the Department plays in securing funding at the levels that we have indicated previously. These regulations allow us to do that and meet our obligations.

The mechanism established last year recognised that the students have a contribution to make to that in the fee levels, but in keeping our fee levels at broadly the same level as they were, and not responding to the changes that were happening in England, for example, we accepted that it would allow the most equitable distribution of the costs of higher education, taking into account the points that colleagues have made.

Mr D McIlveen: Hopefully, this is a reasonably short question, Nuala. Do you have any figures to hand as to the percentage of local students who are paying their fees in hard cash as opposed to student finance?

Mrs Kerr: I am not sure that we have that information to hand.

Mr John Neill (Department for Employment and Learning): We do not have the precise figure, but the vast majority are taking out loans. It is worth bearing in mind that these loans will not be repayable until the individual has finished his or her university education and is earning a salary of over £15,700. The individual does not begin to repay the loan until he or she has reached a reasonably high salary.

Mr D McIlveen: Would it be fair to say that at least 95% of our students, regardless of what we do with this inflation, are still going to have free education at the point of entry?

Mrs Kerr: Yes. We can try to confirm that number for you precisely, but it is in that territory.

The Chairperson: We would be interested in the number, but the point has been made.

Mr P Ramsey: David's question is an interesting one, and we look forward to getting the answer. Clearly, there are a number of families who are getting it tight and margins are getting tighter. Even people in low-salary public service jobs would not get a £110 a year increase with inflation. A lot of them are on hold and there is no increase. How much of the £3·5 million that has gone to the Department is for administration? Can you break it down? If the increase does not go ahead, how much would each of the universities lose?

Mrs Kerr: Certainly, the £3·5 million would not be available to the higher education institutes here, but I have not got that distribution figure. I cannot tell you what individual institutions might lose. It would require some work —

The Chairperson: It is a direct loss to the institutions. There is no overhead element, which is what Pat is getting at in the sense that —

Mr Neill: It is not an administrative cost.

The Chairperson: Yes.

Mr P Ramsey: Is there no administrative cost involved?

Mrs Kerr: No. These are straight contributions to the institutions.

The Chairperson: It is a direct take from the institutions, basically.

Mr Allister: An inflationary increase is being proposed. By which benchmark is inflation being measured?

Mr Neill: The Treasury provides the figure, which is normally taken in September the previous year.

Mr Allister: So, it is last September's inflation figure?

Mr Neill: Yes.

Mr Allister: In effect, this is a year later.

Mr Neill: That is the standard in law.

Mr Allister: What was the figure?

Mr Neill: It was 3·22%.

Mr Allister: If there were a freeze, whether it is for one year — and in doing so, it would be hard not to extend it for longer — ending it would ultimately lead to an accumulated deficit. What would that do to the viability of the universities?

Mrs Kerr: One would assume that you would be accumulating a deficit at the rate of £3·5 million a year. Over time, that would impact on the universities' abilities to remain competitive with their UK counterparts in what they can invest and offer students. So, it would impact on the universities. Initially, they are already making efficiency savings this year and did so last year. Therefore, a freeze would affect their ability to perform. They would find losing that level of income each year challenging.

Mr Allister: Depending on how many years a freeze would last, the point at which you restore the fee differential could represent a very substantial increase.

Mrs Kerr: That is theoretically likely. It is difficult to say what the exact impact would be, but it would be challenging to create a catch-up situation after a moratorium on inflationary rises. You can imagine that three years at 3% is quite —

The Chairperson: I think that we have got the point, Nuala. The conjecture is that it is better to take it short and shallow than in one big hit later.

Mr Buchanan: I want to return to the point that David made. I understand where Michelle and others are coming from as regards families that are feeling the pinch. We have to be clear that this increase will not really affect such families, because this is a loan that will not be repaid until the student has employment that pays over £15,000 a year. So, although the families are finding things hard at the moment, it will not really affect them directly.

Mrs Kerr: In the long run, the cost is borne by the student once they begin work and reach a certain salary level. It should not impact on the family income. I understand that people feel the impact of that and are concerned about it, but it does not impact on their family income, as such, in the vast majority of cases.

The Chairperson: Are members content for the Department to make this rule?

Members indicated assent.

The Chairperson: Thank you very much.