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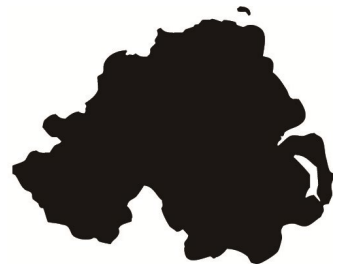


**hepi**

Higher Education Policy Institute

# Examination of higher education fees and funding in Northern Ireland

London Economics, 1<sup>st</sup> March 2024



## Informing policy makers and the public ahead of the General Election.







- **Four separate policy notes on higher education fees and funding published in February**
- **Three other public events - in London, Edinburgh, and Cardiff**
- **Engagement with major political parties to offer analytical support for policy understanding and development**
- **Assessment of manifesto commitments ahead of the General Election**

**We gratefully acknowledge the support of the Nuffield Foundation, which is funding this project.**

# Introduction

Higher education funding policy has diverged significantly since devolution.

Summary by Home Nation		HEI income (relative terms)	Cost split Exchequer vs. students
 England	<ul style="list-style-type: none"> <li>Replacement of student grants with loans only</li> <li>High fees with low TGs</li> </ul>	High	Cost mostly borne by students
 Wales	<ul style="list-style-type: none"> <li>Replacement of fee grants with generous maintenance grants</li> <li>High fees with low TGs</li> </ul>	Medium	Roughly 50/50
 Scotland	<ul style="list-style-type: none"> <li>Very low fees (funded by grants)</li> <li>High TGs + student number controls</li> </ul>	Low	Cost mostly borne by Exchequer
 Northern Ireland	<ul style="list-style-type: none"> <li>Low fees (funded by loans)</li> <li>High TGs + student number controls</li> </ul>	Low	Roughly 50/50



### Ongoing challenges:

- Fiscal constraints
- Low fees/low unit of resource
- Student number controls in NI
- Policy environment/international students
- Public understanding/political constraints



HE funding is hugely complex. Today, we are covering four questions.



What is the impact of the current (2023-24) Northern Irish funding system on the Exchequer, HEIs, and students/graduates?

How does this compare to England, Scotland, and Wales?

What would the adoption of the *English fee system* in Northern Ireland look like?

What would the adoption of *free fees* in Northern Ireland look like?

Our analysis is based on the **2023-24 cohort of first-year Northern Irish (NI) domiciled UG students studying anywhere in the UK** (including FT and PT and all types of UG qualifications). We also include **students from the Republic of Ireland studying in Northern Ireland** (as they are funded under the same system as NI domiciled students in NI).

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**What is the impact of the current funding system on the Exchequer, HEIs, and students/graduates?**



# Baseline (current system): Overview

The Northern Irish HE funding system is particularly complex:

## CURRENT SYSTEM

- **Tuition fees of £4,710 per FT student in NI and £9,250 in RUK.**
- **Fee loans for FT students and combination of (means-tested) fee grants and fee loans for PT students.**
- **Means-tested maintenance loans + grants for FT students (up to £8,136 for LAFHOL students). Means-tested maintenance grants for PT students (up to £265).**
- **Repayment threshold of £22,015, uprated with RPI inflation over time. Repayment rate of 9% of earnings above this threshold. 0% real interest (nominal interest = 0% + RPI). Repayment period of 25 years.**

# Baseline (current system): Total costs for cohort

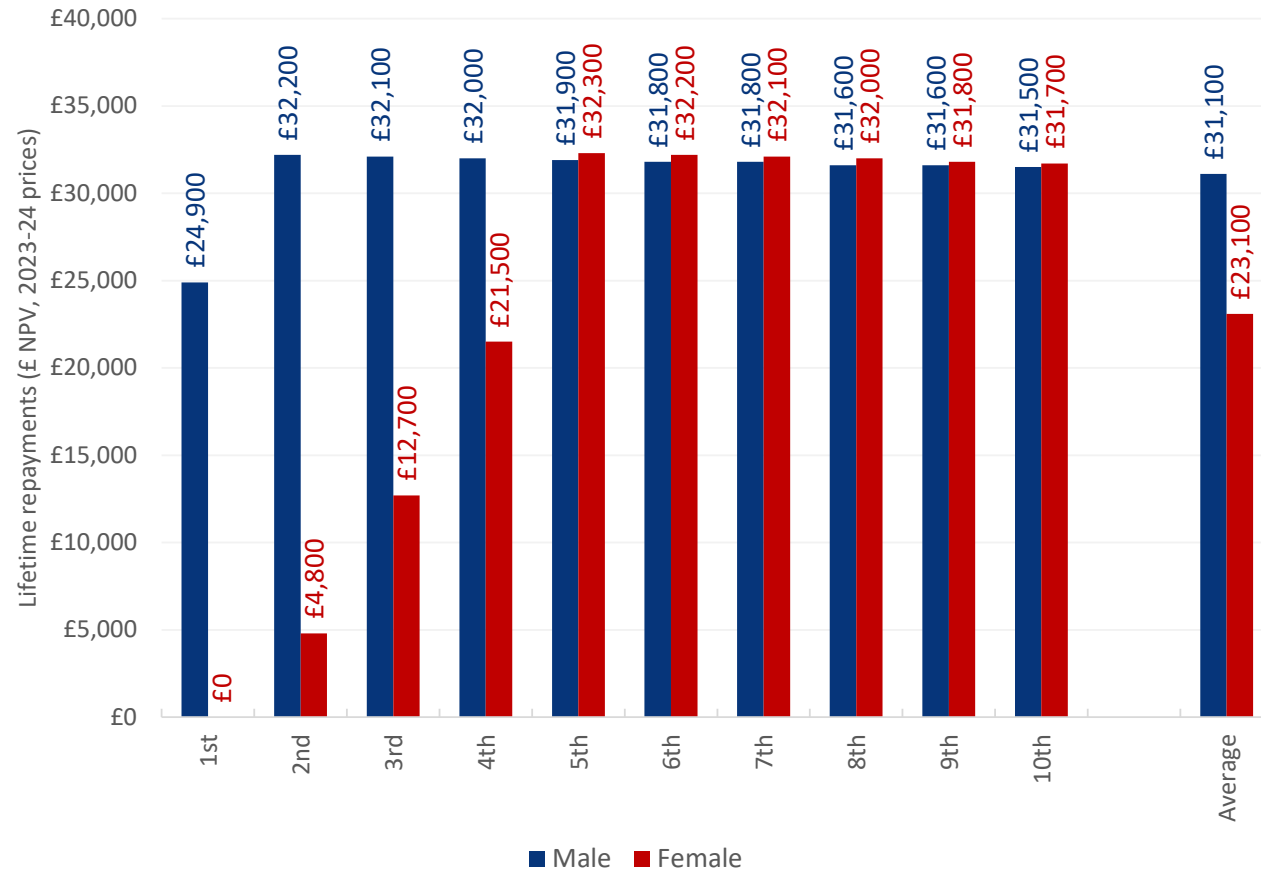
Resource flows (£/£m/%)	Baseline
<b>Net Exchequer cost (adjusted for RAB)</b>	
Cost of maintenance grants	(£40m)
Cost of maintenance loans	(£15m)
Cost of tuition fee grants	(£3m)
Cost of tuition fee loans	(£22m)
Cost of Teaching Grants	(£93m)
<b>Total</b>	<b>(£172m)</b>
<b>RAB charge (%)</b>	<b>10.0%</b>
<b>Net HEI income</b>	
Gross fee income	£247m
Teaching Grant income	£93m
Cost of bursary provision	(£4m)
<b>Total</b>	<b>£335m</b>
<b>Students/Graduates (FT first degree students from NI studying in NI)</b>	
<b>Average debt on graduation</b>	<b>£29,500</b>
<b>Average lifetime repayments (M/F)</b>	<b>£31,100/£23,100</b>

Note: All monetary values have been discounted to net present values and are presented in constant 2023-24 prices. Values per student have been rounded to the nearest £100, and totals have been rounded to the nearest £1m.

- The Exchequer currently contributes c.**£172m per cohort (£4,810 per FT NI student in NI per year)**.
- **HEIs receive £335m in net income per cohort (£7,620 per FT NI student in NI per year)**.
- The average **debt on graduation** per FT first degree student from NI studying in NI is **£29,500**.
- Average lifetime repayments stand at **£31,100** for male graduates and **£23,100** for female graduates.

# Baseline (current system): Graduate loan repayments

Total loan repayments by NI domiciled students who complete FT first degrees in NI (NPV in 2023-24 prices), by lifetime earnings decile and gender



- The current repayment system is **locally regressive**. Many graduates will repay **c.£32,000** over their lifetimes, irrespective of their earnings.

Note: All values have been discounted to net present values, are presented in constant 2023-24 prices, and have been rounded to the nearest £100.



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## How does the Northern Irish system compare with other Home Nations?



# How do the Home Nations differ in terms of funding? Substantially!

The public cost of the NI system is **roughly 3x that in England**, but NI HEIs receive **25% less income than English HEIs** (and lowest in UK):

## Exchequer cost

## HEI income



**£1,630**

**£10,220**



**£3,780**  
(>2x England)

**£9,290**  
(9% < England)



**£9,130**  
(>5x England)

**£7,870**  
(23% < England)



**£4,810**  
(c3x England)

**£7,620**  
(25% < England)

## £ per full-time 'home' student per year in 2023-24





Item	English in England	Scottish in Scotland	Welsh in Wales	NI in NI
<b>Net Exchequer cost per student</b>				
Maintenance grants	-	£550	£3,800	£1,140
Maintenance loans	£240	£720	(£240)	£330
Tuition fee grants	-	£1,790	-	-
Tuition fee loans	£330	-	(£270)	£310
Teaching grants	£1,060	£6,080	£490	£3,030
<b>Total</b>	<b>£1,630</b>	<b>£9,130</b>	<b>£3,780</b>	<b>£4,810</b>

<b>Net HEI income per student</b>				
Gross fee income	£9,250	£1,790	£9,000	£4,710
Teaching grant income	£1,060	£6,080	£490	£3,030
Cost of bursaries	(£90)	-	(£200)	(£120)
<b>Total</b>	<b>£10,220</b>	<b>£7,870</b>	<b>£9,290</b>	<b>£7,620</b>

Note: All values are for 'home' domiciled full-time undergraduate students (including first degrees and other undergraduate) in the 2023-24 entry cohort (where 'home' domicile refers to English domiciled students studying in England, Welsh domiciled students studying in Wales, etc.). Values are rounded to the nearest £10.

# How do the Home Nations differ in terms of funding? Substantially!

Balance of total contribution between the Exchequer vs.  
students/graduates

	Exchequer	Students/Graduates
	16%	84%
	44%	56%
	113%	-13%
	51%	49%

- In **England**, most of the cost of HE is borne by students/graduates.
- In **Northern Ireland and Wales**, the split between Exchequer vs. student/graduate cost is roughly even.
- In **Scotland**, students are effectively *paid* to attend HE (as they typically pay no fees but receive maintenance funding).

Note: The balance of contribution between the Exchequer and students/graduates was calculated across *all* students in the relevant 2023-24 entry cohort of English, Scottish, Welsh, and Northern Irish domiciled undergraduate students (studying anywhere in the UK and including both full-time and part-time students).

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What would be the impact of adopting the *English fee system* in Northern Ireland?



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# Implementing the English fee system in Northern Ireland

To illustrate the impact of different aspects of the funding system, we model the **impact of applying the English fee system to Northern Ireland:**

## CURRENT SYSTEM

- **Tuition fees of £4,710** per FT student in NI and **£9,250** in RUK.
- Fees in NI increase over time, fees in RUK are frozen.
- **Fee loans for FT students and combination of (means-tested) fee grants and fee loans for PT students.**

## APPLYING THE ENGLISH FEE SYSTEM IN NORTHERN IRELAND

- **Increase in fees to £9,250 per FT student in NI** (no change to fees or fee support for NI students in RUK).
- Fees are frozen over time.
- Fee increase in NI is backed by **increase in fee loans for FT and PT students** (PT fee grant unchanged).
- **Reduction in Teaching Grants paid to NI HEIs** (to same amount as Teaching Grants paid to English HEIs by the Office for Students).

# Implementing the English fee system in Northern Ireland

English fee system (higher fees + lower TGs in NI)

Resource flows (£/£m/%)	Baseline	English fees	Difference
<b>Net Exchequer cost (adjusted for RAB)</b>			
Cost of maintenance grants	(£40m)	(£40m)	-
Cost of maintenance loans	(£15m)	(£22m)	(£7m)
Cost of tuition fee grants	(£3m)	(£3m)	-
Cost of tuition fee loans	(£22m)	(£43m)	(£21m)
Cost of Teaching Grants	(£93m)	(£27m)	£65m
<b>Total Exchequer cost</b>	<b>(£172m)</b>	<b>(£135m)</b>	<b>£37m</b>

<b>RAB charge (%)</b>	<b>10.0%</b>	<b>13.8%</b>	<b>+3.8 pp</b>
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<b>Net HEI income</b>			
Gross fee income	£247m	£371m	£125m
Teaching Grant income	£93m	£27m	(£65m)
Cost of bursary provision	(£4m)	(£4m)	£0m
<b>Net HEI income</b>	<b>£335m</b>	<b>£395m</b>	<b>£59m</b>

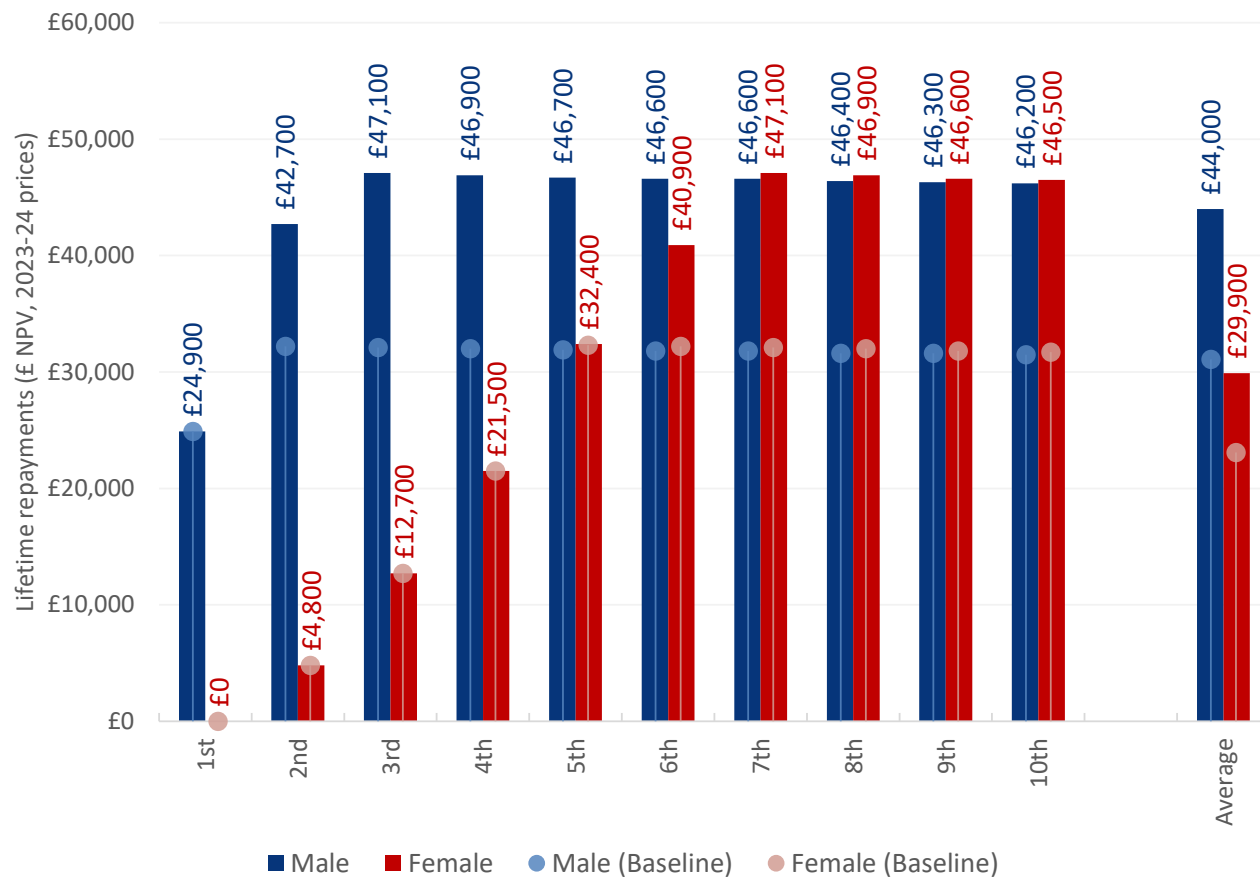
<b>Students/Graduates (FT first degree students from NI studying in NI)</b>			
<b>Average debt on graduation</b>	<b>£29,500</b>	<b>£43,000</b>	<b>£13,500</b>
<b>Average lifetime repayments (M/F)</b>	<b>£31,100/£23,100</b>	<b>£44,000/£29,900</b>	<b>£12,900/£6,800</b>

Note: All monetary values have been discounted to net present values and are presented in constant 2023-24 prices. Values per student have been rounded to the nearest £100, and totals have been rounded to the nearest £1m.

- The Exchequer costs would *decline* by **£37m** per cohort (**21%**).
- The RAB charge would **increase** by **3.8pp**.
- NI HEI income would *increase* by **£59m** per cohort (**18%**). RUK HEIs would be unaffected.
- The average debt on graduation per FT first degree student from NI studying in NI would increase by **£13,500**.
- Average lifetime repayments would increase by **£12,900** for male graduates and by **£6,800** for female graduates.

# Implementing the English fee system in Northern Ireland

Total loan repayments by NI domiciled students who complete FT first degrees in NI (NPV in 2023-24 prices), by lifetime earnings decile and gender



- Lifetime repayments would *increase* for middle- and high-income graduates.
- In contrast, graduates at the lower end of the income distribution would be *unaffected*.
- This is one of the (many) widely misunderstood aspects of the HE fees and funding system.

Note: All values have been discounted to net present values, are presented in constant 2023-24 prices, and have been rounded to the nearest £100.

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What would be the impact of adopting *free fees* in Northern Ireland?





# Implementing free fees in Northern Ireland

Finally, we also consider what would happen under the **introduction of free fees in Northern Ireland**:

## CURRENT SYSTEM

- **Tuition fees of £4,710** per FT student in NI and **£9,250** in RUK.
- Fees in NI increase over time, fees in RUK are frozen.
- **Fee loans for FT students and combination of (means-tested) fee grants and fee loans for PT students.**

## INTRODUCING FREE FEES IN NORTHERN IRELAND

- **Same fee levels as in Baseline, but replacement of fee loans in NI with full fee grants** (i.e. fees effectively abolished, for both FT and PT students).
- Fees in NI increase over time, fees in RUK are frozen (same as current).
- **No change** to fee support for NI students in RUK.

# Implementing free fees in Northern Ireland

Free fees in Northern Ireland

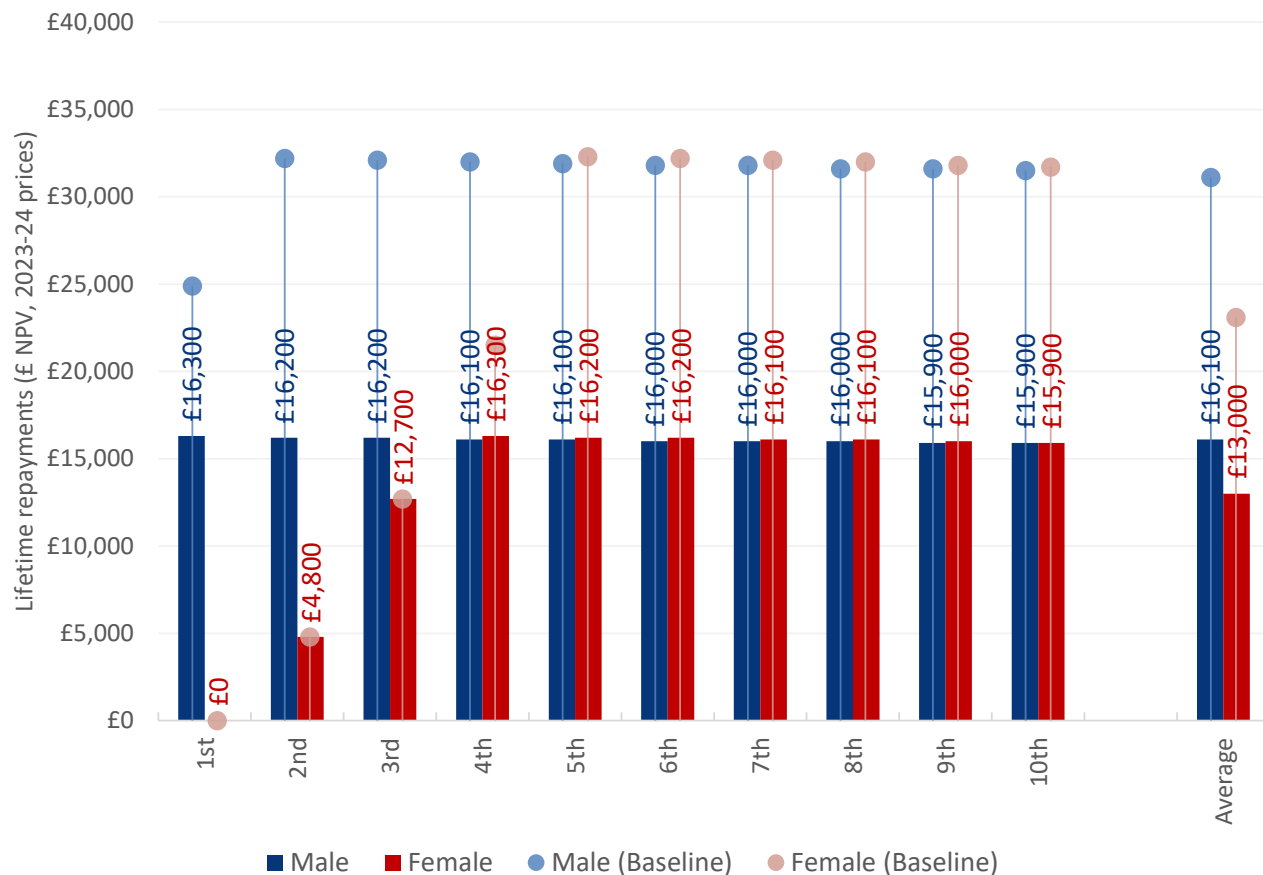
Resource flows (£/£m/%)	Baseline	Free fees	Difference
<b>Net Exchequer cost (adjusted for RAB)</b>			
Cost of maintenance grants	(£40m)	(£40m)	-
Cost of maintenance loans	(£15m)	(£9m)	£6m
Cost of tuition fee grants	(£3m)	(£137m)	(£135m)
Cost of tuition fee loans	(£22m)	(£14m)	£8m
Cost of Teaching Grants	(£93m)	(£93m)	-
<b>Total Exchequer cost</b>	<b>(£172m)</b>	<b>(£292m)</b>	<b>(£121m)</b>
<b>RAB charge (%)</b>	<b>10.0%</b>	<b>8.8%</b>	<b>-1.2 pp</b>
<b>Net HEI income</b>			
Gross fee income	£247m	£247m	-
Teaching Grant income	£93m	£93m	-
Cost of bursary provision	(£4m)	(£1m)	£3m
<b>Net HEI income</b>	<b>£335m</b>	<b>£338m</b>	<b>£3m</b>
<b>Students/Graduates (FT first degree students from NI studying in NI)</b>			
<b>Average debt on graduation</b>	<b>£29,500</b>	<b>£15,000</b>	<b>(£14,500)</b>
<b>Average lifetime repayments (M/F)</b>	<b>£31,100/£23,100</b>	<b>£16,100/£13,000</b>	<b>(£15,000)/(£10,100)</b>

Note: All monetary values have been discounted to net present values and are presented in constant 2023-24 prices. Values per student have been rounded to the nearest £100, and totals have been rounded to the nearest £1m.

- The Exchequer costs would *increase* by **£121m** per cohort (**70%**).
- The RAB charge would **decrease by 1.2pp**.
- NI HEIs would *save* **£3m** per cohort (from removal of bursaries). RUK HEIs would again be unaffected.
- The average debt on graduation per FT first degree student from NI studying in NI would decrease by **£14,500**.
- Average lifetime repayments would decline by **£15,000** for male graduates and by **£10,100** for female graduates.

# Implementing free fees in Northern Ireland

Total loan repayments by NI domiciled students who complete FT first degrees in NI (NPV in 2023-24 prices), by lifetime earnings decile and gender



- Removing fees would have essentially the opposite effect on repayments compared to introducing English fees.
- Middle- and high-income graduates would repay *less*.**
- Graduates at the bottom of the income distribution would again be *unaffected*.**
- In other words, the lowest-earning graduates are *not* affected by fee changes – neither by increases *nor* decreases in fees.

Note: All values have been discounted to net present values, are presented in constant 2023-24 prices, and have been rounded to the nearest £100.

# Conclusion







## CURRENT UNDER-FUNDING

- Lots of debate over fees
- Current system of low fees + high TGs with student number controls
- Public investment 3x as high as in England - *but* NI HEIs are underfunded (25% less income than English HEIs)
- Maintenance support is lowest in UK



## PUBLIC FUNDING CONSTRAINTS

- Significant pressures on public sector budgets (16% real-terms reduction in DfE budget in 2023-24<sup>1</sup>)
- Very difficult decisions on how to allocate limited resources



## POLICY OPTIONS?

- Wide range of potential policy options to consider
- Will need to be thought through carefully: Even 'small' changes have large impacts, and winners and losers are not intuitive
- No short-term 'sticking plasters'

# Thank you.

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Full details of all the publications produced as part of this project are available here:

<https://londoneconomics.co.uk/blog/publication/general-election-briefings-examination-of-higher-education-fees-and-funding-across-the-uk/>

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