



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

**Tuition Fees and Student Finance
Arrangements**

14 September 2011

NORTHERN IRELAND ASSEMBLY

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AND LEARNING**

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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
Ms Michelle Gildernew
Mr Chris Lyttle
Mr Barry McElduff
Mr David McIlveen
Mr Pat Ramsey
Mr Alastair Ross

Witnesses:

Dr Stephen Farry) The Minister for Employment and Learning

Mr Alan Shannon) Department for Employment and Learning

The Chairperson:

I welcome the Minister and the permanent secretary of the Department for Employment and Learning (DEL), Mr Shannon. Minister, I invite you to make a statement.

Dr Stephen Farry (The Minister for Employment and Learning):

Thank you very much. I will introduce Alan Shannon, who is the Department's permanent secretary. This is Alan's first appearance before this version of the Committee, and no doubt he

is looking forward to it is as much as I am. I will make very few opening remarks, as it will probably be more productive if we focus on the questions today, because a fair few statements have been made this week already.

I am very happy to address the Committee on this subject. It is a major issue that is facing not only this Department but Northern Ireland as a whole. Therefore, there is no doubt that we will want to give it due attention today. I stress again that I am very happy to come back to future Committee meetings to discuss other aspects of the Department's work. Even during questions to the statement on Monday, it came across that Members were looking for reassurance on other aspects of the Department's work. I know that there is a great interest in all those issues, and, to me, they are equally important as what we are doing in higher education (HE). Therefore, we will look forward to those opportunities in the future.

Very briefly, you are familiar with the essence of what the Executive have agreed and what the Department intends to do. I think that it is a very good deal not just for the Department but for Northern Ireland as a whole. My starting point in all this was to sustain funding in the higher education sector. That was my overarching consideration, bearing in mind the importance of the universities to the economy, particularly where skills and research and development are concerned.

The three basic outcomes are that: first, fees are frozen, except for inflationary increases during the lifespan of the current comprehensive spending review (CSR) period; secondly, we have sustained funding for the two universities locally; and thirdly, we have a modest increase in student places facilitated. All that is being done on the basis of a fixed block grant for Northern Ireland. It is important that we bear that in mind when considering how much we can actually achieve when we do not have the option of generating additional revenue.

You are obviously aware of the issues that flow from that, and no doubt there will be questions about that and what it means for the Budget and how we manage the inevitable consequences on student flows of any decision to have different fees regimes in different parts of the UK. For us, that means what we do for local students in Northern Ireland who want to access courses in the rest of the UK. It also affects the issue of student places and what we do for students from elsewhere in the UK who wish to come to Northern Ireland. That sets out the main headline issues, and I am happy to field your questions, Chair.

The Chairperson:

It might be better to answer them.

Dr Farry:

Very good.

The Chairperson:

I will let members will ask questions, and if there is anything left unanswered in the last 10 minutes, I might ask a few questions. If you do not mind, we will let the Deputy Chairperson go first, since I always ignore him — I am really sorry about that.

Mr Buchanan:

I welcome you to the meeting, Minister, and I welcome the decision that you have taken and the meetings that you have held with the Executive to get the £40 million gap closed. That was a real concern in the student fees issue.

However, there are still some concerns. One is how your Department is to make up the £22 million. Where is that money to come from? How much will each of the other Departments fund? Obviously, the Departments of Education, Health and Justice are exempt, but how much will each of the other Departments pay towards closing that £40 million gap?

My other question is about veterinary students, who cannot study in Northern Ireland and for whom there are very few spaces in Dublin. I have been working on that issue with some students who have been trying to get places there. There are very few places for them because of the high number of applications. That means that they have to cross the water to get places. Their fees there are very high because of the length of time that it takes for a veterinary student to qualify. Have you looked, or do you intend to look, at some way of helping to alleviate the financial pressure that they will face by crossing the water to take their courses? Fees there have now gone up to the £9,000 threshold. Is there anything that you can do to help alleviate the burden of students from here who have to go there for veterinary courses?

Dr Farry:

Thank you very much for those questions, Tom. In essence, we are talking about a £40 million

gap in the 2014-15 budget. We have talked about it probably in those terms, because that is less of the recurring figure, even though it tends to graduate up to that pressure over the two financial years in between. You are right to say that the Department is taking on £22 million of that pressure. That breaks down as follows: £5 million covers costs that the higher education sector itself will address; £3 million relates to the differential fees for students coming from Great Britain; and £2 million is for the further efficiencies that the other Departments have agreed. We had discussed that with those Departments prior to the agreement with the Executive, so it does not come as any surprise to them. The second element relates to further efficiencies in my Department, which is a further £5 million. We had £145 million as a part of the Budget 2010 settlement, but we have added £5 million, so we are working essentially to £150 million of efficiencies. That is to be addressed through measures such as better management of our estate, staff vacancy control, travel and subsistence, and it will not have an impact on front line services. Obviously, just like any other aspect of the public sector, those services have been impacted upon as a consequence of the more difficult financial situation that we are in. However, I am very clear that this particular settlement on higher education is not impacting on any of those front line services.

The remainder of that £22 million pressure is from savings on what we call the notional loan subsidy. In essence, when the Budget was struck on the assumption of fees in Northern Ireland at a level of £4,500, we would have had to bear 30% of that upfront to cover subsidised interest and the potential for write-off of loans after the period of potential repayment expired. In the context of a lower fee, we do not have to pay as much upfront, so that generates the balance of the £22 million savings.

Against that, we are also receiving another £3 million from the Executive, which will allow us to make a modest investment in student places by 2014-15. It will be £1 million, £2 million and then £3 million through to 2014-15 for additional student places. The Executive as a whole then have to find the balance of the money, which they will do through two different methods. One is a top-slicing of a number of Departments. Departments exempted from that are the Departments of Health and Education and the Department of Justice, which was already ring-fenced under a separate settlement. So, eight other Departments are bearing a share. We have also announced that we will be taking forward a review of education maintenance allowance (EMA). That is expected to realise in the region of £4 million to £5 million for the settlement, although a review may generate more savings, given the inefficiency in the system.

I am a little bit reluctant to give the breakdown of how the top-slicing affects other Departments, because that is really a matter for the Executive and, in particular, the Finance Minister, to announce. However, the specifics of that have been agreed by the Executive, so there is no uncertainty as to how that is going to unfold. A very precise set of figures has been agreed, and all the Ministers are aware of that and are comfortable with it. However, I would feel that I were exceeding my authority as Minister for Employment and Learning and straying into Sammy Wilson's territory if I were to release the precise figures, although I have no doubt that the Department of Finance and Personnel will be more than happy to release them in due course. Perhaps Alan will take the question about the veterinary colleges.

Mr Alan Shannon (Department for Employment and Learning):

Yes, I will pick up that question. Veterinary colleges are very expensive to provide, and a relatively small number of students want to do veterinary science. Throughout the British Isles, I think that there are around five or six veterinary colleges, which means that most students doing veterinary science have to travel away from home to study. That is not out of line with what is happening elsewhere in the country. There might be an issue when courses go beyond three years, which did not matter so much when fees were less of an issue, but now that fees are becoming significant, more and more students who have to take five or six years to do medicine or architecture are running up considerable costs.

One of the options that we explored for medicine was that we, through the normal regime, would fund the first three years of the course and the Department of Health would then pick up the costs for years four and five. We have suggested that that might be an option for the Department of Agriculture and Rural Development (DARD) if it is concerned about the difficulties facing veterinary students.

Mr Buchanan:

To return to the £40 million gap, Minister, are you satisfied that that gap has been fully met?

Dr Farry:

Yes. I have been very clear throughout the summer that I have always regarded any announcement on the policy for the level of fees as being absolutely linked to the budget cover for that policy. I would not have moved to announce the level of fees without being certain that,

where the balance is concerned, the cover was there for both my Department and the Executive.

Mr Buchanan:

Does that mean that that will not affect further education (FE)?

Dr Farry:

No, it will not.

Ms Gildernew:

You are welcome, Minister and permanent secretary. I welcome the statement that was made on Monday. Barry McElduff was spot on when he said on the radio yesterday, when you were getting a hard time from the Chairman of the Committee —

Dr Farry:

That is a matter of opinion.

Ms Gildernew:

— that third-level education should be based on students' ability to learn and not on their ability to pay. I spoke to John O'Dowd in the Chamber just before I asked my question. Obviously, we do not have time to draw out these issues, because we are able to ask one only question. However, you might remember that my question was about how many students go by choice and how many go out of necessity. I had just spoken to John about that and said that veterinary students have to go out of necessity because there are no courses here and that 25 to 30-odd go to study veterinary science either in Dublin or across the water every year.

The difficulty I have is that veterinary science is a five-year course. You cannot often supplement your income by taking jobs during the summer holidays and so on, because you have to do work experience. In a lot of cases, veterinary science is as or more complicated than medicine, yet the pay scale for doctors is very different to that for vets, who earn on average £25,000 a year at their starting grade. Many of our vets work in government at the front line of surveillance of diseases such as foot-and-mouth disease and bluetongue, and we do not have the ability to pay vets what we pay doctors. So, I think that vets and anybody studying veterinary science are in a very difficult situation. There has to be a mechanism to help those who are forced to study elsewhere because their course is not offered here. Some of those who choose to

go away may have a course available here, and there may be places on that course, but they choose to go away for the experience. There needs to be some differentiation.

It is interesting that the permanent secretary mentioned offering the Department of Agriculture the opportunity to pay the additional two years' fees. The difficulty for DARD, and I am quite certain that the Minister will have heard this at the Executive, is that much of its funding involves paying out European money to farmers. So, a lot of the Department of Agriculture and Rural Development's budget cannot be touched. It is ring-fenced, meaning that the resource element available to spend on work in the Department is a very small pot of money. So, the implications of top-slicing are probably more difficult for the Department of Agriculture than for any other Department, and, if three Departments are outside that arrangement, it creates further difficulties. On top of that, you are saying, "If you are that bothered about vets, you pay the additional two years' fees". I think that that puts our Agriculture Minister in a very difficult position, and I have no doubt that you will have heard that at the Executive.

I want to ask, Minister, if you could do more to ensure that veterinary students have a better deal. I do not think that the funding necessarily has to come out of the Department of Agriculture. It is coming out of farmers, and agriculture is the backbone of our economy. We all queue up to say that every time there is a debate on that in the Assembly, and we rely on vets to protect our animals' health. We very much cherish our health status, and we are one of the few parts of Europe that is bluetongue free. We avoided getting foot-and-mouth disease when Britain was affected by it four or five years ago. We have to protect the health of our animals, and we need vets to do that. So, I think that you have to do more to protect the needs of our vets and ensure that we have a pool of people who will work as vets into the future. I am know that I am getting a wee bit carried away here, but —

The Chairperson:

I was going to say that we should see what he has to say. *[Laughter.]* I think you have made your point.

Ms Gildernew:

I would welcome the opportunity for David Torrens to speak to the Committee on the issue.

The Chairperson:

I am happy to talk about that. Let us get a response, and you can draw breath and have another go.

Dr Farry:

I am tempted to say that we have got the message. *[Laughter.]* It is worth stressing, Michelle, that we need to be very cautious about how we approach this. I fully understand the arguments that you are making and the reasons why you are making them, but before I even open the door to this or give hope where there may not be hope, I need to put down some caution. We need to tread carefully, and, if we start to make exceptions or exemptions for particular courses, we could open a Pandora's box. So I need to think very carefully about this.

Ms Gildernew:

Minister, given that veterinary science is a five-year course, there is the justification that veterinary students cannot supplement their income by taking part-time jobs in the way that other students can. You can justify it if you want to and if the political will is there.

Dr Farry:

I will certainly give a commitment that we will think very carefully about it. However, it would be unwise for me to make any promises today or to even give hope inappropriately. I can say that we will definitely discuss it internally and with DARD, and we will explore whether we can do something and, if we can, what the rationale for that would be.

The Chairperson:

What sort of timescale are you looking at?

Dr Farry:

We will get straight into it; we are not going to hang around.

The Chairperson:

We might write to the Minister just to put that on record, and he can then respond to that.

Dr Farry:

That is fine.

Ms Gildernew:

That is grand. Thank you.

Mr Allister:

Thank you, Minister. I want to explore and understand fully how the funding shortfall will be met. On Monday, you said in your statement to the House that there is a £22 million gap for 2014-15. Presumably, there is a gap in the years before that. What, therefore, is the totality of the gap year on year? How is that totality to be met? You talked about £22 million again this morning. Presumably, it is more than that. When you say that £5 million is being met by the higher education sector, is that just in 2014-15 or is it each year? When you say that £5 million will be found in efficiencies, is that only in 2014-15 or is it each year? When you say that efficiencies include such matters as estate management, do you mean closures? What does that mean? What does that phrase conceal? What will be the manifestation of what it actually means?

You then say that the balance money will be found from the notional loan subsidy that you were expecting to spend elsewhere. Will that be for three years or for one year? Are you really saying to us that £12 million in that year is coming from the notional loan subsidy? Is that partly why there will not be money for extra places at Magee and so on? I want to understand where the pain will be year on year and how the gap will be met.

Dr Farry:

OK. The reason why we talked about a gap of £40 million is, in many respects, about trying to explain the gap as simply as possible. The scale of the pressure will build up over the next three years. Students will enter and work their way through university in 2012-13 under the new fee regime. By 2014-15, students will have been under the new regime for three full years. Therefore, there will be a gradual escalation of cost pressures. That £40 million pressure, in essence, will roll forward through the system as a recurring pressure. In turn, contributions that are being made across those different headings will also graduate up along specific lines, as will the contribution from the Executive and, indeed, the notional loan subsidy savings. We can give you those precise figures. If you hang on for a few minutes, I will let Alan come to those in a minute, and we can give you the precise breakdown over the three years.

You raised the point about the notional loan subsidy moneys. My original hope was that I would be able to use that money for greater expansion of the number of student places in Northern Ireland. However, we are in a situation where, on a fixed block grant, we, first, are asked to freeze fees, secondly, have a duty to protect existing university funding, provision of services and places, and, thirdly, have to meet extra demand locally, which I regard as an inescapable pressure. It is fair to say we are asking a lot from what is, in essence, a fixed budget for the Department and the Executive. Therefore, a sense of realism and pragmatism is required.

I, certainly, went to the Executive with the aspiration of using the savings from the notional loan subsidy for a more expansive expansion of student places. To find agreement across the board, the Executive felt that, on balance, it would be better to have a more modest upfront investment. We have funded £1 million, £2 million and £3 million for that over the course of the CSR period as things now stand. Once we see evidence of actual student flows, we have the option to go back to the Executive to bid for additional resources.

There has been a lot of interest in the Magee campus. I am heading up there later today. Notwithstanding the huge public interest and demand for an expansion of Magee, a case towards which I am sympathetic, based on our figures, it is only fair and proper to put on record that it is not going to happen on the scale that people hope.

The Chairperson:

Minister, we will probably deal with that later. I am sure that Pat will want to talk about that issue. I am keen to return to Jim's topic.

Mr Shannon:

The build up to £40 million consists of £15 million in 2012-13, £30 million in 2014-15, £40 million in the third year and £40 million from then on. Eyebrows were raised a little at the £12 million in loans subsidy. We pay £120 million a year at the moment for loans subsidy and maintenance grants, so there is a lot of money in that budget. We had set aside that £12 million to fund an increase in fees to, say, £4,500 or £5,000. That was the allocation that we made in the budget, so that is how that became available.

Mr Allister:

So is the shortfall between now and the end of this budgetary term, in fact, £85 million?

Mr Shannon:

Yes, if you accumulate it.

Mr Allister:

So, the £40 million that people talk about is only last year's figure.

Mr Shannon:

It is £40 million a year.

Mr Allister:

It is building up to £40 million.

Mr Shannon:

Yes.

Mr Allister:

Over the next three years, how much of the £85 million do you have to find in your budget?

Mr Shannon:

Well, all of it. That is part of the —

Mr Allister:

All of it; so, are we looking at finding, in what is an already squeezed budget, £85 million in savings over the next three years?

Dr Farry:

Yes, in cash terms.

Mr Allister:

Yes. If, in the past year, £5 million of that came from efficiencies, I presume that the total efficiencies over those three years is £10 million or £12 million.

Mr Shannon:

Well, no, it is much worse than that, because we front-loaded the universities' efficiency savings over the four years.

Mr Allister:

I am not talking about what the universities have to find but efficiencies that you have to find, such as estate management savings and all that.

Mr Shannon:

We have to find £150 million over the four years.

Mr Allister:

Yes, but what extra must you now find to meet the tuition fee bill?

Mr Shannon:

We have moved from £145 million to £150 million, accumulatively over the —

Mr Allister:

Over the three years?

Mr Shannon:

By year 4, we have to find £150 million instead of —

Mr Allister:

And how much do you have to find between now and year 4?

Mr Shannon:

You would have to add that across the four years.

Mr Allister:

That is what I am asking of you.

Mr Shannon:

Yes. I do not have that figure immediately available.

Mr Allister:

My question to the Minister was: how do you find those savings? What does it mean when you talk in the Assembly about how we manage the estate and staff issues? Does that mean redundancies? Does it mean closures? What does it mean?

Dr Farry:

It does not mean redundancies. It is about how we manage vacancies as they arise. There are pressures on staffing. You will be aware that we have had a modest increase in staffing levels in the employment service as we try to begin to address matters such as incapacity benefit migration. However, our overall approach will be to best manage staffing, bearing in mind that, like every other Department, a large proportion of our budget is staff related. There is also —

Mr Allister:

Will you leave positions unfilled?

Dr Farry:

That is one option.

Mr Allister:

What does “managing the estate” mean?

Dr Farry:

I will give one example of what that potentially means. At present, we have a separate office building for the Northern Ireland Adviser on Employment and Skills. I decided to consolidate that office accommodation back to the Department. Essentially, we will end that lease. It will terminate in six months’ time. That is one example of what we mean.

Mr Allister:

Was that to happen anyway?

Dr Farry:

No, I took that decision.

Mr Allister:

To meet the tuition funding needs?

Dr Farry:

It is part of our general efficiencies that are under way.

Mr Allister:

Does that mean that it is part of what you were already doing?

Dr Farry:

It is part of what we are doing. In essence, the pressures —

Mr Allister:

You have to find extra efficiencies. Where will they come from?

Dr Farry:

Like any other Department, we are struggling to find efficiencies and to achieve them without touching front line services. We have taken the efficiencies that we have been asked to find as part of this overall package and absorbed them into our existing plans, and we are confident that we will be able to meet those.

The Chairperson:

Minister, I am conscious that I must bring in other people at this time. However, Mr Allister raised the point that there is some lack of clarity. You state with conviction that you can manage this shortfall or additional pressure. It would be useful for us to have a paper from your officials about precisely how we will do that. There is the idea of managing the estate, but I was not aware that you had a huge estate. People talk about vacancy management, but exactly how many posts will be lost and what are the knock-on effects? We might deal with that if Mr Allister is —

Dr Farry:

We will certainly provide you with a full briefing from officials about the departmental budget and what is happening. Such briefings will happen routinely, but we will have a special meeting.

The Chairperson:

The point was raised, and if Mr Allister is happy with that —

Mr Allister:

Yes.

The Chairperson:

Jim, do you have any other follow-up —

Mr Allister:

No, I have had my share.

Mr P Ramsey:

Minister and Alan, you are both very welcome. Clearly, it is not an easy time to be overseeing a Department. I come back to Jim's point. Maybe it is my lack of knowledge of the system, but I recall that, three or four months back in the CSR period, the DEL officials told us that they could make no further efficiencies in their budget and that there were inescapable costs. So, I am amazed that, all of a sudden, £22 million can be found. You made it absolutely clear to the Committee members that you were taking such a big hit in the final year of the CSR period that it would result in pressures on staff and one thing and another. I do not understand. The Chair pointed out that we need much more clarity. We received a presentation on the initial CSR, but, all of a sudden, you have found a lot of fat on the bone and you are taking it away. I fail to grasp that, but I will park that issue.

The Magee issue is hugely important not just for Derry but for the north-west. The Office of the First Minister and deputy First Minister (OFMDFM) and the Department for Social Development (DSD) empowered the Ilex regeneration company to come through with one voice and one plan for the city, which it has done. The key to that plan, as you, Minister, will find out — I am sorry that I cannot be there for the visit — is the expansion of the Magee campus. From what I know, and you can tell me differently, the financial plan and the business case from the University of Ulster were approved by DEL and subsequently by the Department of Finance and Personnel. You can understand the frustration of not just Pat Ramsey, who represents there, but all the sectors in the city, including the community, business and political sectors, which all came together to devise the plan. Although it can be referred to the Executive, the decision has to be

taken to favour Magee regeneration. I will park that issue also.

Over recent weeks, a number of young people have approached me. It is common knowledge that, compared with earlier years, the capacity of our universities and colleges cannot meet the demand. A recent answer to a question that I asked about Magee revealed that over 5,000 applications were made for just over 1,000 full-time places, although one could argue that some of those students applied to Queen's as well. In one class of seven young people in Craigavon, one pupil with two As and a B could not access a place at Queen's, the University of Ulster or Belfast Metropolitan College. I do not know the gravity, the context or who is doing the audit of the number of young people in Northern Ireland who are frightened by going to England, Scotland or Wales because of concerns, so a piece of work needs to be done.

Earlier, the Chair talked about the not in employment, education or training (NEETs) inquiry. Are we going to abandon those young people, who are sitting with particularly good grades, and let them fall into the NEET category? Where are we going to find places for them? The evidence was there that the universities and colleges in Northern Ireland did not have the capacity to meet the future needs of our young people. I said that to you, but you shamefully overlooked it. I want that examined in thorough detail. Maybe we, as a Committee, can come back to it to get the audit of evidence about the number of young people who could not get into Queen's, the University of Ulster or any of the colleges across Northern Ireland.

The Chairperson:

We will ask the Minister to answer that point. I am conscious that we need more time to look at some of those issues.

Dr Farry:

First, for the record, we have not shamefully overlooked the matter one bit. To be blunt: it is the best deal that we could get for Northern Ireland. If there is a political consensus around keeping fees frozen in Northern Ireland, we have to be realistic about what else we can achieve in that regard in the context of a fixed block grant and a fixed budget. There are consequences that flow from that type of decision. No one should go into that with their eyes closed to what those consequences may be.

Mr P Ramsey:

Minister, we were told three months ago that the Department could not bring forward any further cuts, yet now we are being told there will be a cut of at least £22 million.

Dr Farry:

Yes, and we explained how that £22 million pressure in 2014-15 is going to be addressed. We have not let Magee down one bit. Under my predecessor, the Department made a bid as part of the CSR, which was turned down by the Executive at that stage. I said that I was open to an increase in the number of university places. I appreciate that one of the consequences of the decision to freeze fees is that there will be more local demand.

You mentioned the existing pressures on demand that pre-date the current situation. In the context of a fixed budget and with the political consensus around freezing fees and sustaining what we have, to then have a large increase in university places would, potentially, stretch that budget. To do that unilaterally would mean taking money from other aspects of the Department's work, including work on NEETs, FE and apprenticeships. We will see how things go and, if there is very clear evidence, I will have scope to go back to the Executive to look for additional places.

I also want to make it clear that I do not allocate places to particular university campuses. As much as the University of Ulster is very clear that it wants additional places, we also have to consider the needs of Queen's University and the HE and FE institutions.

The Chairperson:

The point is taken. As you highlighted, there is pressure on places, whether that is to do with the flows issue or aspirations in other places. We will write to you to ask your officials to deal with that issue and come back with a substantive piece of work.

Dr Farry:

My officials are entering into discussions with all the higher education providers to determine how the money can be best allocated for extra places. Once they have done that, it may be useful for them to come to the Committee to explain what our plans may be.

Mr Shannon:

About 15 years ago, the Dearing report said that we did not have enough university places in Northern Ireland. At that time, we were exporting 35% to 40% of our students. We put something like 5,000 places into the system over a number of years, and now we are exporting 30%. All those extra places had two effects: to reduce the numbers going away and to increase the proportion of our A-level students who go to university. That figure is up at 50%, which is ahead of England or Scotland. It is very hard to satisfy that demand, because the more provision we make available, the more it is filled. The critical thing is that we do not know the extent to which the new fee regime is going to change the pattern of student demand. That is the issue that the Executive have held the door open for so that we can look again in the light of experience over the next two or three years.

Mr P Ramsey:

Have any institutions other than the University of Ulster made a case for increased numbers?

Dr Farry:

No, but that is not the point.

The Chairperson:

We will deal with the issue in writing.

Mr Ross:

I want to ask about the differential fees. Given that the Executive have taken the decision to freeze fees, it would be strange if they did not also look to protect local students to ensure that the local population, which devolution is meant to protect, get places at university. Obviously, there has been some media attention about the legality of doing that. I know that the Scottish Administration did that many years ago because I studied in Scotland and had to pay my fees, whereas some of the Scottish students did not. Can you allude to some of the legal advice that the Department has taken on that issue, and when do you imagine that you will be here to show us the type of legislation that will be introduced or when that will happen?

Given that there will be a differential fee rate, you will be reliant on the higher fees from students from GB. In the House, you said that it would potentially be between £6,000 and £8,000, so that could be £1,000 lower than the highest rates in GB. Do you think that a rate that

is only £1,000 lower will be enough to encourage students from GB to come here? How many students coming here will you base your budget on, and at what rate will they be paying fees to ensure that you meet your budgetary requirements?

Dr Farry:

Thank you for those questions. It is accurate to say that, having taken the decision to have differential fees in Northern Ireland, we have an inescapable responsibility to manage the potential distortions in student flows that result from that. If we have fees in Northern Ireland that are much lower than other parts of the UK, we are very attractive to students coming here. The danger is that people will come here because we are a cheap option rather than because of the quality of the courses that are being offered. They would be coming for the wrong reasons.

For a student from London, for example, the fees that are being charged for most English universities, in Scotland and in Wales are no different to what is being charged in Northern Ireland. Therefore, that student can make a choice that is based on educational reasons on a level playing field as far as fees are concerned. In that sense, those students are not disadvantaged.

The flip side of the coin is the impact on our local students. If we do not have those differential fees to protect the local market, there will be a very real danger that we could be swamped by applications from elsewhere. That would mean that a lot of our local students would be crowded out of the market. Some would choose not to go into higher education at all, and some would choose to go universities elsewhere in the UK, with higher fees, which would mean that there would be a higher cost to my Department for funding them that we would also have to take into account.

Furthermore, students who come here from GB, especially those who come here based on cost, may take advantage of a cheap education and go back to work elsewhere in the UK. However, our primary economic requirement is to upskill our local population in Northern Ireland to degree level, and the best way of doing that is to maximise the number who are educated locally. I predict that, if we do not go down that route, we will have a lot of very angry constituents asking why they cannot get a place for their son or daughter in a local university.

The Chairperson:

Minister, at the moment, you have only 520, which is less than 2%, so the universities are hardly

being swamped.

Dr Farry:

That is the situation currently, Chair.

The Chairperson:

If you were trying to make some transition in increasing the number of students who come here from the rest of the UK, you might have set the fees somewhere between £3,500 and £9,000. We are shipping 30% of local students one way. Perhaps it would be a good idea to have some students coming this way.

Dr Farry:

I am very open to students coming from Great Britain.

The Chairperson:

They will not come here with fees of £8,000.

Dr Farry:

The fees that our two local universities may potentially charge is no different to the fees that universities may charge elsewhere in the UK.

The Chairperson:

Of course, if there is no difference, there will be no change in the status quo. There will be no change to the figure of less than 2%. If you were genuine about wanting to bring some people in, maybe bringing in some additional resources, maybe we should have set the fees —

Dr Farry:

We are genuine, and I will explain. First, the number of GB students and international students in our universities has been artificially depressed due to the effect of what has happened here in the past 40 years. Secondly, I want those students to come here based on the quality of courses and because they are making active choices that they wish to come to Northern Ireland. Thirdly, there is a very real danger that we could have a massive influx of students. Against that, we need to factor in the point that, due to the higher fees elsewhere in the UK, some of the students who, previously, may have chosen to go to Britain may decide that they want to stay in Northern

Ireland.

The Chairperson:

What percentage are you predicting?

Dr Farry:

At this stage, we do not know. Until the thing actually happens —

The Chairperson:

But you must have done some exercise to say —

Dr Farry:

When people start voting with their feet, we will gather the evidence.

The Chairperson:

Has the Department not considered it at all?

Dr Farry:

There is no empirical basis on which to do any study.

Let me go back to Alastair's question —

Mr Ross:

The second question was on the assumptions of how many students you would be getting from GB, at what rate and how much money you would be getting. That is relevant.

Dr Farry:

That is certainly a relevant point. I will say that we are hoping to bring the legislation to the Committee in the very near future; it is almost drafted. There is urgency around a decision being made on that, because the universities have to notify prospective students as to what the fee levels are going to be. The intention is not to prescribe a fee level in Northern Ireland but to give the universities the discretion to choose their own fees. We are expecting the two universities to set the fees at a level that would be self-financing. The issue of cost for GB students will be met by the fees coming in. The universities themselves will make those calculations to avoid any money

coming from the Department for that.

I will go back to the point about student places. On the back of that, we can release GB students from the maximum student number (MaSN) cap, which will give a bit more flexibility in the system around the current flows.

Mr McElduff:

I will not dwell on the fees issue, because our position is very well known: we are opposed to fees.

The deal has been made and the statement was given earlier this week, but what are the implications for helping Queen's and the University of Ulster to remain internationally competitive? What feedback are you getting from the universities?

There seems to be no focus whatsoever on student flows North to South. You talked about empirical evidence. I think a recent European Employment Services (EURES) report —

Dr Farry:

The Irish Business and Employers Confederation (IBEC) and Confederation of British Industry (CBI) report.

Mr McElduff:

Yes. That report flags this up as a major issue. I think that our local students are being failed in not being apprised of the options for University College Galway, University College Dublin, Trinity and so on.

Is there any commitment on the Department's part to look at FE regional colleges as a place where the MaSN cap can be increased even more? For example, in Omagh, can there not be more foundation degree-type courses, so that local students can maybe remain there for two years then come to Belfast for the final two years?

Dr Farry:

I will take those questions in reverse order. We are going to look at that type of issue as part of the expansion of student places. As a word of caution, however, I stress that we do need to

maintain a distinction between further education and higher education, as they provide two distinct roles in the overall education system. Certainly, we are looking to see what can be done in further education. The sector is keen to explore that as well.

You made a point, Barry, at the start, about assurances around keeping the universities internationally competitive. It is only fair to say that that is something on which we are going to be challenged on the basis of the decisions that we are making. One advantage of the rise in fees that has taken place elsewhere in the UK — of course, there are disadvantages as well — is the ability of those universities to generate independent funds. Based upon charging fees at around £9,000, a number of universities in Britain, some of the main competitors of our local universities, will, in essence, be able to increase their revenue by about 10% by the end of the CSR period. On the basis of the decision made by the Executive, we are sustaining the level of investment in our two local universities, but I stress the word “sustaining”. That does not mean that we will automatically lose any competitiveness on the back of that. However, it does mean that we are asking a lot of the universities, within what is a fixed budget settlement, to redirect and prioritise their resources internally around those areas in which they are already building up international reputations and to further consolidate and grow that. We are asking a lot of the universities in that regard based upon what is, in essence, a wider political consensus that we all bought into to maintain access to university.

Mr McElduff:

Finally, I asked about the IBEC report.

Dr Farry:

There is evidence that student flows on an all-island basis are much underdeveloped in both directions. We are happy to explore that further and to show people all the options open to them. We are not trying to steer people in any particular direction.

The Chairperson:

Do you take Barry’s point — or the CBI’s point, or whoever’s point it was — that there is an underdeveloped flow?

Dr Farry:

Yes.

The Chairperson:

Do you think that that is a problem?

Dr Farry:

I would not describe it as a problem, because people will make whatever choices they make, but I would say that the evidence of student flows both ways on an all-island basis indicates that they are significantly less than flows within the UK.

Mr Shannon:

Those flows have shown themselves to be very price sensitive. There was a very strong flow when they had fees and we did not, and when they did away with fees and we introduced them, there was a reversal of the trend.

The Chairperson:

It would be interesting to use that information to predict flows, but, of course, we have not looked at that yet.

Mr Lyttle:

Thank you, Minister, for your statement. Some of the efficiencies have been described as coming from a more targeted policy around the education maintenance allowance. The Committee's inquiry into keeping young people in employment, education and training identified EMA as a vital tool for achieving that task. A paper presented to the Committee identified that potentially as much as 60% of young people in receipt of EMA would have stayed in education anyway. Is any work or research being done to ensure the accuracy of that figure and to break down exactly what type of young person fell into that category? For example, were they in receipt of the £10, £20 or £30 a week EMA? I wonder whether the Minister might bring some of that detail to the Committee for us to consider during the consultation process.

Dr Farry:

Thanks for the question. The saving from EMA is a critical part of the overall settlement that we reached last week with the Executive. The background is that John O'Dowd and I have agreed in principle — the Executive have endorsed this — that there will be consultation on the future of education maintenance allowance in Northern Ireland, and the Committee will be fully briefed

around that consultation. It is a joint issue for the two Departments. About 60% of the budget is held in the Department of Education (DE), with about 40% in DEL. There have been significant studies around that, and we can certainly give you a fuller briefing on what those studies say.

There is evidence of significant inefficiency in EMA. In economic terms, it is deadweight money. I am sitting beside my accounting officer, and, as custodians of public money, there is a challenge on us to ensure that such money is used efficiently. That said, I recognise that EMA plays an important role in keeping people in education, particularly those from disadvantaged backgrounds. I am sure that I speak for John O'Dowd when I say that there is no intention to abolish EMA. It is about targeting resources to where they are most effective.

The Chairperson:

Chris, we will get a briefing on EMA next week, so it might be better to deal with that point then.

Mr D McIlveen:

My apologies, Minister, for missing your initial statement, but I think that I have the gist of it from the questions that are going around.

I want to explore further an issue that I raised in the Assembly when you made your statement. We always have to look to the future, and it would be unforgivable if we were to come back to this point four years from now. That would not be fair to the Executive, the universities or students who are picking their GCSE subjects and looking towards what they will do at university. I also do not think that it is fair just to leave it to the universities and say that, because we have plugged the gap, they have to put their house in order. It is not fair to put all that responsibility on the universities. What plans does the Department have to walk the universities through the process to ensure, as best as we possibly can, that we do not get back to where we are starting from now? The public at large will not just sit back and allow us to let that happen.

I want to follow up on one of Mr McElduff's comments, although, as you would probably expect, from a slightly different angle. He concentrated on the issue of students from Northern Ireland going to the Republic of Ireland. What about the other way around? Will there be any disparity in the fees for outside students from the Republic of Ireland who are coming here and those for people from the GB mainland who are coming over here? Also, following on from Alastair's point, is the Department taking any legal advice on that issue?

Dr Farry:

I will answer those points in reverse order. Independent of what the Scottish Executive are doing, we have taken legal advice on the legislation that we are bringing forward. The advice that we have received is that what we are proposing is legal. Alan may expand on the rationale behind that, but the central point that I stress is that legal advice is only ever legal advice. I am conscious that I have a QC sitting two seats away from me, but until a matter is tested in court, you can never be definitive. However, our legal advice is that what we propose to do is legal.

Our proposals are not only legal but essential if we are to protect the local market for Northern Ireland-based students. Otherwise, those students would be displaced and political consequences for all of us would flow from that. There would also be an impact on the economy, in that the cost of the lost opportunity to upskill Northern Irish students to work in the Northern Ireland economy would be absolutely catastrophic. Once we took a decision to have lower fees, addressing that point was an inevitable consequence. It creates certain anomalies, to put it mildly.

I will seek to reassure you. Although we are proposing to treat students from different parts of the UK with different fee regimes, under European Community law we have to treat European Union-based students in the same way that we treat students in Northern Ireland. I do not expect a flood of applications from either the Republic of Ireland or elsewhere in Europe that would undercut us, shall we say, because in most of Europe the state still largely funds higher education. The UK is probably still an outlier in the way that it goes for the personal service user contribution. So, that wider context gives us a certain degree of reassurance on that point.

In answer to the main point that you were making, David, at the start of your contribution and in your remarks in the Chamber on Monday, this settlement can apply only to the CSR period in which we are operating. Until we know what the future Budgets will be, the Executive cannot make any long-term decisions. I can give you some reassurance, because what we have agreed with the Executive is a revision of Budget 2010, in the sense that the revised figures are hard-wired into the baseline figures, not just for my Department but for the other Departments that are making contributions.

At one stage, the Department was possibly facing a situation similar to that experienced by the Health Department in the previous Assembly when it was given the first call in monitoring

rounds to plug gaps. We are not in that situation, which means that when we come to future budget negotiations in the next CSR period, the baseline from which my Department will be starting will be around the current settlement for levels of fees and the levels of contributions that we can give to the two universities to sustain those levels.

I cannot give any reassurance beyond that, but I think that this is as encouraging a position as we could be in as of September 2011. Do you want to add anything further, Alan?

Mr Shannon:

On the issue of legal advice, it is absolutely clear that you cannot discriminate against the nationals of another European Union state. So, whatever deal we offer folk from Dublin, people from other European countries have to be offered the same deal.

The Chairperson:

Just to be clear: can you discriminate against students coming from your own country?

Mr Shannon:

The legal advice is that there does not appear to be any provision in equality legislation or race legislation that would prevent us from doing what is proposed.

Mr Allister:

What about section 75?

Mr Shannon:

We have been advised that that would not apply.

Mr Allister:

Or article 14 of the convention?

Mr Shannon:

I can only say what our legal advice is.

Mr Allister:

I hope that you are right, because if you are not, there will be an unthinkable mess.

Mr Shannon:

As you know, there is a case brewing in Scotland.

The Chairperson:

The point has been made that you have had legal advice on the issue.

If everybody has had their say, I want to wrap it up now, because I realise that the Minister has to get away. I will make a few observations, which will not take too long, Minister. It is up to you whether you have time to respond.

The first point is that there is some scepticism from Mr Allister and Mr Ramsey in particular about how we have been able to suddenly produce money, suggesting that you are saying, "You know what, we do not really have a problem". Three months ago we seemed to have a terrible problem, and now the feeling I am getting is that you are saying, "I do not know why you are all so fussed, because everything is actually OK". We need to see some explanation of why things are different from the way they were before. I am not saying that they are not, but it would be reassuring for us if we could see that in detail, but I think that we will discuss that in a separate meeting.

The second point is on the issue of demand. Even now, I am really concerned about student flows. I cannot believe that the Department has not at least made some attempt to model what is likely to happen, given that the permanent secretary said that the North/South fees differential was very susceptible to price, especially when the fees were introduced here and removed there. Some modelling must be done.

My concern is that, even if we do not get one single person from England and Wales additional to or less than the number that was coming here, 30% of our students go to university across the water. Let us pick a figure out of that. Even if half that number decides not to go, you will have an increased demand of 15%. However, as I think Mr Ramsey highlighted, there is already demand in our system, even given a deteriorating economic situation, but people will still be coming in. My worry is that you could see a rise in demand of around 15% to 25%, and I know that that may be at the top end. You will then get rapid grade inflation, meaning that to do a particular course in Northern Ireland you will need three As but to do it elsewhere you might

need some other grades. So, I really think that we need to try to model and look at the contingencies on that issue, which I think could be our unravelling.

Mr Shannon:

May I come back on that? I do not want to give you the impression that we have been sitting on our hands not doing that sort of thing. We have done a huge amount of modelling, particularly on the finance model. However, it should be remembered that the changes will be introduced gradually, so year 1 students will be the only people affected next year, then year 2 students, and so on. We will get a sense at a fairly early stage of which way the flows are going to go. Any modelling that we have done at this stage has been done on the basis of assumptions only and not on any evidence.

Dr Farry:

We need the empirical evidence to really know what is likely to happen, because, at this stage, as in any statistical exercise, we will not have any real, hard figures until students literally start voting with their feet in what they decide to do.

The Chairperson:

I will just check you on that. If this were a business and you were planning to export to the United States, you would not just say, "We should go over there and get some evidence and then find out what happens". You would have a plan.

Dr Farry:

We can factor in and speculate on those types of figures. For example, displacements are an issue. However, until we know what is going to happen, do we go for one in four? Do we go for one in six? You have called for one in two. We just do not know until we actually see what students start to do themselves, and then we can respond. However, we know what is going to happen —

Mr P Ramsey:

You have clear evidence from earlier years, and that should help you.

Mr Shannon:

That is why we thought it prudent to plan for perhaps 2,000 extra places, and we set money aside

to do that, but, in the end, we have not been able to afford it.

The Chairperson:

We have teased out here that you have done modelling, and there are some issues with that. We would like to have a look at that as soon as is practical. Let us have a look and see. We understand that we need to check that, but it would give us some useful information.

The final point on that is that the Minister was circumspect in the way that he talked about it, and I understand why. However, there is an issue here. I think that you were saying that if we take a decision not to increase fees, we cannot simultaneously expand the HE and FE sectors.

Dr Farry:

Not quite. It is worth making a number of points. First, you talk about there being scepticism over the funds. I reiterate that I am confident of the funding for my share of the £40 million pressure and of the Executive's funding of their share. You gave the impression that this is easy for us, but obviously, there is pain. Getting any efficiencies in any context will always be a painful exercise for those involved. The point that I must stress is that this particular settlement can be addressed through genuine efficiencies in my Department.

The wider context of what is happening in my Department, and I am sure that every other Minister across the piece would echo this, is that we are in very difficult and challenging times. Indeed, I have spoken on record about the employment service and the challenges that exist there.

In the current Budget, the FE sector overall has not suffered the same level of cuts as we have passed on to the higher education sector. I remain committed to further education. As part of the extra student places that we can facilitate at this stage, we are definitely open to exploring whether there can be some higher education places in the context of further education. That is potentially on the agenda, and we are going to have discussions with the FE providers on that. Based on the money that we have to go around the University of Ulster, Queen's University and FE, we are talking about single-figure hundreds. So we are talking about a modest number of places. Also, you will see a forthcoming strategy for higher education before the end of the year, and that will discuss the policy levels further.

The Chairperson:

I want to wrap up the discussion, because you are the one with a deadline to meet up the road. The issue remains, however. Let me say this to you: you have given categorical assurances to us today that you can manage within the budget that you have been given. We did not pick up that there is huge pain and difficulties until you said it just now. Let me say to you that we were given that story three months ago, when we all went off and said, "This is terrible". You said to me that I and my colleagues were helpful in making the argument elsewhere, because we have often said that it is terrible and that we have to do something.

I should speak for myself in this, but other colleagues may agree. I feel that things were not quite as bad as we thought and that there was a bit of fat on the thing. We have been able to get a satisfactory solution. So, we now need to understand in some detail what the implications of the finances are so that we can help on the way forward.

Dr Farry:

It would be helpful to separate it into two different elements. First, we can assure you that we can deliver the financing through the settlement that has been agreed by the Executive. It is certainly not easy to find efficiencies, and, obviously, doing so will be very challenging for the Department. However, this particular settlement will be addressed through genuine efficiencies in the Department and not through cuts to front line services.

In the event that we did not get that deal through the Executive but got a political consensus that fees should not be raised, we would have been left with a significant funding gap. A large element of that would have had to be passed on to the two local universities, with catastrophic consequences. So the stakes on this issue were extremely high, and it was important that the Executive took a timely decision on it at our meeting last Thursday.

The wider context is that the overall financial settlement for the Department, which we are resting with, is extremely challenging. The employment service, as you well know, Chair, is struggling with the caseload that is coming its way. In the near future, we will brief the Committee on welfare reform issues and the future work programme that will have to be designed for Northern Ireland. The delivery and the financing of that programme will be extremely challenging. Therefore, there are a lot of problems out there that we will have to confront, but the discrete issue of higher education funding has been effectively settled, albeit that there are

challenging but genuine efficiencies to be found in the Department.

The Chairperson:

My final point is a matter that you and I have discussed, so whether we wish to do so again is up to you. Regardless of the legal advice, which could actually mean an absence of not being able to do something, I think that it is very strange that we have to abide by European legislation that says that we cannot discriminate against other members of the European Union but that we can discriminate against citizens of the United Kingdom. I have a difficulty with the fairness of that.

When you look at equality, the Welsh Assembly decided to subsidise its students who go to university outside Wales. There is an issue in the longer term about getting our young people the education that they require. Hopefully, to bring them back, we will not have to attach a lasso to them, but we should build an economy where their skills will be utilised. I think that there are some difficulties with this matter. I am surprised at the differential that is emerging between sister countries in the European Union and the rest of the United Kingdom. It is a strange issue that we are arguing, and there will be issues for us to address. Be that as it may, I am aware that the particular circumstances to which we had brought ourselves mean that the student flows are unpredictable at best. They could actually be serious, and we need to do something. We will have to address that.

Dr Farry:

Thank you, Chair, for those closing remarks. I think that the situation that we find ourselves in is slightly strange. As strange as it may be, however, the recommendation to allow the universities to charge differential fees was a very simple, straightforward and essential decision that had to be taken to protect the local market. To give you some degree of comfort, this is the outworking of devolution; it is not something that is a threat to the Union per se any more than devolution is a threat to the Union. This is about Northern Ireland having the prerogative to take our decisions on student fees as part of our devolved settlement. I certainly have not been under any pressure from the British Government. Indeed, I spoke directly to David Willetts, who, as universities Minister, is my counterpart in England. At no stage has he sought to bring any pressure on me over this matter. At all stages, the Government have known the likelihood of the types of decisions that were going to be taken in Northern Ireland.

As strange as this situation may be, I feel that we have an inescapable duty and responsibility

to ensure that we protect local places for Northern Ireland-based students, particularly in the light of the increased demand pressures. Although the precise figures on those flows may be speculative at this stage, we know for certainty that a flood is coming. We do not know how big it will be. It is like one of those hurricanes coming — you know that it is coming, and you do not know exactly what the wind speed will be, but it is coming our way. We have a duty to ensure that we take the necessary action so that we can upskill our local students and ensure that they are most likely to stay in Northern Ireland and contribute to our economy afterwards.

The Chairperson:

Thank you, Minister. We will write to you about the various issues and see whether we can address them in bite-sized chunks. I wish you well.

Dr Farry:

Thank you, Chairperson. I look forward to visiting the Committee again in the very near future. Perhaps we can discuss another topic.