Department for the
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Departmental Response to the

Consultation on the Frequency of Student Support Payments

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Foreword from the Minister for the Economy

Full-time undergraduate students from Northern Ireland, regardless of where they study in the UK, can access a package of financial support comprised of both income-assessed grants and loans, to assist with their higher education maintenance/living costs. Maintenance support is currently paid in three instalments, aligned to the three terms of the academic year.

Concerns, however, were raised with the former Department for Employment and Learning that this tri-annual system was contributing to financial hardship being faced by students. Rather than providing students with a degree of flexibility in managing their own finances based on individual needs, it was suggested that the payments schedule heightened the risk of financial mismanagement and, by extension, of student hardship.

In light of these concerns, the Department for Employment and Learning carried out a consultation on the Frequency of Student Support Payments which was launched on 3 August 2015. The consultation examined a number of alternative payment options to the current tri-annual maintenance payment schedule, to assess whether they might better assist students with their financial management. The consultation ran until 27th September 2015.

The responses to the consultation did not, however, indicate a clear consensus on the way forward. With this in mind, coupled with the significant costs involved with making any changes to the current system, particularly within the fiscal constraints faced by the higher education sector, I have decided not to make any changes at this juncture.

I will continue to stay informed of developments in this area elsewhere, and I shall re-evaluate the position in Northern Ireland should the need arise in the future.

I would like to thank everyone who participated in the consultation process.

Simon Hamilton MLA
Minister for the Economy

Background

The Existing Payment System

Full-time undergraduate students from Northern Ireland, regardless of where they study in the UK, can avail of financial support. Known as the 'student support package', it consists of two elements: a non-means tested tuition fee loan to cover the costs associated with tuition fees; and a partially means tested maintenance support package to support students in meeting the day-to-day living costs associated with higher education. The tuition fee loan is paid directly to the higher education institution that the student is attending. The maintenance support package is paid directly to the student, in three instalments aligned to the three terms of the academic year. The current student support package available for the academic year 2016/17 is outlined below:

<u>Tuition Fee Loan</u>

A Tuition Fee Loan is a repayable loan which is designed to help with tuition fees. Students studying in Northern Ireland are currently entitled to £3,925, and students studying in the rest of the UK are entitled to up to £9,000.

<u>Maintenance Grant</u>

The Maintenance Grant is a non-repayable means tested grant. Allowance entitlements are shown in the table below:

Household Income	**Entitlement**
£19,203 or less	Full grant of £3,475
Between £19,204 and £41,065	Partial grant, depending on household income
More than £41,065	No grant

Maintenance Loan

The Maintenance Loan is also designed to help with living costs and must be paid back after completion of the course and when earnings are over £17,495 per year. The table below outlines the allowances available:

Full Year Rates	Living with parents	Up to £3,750
	Studying outside London and not living with parents	Up to £4,840
	Studying in London and not living with parents	Up to £6,780
Final Year Rates	Living with parents	Up to £3,390
	Studying outside London and not living with parents	Up to £4,480
	Studying in London and not living with parents	Up to £6,170

The level of maintenance loan available is affected by the level of maintenance grant awarded, with loan entitlement reducing as grant entitlement rises. The table below shows the Maintenance Loan entitlement for Maintenance Grant recipients:

Household Income	**Maintenance Grant**	**Maintenance Loan - living away from home and studying outside London**	**Maintenance Loan - living away from home and studying in London**	**Maintenance loan - living at parents' home (max £3,750)**
£19,203	£3,475	£2,953	£4,893	£1,863
£25,000	£2,201	£3,289	£5,229	£2,199
£30,000	£1,215	£3,625	£5,565	£2,535
£35,000	£689	£4,151	£6,091	£3,061
£41,540	£0	£4,840	£6,780	£3,750

The income assessments ensure that students from lower household income backgrounds not only receive more overall support, but also receive a greater proportion of that support in the form of non-repayable grants rather than repayable loans. Additional loan support can also be made available for students whose courses are longer than normal.

Current Payment Process in Northern Ireland

Applications from full-time undergraduate students for student support are assessed by the Education Authority. If students wish their student support entitlement to be means tested, they need to supply details of their parents' or partners' incomes.

After the applications are assessed and approved, the payments themselves are administered by the Student Loans Company on the Department's behalf. Tuition fee loans are paid directly to the student's higher education provider on their behalf, and both elements of the maintenance package are paid together directly into the student's chosen bank account through direct debit.

Both the tuition fee payments and the maintenance payments are made in three instalments during the course of the academic year, once confirmation of the student's course attendance has been received from the student's higher education provider. The maintenance payments are aligned with the beginning of each term of the academic year – roughly September, January and April – and are apportioned at 33% in the first semester, 33% in the second, and the remaining 34% in the third. For example, a Northern Ireland student who is living at home and receiving the maximum grant and loan entitlement of £5,338, will receive £1,761.54 in September, £1,761.54 in January, and £1,814.92 in April.

This tri-annual payment system is designed to provide students with a degree of flexibility in the use of their finances. Large and less frequent support payments provide students with enough finance to support them with certain up-front and bulk costs associated with their studies, such as accommodation costs, books and equipment.

The Consultation

In 2015, concerns were raised with the former Department for Employment and Learning that the tri-annual system was contributing to the financial hardship being faced by students. As a result, a public consultation on proposals relating to the frequency of student support payments was launched on 3 August 2015. The consultation ran for 8 weeks, closing on the 27 September 2015.

The consultation considered a range of options in respect of different payment frequencies for the student maintenance package, which were set within the challenging financial context for the higher education sector. The consultation considered four options which are outlined below.

Option 1: The status quo

This option explored maintaining the existing tri-annual payment system for maintenance support payments. The consultation outlined that, as students are currently provided with significant levels of support in large instalments, this assists with any bulk costs which students are likely to face, including accommodation costs which are the main reason for students using the student support funds. Under this payment system, students can budget ahead as required, and so this option provided the greatest flexibility to students in the management of their own finances.

However, the consultation also stated that under this option, the onus would be on students themselves to manage their own finances responsibly and live within their means. This could potentially heighten the risk of financial mismanagement, as it requires students to budget large payments over quite long periods, for roughly four months at a time. Evidence within the consultation suggested that the peak times of the academic year for students encountering financial difficulties are aligned with the tail-end of each of these maintenance instalment periods, which could be indicative of a link between financial hardship and maintenance payments running out. Sometimes this can be a result of genuine financial pressures, other times it can be a result of financial mismanagement.

As this option did not represent any change to the current payment system, the consultation outlined that no additional resource costs to the Department would be incurred.

Option 2: Equally apportioned monthly payments

This option looked at the introduction of a monthly payment system, with payments profiled equally throughout the entire academic year. During the final year, student payments would be profiled on a monthly basis up to graduation.

Under this option, students would receive their payments more frequently. The consultation outlined that this could mitigate against financial mismanagement, as a more regular income stream would encourage students to live within their means and manage their finances responsibly. Students could also be less at risk of exhausting their finances prematurely, as they would not have to wait long periods before their next payment.

It was also outlined that this option would be more reflective of wage payments in the working world, where most employers pay monthly, and so it could arguably better prepare students for life after graduation.

However, more frequent instalments mean the payments are much smaller, and the consultation stated that this payment option could heighten the risk of students being unable to afford their initial bulk costs, especially in respect of their accommodation, as many universities do not offer monthly payment plans. Consequently, students would have less flexibility with their finances than under the status quo option.

Changing from a tri-annual to a monthly payment system was outlined as presenting additional resource pressures for the Department. Initial cost estimates suggested that the change would cost between £250,000 and £350,000 to implement. There would also be additional ongoing running costs associated with this option, roughly proportionate to the increase in bank transactions, which would quadruple when compared with the status quo.

Option 3: Front-loaded monthly payments

This option outlined the introduction of a monthly payment system, similar to option two, over the entire academic year, but with a larger payment being made in the first month to assist better with any front-loaded costs. As with option two, student payments during the final year would be profiled on a monthly basis up to graduation, but front-loaded in the first month.

Under this option, students would receive their payments more frequently than at present and, as with option two, this more regular income stream could mitigate against financial mismanagement and encourage students to live within their means and manage their finances responsibly. Students would therefore be less at risk of exhausting their finances and needing to wait long periods before their next payment.

The payment frequency would also be more reflective of wages in the working world, where most employers pay monthly, and so it could arguably better prepare students for life after graduation.

Whilst these more frequent payments are much smaller than the tri-annual payments under the existing system, heightening the risk of students being unable to manage their bulk costs, this option sought to address this by providing a front-loaded payment at the beginning of the academic year. This larger payment could better support students with their initial accommodation costs or the costs of their books and equipment.

However, the consultation highlighted that this front-loaded payment would still be much smaller than the level of up-front finance provided under the current system, and there would consequently still be a greater risk of students struggling with their bulk costs than under the status quo. It would also provide students with less flexibility with the use of their finances than the status quo.

With regard to the financial implications of this option, the consultation outlined that it would carry similar costs to option two: between £250,000 and £350,000 to implement. There would also be additional ongoing running costs associated with this option, roughly proportionate to the increase in bank transactions, which would quadruple when compared with the status quo.

Option 4: Front-loaded monthly payments during term time only (Scottish Model)

This option explored the introduction of a front-loaded monthly payment system as per option three, but payments would not be made over the summer months. Payments would begin in September and would finish in the month that the student's course ends. In most cases, this would mean payments would not be received during the months of July and August.

Under this option, students would receive their payments more frequently than at present, but would receive no support over the summer. As with options two and three, this more regular income stream could encourage students to live within their means and manage their finances responsibly. The risk of students exhausting their finances and needing to wait long periods before their next payment would not be as great as under the present system, but it would still be an issue at the tail-end of the academic year.

As with option three, the front-loading of support in September could help mitigate the impact of bulk costs at the beginning of the academic year; indeed, it could do so even more effectively given that the payments will be larger as a result of the contraction of the overall payment schedule.

This option was modelled on the Scottish system which has been in place since 2007/08. While there are many adherents of this system, critics argue that it can leave students in a very challenging financial situation over the summer months. The system is, however, predicated on the basis that the maintenance package is intended to support students while they are studying, and during the summer months students have more flexibility to support themselves in other ways. It is also usual for undergraduate students to return home during the summer, where financial pressures tend to relax.

The consultation stated that changing to this new system would carry similar costs to options two and three.

Responses to the Consultation

There were 17 responses to the consultation, 8 of which were from larger organisations. The remaining 9 responses were from individuals. Most organisational responses came from either higher education providers or from higher education student and staff interest groups. Most of the individual responses characterised themselves as either parents or former higher education students, along with one current higher education student and one higher education employee.

From the four options presented in the consultation, no option was favoured by the majority of respondents. Without applying any weighting to the responses, the most popular option amongst respondents was option four, the Scottish model, which was favoured by seven respondents (41%). However, whilst the most popular option was option four, the next largest group – representing student organisations and higher education institutions (23.53%) - were unsure which option they favoured.

Respondents also aired concern over the additional expenditure involved in implementing a new payment frequency. Uncertainty of committing to a change to the payment system was highlighted by a number of respondents. One respondent suggested that students should have a choice as to how they receive their student support payments. Another suggestion was that the frequency of payments should be tailored depending on the circumstances of the individual. One response indicated that, given the costs of implementing a new system, more research needed to be done in the area before any change in policy was made. Another respondent indicated some difficultly in agreeing an option, stating that in light of the costs of implementation, there would need to be more benefits – over and above those outlined in the consultation document – to make any changes financially viable.

Regarding the eligibility of students for any frequency changes, the vast majority (64.71%) of respondents thought that any new payment system should be applied to all students, mainly because it would be the most cost effective way for the Department to introduce a new payment system without disadvantaging any students.

There were suggested alternative options, one stating that higher education providers should be encouraged to facilitate monthly accommodation payments, and one suggested that it would be beneficial to provide additional support and information about budgeting and the initial financial costs during student inductions.

Other respondents provided additional comments such as: both new and current students should be able to choose at the start of each academic year between option one and monthly payments. A former higher education student commented that the current tri-annual format be retained, but that the current ratio of 33/33/34 should be changed to 38/31/31 in order to help students manage the initial capital expenditure of starting university whilst avoiding any additional costs for the Department as the frequency of payments would remain the same. One respondent stated that while they were content with the current system, payments should be made earlier each term so the students are not in arrears.

Other comments included the belief that the current maintenance loan needs to be increased and that some sections of the student community may require different payment systems and these should be tailored as such.

Outcomes of the Consultation

The Department has considered the responses to the consultation, and has concluded that the responses demonstrate that there is no clear consensus on a way forward on this issue. Given the additional costs involved in making an amendment to the current payment structures, and without a clear consensus for change, no immediate changes will be made to the current frequency of student support payments.

A watching brief on the position in the rest of the UK will however be maintained, to ensure that no Northern Ireland students become disadvantaged, should changes be made elsewhere.

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This document is available in other formats upon request.

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